5 April 2013

Disclosures of certain Nikko Asset Management Asia Limited's policies and procedures as stipulated in the MAS Guidelines on Licensing, Registration and Conduct of Business for fund management companies

On 6 August 2012, the Monetary Authority of Singapore ("MAS") announced the implementation of an enhanced regulatory regime for fund management companies ("FMCs") under which, all FMCs will have to meet enhanced business conduct and capital requirements. These include rules requiring independent custody and valuation of investor 's assets, as well as the need for FMCs to undergo independent annual audits by external auditors and to have in place an adequate risk management framework commensurate with the type and size of investments managed by the FMCs.

As stipulated in the MAS Guidelines on Licensing, Registration and Conduct of Business, FMCs are also required to provide adequate disclosures of their internal policies and procedures on valuation, performance measurement standards and selection of counterparties as well as risks associated with their investment portfolios.

We disclosed, in the paragraphs below, Nikko Asset Management Asia Limited's ("Nikko AM Asia") valuation policy (including the valuation of illiquid assets), performance measurement standards, selection of counterparties, soft dollar arrangement and a summary of investment risk factors. The risk factors listed are only some of the key risks, which may or may not be applicable to all portfolios, and is not exhaustive.

These disclosures will be updated on a periodic basis, and also in instance where there is a material change.

Yours sincerely,

Nikko Asset Management Asia Limited

1. Risk Factors

(a) Emerging Market Risk

Investments in emerging markets securities are generally more volatile than those of developed countries, with the result that the investments may be subject to greater price volatility.

Some emerging markets do not have well-developed or consolidated bodies of securities laws and regulatory frameworks. There may be less public information on companies listed on such markets as compared to other stock markets. The auditing and financial reporting methods used in some emerging markets may differ from internationally recognised standards, and information on the accounts of some companies listed on such markets may not be an accurate reflection of their financial strength.

Investors would also have to take into account that trading volume in emerging markets may be substantially less than in the world's leading stock markets and may have to be conducted at unfavourable prices. Securities of companies domiciled in emerging markets are less liquid and more volatile than those domiciled in more developed stock markets and this may result in fluctuations in the price of the Units. Emerging markets may not have fully developed custodian and settlement services and therefore investments in such markets are subject to a greater degree of risk.

There may also be state regulations governing the outward remittance by foreign Investors of their share of net profits and dividends and the repatriation of their investments in a foreign currency.

(b) Liquidity Risk

The extent of market liquidity is dependent on the size and state of the markets and therefore affects the portfolio’s ability to acquire or dispose of assets at the price and time it so desires. Securities listed on the smaller emerging markets are generally less liquid in comparison to those listed on more developed markets and may therefore affect the portfolio’s ability to acquire or dispose of securities at the price and time desired. There may also be state regulations governing the outward remittance by foreign investors of their share of net profits and dividends and the repatriation of their investments in a foreign currency.

(c) Equity Risk

The portfolio may invest in stocks and other equity securities, which are subject to market risks and are in general more volatile than investment-grade fixed income securities. Portfolios investing in equities may therefore be subject to greater price volatility. Prices of equities fluctuate daily dependent on market conditions. Markets can be influenced by a series of factors such as political and economic news, corporate earnings reports, demographic trends, catastrophic events and wider market expectations. Potentially a portfolio investing in equities could incur significant losses.

(d) Political Risk

The value of the portfolio may be affected by uncertainties such as political developments, changes in government policies, taxation, currency repatriation restrictions and restrictions on foreign investment in some of the countries in which the portfolio may invest.

(e) Currency Risk

The investments of the portfolio may be acquired in a wide range of currencies and changes in exchange rates between currencies may cause the value of an investment in the portfolio to fluctuate. The portfolio may use hedging, cross-hedging and other techniques and instruments within the limits laid down, from time to time, by the client.

(f) Custody Risk

As the portfolio may invest in markets where custodial and/or settlement systems are not fully developed, the assets of the portfolio which are traded in such markets and which have been entrusted to sub-custodians in circumstances where the use of sub-custodians is necessary may be exposed to risk in circumstances where the custodian of the portfolio and trustee of the portfolio will have no liability.

(g) Investment Risk

Past performance is not necessarily a guide to the future. The value of the portfolio and the income from it may fall as well as rise and the client may not recover the full amount invested. There can be no assurance that the portfolio will achieve its investment objective or recover the full amount invested. As the capital return and income of each portfolio are based on the capital appreciation and income on the securities it holds (less expenses incurred), the portfolio's return may be expected to fluctuate in response to changes in such capital appreciation or income.

(h) Counterparty and Settlement Risk

The portfolio will be exposed to credit risk on parties with whom it trades and will also bear the risk of settlement default.

(i) Interest Rate Risk and Credit Risk

Investments in debt securities are subject to interest rate fluctuations and credit risks, such as risk of default by the issuer, and are subject to adverse changes in general economic conditions, the financial condition of the issuer, or both, or an unanticipated rise in interest rates, which may impair the issuer's ability to make payments of interest and principal, resulting in a possible default by the issuer.

(j) Country Specific Risk

The portfolio may invest in securities of a limited number of countries. Where a portfolio invests in a few, select countries, it will be exposed to fluctuations in the economies of these countries, and the market, currency, political, social environment and other risks related specifically to these countries, which may affect the market price of its investments in these countries. Exposure to a limited number of countries also increases the potential volatility of the portfolio due to the increased concentration risk as they are less diversified compared to exposure to specific regional or global markets.

(k) Default and Liquidity Risk of Below Investment Grade Debt Securities

Below investment grade debt securities are speculative and involve a greater risk of default and price changes due to changes in the issuer's creditworthiness. The market prices of these debt securities fluctuate more than investment grade debt securities and may decline significantly in periods of general economic difficulty. The market for such securities may not be liquid at all times. In a relatively illiquid market the portfolio may not be able to acquire or dispose of such securities quickly and as such the portfolio may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties.

(l) Foreign Exchange Transaction Risk

The portfolio may use foreign exchange contracts to alter the currency exposure characteristics of transferable securities they hold. Consequently there is a possibility that the performance of the portfolio may be strongly influenced by movements in foreign exchange rates because the currency position held by the portfolio may not correspond with the securities position.

(m) Market Risk

The price of the securities comprised in the portfolio and the income from them, may be influenced by political and economic conditions, changes in interest rates, the earnings of the corporations whose securities are comprised in the portfolio and the market’s perception of the securities.

(n) Risks associated with the use of Financial Derivative Instruments

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

The viability of exercising derivative instruments depends on the market price of the investments to which they relate, and accordingly, Nikko AM Asia may from time to time decide that it is not viable to exercise certain derivatives held by the portfolio within the prescribed period, in which case, any costs incurred in obtaining the derivatives will not be recoverable. Additionally, the market price of the relevant investment may not exceed the exercise price attached to the derivative instrument at any time during the exercise period or at the time at which the warrants or options are exercised and in such an event, this may result in an immediate loss to the portfolio.

2. **Valuation policy and performance measurement standards**

Valuations shall be carried out at a frequency in accordance to the investment management agreement. There will be no suspension of valuation by reason of an exchange holiday, and in such cases, the last available security prices shall continue to be applied for valuation purposes.

Notwithstanding the foregoing, Nikko AM Asia's pricing committee will retain the discretion to suspend valuation if deemed necessary. The pricing committee is responsible for considering and arriving at a consensus decision to address any pricing disputes or valuation methodology that requires ad hoc decision due to market situation.

Nikko AM Asia collates and maintains portfolio and series data in performance systems on a periodic basis and generates performance results to meet reporting requirements. Time-weighted rate of return (TWRR) methodology is adopted for portfolio returns calculation. Capital inflows and outflows are deemed to have occurred at end-of-day. In general, the Modified Dietz Methodology shall apply where cash flows are time-weighted to derive an adjusted beginning market value. TWRR that uses actual valuation at time of external cash flows shall apply for cash flows of greater than or equal to 10% of the portfolio net asset value.

3. **Hard-to-value or illiquid assets**

In the event that the most recent available price for a security exceeds one month for reasons of non-availability of prices from regular market sources and/or counterparties, an appropriate liquidity reserve shall be applied on the last available price in accordance with Nikko AM Asia's pricing and valuation policy. The adjusted price shall be approved by the pricing committee prior to application.

4. **Counterparties, brokers and prime brokers**

Counterparties, brokers and/or prime brokers (if any) are selected from an approved panel and their appropriateness for continued use is reviewed by Nikko AM Asia on a regular basis. For inclusion onto the panel, due diligence on the counterparties, brokers and/or prime brokers is performed and the relevant internal approvals must be obtained. For counterparties, brokers and/or prime brokers in foreign exchange, over-the-counter derivatives, secured or unsecured call loan or securities lending, additional approval must be sought from the risk management department of the Nikko AM Asia's parent company, Nikko Asset Management Co., Ltd.

5. Soft dollar arrangement

Appointment of Soft Dollar Brokers

Soft dollar brokers will be appointed onto the Nikko AM Asia' broker panel only after we have ensured that:

a) full disclosure of the practice of accepting soft dollars is made;

b) the commission rates charged are comparable with the market rates;

c) there is no conflict of interest;

d) the soft dollar credits are used only for clearly defined services;

e) at all times trades are executed through the respective brokers only on the basis of best execution regardless whether soft dollar benefits will accrue. Best execution shall include competitive prices with smooth execution ability; and

f) relevant regulations and guidelines are complied with.

The procedures for the appointment of the brokers shall be no different from that of normal full service brokers.

Execution and allocation of trades by Soft Dollar Brokers

Clients who object to the use of the soft dollar brokers shall have trades of their portfolios segregated from the rest of the trades that are executed through the relevant soft dollar broker(s). Nikko AM Asia will execute trades for such accounts only with authorised full service brokers. It is the responsibility of Nikko AM Asia to ensure that the allocation quotas are adhered to. In addition, Nikko AM Asia will monitor the execution ability of the soft dollar brokers and assign the business strictly on a "best execution" basis.

In our management of the portfolio, Nikko AM Asia may receive soft dollar commissions from, or may enter into soft dollar arrangements with, brokers who execute trades on behalf of the portfolio and the soft dollars received would be restricted to the following kinds of services:

a) specific advice as to the advisability of dealing in, or of the value of any investments;

b) research and advisory services;

c) economic and political analysis;

d) portfolio analysis including valuation and portfolio measurements;

e) market analysis;

f) data and quotation services;

g) computer hardware or software that are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and

h) custodial services in relation to the investments managed for clients.

The following are, however, prohibited:

a) travel, accommodation and entertainment expenses;

b) general administrative goods and services including office equipment and premises;

c) membership fees;

d) employee salaries; and

f) direct money payments / rebates.

Records of the payments made using soft dollar commissions shall be retained with Nikko AM Asia.