

REPLACEMENT MASTER INFORMATION MEMORANDUM

- **BOSWM ASIAN INCOME FUND**
- **BOSWM EMERGING MARKET BOND FUND**

Note: This Replacement Master Information Memorandum is a replacement information memorandum. It replaces and/or supersedes all previously issued master information memorandum(s) pertaining to BOSWM Asian Income Fund and BOSWM Emerging Market Bond Fund in particular the replacement master information memorandum dated 22 May 2020.

MANAGER

BOS Wealth Management Malaysia Berhad 199501006861 (36059-U)

A company incorporated in Malaysia under the Companies Act 1965

TRUSTEE

CIMB Commerce Trustee Berhad 199401027349 (313031-A)

This Replacement Master Information Memorandum is dated 26 February 2021.

BOSWM Asian Income Fund was constituted on 12 January 2017.

BOSWM Emerging Market Bond Fund was constituted on 26 January 2016.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE REPLACEMENT MASTER INFORMATION MEMORANDUM. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 7.

DIRECTORS' RESPONSIBILITY STATEMENT

This Replacement Master Information Memorandum has been seen and approved by the Directors of the Management Company and they collectively and individually accept full responsibility for the accuracy of all information contained herein and confirm, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein misleading

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia will not be liable for any non-disclosure on the part of the Manager and takes no responsibility for the contents of the Replacement Master Information Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon the whole or any part of the content of this Replacement Master Information Memorandum.

ADDITIONAL STATEMENTS

While it is the duty of the Manager to ensure that all comments given to the media is accurate and true at the time the comments were given, misquotation may still occur either by the media or third parties which are out of the Manager's control. In such situations, the Manager and its employees hold no responsibility for any claims and liabilities due to the misquotations by the media and/or third parties, and are under no obligation to fulfil any expectation or demand in relation to the misquoted statements. The distribution of this Replacement Master Information Memorandum and offering, purchase, sale or transfer of units of the Fund(s) in certain jurisdictions may be restricted by law. In these jurisdictions, other than Malaysia, the Manager has not applied to allow distribution of this Replacement Master Information Memorandum or units of the Fund(s). Therefore, this Replacement Master Information Memorandum does not constitute an offer or invitation to purchase units of the Fund(s) in any jurisdiction in which such offer or invitation would be unlawful.

The distribution of this Replacement Master Information Memorandum and offering, purchase, sale or transfer of units of the Funds in certain jurisdictions may be restricted by law. In these jurisdictions, other than Malaysia, the Manager has not applied to allow the distribution of this Replacement Master Information Memorandum or units of the Funds. Therefore, this Replacement Master Information Memorandum does not constitute an offer or invitation to purchase units of the Funds in any jurisdiction in which such offer or invitation would be unlawful.

Investors should be aware that for investments of the Funds made via our Institutional Unit Trust Advisers (IUTA), where applicable, any investment transactions are subject to the terms and conditions of the respective IUTA.

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1 DEFINITIONS

The meaning of some terms in this information memorandum is explained below:

Authorised Scheme	A collective investment scheme constituted in Singapore and authorised by MAS.
Board of Directors / Independent Directors / Directors	Directors of BOS Wealth Management Malaysia Berhad
BOSWM MY / Manager / we / our	BOS Wealth Management Malaysia Berhad 199401027349 (313031-A)
Bursa Malaysia	The stock exchange managed or operated by Bursa Malaysia Securities Berhad.
Business Day(s)	A day on which the Bursa Malaysia is open for trading. For purposes of the Fund(s), the Manager will consider a Business Day as a non-Business Day if the price of the Target Fund(s) is not available on that Business Day.
Class of Units	Means any class of unit (including Class MYR, Class MYR BOS, Class USD BOS and any new class of units which may be introduced by the Manager on any later dates) representing similar interests in the assets of the Fund(s).
Class MYR	Represents a Class of Unit (of the Fund(s)) denominated in MYR with the Initial Offer Price of RM1.000.
Class MYR BOS	Represents a Class of Units (of the Fund(s)) denominated in MYR with the Initial Offer Price of RM1.0000. For the avoidance of doubt, Class MYR BOS was formerly known as Class MYR 2.
Class USD BOS	Represents a Class of Units (of the Fund(s)) denominated in USD with the Initial Offer Price of USD1.0000. For the avoidance of doubt, Class USD BOS was formerly known as Class USD.
Code	The Code on Collective Investment Schemes issued by the Monetary Authority of Singapore pursuant to section 321 of the Securities and Futures Act (Cap. 289)
Deed	The deed and all supplemental deeds (if any) entered into between the Manager and the Trustee in relation to the Fund(s).
Emerging Market	Emerging Markets include, but are not limited to, developing countries in Asia, Latin America, Europe, Africa and the Middle East.
financial institution	If the institution is in Malaysia: I. licensed bank*; II. licensed investment bank*; III. licensed Islamic bank#; or IV. development financial institutions regulated under the Development Financial Institutions Act 2002. <i>Note:</i> * has the same meaning as prescribed under the Financial Services Act 2013 # a bank licensed under the Islamic Financial Services Act 2013
Fitch	Fitch Ratings.
Fund(s)	As the case may be, collectively or individually refers to BOSWM Asian Income Fund and BOSWM Emerging Market Bond Fund (formerly known as Pacific Asian Income Fund and Pacific Emerging Market Bond Fund respectively).
Guidelines	Guidelines on Unlisted Capital Market Products under The Lodge and Launch Framework

Master Information Memorandum / Replacement Master Information Memorandum	Refers to this offering document.
Investment Manager of the Target Fund	Lion Global Investors Limited (198601745D), which is the party managing the Target Fund(s).
IOSCO	International Organization of Securities Commissions.
IUTA	Institutional Unit Trust Advisers.
Liquid assets	Refers to money market instruments and bank deposits that can be converted into cash within seven (7) business days.
MAS	Monetary Authority of Singapore.
Moody's	Moody's Investors Service.
MYR/Ringgit	Means, Malaysian Ringgit, the official currency of Malaysia.
NAV of the relevant Class	Means the value of the assets of the Fund(s) attributable to such Class of Units less the value of the liabilities of the Fund attributable to such Class of Units at a valuation point; where the Fund has more than one Class(es) of Unit, there shall be a Net Asset Value of the Fund attributable to each Class(es) of Unit;
Sophisticated Investor(s)	<p>Means any person who comes within any of the categories of investors as set out in Part 1, Schedule 6 and 7 of the Capital Markets and Services Act 2007 ("CMSA"). These would include (but are not limited to) the following:</p> <p><u>Accredited investors</u></p> <ol style="list-style-type: none"> 1. a unit trust scheme, prescribed investment scheme or private retirement scheme; 2. a holder of a Capital Markets Services License; 3. an executive director or a chief executive officer of a holder of a Capital Markets Services License; 4. a closed end fund approved by the Securities Commission; 5. a bank licensee or insurance licensee as defined under the Labuan Financial Services and Securities Act 2010; 6. a licensed institution as defined in the Financial Services Act 2013; 7. an insurance company registered under the Financial Services Act 2013; or 8. Bank Negara Malaysia. <p><u>High net worth entities</u></p> <ol style="list-style-type: none"> 1. a company that is registered as a trust company under the Trust Companies Act 1949 which has assets under management exceeding RM10 million or its equivalent in foreign currencies; 2. a corporation that is a public company under the Companies Act 1965 which is approved by the Securities Commission to be a trustee under the CMSA and has assets under management exceeding RM10 million or its equivalent in foreign currencies; 3. a corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts; 4. a partnership with total net assets exceeding RM10 million or its equivalent in foreign currencies; 5. a statutory body established by an Act of Parliament or an enactment of any State; or 6. a pension fund approved by the Director General of Inland Revenue under section 150 of the Income Tax Act 1967. <p><u>High net worth individual</u></p> <ol style="list-style-type: none"> 1. an individual – <ol style="list-style-type: none"> a. whose total net personal assets, or total net joint assets with his or her spouse, exceeds RM3 million or its equivalent in foreign

currencies, excluding the value of the individual's primary residence;

- b. who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding 12 months; or
- c. who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding 12 months,

and such other investors(s) as may be permitted by the Securities Commission Malaysia from time to time and/or under the relevant guidelines for wholesale funds.

Sub-investment Manager of the Target Fund(s)

Bank of Singapore Limited (197700866R), which is the party appointed by the investment manager of the Target Fund(s) to sub-manage the Target Fund(s).

Standard & Poor's

Standard & Poor's Financial Services

Target Fund(s)

As the case may be, collectively or individually refers to:-

(a) Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund (*the fund, which BOSWM Asian Income Fund invests into*); and

(b) Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund (*the fund, which BOSWM Emerging Market Bond Fund invests into*);

Trustee

CIMB Commerce Trustee Berhad 199401027349 (313031-A)

Unitholder(s)

The person for the time being who is registered pursuant to the Deed as a holder of the Class(es) of Unit, including a jointholder.

USD

Means, United State Dollar, the official currency of the United States of America.

USD Class C (Distribution)

As the case may be, USD Class C (Distribution) refers to either:

(a) a specific class of units of the Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund that is denominated in USD; or

(b) a specific class of units of the Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund that is denominated in USD.

Note: USD Class (Distribution) are the specific class(es) of units issued by the Target Fund(s) which the Fund(s) are investing.

2 CORPORATE DIRECTORY

MANAGER

BOS Wealth Management Malaysia Berhad
199501006861 (336059 – U)

Business Office

1001, Level 10, Uptown 1,
No. 1 Jalan SS21/58, Damansara Uptown,
47400 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-7712 3000 Fax: 03-7712 3001
E-mail: customercare@boswm.com
Website: www.boswealthmanagement.com.my

Registered Office

19th Floor, Menara OCBC,
No. 18 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: 03-2783 3996; 03-2783 3648

TRUSTEE

CIMB Commerce Trustee Berhad
199401027349 (313031-A)

Business Office

Level 21, Menara CIMB
Jalan Stesen Sentral 2,
Kuala Lumpur Sentral,
50470 Kuala Lumpur
Tel: 03-2261 8888 Fax: 03-2261 9889
Website: www.cimb.com

Registered Office

Level 13, Menara CIMB,
Jalan Stesen Sentral 2,
Kuala Lumpur Sentral,
50470 Kuala Lumpur
Tel: 03-2261 8888 Fax: 03-2261 0099
Website: www.cimb.com

3 THE FUND(S)

3.1 BOSWM Asian Income Fund

BOSWM Asian Income Fund			
Base currency	MYR		
Fund category/type	Mixed assets – feeder fund (wholesale) / Income & growth		
Financial Year End	31 December		
Investment Objective	<p>The Fund aims to provide capital growth and income in the medium to long term by investing in the Target Fund.</p> <p>Any material changes to the Fund's objective would require unitholders' approval.</p> <p><i>Note: The "Target Fund" refers to "Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund"</i></p>		
Investment Strategy	The Fund will invest at least 95% of its NAV in the USD Class C (Distribution) of the Target Fund managed by Lion Global Investors Limited and Bank of Singapore. The balance of the Fund's NAV that is not invested in the Target Fund will be invested in liquid assets.		
Asset Allocation	<p>Target Fund allocation:</p> <ul style="list-style-type: none"> • Minimum: 95% of the Fund's NAV • Maximum: 100% of the Fund's NAV <p>Liquid assets allocation:</p> <ul style="list-style-type: none"> • Minimum: 0% of the Fund's NAV • Maximum: 5% of the Fund's NAV 		
Performance Benchmark	<p>Lion Capital Funds II – Lion - Bank of Singapore Asian Income Fund*</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Lion Capital Funds II – Lion - Bank of Singapore Asian Income Fund is the Target Fund of the Fund.</i> • <i>Class A ACC USD of the Target Fund will be used for calculation based on data obtained from Bloomberg.</i> <p><i>* This is the Fund's new benchmark effective 1 March 2021. It will replace the Fund's previous benchmark (50% in JP Morgan Asia Credit Composite Total Return Index and 50% in MSCI Far East ex Japan Index) retrospectively (i.e. since the Fund's launch date).</i></p>		
Income Distribution Policy	Subject to the availability of income, distribution of income will be on a quarterly basis.		
Permitted Investment & Restriction	<p>Unless otherwise prohibited by the relevant authorities or any relevant law and provided always that there are no inconsistencies with the objective of the Fund, the Fund is permitted under the deed to invest in the following types of financial instruments:</p> <ul style="list-style-type: none"> • The Target Fund or a collective investment scheme with a similar investment objective, strategy and policy with the Fund; • Liquid assets; and • Any other form of investments as may be agreed upon by the Manager and the Trustee from time to time that are in line with the Fund's objective. <p>The purchase of investments shall be subject to the following restrictions:</p> <ul style="list-style-type: none"> • The Fund must be invested in only one collective investment scheme, i.e. the Target Fund; • The Fund must not invest in: <ul style="list-style-type: none"> ▪ a fund-of-funds; ▪ a feeder fund; and ▪ any sub-fund of an umbrella scheme which is a fund-of-funds or a feeder fund. • The Target Fund has to be managed by another management company or fund manager. 		
Class of Units available for subscription	Class MYR	Class MYR BOS	Class USD BOS
Launch date	12 January 2017	12 September 2019	12 September 2019
Feature(s): Currency Hedging	No	Yes ¹	No

¹ Currency hedging activity will be done passively (regardless of currency outlook, and on best-effort basis) utilizing forward contracts. Thus, currency risk cannot be fully mitigated.

3.2 BOSWM Emerging Market Bond Fund

BOSWM Emerging Market Bond Fund			
Base currency	MYR		
Fund category/type	Fixed income – feeder fund (wholesale) / Growth and income		
Financial Year End	31 December		
Investment Objective	<p>The Fund aims to provide capital growth and income in the medium to long term by investing in the Target Fund.</p> <p>Any material changes to the Fund's objective would require unitholders' approval.</p> <p><i>Income is in reference to the Fund's distribution, which could be in the form of cash or unit.</i></p> <p><i>Note: The "Target Fund" refers to "Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund"</i></p>		
Investment Strategy	<p>The Fund will invest at least 95% of its net asset value (NAV) in the USD Class C (Distribution) of the Target Fund managed by Lion Global Investors Limited. The balance of the Fund's NAV that is not invested in the Target Fund will be invested in liquid assets. The foreign exchange exposures to the USD Class C (Distribution) of the Target Fund will be managed by employing currency hedging mechanism.</p>		
Asset Allocation	<p>Target Fund allocation:</p> <ul style="list-style-type: none"> • Minimum: 95% of the Fund's NAV • Maximum: 100% of the Fund's NAV <p>Liquid assets allocation:</p> <ul style="list-style-type: none"> • Minimum: 0% of the Fund's NAV • Maximum: 5% of the Fund's NAV 		
Performance Benchmark	<p>Lion Capital Funds II – Lion - Bank of Singapore Emerging Market Bond Fund*</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Lion Capital Funds II – Lion - Bank of Singapore Emerging Market Bond Fund is the Target Fund of the Fund.</i> • <i>Class A ACC USD of the Target Fund will be used for calculation based on data obtained from Bloomberg.</i> <p><i>* This is the Fund's new benchmark effective 1 March 2021. It will replace the Fund's previous benchmark (45% JP Morgan Emerging Market Bond Index (EMBI) Corporate Bond High Grade Index, 50% JP Morgan Emerging Market Bond Index (EMBI) Corporate High Yield Index and 5% 1-month USD LIBOR) retrospectively (i.e. since the Fund's launch date).</i></p>		
Income Distribution Policy	Subject to the availability of income, distribution of income will be on a quarterly basis.		
Permitted Investment & Restriction	<p>Unless otherwise prohibited by the relevant authorities or any relevant law and provided always that there are no inconsistencies with the objective of the Fund, the Fund is permitted under the Deed to invest in the following types of financial instruments:</p> <ul style="list-style-type: none"> • The Target Fund or a collective investment scheme with a similar investment objective, strategy and policy with the Fund; • Liquid assets; and • Any other form of investments as may be agreed upon by the Manager and the Trustee from time to time that are in line with the Fund's objective. <p>The purchase of investments shall be subject to the following restrictions:</p> <ul style="list-style-type: none"> • The Fund must be invested in only one collective investment scheme, i.e. the Target Fund; • The Fund must not invest in: <ul style="list-style-type: none"> ▪ a fund-of-funds; ▪ a feeder fund; and ▪ any sub-fund of an umbrella scheme which is a fund-of-funds or a feeder fund. • The Target Fund has to be managed by another management company or fund manager. 		
Class of Units available for subscription	Class MYR	Class MYR BOS	Class USD BOS
Launch date	26 January 2016	12 September 2019	12 September 2019
Feature(s): Currency Hedging	Yes ²	Yes ²	No

² Currency hedging activity will be done passively (regardless of currency outlook, and on best-effort basis) utilizing forward contracts. Thus, currency risk cannot be fully mitigated.

4 RISK FACTORS

4.1 BOSWM Asian Income Fund

Target fund risk

This is a risk particular to a fund which feeds into a single target fund. This risk occurs when there is an underperformance or a non-performance due to less optimal investment management at the Target Fund level, in terms of securities selection and market, sector and economic analysis; the Target Fund is temporarily or no longer* aligned with the investment objective and strategies of the Fund; or there is an operational and administrative glitch at the Target Fund level.

This risk is mitigated by selecting a fund (Target Fund) which is managed by investment managers that have experience in managing equities and debt securities portfolios.

** There is also a risk that the Manager of the Fund (a feeder fund) is unable to find a suitable target fund to replace the Target Fund.*

The Target Fund is also subject to risk of changes in regulatory environment that would render the Fund to be no longer operational in the way originally intended.

Currency risk

Investing globally means assets are denominated in currencies other than Malaysian Ringgit. Hence, fluctuations in the exchange rates of these foreign currencies may have an impact on a fund's income and asset valuations. This risk applies to the underlying investments of the Target Fund where adverse fluctuations in exchange rates result in capital losses to the Target Fund, which will also lead to losses to the Fund. This risk is not within the control of the Manager of the Fund but dependent on the risk management strategy of the Investment Manager of the Target Fund. Risk is managed by investing in a fund (the Target Fund) that is managed by an investment manager with experience in managing investments denominated in foreign currencies.

Notwithstanding the above, the newly introduced Class MYR BOS features currency hedging, where the Manager will passively (regardless of currency outlook, and on best-effort basis) utilize forward contracts to reduce the impact of exchange rate changes between MYR (the currency denomination of Class MYR BOS) and USD (the currency denomination of the Target Fund).

Country and/or foreign securities risk

This refers to the risks of investing in foreign markets, in particular those of emerging markets within the Asian regions. Asian Markets may be subject to higher than usual risks of political changes, government regulations, social instability or diplomatic developments which could adversely affect the economies of the relevant countries and thus the value of investments in those countries. Investment in some Asian and/or emerging Asia often involve a greater degree of risk due to the nature of such markets which do not fully develop services such as custodian and settlement services often taken for granted in more developed markets. Any of these negative events occurring could result in capital loss to the Target Fund, which in turn result in loss to the Fund. This risk is not within the control of the investment manager of the Fund but dependent on the investment and risk management strategy of the investment manager of the Target Fund. Risk is reduced by investing in a fund (the Target Fund) that is managed by investment managers with experience managing equities and debt securities portfolios.

4.2 BOSWM Emerging Market Bond Fund

Country and/or foreign securities risk

This refers to the risks of investing in foreign markets, in particular Emerging Markets. Emerging Markets may have relatively underdeveloped capital markets, less stringent regulatory and disclosure standards, concentration in only a few industries, greater adverse political, social and economic risks and general lack of liquidity of securities. The risk of expropriation, nationalisation, exchange control restrictions, confiscatory taxation and limitations on the use or removal of funds also exists in Emerging Markets. Emerging Markets may also have less developed procedures for custody, settlement, clearing and registration of securities transactions. Any of these negative events occurring could result in capital loss to the Target Fund, which in turn result in loss to the Fund. This risk is not within the control of the Manager of the Fund but dependent on the investment and risk management strategy of the Investment Manager of the Target Fund. Risk is reduced by investing in a fund (the Target Fund) that is managed by an investment manager with experience managing emerging market bond funds or portfolios.

Currency risk

Investing globally means assets are denominated in currencies other than Malaysian Ringgit. Hence, fluctuations in the exchange rates of these foreign currencies may have an impact on a fund's income and asset valuations. This risk applies to the underlying investments of the Target Fund where adverse fluctuations in exchange rates result in capital losses to the Target Fund, which will also lead to losses to the Fund. This risk is not within the control of the Manager of the Fund but dependent on the risk management strategy of the Investment Manager of the Target Fund. Risk is managed by investing in a fund (the Target Fund) that is managed by an investment manager with experience in managing investments denominated in foreign currencies.

In addition, there is potential risk of adverse currency fluctuations where a fund invests in another fund denominated in a currency other than Malaysian Ringgit.

In relation to the Fund, this risk is mitigated by onshore Ringgit hedging (Note: Ringgit hedging is applicable to Class MYR and Class MYR BOS only, not Class USD BOS).

Target fund risk

This is a risk particular to a fund which feeds into a single target fund. This risk occurs when there is an underperformance or a non-performance due to less optimal investment management at the Target Fund level, in terms of securities selection and market, sector and economic analysis; the Target Fund is temporarily or no longer* aligned with the investment objective and strategies of the Fund; or there is an operational and administrative glitch at the Target Fund level.

This risk is mitigated by selecting a fund (Target Fund) which is managed by investment managers that have experience in managing equities and debt securities portfolios.

** There is also a risk that the Manager of the Fund (a feeder fund) is unable to find a suitable target fund to replace the Target Fund.*

The Target Fund is also subject to risk of changes in regulatory environment that would render the Fund to be no longer operational in the way originally intended.

4.3 Risk Management Strategies and Techniques adopted by the Manager in relation to the Fund(s)

At the Fund level, the risk management strategies are as follows:

- Monitoring the Fund(s)' respective underlying investment (the Target Fund(s)) to continue to meet the Fund(s)' investment objective and is in line with the investment limits;
- Monitoring the performance of the Fund(s);
- Monitoring market and economic conditions, especially where the market and economic conditions relate to foreign currency exchange; and
- Operational risk – arising from international settlement and custody risks are managed through the appointment of an international global custodian.

4.4 Risk Factors associated with the Target Fund(s)

Unitholders of the Fund(s) should be aware that the price of the units of the Target Fund(s) can go down as well as up and past performance of the Target Fund(s) is not necessarily a guide to the future performance of the Target Fund(s). Investments in the Target Fund are meant to produce returns over the period of the investment and are not suitable for speculation in the short term.

The performance of the Target Fund may be affected by changes in the market value of the assets comprised in the portfolio which are subject to changes in interest rates, foreign exchange, economic and political conditions.

Unitholders of the Fund(s), who indirectly have substantial exposure in the Target Fund should also note that they may not get back their original investment.

Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund

(The Target Fund of BOSWM Asian Income Fund invests)

- **Market risk** – The risks of investing and participating in listed and unlisted securities apply. Prices of securities may go up or down in response to changes in economic conditions, interest rates, and the market's perception of securities. These may cause the price of units to go up or down as the price of units is based on the current market value of the investments of the Target Fund.
There are risks of investing in bonds and other fixed income securities. Bond prices may go up or down in response to interest rates with increases in interest rates leading to falling bond prices.
The market prices of bonds and other fixed income securities are also affected by credit risks, such as risk of default by issuers and liquidity risk.

There are also risks in investments in emerging markets within the Asian region. Some Asian markets may be more volatile than those in the developed countries. The prices of investments in these markets may be influenced by economic and political conditions and interest rates. Some of the investments, which will be made in smaller markets, may be less liquid and the limited liquidity of these markets may therefore affect the ability of the Target Fund to acquire or dispose of securities at the price and time it desires. The emerging markets within the Asian region and some of the Asian markets may not have well-developed securities laws and regulatory frameworks and their disclosure and regulatory standards may be less stringent than those in developed markets. Accounting and auditing standards and requirements may not have been established in some respects or may differ significantly from international standards and, as a result, there may be situations where the information on a company's accounts may not be an accurate reflection of its financial strength.

- **Derivatives risk** – The Target Fund may, from time to time invest in derivatives, which are financial contracts whose value depend on, or is derived from, the value of an underlying asset, reference rate or index for the purposes of hedging, efficient portfolio management and meeting its investment objective. Such assets, rates and indices may include (but are not limited to) bonds, shares, interest rates, currency exchange rates, bond indices and stock indices.

While the judicious use of derivatives by professional investment managers can be beneficial, derivatives involve risks different from, and, in some cases, greater than, the risks presented by more traditional securities investments. Some of the risks associated with derivatives are market risk, management risk, credit risk, liquidity risk and leverage risk.

As the viability of exercising derivative instruments depends on the market price of the investments to which they relate, it may be the case that the investment managers may from time to time consider it not viable to exercise certain derivatives held by the Target Fund within the prescribed period, in which case any costs incurred in obtaining the derivatives will not be recoverable. There is also the risk that the market price of the relevant investment will not exceed the exercise price attached to the derivative instrument at any time during the exercise period or at the time at which the derivative instrument is exercised and this may result in an immediate loss to the Target Fund.

The investment managers intend to utilise the covered call option strategy to allow the Target Fund to outperform a direct investment in the underlying portfolio of equities in all scenarios, other than in a strong rising market scenario (though this is not guaranteed). In addition to the generation of option income, the Target Fund may also benefit from reduced overall portfolio risk (though this is not guaranteed). However, in a strong rising market scenario, such a strategy will cause the Target Fund to give up potential appreciation in the value of the equities in its portfolio above the strike price.

The investment managers have a comprehensive and structured Compliance Monitoring Program ("CMP"). There is a dedicated compliance team to implement the CMP. Upon the creation of a new fund or client account, investment guidelines will be reviewed by the compliance team and checks will be programmed into our automated pretrade compliance system as far as possible. In addition, guidelines which cannot be electronically monitored will be manually checked for compliance. The global exposure of the Target Fund to financial derivatives or embedded financial derivatives will not exceed 100% of the net asset value of the Target Fund. The investment managers may modify the risk management and compliance procedures and controls at any time as the investment managers deem fit and in the interests of the Target Fund.

The global exposure of the Target Fund to financial derivatives or embedded financial derivatives will not exceed 100% of the Net Asset Value of the Target Fund at any time.

The investment managers currently use the commitment approach as described in Appendix 1 of the Code to determine the Target Fund's exposure to financial derivatives. In determining the Target Fund's exposure to financial derivatives, the investment managers will adopt the calculation methods set out under paragraph 4.10 of Appendix 1 of the Code.

The investment managers will ensure that the risk management and compliance procedures and controls adopted are adequate and have been implemented and that we have the necessary expertise to control and manage the risks relating to the use of financial derivatives. The investment managers will attempt to minimise the risks through careful selection of reputable counterparties and constant monitoring of the Target Fund's derivatives positions.

- **Covered call writing risk –**
 - In a situation where the stock market rallies and the investment managers have written a call option on the stocks, there will effectively be a cap to the upside potential and the Target Fund may not be able to obtain the appreciation in the value of the stock.
 - Options are sensitive to the volatility of equity markets. Before expiry of the option, the price of the option can change even though the price of the stock remains unchanged due to time decay volatility.
 - These derivatives strategies used by the investment managers may be affected by market conditions due to regulatory limits and there is no guarantee that the use of such strategies will achieve the desired outcome.
- **Counterparty risk –** The Target Fund may enter into transactions in OTC markets, which will expose the Target Fund to the credit of their counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the relevant Target Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Target Fund seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated.
- **Issuer risk –** A fundamental risk to all fixed income securities is the risk that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer are also factors that may have an adverse impact on an issuer's credit quality and security values.
- **Currency risk –** As the investments of the Target Fund may be denominated in foreign currencies other than base currency which is in USD, fluctuations of the exchange rates of foreign currencies against the relevant currency denomination of the Units may affect the value of the units as the investment managers may not fully hedge the foreign currency exposure and correspondingly, you will be exposed to exchange rate risks.
- In respect of hedged classes, the investment managers will apply a hedging strategy which aims to mitigate currency risk between the net asset value of the Target Fund and the currency of the hedged class while taking into account practical considerations including transaction costs. All gains/losses or expenses arising from hedging transactions are borne separately by the shareholders of the respective hedged classes.
- **Credit risk –** Bonds and other debt securities are subject to the risk that some issuers of bonds and other debt securities and other investments made by the Target Fund may not make payments on such obligations. Further, an issuer may suffer adverse changes in its financial condition that could lower the credit quality of a security, leading to greater volatility in the price of the security and in the value of the Target Fund. A change in the quality rating of a security can also affect the security's liquidity and make it more difficult to sell.
- **Default risk –** Investments in debt securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal, especially if the issuer is highly leveraged. Such issuer's ability to meet its debt obligations may also be adversely affected by specific corporate developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. Also, an economic downturn or an increase in interest rates may increase the potential for default by the issuers of these securities.
- **Interest rate risk –** Investments in debt securities are also subject to the risk of interest-rate fluctuations, and the prices of debt securities may go up or down in response to such fluctuations in interest rates.

- **Risk of mis-management by debt issuers** – The debt securities which the Target Fund invests into may be issued by companies in emerging markets within the Asian region. Unlike developed markets, such emerging market companies are generally less transparent, have poorer corporate governance standards and are less well regulated. There are risks that management of such companies may not act at all times in the companies' best interest or may be subject to fraud, corruption or mis-management, which could have an adverse impact on the companies' credit standing or negatively affect such companies' ability to repay the principal and/or interest on debt securities which may have been invested into by the Target Fund.
- **Other risks** – The Target Fund's investments are also subject to liquidity and regulatory risks, for example, the introduction of new laws, the imposition of exchange controls, the adoption of restrictive provisions by individual companies or where a limit on the holding of the Target Fund in a particular company, sector or country by non-residents (individually or collectively) has been reached.

In addition, the Target Fund will be exposed to the credit risk of parties with whom it trades and will bear the risk of settlement default. The trustee of the Target Fund may also be instructed by the investment manager of the Target Fund to settle transactions on a delivery free of payment basis where the investment manager of the Target Fund believes that this form of settlement is common market practice. Investors of the Fund should be aware that this may result in a loss to the Target Fund if a transaction fails to settle, and the trustee of the Target Fund will not be liable to the Target Fund for such loss.

- **Specific Risks Associated With Investment In Emerging Markets Within The Asian Region**

- **Political risk** – Countries outside Singapore, especially those with emerging markets within the Asian region, may be subject to higher than usual risks of political changes, government regulations, social instability or diplomatic developments (including war) which could adversely affect the economies of the relevant countries and thus the value of investments in those countries. There is also the risk that nationalisation or other similar action could lead to confiscation of assets under which shareholders in those companies would get little or no compensation. The economies in the emerging markets may be heavily dependent on international trade and accordingly, may be adversely affected by trade barriers, or other protectionist measures and international economic developments generally.

Liquidity risk – Trading volume on stock exchanges in emerging markets within the Asian region can be substantially less than on the stock exchanges of the major markets, so that acquisition and disposal of holdings may be time consuming and/or may need to be conducted at unfavourable prices.

Liquidity Risk Management

The Target Fund Manager have established liquidity risk management policies which enable them to identify, monitor, and manage the liquidity risks of the Target Fund. Such policies, combined with the liquidity management tools available, seek to achieve fair treatment of Holders, and safeguard the interests of remaining holders against the redemption behaviour of other investors and mitigate against systemic risk.

The Target Fund Manager's liquidity risk management policies take into account the Target Fund's liquidity terms, asset class, liquidity tools and regulatory requirements.

The liquidity risk management tools available to manage liquidity risk include the following:

- (a) The Target Fund may, subject to the provisions of the Target Fund's Deed, borrow up to 10% of its latest available Net Asset Value (or such other percentage as may be prescribed by the Code) at the time the borrowing is incurred and the borrowing period should not exceed one month, provided always and subject to the borrowing restrictions in the Code;
- (b) The Target Fund Manager may, pursuant to the Target Fund's deed, suspend the realisation of units of the Target Fund or class, with the approval of the trustee; and
- (c) The Target Fund Manager may, with the approval of the trustee, and pursuant to the Target Fund's deed, limit the total number of units in relation to the Target Fund or class which holders may realise to 10% of the total number of units of the Target Fund then in issue, such limitation to be applied proportionately to all Holders in relation to the Target Fund or class (as the case may be) who have validly requested realisations on the relevant dealing day.

The Target Fund Manager may perform regular stress testing on the Target Fund.

Factors considered in stress tests (either independently or concurrently) include:

- (i) a sudden increase in redemptions;
- (ii) worsening of market liquidity for the underlying assets of the Target Fund; and
- (iii) redemption by the largest unitholder / distributor of the Target Fund.

Our stress testing scenarios consider historical situations and forward-looking hypothetical scenarios, where appropriate.

- The reasonableness and relevance of our stress test assumptions are regularly reviewed to ensure that stress tests are based on reliable and up-to-date information.
- **Repatriation risk** – Investments in emerging markets within the Asian region could be adversely affected by delays in, or refusal to grant, relevant approvals for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Consents granted prior to investment being made in any particular country may be varied or revoked, and new restrictions may be imposed.
- **Asian and/or emerging market risk** – Investments by the Target Fund in some Asian and/or emerging markets often involve a greater degree of risk due to the nature of such markets which do not have fully developed services such as custodian and settlement services often taken for granted in more developed markets. There may be a greater degree of volatility in such markets because of the speculative element, significant retail participation and the lack of liquidity which are inherent characteristics of these Asian and/or emerging markets with Asia.
- **Regulatory risk** – The Target Fund's investments in emerging economies are also subject to regulatory risks, for example, the introduction of new laws, the imposition of exchange controls, the adoption of restrictive provisions by individual companies or where a limit on the holding of the Target Fund in a particular company, sector or country by non-residents (individually or collectively) has been reached.
- **Risks Associated With Investments In Certain Eligible China A-Shares Through The Shanghai-Hong Kong Stock Connect And Shenzhen-Hong Kong Stock Connect (Collectively, the 'Stock Connect')**
In order to achieve its investment objective, the Target Fund intends to invest in and have direct access to certain eligible China A-shares through the Stock Connect. Investments through the Stock Connect are subject to additional risks, including but not limited to, daily quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risks, nominee arrangements in holding China A-shares and regulatory risk.
 - (i) **Daily quota limitations**
The Stock Connect is subject to daily quota limitations on investments, which are currently set at RMB13 billion for each Northbound Trading Link and may be adjusted in light of actual operational performance. Daily quota may restrict the Target Fund's ability to invest in China A-shares through the Stock Connect on a timely basis, and the Target Fund may not be able to effectively pursue its investment policy.
 - (ii) **Suspension risk**
The Stock Exchange of Hong Kong ("SEHK") and Shanghai Stock Exchange ("SSE") / Shenzhen Stock Exchange ("SZSE") (as the case may be) reserve the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently which could adversely affect the Target Fund's ability to access the Mainland China market.
 - (iii) **Differences in trading day**
The Stock Connect only operates on days when both the Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the Target Fund) cannot carry out any China A-shares trading. The Target Fund may be subject to a risk of price fluctuations in China A-shares during the time when the Stock Connect is not trading as a result.

- (iv) Restrictions on selling imposed by front-end monitoring
Mainland China regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE / SZSE (as the case may be) will reject the sell order concerned SEHK will carry out pre-trade checking on China A-shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.
- (v) Recalling of eligible stocks
When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but is restricted from being bought. This may affect the investment portfolio or strategy of the Target Fund, for example, when the Target Fund wishes to purchase a stock which is recalled from the scope of eligible stocks.
- (vi) Foreign shareholding restrictions and forced-sale arrangement
The China Securities Regulatory Commission ("CSRC") stipulates that, when holding China A-shares, Hong Kong and overseas investors are subject to the following shareholding restrictions:
- shares held by a single foreign investor (such as the Target Fund) is not allowed to exceed 10% of the company's total issued shares; and
 - total China A-shares held by all foreign investors (i.e. all Hong Kong and overseas investors) in a listed company is not allowed to exceed 30% of its total issued shares.

When Hong Kong and overseas investors carry out strategic investments in listed companies in accordance with the rules, the shareholding of the strategic investments is not capped by the abovementioned percentages.

Should the shareholding of the Target Fund in a China A-share listed company exceed the above restriction, the Target Fund may be required to unwind its position on the excessive shareholding within five trading days for Northbound Trading, otherwise SEHK participants shall apply the forced-sale arrangement on the Target Fund.

As there are limits on the total shares held by all Hong Kong and overseas investors in a listed company in Mainland China, the capacity of the Target Fund to make investments in China A-shares will be affected by the activities of all Hong Kong and overseas investors investing through the Stock Connect or any other permissible ways to obtain China A-shares investment exposures. If the aggregate foreign shareholding limit is exceeded, SSE / SZSE will notify SEHK the number of shares that are subject to forced sale within five trading days for Northbound Trading. On a last-in-first-out basis, SEHK will identify the relevant trades involved and request the relevant SEHK participants to require the Hong Kong and overseas investors concerned to sell the shares within the timeframe as stipulated by SEHK. If the relevant investors fail to sell the shares before the stipulated deadline, SEHK participants will be required to force-sell the shares for the relevant investors (such as the Target Fund). SSE / SZSE (as the case may be) will publish a notice if the percentage of total foreign shareholding in a listed company reaches 26% and the buy orders are not allowed for the related China A-shares if the aggregate foreign shareholding reaches 28%.

- (vii) Clearing, settlement and custody risks
The Hong Kong Securities Clearing Company Limited ("HKSCC"), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited ("HKEx") and China Securities Depository and Clearing Corporation Limited ("ChinaClear") establish the clearing links and each is a participant of the other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of the Mainland China's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote. Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Target Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

(viii) Operational risk

The Stock Connect provides new channels for investors from Hong Kong and overseas, such as the Target Fund, to access the Mainland China stock market directly. The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the program to operate, market participants may need to address issues arising from the differences on an on-going basis. Further, the "connectivity" in the Stock Connect program requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. new order routing systems to be set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. The Target Fund's ability to access the China A-share market (and hence to pursue its investment strategy) will be adversely affected.

(ix) Nominee arrangements in holding China-A shares

HKSCC is the "nominee holder" of the SSE securities / SZSE securities (as the case may be) acquired by overseas investors (including the Target Fund) through the Stock Connect. The CSRC Stock Connect rules expressly provide that investors such as the Target Fund enjoy the rights and benefits of the SSE securities acquired through the Stock Connect in accordance with applicable laws. The CSRC has clarified and restated in Frequently Asked Questions published on 30 September 2016 that (i) the concept of nominee shareholding is recognised in Mainland China, (ii) overseas investors shall hold SSE securities / SZSE securities (as the case may be) through HKSCC and are entitled to proprietary interests in such securities as shareholders, (iii) Mainland China law does not expressly provide for a beneficial owner under the nominee holding structure to bring legal proceedings, nor does it prohibit a beneficial owner from doing so, (iv) as long as certification of holding issued by HKSCC and its participants is treated as lawful proof of a beneficial owner's holding of SSE securities / SZSE securities (as the case may be) under the Hong Kong Special Administrative Region law, it would be fully respected by CSRC and (v) as long as an overseas investor can provide evidential proof of direct interest as a beneficial owner, the investor may take legal actions in its own name in Mainland China courts. Under the rules of the Central Clearing and Settlement System ("CCASS") operated by HKSCC for the clearing of securities listed or traded on SEHK, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the SSE securities / SZSE securities (as the case may be) in Mainland China or elsewhere. Therefore, although the Target Fund's ownership may be ultimately recognised, the Target Fund may suffer difficulties or delays in enforcing its rights in China A-shares. Moreover, whether Mainland China courts will accept the legal action independently initiated by the overseas investor with the certification of holding in SSE securities / SZSE securities (as the case may be) issued by HKSCC and its participants has yet to be tested.

(x) Participation in corporate actions

HKSCC will keep CCASS participants informed of the corporate actions of SSE securities / SZSE securities (as the case may be), in particular those that require CCASS participants / investors to take actions. Hong Kong and overseas investors (such as the Target Fund) should note and comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants) in order to participate in the corporate actions relating to their SSE securities / SZSE securities (as the case may be). The time for the Target Fund to take actions for some types of corporate actions of SSE securities / SZSE securities (as the case may be) may be very short. Therefore, the Target Fund may not be able to participate in some corporate actions in a timely manner.

(xi) Investor compensation

Investments of the Target Fund through Northbound trading under the Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via the Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. Therefore, the Target Fund is exposed to the risk of default of the broker(s) it engages in its trading in China A shares through the Stock Connect. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, therefore it is not protected by the China Securities Investor Protection Fund in Mainland China.

(xii) Trading costs

In addition to paying trading fees and stamp duties in connection with China A-shares trading, the Target Fund may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.

(xiii) Regulatory risk

The CSRC Stock Connect rules are departmental regulations having legal effect in Mainland China. However, the application of such rules is untested, and it is uncertain how the Mainland China courts will apply such rules, e.g. in liquidation proceedings of Mainland China companies. The Stock Connect is novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect.

The regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Target Fund which may invest in the Mainland China markets through the Stock Connect may be adversely affected as a result of such changes.

Where any of the risks above occur and adversely impact the performance of the Target Fund, the non-performance of the Target Fund will result in capital losses to the Fund.

Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund

(The Target Fund of BOSWM Emerging Market Bond Fund)

Investors of the Fund should be aware that the price of the units of the Target Fund can go down as well as up and past performance of the Target Fund is not necessarily a guide to the future performance of the Target Fund. Investments in the Target Fund are meant to produce returns over the period of the investment and are not suitable for speculation in the short term.

The performance of the Target Fund may be affected by changes in the market value of the assets comprised in the portfolio which are subject to changes in interest rates, foreign exchange, economic and political conditions. Investors of the Target Fund should also note that they may not get back their original investment. The following are the risks associated with the Target Fund:

- **Market risk** - The risks of investing and participating in listed and unlisted securities apply. Prices of securities may go up or down in response to changes in economic conditions, interest rates, and the market's perception of securities. These may cause the price of units of the Target Fund to go up or down as the price of units of the Target Fund is based on the current market value of the investments of the Target Fund.

There are risks of investing in bonds and other fixed income securities. Bond prices may go up or down in response to interest rates with increases in interest rates leading to falling bond prices.

The market prices of bonds and other fixed income securities are also affected by credit risks, such as risk of default by issuers and liquidity risk.

- **Derivatives risk** - The Target Fund may, from time to time invest in derivatives, which are financial contracts whose value depend on, or is derived from, the value of an underlying asset, reference rate or index for the purposes of hedging, efficient portfolio management and meeting the investment objective of the Target Fund. Such assets, rates and indices may include (but are not limited to) bonds, shares, interest rates, currency exchange rates, bond indices and stock indices.

While the judicious use of derivatives by professional investment managers can be beneficial, derivatives involve risks different from, and, in some cases, greater than, the risks presented by more traditional securities investments. Some of the risks associated with derivatives are market risk, management risk, credit risk, liquidity risk and leverage risk.

As the viability of exercising derivative instruments depends on the market price of the investments to which they relate, it may be the case that the external investment manager may from time to time consider it not viable to exercise certain derivatives held by the Target Fund within the prescribed period, in which case any costs incurred in obtaining the derivatives will not be recoverable. There is also the risk that the market price of the relevant investment will not exceed the exercise price attached to the derivative instrument at any time during the exercise period or at the time at which the derivative instrument is exercised and this may result in an immediate loss to the Target Fund.

- **Issuer risk** - A fundamental risk to all fixed income securities is the risk that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer are also factors that may have an adverse impact on an issuer's credit quality and security values.
- **Currency risk** - As the investments of the Target Fund may be denominated in foreign currencies other than base currency of the Target Fund, i.e. USD, fluctuations of the exchange rates of foreign currencies against the USD may affect the value of the Target Fund.
The sub-investment manager of the Target Fund may from time to time employ currency hedging techniques to manage the impact of the exchange rate fluctuations on the Target Fund and/or for the purpose of efficient portfolio management.
- **Distressed securities risk** - The Target Fund may invest in distressed securities which are securities and obligations of entities that are experiencing significant financial or business difficulties. Distressed securities may result in significant returns, but also involve a substantial degree of risk. The Target Fund may lose a substantial portion or all of its investment in a distressed security or may be required to accept cash or securities with a value less than the Target Fund's investment in such securities. In addition, it may be difficult for the Target Fund to obtain information as to the true condition of such issuers. The market price of such securities is subject to abrupt and erratic market movements and above average price volatility.
- **Default risk** - Investments in debt securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal, especially if the issuer is highly leveraged. Such issuer's ability to meet its debt obligations may also be adversely affected by specific corporate developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. Also, an economic downturn or an increase in interest rates may increase the potential for default by the issuers of these securities.
- **Interest rate risk** - Investments in debt securities are also subject to the risk of interest-rate fluctuations, and the prices of debt securities may go up or down in response to such fluctuations in interest rates.
- **Mis-management by debt issuer risk** - The debt securities which the Target Fund invests into may be issued by companies in Emerging Markets. Unlike developed markets, such Emerging Market companies are generally less transparent, have poorer corporate governance standards and are less well regulated. There are risks that management of such companies may not act at all times in the companies' best interest or may be subject to fraud, corruption or mis-management, which could have an adverse impact on the companies' credit standing or negatively affect such companies' ability to repay the principal and/or interest on debt securities which may have been invested into by the Target Fund.
- **Other risks** - The Target Fund's investments are also subject to liquidity and regulatory risks, for example, the introduction of new laws, the imposition of exchange controls, the adoption of restrictive provisions by individual companies or where a limit on the holding of the Target Fund in a particular company, sector or country by non-residents (individually or collectively) has been reached.
In addition, the Target Fund will be exposed to the credit risk of parties with whom it trades and will bear the risk of settlement default. The trustee of the Target Fund may also be instructed by the Investment Manager of the Target Fund to settle transactions on a delivery free of payment basis where the Investment Manager of the Target Fund believes that this form of settlement is common market practice. Investors of the Fund should be aware that this may result in a loss to the Target Fund if a transaction fails to settle, and the trustee of the Target Fund will not be liable to the Target Fund for such loss.

Liquidity Risk Management

The Target Fund Manager have established liquidity risk management policies which enable them to identify, monitor, and manage the liquidity risks of the Target Fund. Such policies, combined with the liquidity management tools available, seek to achieve fair treatment of Holders, and safeguard the interests of remaining holders against the redemption behaviour of other investors and mitigate against systemic risk.

The Target Fund Manager's liquidity risk management policies take into account the Target Fund's liquidity terms, asset class, liquidity tools and regulatory requirements.

The liquidity risk management tools available to manage liquidity risk include the following:

- (a) The Target Fund may, subject to the provisions of the Target Fund's Deed, borrow up to 10% of its latest available Net Asset Value (or such other percentage as may be prescribed by the Code) at the time the borrowing is incurred and the borrowing period should not exceed one month, provided always and subject to the borrowing restrictions in the Code;
- (b) The Target Fund Manager may, pursuant to the Target Fund's deed, suspend the realisation of units of the Target Fund or class, with the approval of the trustee; and
- (c) The Target Fund Manager may, with the approval of the trustee, and pursuant to the Target Fund's deed, limit the total number of units in relation to the Target Fund or class which holders may realise to 10% of the total number of units of the Target Fund then in issue, such limitation to be applied proportionately to all Holders in relation to the Target Fund or class (as the case may be) who have validly requested realisations on the relevant dealing day.

The Target Fund Manager may perform regular stress testing on the Target Fund.

Factors considered in stress tests (either independently or concurrently) include:

- (i) a sudden increase in redemptions;
- (ii) worsening of market liquidity for the underlying assets of the Target Fund; and
- (iii) redemption by the largest unitholder / distributor of the Target Fund.

Our stress testing scenarios consider historical situations and forward-looking hypothetical scenarios, where appropriate.

- The reasonableness and relevance of our stress test assumptions are regularly reviewed to ensure that stress tests are based on reliable and up-to-date information.

• **Specific Risks Associated With Investment In Emerging Markets**

- **Political risk** - Countries outside Singapore, especially those with Emerging Markets, may be subject to higher than usual risks of political changes, government regulations, social instability or diplomatic developments (including war) which could adversely affect the economies of the relevant countries and thus the value of investments in those countries. There is also the risk that nationalisation or other similar action could lead to confiscation of assets under which shareholders in those companies would get little or no compensation. The economies in the Emerging Markets may be heavily dependent on international trade and accordingly, may be adversely affected by trade barriers, or other protectionist measures and international economic developments generally.
- **Repatriation risk** - Investments in Emerging Markets could be adversely affected by delays in, or refusal to grant, relevant approvals for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Consents granted prior to investment being made in any particular country may be varied or revoked, and new restrictions may be imposed.
- **Global emerging market risk** - Investments by the Target Fund in some Asian and/or Emerging Markets often involve a greater degree of risk due to the nature of such markets which do not have fully developed services such as custodian and settlement services often taken for granted in more developed markets. There may be a greater degree of volatility in such markets because of the speculative element, significant retail participation and the lack of liquidity which are inherent characteristics of these Asian and/or Emerging Markets.
- **Regulatory risk** - The Target Fund's investments in Emerging Markets' economies are also subject to regulatory risks, for example, the introduction of new laws, the imposition of exchange controls, the adoption of restrictive provisions by individual companies or where a limit on the holding of the Target

Fund in a particular company, sector or country by non-residents (individually or collectively) has been reached.

- **Concentration risk** - The investments of the Target Fund may be exposed to concentration risks as it is currently intended for the Target Fund to be primarily** invested in emerging market bonds issued from emerging market countries.

** "primarily" means at least 70% of the net asset value of the Target Fund.

Where any of the risks above occur and adversely impact the performance of the Target Fund, the non-performance of the Target Fund will result in capital losses to the Fund.

4.5 Risk Management Strategies and Techniques adopted by the Investment Manager of the Target Fund(s)

At the Target Fund level, the risk management strategies are as follows:

- Risk is controlled by broad diversification in countries, sectors and industries;
- Investment limits put in place to reduce risks include single security limits, limits on single country or sector exposure and maximum duration; and
- During or in anticipation of adverse market conditions, the Target Fund(s) may allocate a significant portion of its net asset value(s) in cash or cash equivalents.

5 KEY INFORMATION OF THE TARGET FUND(S)

5.1 Target Fund for BOSWM Asian Income Fund

Target Fund for BOSWM Asian Income Fund	
Name of the Target Fund	Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund
Regulatory Authority	Monetary Authority of Singapore <i>Note: The Target Fund is an Authorised Scheme under the SFA and Registered with MAS. Units of the Target Fund are allowed to be offered to the retail public.</i>
Domicile	Singapore
Investment Objective	The investment objective of the Target Fund is to provide capital growth and income by investing in a diversified portfolio of investments with a focus in Asian equities and Asian debt securities, and the writing of equity covered call options. The Managers may allocate a significant portion of the Target Fund in cash or cash equivalents during or in anticipation of adverse market conditions.
Investment Strategy	<p>Investment Process</p> <p>The Target Fund will be actively managed and will invest in equities and exchange traded funds (“ETFs”) quoted or listed on Asian stock exchanges including but not limited to Singapore, Malaysia, Thailand, Indonesia, Philippines, Hong Kong, Taiwan, China and South Korea. Investment in stocks or ETFs listed in the US or other non-Asian stock exchanges but with significant business presence or risk exposure in the aforementioned Asian countries is also allowed. Such investments may include Asian companies which are listed as American depository receipts in US, or ETFs listed in London which tracks one or more Asian markets.</p> <p>The Target Fund will also invest in USD-denominated bonds issued from Asian countries, including but not limited to Bangladesh, China, Hong Kong, Indonesia, India, South Korea, Malaysia, Macau, Mongolia, Philippines, Pakistan, Singapore, Sri Lanka, Thailand, Taiwan and Vietnam. The universe will include bonds issued by sovereigns, quasi-sovereigns, banks and corporates, and shall include investment grade, high yield, as well as unrated bonds.</p> <p>The Target Fund has the option of investing up to 20% of the fixed income assets in non-USD denominated bonds. The Target Fund shall also have the flexibility of writing listed or OTC covered call options on equities held.</p> <p>Up to 30% of the Target Fund’s NAV may be held in cash or cash equivalents (including money market instruments).</p> <p>Any investment in ETFs or other underlying schemes will be made in accordance with Appendix 1 of Code on Collective Investment Schemes issued by the Authority, as amended from time to time (the “Code”).</p>
Authorised Investments	<p>The authorised investments of the Target Fund are as follows:</p> <ul style="list-style-type: none"> i Any quoted investment; ii Any investment in respect of which application for listing or for permission to deal has been made to a recognised stock exchange and the subscription for or purchase of which is either conditional upon such listing or permission to deal being granted within a specified period not exceeding 12 weeks (or such other period as may be agreed between the Investment Manager of the Target Fund and the trustee of the Target Fund) or in respect of which the Investment Manager of the Target Fund is satisfied that the subscriptions or other transactions will be cancelled if the application is refused; iii Any unquoted investment; iv Any investment denominated in any currency; v Any investment which is a unit in any unit trust scheme or a share or participation in an open-ended mutual fund or other collective investment scheme; vi Any investment which is a futures, option, forward, swap, collar, floor or other derivative;

Target Fund for BOSWM Asian Income Fund	
	<p>vii The currency of any country or any contract for the spot purchase or sale of any such currency or for hedging purposes, any foreign exchange transaction or any forward contract of such currency; and</p> <p>viii Any other investment not covered by paragraphs (i) to (vii), of this definition, and is selected by the Target Fund Managers for investment of the deposited property of the Target Fund and approved by the Target Fund's trustee.</p>
Investment Markets	<p>The Target Fund will invest in equities and Exchange-Trade Funds ("ETFs") quoted or listed on Asian stock exchanges including but not limited to Singapore, Malaysia, Thailand, Indonesia, Philippines, Hong Kong, Taiwan, China and South Korea. Investment in stocks or ETFs listed in the US or other non-Asian stock exchanges but with significant business presence or risk exposure in the aforementioned Asian countries is also allowed. Such investments may include Asian companies which are listed as American depository receipts in US, or ETFs listed in London which tracks one or more Asian markets.</p> <p>The Target Fund have the option of investing up to 20% of the fixed income assets in non-USD denominated bonds.</p> <p>The Target Fund shall also have the flexibility of writing listed or over-the-counter ("OTC") covered call options on equities held.</p> <p>Up to 30% of the portfolio Net Asset Value¹ may be held in cash or cash equivalents (including money market instruments).</p> <p>Any investment in ETFs or other underlying schemes will be made in accordance with Appendix 1 of Code on Collective Investment Schemes issued by the Authority, as amended from time to time (the "Code").</p>
Investment Restrictions and Limits	<p>The investment guidelines and restrictions set out under Appendix 1 of the Code which may be amended, restated, supplemented or replaced from time to time, shall apply to the Target Fund.</p> <p>The Target Fund Manager may engage in securities lending transactions and are subject to the provisions on securities lending as set out in the abovementioned guidelines. However, the Target Fund Manager currently do not intend to carry out securities lending or repurchase transactions in relation to the Target Fund but may do so in future.</p>
Performance Benchmark	Composite Benchmark (50% JPMorgan Asia Credit Composite Total Return Index + 50% MSCI Far East ex Japan Index)
Investment Manager	Lion Global Investors Limited
Sub-investment Manager	Bank of Singapore Limited
<i>Both the investment manager and sub-investment manager of the Target Fund are regulated by MAS.</i>	

5.2 Target Fund for BOSWM Emerging Market Bond Fund

Target Fund for BOSWM Emerging Market Bond Fund	
Name of the Target Fund	Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund
Regulatory Authority	Monetary Authority of Singapore
Domicile	Singapore
Investment Objective	The investment objective of the Target Fund is to provide capital growth and income over the medium to long term by primarily investing in a diversified portfolio of global Emerging Market debt securities.
Investment Strategy	<p>Investment Process</p> <p>The investment process incorporates both the 'top-down' and 'bottom-up' approaches. The top-down approach employs three forms of analysis - fundamental, technical and valuation and leads to macro decisions, on country allocation, duration, yield curve positioning and currency.</p> <p>The bottom-up approach involves research into each company's business, financial and credit position and aims to enhance the portfolio's return via active credit selection and on-going credit monitoring.</p> <p>The Target Fund will invest in fixed and floating rate debt securities, convertible bonds, real estate investment trusts, business trusts and other debt related securities issued by corporates, governments, quasi-government, government agencies and supranationals. These may or may not be listed and may be non-investment grade or unrated, and can be denominated in local currencies or USD.</p> <p>The Target Fund may also invest in currency deposits and short-term money market instruments including but not limited to convertible and non-convertible corporate debt securities including bonds, debentures, loan stock, notes, certificates of deposit, variable rate certificates of deposit, bankers' acceptances, commercial paper issued by corporations or government bodies including short-term unsecured promissory notes, treasury bills, and all other fixed or floating rate instruments or interest rate futures and options. The Target Fund may also invest in financial derivative instruments ("FDIs").</p>
Authorised Investments	<p>The authorised investments of the Target Fund are as follows:</p> <ul style="list-style-type: none"> i Any quoted investment; ii Any investment in respect of which application for listing or for permission to deal has been made to a recognised stock exchange and the subscription for or purchase of which is either conditional upon such listing or permission to deal being granted within a specified period not exceeding 12 weeks (or such other period as may be agreed between the Investment Manager of the Target Fund and the trustee of the Target Fund) or in respect of which the Investment Manager of the Target Fund is satisfied that the subscriptions or other transactions will be cancelled if the application is refused; iii Any unquoted investment; iv Any investment denominated in any currency; v Any investment which is a unit in any unit trust scheme or a share or participation in an open-ended mutual fund or other collective investment scheme; vi Any investment which is a futures, option, forward, swap, collar, floor or other derivative; vii The currency of any country or any contract for the spot purchase or sale of any such currency or for hedging purposes, any foreign exchange transaction or any forward contract of such currency; and viii Any other investment not covered by paragraphs (i) to (vii), of this definition, and is selected by the Target Fund Manager for investment of the deposited property of the Target Fund and approved by the Target Fund Manager's trustee.

Target Fund for BOSWM Emerging Market Bond Fund																	
Investment Markets	<p>The Target Fund may invest in a diversified portfolio of global Emerging Market debt securities.</p> <p>“Emerging Markets” include, but are not limited to, developing countries in Asia, Latin America, Europe, Africa and the Middle East.</p>																
Investment Restrictions and Limits	<p>The investment restrictions and limits of the Target Fund are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Cash/ Money market instruments</td> <td>Up to 50% of the net asset value of the Target Fund</td> </tr> <tr> <td>Single Issuer Limit</td> <td>Up to 10% of the net asset value of the Target Fund</td> </tr> <tr> <td>Single bond (exclude index ETF) exposure</td> <td>Less than 5% of the net asset value of the Target Fund</td> </tr> <tr> <td>Single Industry Exposure</td> <td>Less than 35% of net asset value of the Target Fund</td> </tr> <tr> <td>Single Country (exclude US) Exposure</td> <td>Less than 35% of the net asset value of the Target Fund</td> </tr> <tr> <td>Duration Risk – Duration</td> <td>Less than seven years</td> </tr> <tr> <td>Liquidity Risk – Issue size</td> <td>Only bonds with issue size atleast USD 150 million will be considered</td> </tr> <tr> <td>Currency</td> <td>Non-USD bond exposure capped at 30% of net asset value of the Target Fund</td> </tr> </table> <p>Derivatives will be limited to F/X forwards for hedging and Efficient Portfolio Management purposes.</p>	Cash/ Money market instruments	Up to 50% of the net asset value of the Target Fund	Single Issuer Limit	Up to 10% of the net asset value of the Target Fund	Single bond (exclude index ETF) exposure	Less than 5% of the net asset value of the Target Fund	Single Industry Exposure	Less than 35% of net asset value of the Target Fund	Single Country (exclude US) Exposure	Less than 35% of the net asset value of the Target Fund	Duration Risk – Duration	Less than seven years	Liquidity Risk – Issue size	Only bonds with issue size atleast USD 150 million will be considered	Currency	Non-USD bond exposure capped at 30% of net asset value of the Target Fund
Cash/ Money market instruments	Up to 50% of the net asset value of the Target Fund																
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Duration Risk – Duration	Less than seven years																
Liquidity Risk – Issue size	Only bonds with issue size atleast USD 150 million will be considered																
Currency	Non-USD bond exposure capped at 30% of net asset value of the Target Fund																
Performance Benchmark	The benchmark for the Target Fund is a composite of 45% JP Morgan Emerging Market Bond Index (EMBI) Corporate Bond High Grade Index, 50% JP Morgan Emerging Market Bond Index (EMBI) Corporate High Yield Index and 5% 1-month USD LIBOR.																
Investment Manager	Lion Global Investors Limited																
Sub-investment Manager	Bank of Singapore Limited																
<i>Both the investment manager and sub-investment manager of the Target Fund are regulated by MAS.</i>																	

6 FEES, CHARGES AND EXPENSES

6.1 Sales Charge

The sales charge is a charge levied on the purchase of units of the respective Funds' Class(es) of Unit, and is used to pay for marketing, advertising and distribution expenses of the Fund(s). The sales charge is deducted upfront from the purchase amount, leaving only the net amount invested in the Fund(s). The sales charge is calculated based on the respective Fund(s)' NAV per unit of the respective Class(es) as at the next valuation point after the original application is received and accepted by the cut-off time of 4.00 p.m. on any Business Day. The rate of sales charge to be imposed by the Manager and its authorised distributor(s) (if any) is as below:

Fund	Class of Units	Sales Charge (NAV per unit of the relevant Class of Units)
BOSWM Asian Income Fund	Class MYR	Up to 5.00%
	Class MYR BOS	Up to 1.00%
	Class USD BOS	Up to 1.00%
BOSWM Emerging Market Bond Fund	Class MYR	Up to 3.00%
	Class MYR BOS	Up to 1.00%
	Class USD BOS	Up to 1.00%

For illustration on the calculation of sales charges, please refer to section 7.3 below.

The sales charge quoted is subject to any applicable taxes and/or duties as may be imposed by the government or other authorities from time to time.

Note: Notwithstanding the sales charge disclosed above, investors may negotiate for a lower sales charge.

6.2 Redemption Charge

There is no redemption charge imposed on Unit Holders of the Fund.

Note: By default, redemption proceeds will be paid out via bank transfer. Thus, it is important for you to furnish us your bank account detail upon your subscription. The request for payment of redemption proceeds via cheque is treated on a case-to-case basis only and subject to the Manager's approval. You will be charged a service fee of up to RM50 for each cheque requested and you will receive your redemption proceeds net of the service fee. You are encouraged to opt for bank transfer for redemption as there will be no fee imposed. Kindly contact us at 03-7712 3197 for details.

6.3 Annual Management Fee

The annual management fee is a fee charged for the ongoing portfolio management and administration of the Fund (e.g. to maintain Unit Holders' register, proper records of the Fund and to administer the investments). The annual management fee for the respective Class(es) of Unit are shown in the table below. The annual management fee is calculated based on the NAV of the relevant Class(es), accrued on a daily basis and is paid out of the Fund. The respective annual management fee(s) is payable on a monthly basis.

Fund	Class of Units	Annual management fee
BOSWM Asian Income Fund	Class MYR	Up to 1.60% of the NAV of the Class of Units
	Class MYR BOS	Up to 1.20% of the NAV of the Class of Units
	Class USD BOS	Up to 1.20% of the NAV of the Class of Units
BOSWM Emerging Market Bond Fund	Class MYR	Up to 1.50% of the NAV of the Class of Units
	Class MYR BOS	Up to 1.10% of the NAV of the Class of Units
	Class USD BOS	Up to 1.10% of the NAV of the Class of Units

The annual management fee quoted is subject to any applicable taxes and/or duties as may be imposed by the government or other authorities from time to time.

6.4 Annual Trustee Fee

The annual trustee fee is a fee paid to the Trustee for the custodial management and administration of the Fund's assets (e.g. transaction settlement, custody and administration costs). The respective annual trustee fee for the Fund(s) are shown below:

Fund	Annual trustee fee
BOSWM Asian Income Fund	Up to 0.04% per annum of the NAV of the Fund, subject to a minimum of RM12,000 per annum (excluding foreign custodian fee and charges).
BOSWM Emerging Market Bond Fund	Up to 0.04% per annum of the NAV of the Fund, subject to a minimum of RM12,000 per annum (excluding foreign custodian fee and charges).

The annual trustee fee is calculated based on the NAV of the Fund(s) (not based on NAV of the relevant Class(es)), calculated and accrued on a daily basis and is paid out of the Fund(s). The annual trustee fee is payable on a monthly basis.

The annual trustee fee quoted is subject to any applicable taxes and/or duties as may be imposed by the government or other authorities from time to time.

6.5 Switching Fee

The Manager does not intend to charge any switching fee; however, investors (including the Unitholders' of the Fund(s)) performing a switching transaction will have to pay the applicable difference in sales charge between the fund to be switched from and the fund to be switched into, which could be up to 5.50% of net asset value per unit depending on the fund(s) involved in a switching transaction. Switching Fee will not be charged if the class or fund to be switched into has a lower sales charge.

The differential in sales charge resulted from switching transaction is subject to any applicable taxes and/or duties as may be imposed by the government or other authorities from time to time.

Kindly refer to section 7.5 below for more information about the switching facility of the Fund(s), including the relevant terms and conditions.

6.6 Transfer Fee

There is no transfer fee imposed on Unitholders.

6.7 Other Expenses of the Fund(s)

Expenses directly related to the Fund(s) are management fee, trustee fee and other administrative expenses (e.g. auditor's fee, courier and handling charges, etc).

The respective total annual expenses of the Fund(s) are expressed as a percentage of the average net asset value of the Fund(s) for a financial year or period calculated on a daily basis.

Other expenses, which are directly related and necessary to the business of the Fund(s), may be charged to the Fund(s). These will include (but are not limited to) the following:

- fees and other expenses properly incurred by the auditor and tax agent;
- taxes and other duties charged on the Fund(s) by the government and other authorities;
- printing and postage expenses; and
- any other legitimate administration expenses or relevant professional fees approved by the Trustee.

6.8 Costs for Investing in the Target Fund(s) by the Fund(s)

The Fund(s) will be investing into the following classes of unit of the Target Fund(s). The Following table shows the costs involved:

	BOSWM Asian Income Fund	BOSWM Emerging Market Bond Fund
Target Fund	Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund	Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund
Classes of unit of the Target Fund, which the Fund is investing	USD Class C (Distribution)	USD Class C (Distribution)
Front End Fees	Waived	Waived
Exit Fee	Nil	Nil
Annual Management Fee	Up to 0.80% p.a. of the NAV for the USD Class C (Distribution) <i>Note: the annual management fee charged by the Target Fund will be fully rebated to the Fund.</i>	Up to 0.70% p.a. of the NAV of the USD Class C (Distribution) <i>Note: the annual management fee charged by the Target Fund will be fully rebated to the Fund.</i>
Annual Trustee Fee	Up to 0.25% p.a. of the NAV of the Target Fund, subject to a minimum of USD17,400 p.a. for the first year and a minimum of USD34,800 p.a. in subsequent years.	

Warning: It is important for you to note that given the Fund(s) are feeder funds (i.e. primarily investing in the Target Fund(s)), you will be subjected to higher cost of investment and fees arising from the layered investment structure.

There are fees and charges involved and investors are advised to consider them before investing in the Fund(s). All fees and charges payable to the Manager and/or the Trustee are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities from time to time.

7 TRANSACTION INFORMATION

7.1 Valuation Bases of the Fund(s)' Assets

- Unquoted collective investment scheme will be valued based on the last published repurchase price;
- Other unlisted securities (if any) will be valued based on fair value as determined in good faith by the Manager, on methods which are verified by the auditors of the Fund(s) and approved by the Trustee and adequately disclosed in the information memorandum; and
- Cash or fixed deposits placed with financial institutions and bank bills are valued on a daily basis by reference to their nominal values and the accrued interest thereon.

7.2 Valuation Point & Pricing Policy of the Fund(s)

Pricing Policy

The buying and selling price of a given Class of Units is quoted based on a single price i.e. the NAV per unit of the Class. All other transactions charges, if any, will be expressed separately from the price of the Class of Units.

Valuation of NAV of the Fund(s)

As the Target Funds are foreign-domiciled funds, the valuation of the Funds' investment(s) in the Target Fund(s) is only available on the next business day (T+1). As such, the valuation of the Fund(s) will be conducted before 5.00 p.m. on the following business day based on the last available net asset value per unit of the Target Fund(s). Daily prices of the Fund(s) will be published on the next business day after the valuation (T+2).

Valuation of the Relevant Class(es) of Unit

Valuation of a given Class of Units is derived from the NAV of the Class of Units, and is **calculated at the end of every business day**. The NAV per unit of a Class of Units is determined based on the formula as illustrated below:

$$\text{NAV per unit of a given Class of Units} = \frac{\text{NAV of the Class of Units}}{\text{Number of units in circulation of the Class of Units}}$$

The NAV per unit of a given Class of Units is calculated based on formula illustrated above and at the next valuation point after we receive the original application ("forward pricing").

The NAV per unit of a given Class of Units may be rounded up to four decimal places. An incorrect valuation and pricing of a given Class of Units shall be considered of minimal significance if the error involves a discrepancy of less than 0.5% of the NAV per unit of the Class of Units. Any pricing discrepancy of 0.5% or more of the NAV per unit of a given Class of Units will be rectified as stated in the Fund's deed unless the total impact of the discrepancy on an individual account is less than RM10.00 as the transaction cost may be more than the amount adjusted.

If we receive your duly completed and accepted original application form to purchase or redeem the Fund **by the cut-off time of 4.00 p.m. on any business day**, the NAV per unit will be calculated based on the NAV per unit at the end of that business day. Any application form (original copy) received after this cut-off time will be considered as being transacted on the next business day and will be subjected to the NAV per unit of the Fund on the next business day.

7.3 Subscription for the Class(es) of Units of the Fund(s)

We offer you the Cash Plan (lump sum investment) and Saver's Plan (regular investment plan). However, Saver's Plan for a Class of Units denominated in currencies other than MYR is subject to availability. To subscribe to a given Class of Units, simply complete the documentations³ (in relation to subscription application) and forward the documentations to our head office or our authorised representatives (e.g. IUTAs, if any) as disclosed in section 10 below.

If you wish to invest in a Class which is denominated in a currency other than MYR, you are required to have a foreign currency account in the currency of the Class applied for with any financial institutions.

³ Kindly contact us to know more about the forms and documentation required. Investment via our IUTAs are subject to different forms and documentations.

Your subscription application for a given Class of Units and payment must reach our head office **by 4.00 p.m.** on any Business Day. Any duly completed and original forms and payment received after this cut-off time is considered as being transacted on the next Business Day.

You may transfer the subscription payment into our bank account via telegraphic transfer or online transfer by including your name and payment details. Payment must be made in the currency of the Class which you want to invest into. Any bank charges or remittance fees in relation to subscription payment will be borne by you.

In addition to the submission of the relevant forms, you may be required to forward to us additional documents to authenticate your identification. We may for any reason at any time, waive existing procedures, and/or prescribe applications for subscription in any other form or manner whether for all/any particular investor, at our discretion.

As part of our value-added service, you may also submit your subscription via email/fax with terms and conditions apply. Kindly contact us at 03-7712 3197 for details (e.g. documents required).

Note: If you wish to invest in a Class which is denominated in currency other than MYR, you are required to have a foreign currency account with any Financial Institutions as all transactions will ONLY be carried out via telegraphic transfers.

Illustration : Subscription after Initial Offer Period							
<table border="1"> <tr> <td>Prevailing NAV per unit</td> <td>: RM1.0054</td> </tr> <tr> <td>Sales charge</td> <td>: 5.00% of NAV per unit</td> </tr> <tr> <td>Applicable taxes (if any)</td> <td>: Nil</td> </tr> </table>		Prevailing NAV per unit	: RM1.0054	Sales charge	: 5.00% of NAV per unit	Applicable taxes (if any)	: Nil
Prevailing NAV per unit	: RM1.0054						
Sales charge	: 5.00% of NAV per unit						
Applicable taxes (if any)	: Nil						
<p>Assuming the Class MYR (NAV per unit) of BOSWM Asian Income Fund on 7 August 2019 to be RM1.0054 and if you make a payment of RM10,000.00, the amount to be invested in Class MYR and, the sales charge and applicable taxes (if any) to be paid by you are calculated as follows:</p>							
Total amount invested	= RM10,000.00						
Total sales charge (5.00%) incurred (5.00% x RM10,000.00)	= RM500.00						
Applicable tax (if any)	= Nil						
Total amount to be paid by you	= <u>RM10,500.00</u>						
Units issued to you	RM10,000.00/RM1.0054 = 9,946.29 units						
<p><i>Note: the same calculation principle above also applicable to other Class(es) of Unit of both Fund(s).</i></p>							

Minimum Initial Investment

BOSWM Asian Income Fund	Cash Plan	Class MYR	RM10,000
		Class MYR BOS	RM500,000
		Class USD BOS	USD100,000
	Saver's Plan	Class MYR	RM1,000
		Class MYR BOS	RM500,000
		Class USD BOS	USD100,000
BOSWM Emerging Market Bond Fund	Cash Plan	Class MYR	RM10,000
		Class MYR BOS	RM500,000
		Class USD BOS	USD100,000
	Saver's Plan	Class MYR	RM1,000
		Class MYR BOS	RM500,000
		Class USD BOS	USD100,000

Note: notwithstanding the minimum initial investment amount(s) indicated above, The Manager has the discretion to accept a lower amount than that disclosed in the information memorandum as the Manager deems fit. Investments made via our IUTA may be subject to their terms and conditions.

Minimum Additional Investment

BOSWM Asian Income Fund	Cash Plan	Class MYR	No minimum limit
		Class MYR BOS	RM200,000
		Class USD BOS	USD100,000
	Saver's Plan	Class MYR	RM1,000
		Class MYR BOS	RM200,000
		Class USD BOS	USD100,000
BOSWM Emerging Market Bond Fund	Cash Plan	Class MYR	No minimum limit
		Class MYR BOS	RM200,000
		Class USD BOS	USD100,000
	Saver's Plan	Class MYR	RM1,000
		Class MYR BOS	RM200,000
		Class USD BOS	USD100,000

Note: Notwithstanding the minimum additional investment amount(s) indicated above, The Manager has the discretion to accept a lower amount than that disclosed in the information memorandum as the Manager deems fit. Investments made via our IUTA may be subject to their terms and conditions.

Warning: Investors must not make payment in cash to any individual agent when subscribing to the Class(es) of Unit of the Fund(s).

7.4 Redemption for the Class(es) of Unit of the Fund(s)

Upon receipt of the duly completed and accepted original transaction form, which must reach our head office by 4.00 p.m. on any Business Day, we will repurchase the Class of Units at the respective NAV per unit calculated at the end of that business day. Payment will be made to you within 10 business days.

Investors should note that the time taken to pay redemption proceeds to investors (i.e. 10 business days) may be extended/delayed, if the total redemption for that day exceeds 10% of the Fund's NAV or if it is a non-business day at the Target Fund level. Unitholders should be aware that redemption proceeds to Unitholders are usually paid from the liquid assets held by the Fund and when these liquid assets are insufficient, the Manager will have to redeem units of the Target Fund. In such circumstances, the Manager may not be able to comply with the redemption period of 10 business days. The redemption period in such circumstances shall not exceed 20 business days from the day the redemption request is received by the Manager. Payment will be made in the currency of the Class you redeem from. Any bank charges or remittance fees incurred due to redemption will be borne solely by you.

We will not be held responsible for any loss/delay in the events below (which are beyond the control of the Manager and Trustee):

1. Real Time Electronic Transfer of Funds and Securities (RENTAS) experiencing problems;
2. Telegraphic Transfer experiencing problems; and
3. Inaccurate details, including but not limited to identity card number and account number furnished by you.

Terms and Condition in Connection to Redemption Application of the Relevant Class(es) of Unit of the Fund

Minimum redemption amount	No restriction
Minimum balance unit (after an application for redemption)	500 units (for Class MYR) and 100,000 units (for Class MYR BOS and Class USD BOS) or such lower number of units as decided by the Trustee and the Manager from time to time. Should the units in your account are less than the minimum balance unit after the redemption application is made, all units in your account will be redeemed automatically.
Frequency of redemption	No restriction
Price	Prevailing NAV per unit of the relevant Class of Units

As part of our value-added service, you may also your redemption instruction via email/fax with terms and conditions apply. Kindly contact us at 03-7712 3197 for details (e.g. documents required).

7.5 Switching Facility for the Class(es) of Unit of the Fund(s)

Switching refers to a transaction where an investor switches his investment in one fund to another fund.

To carry out a switching application, all you need to do is to complete the documentation⁴ (in relation to switching application) and forward the documentation to our head office by 4.00 p.m. on any Business Day.

There are no restrictions on the number of switching transactions that you may carry out; however, switching application for the relevant Class(es) of Unit are subject to the following conditions:

Switch out to other funds	<ul style="list-style-type: none"> You may switch your investments in the Fund into all other funds managed by the Manager (including wholesale funds⁵), and subject to the availability of switching facility of the fund you wish to switch into. The fund that you intend to switch into must be denominated in the same currency. Switching between units with different currency denomination is unavailable. The minimum number of units to be switched is 1,000 units (for Class MYR) and 100,000 units (for Class MYR BOS and Class USD BOS) and the value of units switched must meet the minimum investment amount of the fund you wish to switch into, whichever is higher. For partial switching to other funds, the minimum balance unit (as indicated in section 7.4 above) applies, where the balance unit of the Fund must not be less than 500 units (for Class MYR) and 100,000 units (for Class MYR BOS and Class USD BOS) units after switching. For the avoidance of doubt, switching application is subject to the terms and conditions of the IUTA should your subscription of a given Class of Units is made via IUTA.
Switch in from other funds	<ul style="list-style-type: none"> Subject to the terms and conditions of the fund you wish to switch from to the Fund's Class(es) of Unit. Kindly refer to the relevant offering documents of the funds. Switching from Class MYR to Class MYR BOS and Class USD BOS of the Fund(s) is not available. The relevant minimum investment amount of the relevant Class of Units applies, where the amount switch from another fund to the Fund must meet the relevant minimum investment amount. For the avoidance of doubt, switching application is subject to the terms and conditions of the IUTA should your subscription is made via IUTA.

Switching will be carried out accordingly based on net asset value per unit of the funds you wish to switch from and switch into. The switching process will be carried out in accordance to the funds' respective next valuation points upon receiving your switching application by 4.00 p.m. on any Business Day.

Kindly refer to section 6.5 above for the details pertaining to switching fee applicable to the Fund.

As part of our value-added service, you may also submit your switching instruction via email/fax with terms and conditions apply. Kindly contact us at 03-7712 3197 for details (e.g. documents required).

7.6 Transfer Facility for the Funds

Transfer refers to a transaction where a Unit Holder transfers his ownership of units in the Fund to another person(s).

The transferee must be a Sophisticated Investor and provide the necessary declaration.

For the Funds, the transfer form must be completed in the presence of a witness. For partial transfer, the minimum balance to be maintained in your unit trust account must be 500 units (for Class MYR) and 100,000 units (for Class MYR BOS and Class USD BOS) or such sum as decided by the Trustee and the Manager from time to time.

⁴ Kindly contact us to know more about the forms and documentation required. Investment via our IUTAs are subject to different forms and documentations.

⁵ Provided you are a sophisticated investor. Sophisticated investor means any person who falls within any of the categories of investors set out in Part I, Schedules 6 and 7 of the CMSA.

7.7 Mode of Distribution

Distribution of income is in the form of cash or reinvest for more units.

When there are stock market corrections, bear markets or economic downturns, realised capital losses may outweigh realised gains, dividends and interest/profit sharing income received and thus result in no income distributions being possible.

You may opt for income distributions to be paid out to you directly in cash by way of relevant mode of payments as determined by the Manager (i.e. By default, the Manager doesn't pay income distribution via cheque). All income distribution proceeds will be paid out via bank transfer. Thus, it is important for you to furnish us your bank account details upon your subscription. We will reinvest your income distribution proceeds if the bank detail you provided is inaccurate resulting a failed bank transfer.

In the absence of written instructions to the contrary, income distribution declared for the relevant Class(es) of Unit will be automatically reinvested into additional units based on the NAV per unit of the relevant Class(es) of Unit by the fourth business day (T+4) after the declaration of distributions at no cost.

Income distribution amounting to less than or equal to the amount of RM200 (or USD200 for Class USD BOS) will be automatically reinvested into additional units based on the NAV per unit of the relevant Class(es) of Unit by the fourth business day) after the declaration of income distribution.

The request for payment of income distribution proceeds via cheque is treated on a case-to-case basis and subject to the Manager's approval. You will be charged a service fee of up to RM50 (or equivalent amount in different currency depending on the Class of Units redeemed) for each cheque requested and you will receive your income distribution proceeds net of the service fee. A returned cheque through mail (if any) will be reinvested based on the respective Fund's NAV per unit on the date that we received the cheque. You are encouraged to opt for bank transfer for income distribution as there will be no fee imposed. Kindly contact us at 03-7712 3197 if you need further clarification.

7.8 Policies and Procedures to Prevent Money Laundering Activities

We have policies and procedures in place to comply with the legislation in force in Malaysia to prevent money laundering activities. In order to implement these procedures, investors will be required to provide detailed verification of identity including but not limited to proof of identity, residential or registered address, occupation or business, funds or source of income when buying or redeeming units and to periodically update their records. Until satisfactory evidence has been received, we reserve the right to refuse or accept the application form from investors to buy or redeem units or to pay the proceeds of the redemption of units. We may delay or refuse any application without giving any reason for doing so where this is in accordance with our anti-money laundering obligations. We also reserve the right to request additional information including the identity of any beneficial owners as may be required to support the verification of information and to allow us to carry out due diligence exercise on the investors in compliance with the relevant legislation.

Any suspicious transaction will be reported to the relevant authority.

7.9 Prudent Control

The Compliance department is responsible for compliance matters and liaises with the SC to ensure that all laws, regulations, code of conduct and prudential limits are followed.

The Head of Compliance is the designated person responsible for compliance and reports to the Board of Directors of the Manager ("Board") on compliance matters. In the event that the Head of Compliance is absent, or has resigned, the next-person-in-line will be the designated person responsible for compliance matters until such position is filled.

Warning: Unit prices and distributions payable, if any, may go down as well as up.

8 THE MANAGER – BOS WEALTH MANAGEMENT MALAYSIA BERHAD 199501006861 (336059-U)

8.1 Background

BOS Wealth Management Malaysia Berhad (“Manager”) has over two decades of investment experience in managing and offering a comprehensive range of unit trust funds, wholesale funds as well as portfolio management services for both institutional and individual investors.

As the Manager of the Fund(s), the roles and responsibilities of BOS Wealth Management Malaysia Berhad are:

- Investment functions which include:
 - o Conducting investment research.
 - o Determining the Fund(s)’ investment strategy.
 - o Investing the assets of the Fund(s).
 - o Reviewing the Fund(s)’ portfolio and investment performance.
- Administrative functions which include:
 - o Maintaining the Unit Holders’ register.
 - o Valuation of portfolio and computation of the daily NAV per unit of the Class(es) of Unit.
 - o Preparing the Fund(s)’ financial statements, quarterly and annual reports.
 - o Keeping proper records on Unitholder(s)’ transactions.

Note: Further information on the Manager can be found on our website at www.boswealthmanagement.com.my.

8.2 The Board of Directors of the Manager

The Board meets on a quarterly basis and is involved in determining the corporate policies and direction of the Manager. The Board members’ profile could be found on our website at www.boswealthmanagement.com.my.

8.3 The Investment Committee of the Fund(s)

The Investment Committee of the Fund (“Investment Committee”) is responsible for setting and determining the investment policies, guidelines and strategies of the Fund. They meet on a quarterly basis to discuss, review and monitor the Fund’s performance. The Investment Committee members’ profile could be found on our website at www.boswealthmanagement.com.my.

8.4 The Designated Person Responsible for the Investment Management Function of the Fund(s)

Oh Jo Ann

Ms. Oh Jo Ann is responsible for the management of fixed income portfolios, execution of fixed income transactions and the management of a range of feeder funds offered by the Manager. She conducts analysis and selection of individual fixed income securities. Her analysis of the domestic macro backdrop forms the basis for the overall fixed income investment strategy. She started her investment career with the Manager in January 2003 as an equities analyst before moving on to working on the fixed income portfolio in 2004. She has over 17 years of experience in fixed income investment research and fund management and has experience handling Shariah and non-Shariah-compliant fixed income portfolios as well as feeder funds. She earned a Bachelor of Management (Honours) in Finance (Universiti Sains Malaysia), and she is a CFA® charterholder (CFA Institute). She also holds a Capital Markets Services Representative’s Licence.

8.5 Material Litigation and Arbitration

As at 1 February 2021, there is no material litigation and arbitration, including those pending or threatened, and is not aware of any facts likely to give rise to any proceedings which might materially affect the business or financial position of the Manager.

Note: For the profiles of our key management personnel, key investment team members and other corporate information, kindly visit our website at www.boswealthmanagement.com.my.

9 THE TRUSTEE – CIMB COMMERCE TRUSTEE BERHAD

9.1 Background

CIMB Commerce Trustee Berhad was incorporated on 25 August 1994 and registered as a trust company under the Trust Companies Act, 1949 and having its registered office at Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral 50470, Kuala Lumpur, Malaysia. The Trustee is qualified to act as a trustee for collective investment schemes approved under the CMSA.

9.2 Experience as Trustee to Collective Investment Schemes

CIMB Commerce Trustee Berhad has been involved in unit trust industry as trustee since 1996. It acts as trustee to various unit trust funds, real estate investment trusts, wholesale funds, private retirement schemes and exchange traded funds.

9.3 Delegation of Share Custodial Functions

CIMB Commerce Trustee Berhad has delegated its custodian function to CIMB Bank Berhad (CIMB Bank). CIMB Bank's ultimate holding company is CIMB Group Holdings Berhad, a listed company on Bursa Malaysia. CIMB Bank provides full-fledged custodial services, typically clearing, settlement and safekeeping of all types of investment assets and classes, to a cross section of investors and intermediaries client base, both locally and overseas.

For the local Ringgit Malaysia assets, they are held through its wholly owned nominee subsidiary "CIMB Group Nominees (Tempatan) Sdn Bhd". For foreign non-Ringgit Malaysia assets, CIMB Bank appoints global custodian as its agent bank to clear, settle and safekeep on its behalf and to its order.

All investments are automatically registered in the name of the custodian to the order of the Trustee. CIMB Bank acts only in accordance with instructions from the Trustee.

9.4 The Trustee's Responsibilities

The Trustee's functions, duties and responsibilities are set out in the Deed. The general functions, duties and responsibilities of the Trustee include, but are not limited to, the following:

- Take into custody the investments of the Fund(s) and hold the investments in trust for the Unit Holders.
- Ensure that the Manager operates and administers the Fund(s) in accordance with the provisions of the Deed, Guidelines and acceptable business practice within the unit trust industry.
- As soon as practicable notify SC of any irregularity or breach of the provisions of the Deed, Guidelines and any other matters which in the Trustee's opinions may indicate that the interests of the Unitholders are not served.
- Exercise reasonable diligence in carrying out their functions and duties, in actively monitoring the operation and management of the Fund(s) by the Manager to safeguard the interests of the Unitholders.
- Maintain, or cause the Manager to maintain, proper accounting records and other records as are necessary to enable a complete and accurate view of the Fund(s) to be formed and to ensure that the Fund(s) is operated and managed in accordance with the Deed & information memorandum pertaining to the Fund(s), the Guidelines and securities law.
- Require that the accounts of the Fund(s) be audited at least annually.

9.5 Material Litigation and Arbitration

As at 1 February 2021, there is no material litigation and arbitration, including those pending or threatened, and is not aware of any facts likely to give rise to any proceedings which might materially affect the business or financial position of the Trustee.

10 TAXATION OF THE FUND

Taxation adviser's letter in respect of the taxation
of the unit trust funds and the unit holders
(prepared for inclusion in this Replacement Master Information Memorandum)

Ernst & Young Tax Consultants Sdn Bhd
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

8 February 2021

The Board of Directors
BOS Wealth Management Malaysia Berhad
(formerly known as Pacific Mutual Fund Bhd)
1001, Level 10, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

Taxation of the unit trust fund and unit holders

This letter has been prepared for inclusion in this Replacement Master Information Memorandum in connection with the offer of units in the unit trust funds known as BOSWM Asian Income Fund and BOSWM Emerging Market Bond Fund (hereinafter referred to as "the Funds").

The purpose of this letter is to provide prospective unit holders with an overview of the impact of Taxation on the Funds and the unit holders.

Taxation of the Funds

The taxation of the Funds is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.

Subject to certain exemptions, the income of the Funds comprising profits and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.

Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows unit trusts a deduction for a portion of other expenses (referred to as 'permitted expenses') not directly related to the production of income, as explained below.

“Permitted expenses” refer to the following expenses incurred by the Funds which are not deductible under Section 33(1) of the MITA:

- the manager’s remuneration,
- maintenance of the register of unit holders,
- share registration expenses,
- secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage.

These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:

$$A \times \frac{B}{4C}$$

- where
- A is the total of the permitted expenses incurred for that basis period;
 - B is gross income consisting of dividend¹, interest and rent chargeable to tax for that basis period; and
 - C is the aggregate of the gross income consisting of dividend¹ and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,

provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.

Exempt income

The following income of the Funds are exempt from income tax:

- **Malaysian sourced dividends**

All Malaysian-sourced dividends should be exempt from income tax.

- **Malaysian sourced interest**

- (i) interest from securities or bonds issued or guaranteed by the Government of Malaysia;
- (ii) interest from debentures or *sukuk*, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission;
- (iii) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- (iv) interest derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013²;
- (v) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002²;
- (vi) interest from *sukuk* originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)³; and
- (vii) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.

¹ Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.

² Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the Income Tax Act shall not apply to a wholesale fund which is a money market fund.

³ Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

- **Discount**

Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.

Foreign sourced income

Dividends, interest and other income derived from sources outside Malaysia and received in Malaysia by a resident unit trust is exempt from Malaysian income tax. However, such income may be subject to tax in the country from which it is derived.

Gains from the realisation of investments

Pursuant to Section 61(1)(b) of the MITA, gains from the realisation of investments will not be treated as income of the Funds and hence, are not subject to income tax. Such gains may be subject to real property gains tax (RPGT) under the Real Property Gains Tax Act 1976 (RPGT Act), if the gains are derived from the disposal of chargeable assets, as defined in the RPGT Act.

Implementation of Sales and Service Tax ("SST")

Sales and Service Tax ("SST") was re-introduced effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax at the rate of 6% is charged on certain prescribed taxable services performed by taxable persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.

Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration.

Where the Funds incur expenses such as management fees, the management services provided by asset and fund managers are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to 6% service tax provided they fall within the scope of service tax (i.e. are provided by a "taxable person", who exceeds the required annual threshold (in most cases RM 500,000 per annum) and the services qualify as "taxable services").

Taxation of unit holders

For Malaysian income tax purposes, unit holders will be taxed on their share of the distributions received from the Funds.

The income of unit holders from their investment in the Funds broadly falls under the following categories:

1. taxable distributions; and
2. non-taxable and exempt distributions.

In addition, unit holders may also realise a gain from the sale of units.

The tax implications of each of the above categories are explained below:

1. Taxable distributions

Distributions received from the Funds will have to be grossed up to take into account the underlying tax paid by the Funds and the unit holder will be taxed on the grossed up amount.

Such distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at source exceed the tax liability of the unit holder, the excess is refundable to the unit holder.

Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.

2. Non-taxable and exempt distributions

Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Funds will not be subject to Malaysian income tax in the hands of the unit holders.

Rates of tax

The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:

Unit holders	Malaysian income tax rates
Malaysian tax resident: <ul style="list-style-type: none">• Individual and non-corporate unit holders (such as associations and societies)• Co-operatives⁴• Trust bodies	<ul style="list-style-type: none">• Progressive tax rates ranging from 0% to 30%• Progressive tax rates ranging from 0% to 24%• 24%

⁴Pursuant to Paragraph 12(1), Schedule 6 of the MTA, the income of any co-operative society—

- (a) in respect of a period of five years commencing from the date of registration of such co-operative society; and
- (b) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit, is exempt from tax.

Unit holders	Malaysian income tax rates
<ul style="list-style-type: none"> • Corporate unit holders <ul style="list-style-type: none"> (i) A company with paid up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment) and gross income from a source or sources consisting of a business not exceeding RM50 million for the basis period for the year of assessment^{5 6} (ii) Companies other than (i) above 	<ul style="list-style-type: none"> • First RM600,000 of chargeable income @ 17% • Chargeable income in excess of RM600,000 @ 24% • 24%
<p>Non-Malaysian tax resident (Note 1):</p> <ul style="list-style-type: none"> • Individual and non-corporate unit holders • Corporate unit holders and trust bodies 	<ul style="list-style-type: none"> • 30% • 24%

Note 1:

Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.

⁵ A company would not be eligible for the 17% tax rate on the first RM600,000 of chargeable income if:-

- (a) more than 50% of the paid up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
- (b) the company owns directly or indirectly more than 50% of the paid up capital in respect of the ordinary shares of a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
- (c) more than 50% of the paid up capital in respect of the ordinary shares of the company and a related company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.

⁶ The above excludes a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.

Gains from sale of units

Gains arising from the realisation of investments will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders / dealers in securities.

Unit splits and reinvestment of distributions

Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are as follows:

- Unit splits – new units issued by the Funds pursuant to a unit split will not be subject to income tax in the hands of the unit holders.
- Reinvestment of distributions – unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Funds.

We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Funds. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Funds.

Yours faithfully
Ernst & Young Tax Consultants Sdn Bhd

Bernard Yap
Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Replacement Master Information Memorandum and has not withdrawn such consent before the date of issue of this Replacement Master Information Memorandum.

11 MANAGER'S HEAD OFFICE AND IUTA

HEAD OFFICE

BOS Wealth Management Malaysia Berhad 199501006861 (336059-U)

A subsidiary of Bank of Singapore

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Fax: 03-7712 3001
E-mail: customercare@boswm.com
Website: www.boswealthmanagement.com.my

INSTITUTIONAL UNIT TRUST ADVISERS (IUTA)

For more details on the list of agency offices and appointed IUTA, please contact the Manager.

Our IUTA may not carry the complete set of our funds. Investments made via our IUTA may be subject to different terms and conditions.

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BOS WEALTH MANAGEMENT MALAYSIA BERHAD 199501006861 (336059-U)

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