EXPOSURE DRAFT OF THE GUIDANCE STATEMENT ON BROADLY DISTRIBUTED POOLED FUNDS
Global Investment Performance Standards

INVITATION TO COMMENT:

Exposure Draft of the Guidance Statement on Broadly Distributed Pooled Funds

CFA Institute established the GIPS Executive Committee as the governing body for the Global Investment Performance Standards (GIPS®). The GIPS Technical Committee is responsible for technical oversight of the GIPS standards. The GIPS Technical Committee seeks comment on the proposal set forth below regarding the Guidance Statement on Broadly Distributed Pooled Funds.

Comments must be submitted and received no later than 29 April 2016. Responses will be accepted via e-mail, hardcopy and fax. Please submit your comments as early as possible to facilitate the review process. Unless otherwise requested, all comments and replies will be made public on the GIPS standards website (www.gipsstandards.org). Comments may be submitted as follows:

E-mail: standards@cfainstitute.org
Fax: +434-951-5687
Post: CFA Institute
   Global Investment Performance Standards
   Re: Guidance Statement on Broadly Distributed Pooled Funds
   915 E. High Street
   Charlottesville, VA 22902
   USA

Executive Summary

The purpose of this Guidance Statement is to address the application of the Global Investment Performance Standards (GIPS) from the perspective of firms that manage broadly distributed pooled funds. The GIPS standards do not explicitly address the treatment of broadly distributed pooled funds. Firms often include pooled fund assets in total firm assets, yet few provide compliant presentations to prospective pooled fund investors. In most cases, there is typically no or minimal contact between the firm managing the broadly distributed pooled fund and prospective pooled fund investors. At the same time, composite performance that includes multiple portfolios in addition to the pooled fund may not be appropriate to present to prospective pooled fund investors, which leads to the question whether prospective pooled fund investors must receive a compliant presentation. Many firms are unclear about their responsibilities regarding pooled funds, which has led to inconsistent practices. In addition, certain markets are dominated by broadly distributed pooled funds, and in order to reach these markets, it is important that guidance specific to broadly distributed pooled funds be developed.

Effective Date

The expected effective date of the Guidance Statement on Broadly Distributed Pooled Funds is 1 January 2017.

Comments Requested

There are questions positioned throughout the document to elicit feedback on specific issues. In addition to responding to the specific questions, please provide feedback on the entire document, including items you support. All comment letters will be considered carefully and are greatly appreciated. Please note, the deadline to submit feedback is 29 April 2016.
Pooled Funds within the Scope of the Guidance Statement on Broadly Distributed Pooled Funds

The pooled funds that are the target of the Guidance Statement on Broadly Distributed Pooled Funds are pooled unitized investment vehicles with broad distribution (i.e., where there is typically no or minimal contact between the firm managing the pooled fund and prospective pooled fund investors). Examples include mutual funds, open-ended investment companies (OEICs), investment companies with variable capital (ICVCs), unit trusts, and sociétés d’investissement à capital variable (SICAVs). These types of funds tend to be marketed to a large number of investors, targeting either institutional or retail investors or both. Many of these types of pooled funds are subject to local laws and regulations of the jurisdictions where such funds are offered or marketed, such as the Undertakings for Collective Investment in Transferable Securities (UCITS) regulations in the European Union, the Investment Company Act of 1940 and its rules and regulations administered by the US Securities and Exchange Commission (SEC), the Act on Investment Trusts and Investment Corporations in Japan, and the Mutual Funds Regulations 1996 of the Securities and Exchange Board of India (SEBI), among others.

This Guidance Statement is not meant to apply to situations in which a firm is marketing a strategy with a composite\(^1\) that includes a pooled fund. It applies to situations in which a firm is marketing a specific investment vehicle—that is, a broadly distributed pooled fund—to more than one investor. Keep in mind that certain types of pooled funds, such as hedge funds, real estate funds, and private equity funds, are not covered by this Guidance Statement. They are explicitly covered in the Guidance Statements on Alternative Investment Strategies and Structures, Private Equity, and Real Estate. The term “pooled fund” used throughout the remainder of this Guidance Statement refers to the type of broadly distributed pooled fund described previously.

Firms within the Scope of the Guidance Statement on Broadly Distributed Pooled Funds

There are often many parties involved in the management, marketing, and distribution of a pooled fund, and this Guidance Statement does not apply to all parties involved with the pooled fund. Some of the ways entities may be involved with a pooled fund include the following:

- Responsibility for both managing and marketing a pooled fund, sometimes with the involvement of third parties to help with marketing and distribution
- Responsibility for managing the fund in a sub-advisory capacity but not for marketing and distributing the fund
- Responsibility for marketing and distributing the fund but not for managing the fund

This Guidance Statement applies only to firms that manage one or more pooled funds and are also responsible for the creation of the official pooled fund documents mandated by regulators and the fund-specific marketing material. A firm that manages pooled funds but is not responsible for the creation of the official pooled fund documents and the fund-specific marketing material is not required to comply with this Guidance Statement. For example, a firm that is hired to sub-advice a pooled fund is typically not involved in the marketing of the fund and, as a result, would not be responsible for the creation or

\(^1\) A composite is an aggregation of one or more portfolios managed according to a similar investment mandate, objective, or strategy.
distribution of marketing material for the fund. In such a situation, the sub-adviser would treat the sub-advised pooled fund portfolio like any other discretionary portfolio.

Note that a firm is not responsible for pooled fund marketing material created by a third party. The Global Investment Performance Standards (GIPS®) do not impose any specific, additional requirements for a firm to monitor the use of its performance information once that information has been provided to a third party. However, as in all situations where a firm’s performance information is distributed by a third party, the firm should take appropriate measures to ensure that its performance is not misrepresented or used in a misleading fashion.

**Purpose of the Guidance Statement on Broadly Distributed Pooled Funds**

The GIPS standards do not explicitly address the treatment of broadly distributed pooled funds. Firms often include pooled fund assets in total firm assets, yet few provide compliant presentations2 to prospective pooled fund investors. In most cases, there is typically no or minimal contact between the firm managing the broadly distributed pooled fund and prospective pooled fund investors. At the same time, composite performance that includes multiple portfolios in addition to the pooled fund may not be appropriate to present to prospective pooled fund investors. Many firms are unclear about their responsibilities regarding pooled funds, which has led to inconsistent practices. In addition, certain markets are dominated by broadly distributed pooled funds, and in order to reach these markets, it is important that guidance specific to broadly distributed pooled funds be developed.

Provision 0.A.9 of the GIPS standards requires that firms make every reasonable effort to provide a compliant presentation to all prospective clients. A prospective client is defined as any person or entity that has expressed interest in one of the firm’s composite strategies and qualifies to invest in the composite strategy. A key question is whether prospective pooled fund investors must receive a compliant presentation.

Guidance specific to pooled funds must take into account some notable hurdles that firms managing broadly distributed pooled funds face in complying with the GIPS standards:

1. There are often local laws and regulations that govern what information can or cannot, and should or should not, be included in materials prepared for prospective pooled fund investors, including the official offering document (e.g., Key Investor Information Document, or KIID; mutual fund prospectus; and Product Disclosure Statement) that must be given to all prospective pooled fund investors and fund-specific marketing material. Some information required to be presented in a compliant presentation may be prohibited in some or all of the materials prepared for prospective pooled fund investors.

2. Local laws and regulations typically specify a methodology for the calculation and presentation of pooled fund performance based on net asset value (NAV), where the NAV represents the per share market value of the fund. Although an NAV-based method would generally satisfy the performance calculation requirements of the GIPS standards, the required methodology might produce results that have been reduced by fees and expenses beyond the minimum required to be deducted from net-of-fees performance under the GIPS standards. In addition, many firms prefer to present gross-of-fees rather than net-of-fees returns in a compliant presentation. Thus, the returns in a compliant presentation could differ from the returns in the official pooled fund document, such as a KIID or prospectus, even if the pooled fund is the sole component of the composite. Even with appropriate disclosures, the differences in returns from one document to another are likely to confuse prospective pooled fund investors.

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2A compliant presentation is a presentation for a composite that contains all the information required by the GIPS standards and may also include additional information or supplemental information.
The pooled fund issues previously outlined add complexity in following the GIPS standards that deal with the materials distributed to prospective pooled fund investors. However, these issues do not affect the firm’s ability to comply with other requirements of the GIPS standards, such as the need to have all discretionary portfolios in a composite, the ability to produce a compliant presentation for all composites, and so forth. This Guidance Statement was created to provide clarity regarding the distribution of pooled fund materials for GIPS-compliant firms whose firm definition includes broadly distributed pooled funds. Clarity is especially needed to address what firms managing pooled funds must do to comply with Provision 0.A.9 of the GIPS standards.

This Guidance Statement benefits prospective pooled fund investors and firms, as well as local regulators, in a number of ways:

**Investor Interests**
- *Differences in the robustness of pooled fund regulation in various jurisdictions.* Although many countries have robust laws and regulations governing pooled funds, this is not the case in all countries. This Guidance Statement will help establish the required and recommended information to be provided to prospective pooled fund investors, unless such information is prohibited by local laws or regulations.
- *Investor confidence.* Investors will likely take it for granted that a firm that manages a pooled fund adheres to local regulatory requirements. Knowing that the firm also adheres to global standards may enhance investor confidence.
- *Comparability of pooled funds across various jurisdictions.* Regional initiatives, such as the Association of Southeast Asian Nations (ASEAN) collective investment scheme framework for cross-border offerings and the Asia Region Funds Passport (ARFP), are expected to increase the flow of investment products among participating countries. The ability of investors to compare and evaluate pooled funds from a number of countries will become more important as barriers to investing across borders are reduced. Knowing that a firm adheres to the GIPS standards provides an additional point of comparison for investors when comparing various pooled funds with the same investment strategy.
- *Consistency of information across various fund families.* This benefit may help investors in comparing and evaluating funds from different fund families, which is increasingly important given the growing investments in retirement plans that use pooled funds.

**Firm Interests**
- This Guidance Statement provides clarity on the responsibilities of a compliant firm in fulfilling the requirements for the distribution of information to prospective pooled fund investors.
- Compliance with the GIPS standards may help firms compete in situations where investors and their financial advisers or consultants are comparing funds with the same investment strategy but governed by different local regulations. For a firm located in a country where most, if not all, of the information required by this Guidance Statement is already mandated by local regulations, there is little or no additional information that it will need to prepare and present in its existing official pooled fund documents and fund-specific marketing material. However, for a firm located in a country where many of the required items are not mandated, including the required and recommended items may enable the firm to compete more effectively by allowing an easier comparison of its pooled fund(s) with the pooled funds of its peers globally.
- This Guidance Statement, which includes both requirements and recommendations, can help firms follow best practices relating to the marketing of broadly distributed pooled funds.

**Regulatory Perspective**
Regulators in many countries have indicated a desire for GIPS guidance specifically focused on pooled funds. Such guidance is especially relevant for countries with a largely retail investment market and few or no pooled fund regulations. In these countries, GIPS guidance for pooled funds can illustrate best practices for use in the development of pooled fund regulations.
General Approach of the Guidance Statement on Broadly Distributed Pooled Funds

Given the complexity of local laws and regulations, it was determined that a minimalist approach would be taken in this Guidance Statement in order to

• encourage consistency and minimize conflicts between the GIPS standards and local laws and regulations and
• take into account the practicalities of a market that has many large global firms with hundreds of funds and fund share classes in different jurisdictions.

Defined Terms

Pooled Fund Net/Net Return
A pooled fund net/net return is a time-weighted return\(^3\) that is net of all fees charged against the fund, including transaction costs, investment management fees, custody fees, legal expenses, and all other administrative and other costs. Sales charges and loads, which may be charged on the front end\(^4\) or back end,\(^5\) should not be included in the calculation of the pooled fund net/net return, because regulators in many countries do not allow such charges to be included. If sales charges and loads have been deducted during the calculation of the pooled fund net/net return, such charges should be disclosed. As in all cases, local laws and regulations regarding the calculation of returns must be followed if there is a conflict between local laws and regulations and what is stated in this Guidance Statement.

  \textbf{Question: Does your country or region require sales charges and loads to be included in the calculation of the pooled fund returns?}

Official Pooled Fund Document
The term “official pooled fund document” is used to designate the specific official offering document or documents required to be presented to prospective pooled fund investors prior to or concurrently with their initial purchase of a pooled fund. In most if not all cases, such documents need to be filed with the regulatory body of the country/region where the pooled fund is being offered.

Prospective Pooled Fund Investor
A prospective pooled fund investor is defined as any investor who is interested in investing in the type of broadly distributed pooled funds targeted by this Guidance Statement.

Fund-Specific Marketing Material
The term “fund-specific marketing material” is used to designate material, in electronic or paper format, that includes the particular pooled fund’s objective and strategy, presents investment performance, and is intended to be distributed to all prospective pooled fund investors who are considering investing in that specific pooled fund. Examples include fund fact sheets, fund profile sheets, and so on.

  \textbf{Question: Are the explanations of the defined terms sufficiently clear?}

  \textbf{Question: Are there other terms that should be defined?}

  \textbf{Question: Do the terms themselves clearly indicate the concepts being presented?}

\(^3\)Please refer to the requirements and recommendations applicable to portfolio-level return calculations in Section 1 (“Input Data”) and Section 2 (“Calculation Methodology”) of the GIPS standards.

\(^4\)At the time of purchase of or subscription to the pooled fund.

\(^5\)At the time of sale or redemption of the pooled fund.
Required Items
The following items are required to be included in both the official pooled fund document required by local regulators and the fund-specific marketing material that is prepared by the firm for prospective pooled fund investors, if that material presents investment performance. As is always the case, the firm must comply with all applicable laws and regulations regarding the calculation and presentation of performance. If local laws or regulations prohibit a required item from being included in an official pooled fund document or in fund-specific marketing material, that item must be excluded. If a firm determines that it cannot satisfy all the requirements of this Guidance Statement due to regulatory conflicts, this determination must be documented in the firm’s policies and procedures.

In some cases, regulators require two official pooled fund documents to be prepared: a lengthy official pooled fund document and a summary document. A required item might be permitted in all, some, or none of the official pooled fund documents and the fund-specific marketing material. The firm is required to include all required items in all official pooled fund documents or fund-specific marketing material if permitted. The required items may be shown on the same page or on different pages throughout the official pooled fund document and in the fund-specific marketing material. Note that many of the required items are also required by local regulators and are therefore already included in the official pooled fund document and/or fund-specific marketing material. In such cases, there may be little or no new information that a firm would be required to add to its official pooled fund document and/or fund-specific marketing material.

The required items include the following:
1. The description of the pooled fund’s investment mandate, objective, or strategy.
2. An indication of the pooled fund’s risk, as either a qualitative narrative or a quantitative metric, as mandated by the local regulators. If the local regulators do not require or prohibit a specific risk measure, the firm may choose the risk measure to present.
3. Pooled fund returns calculated according to the methodology and for the time periods required by local laws or regulations. If local laws or regulations do not mandate the methodology for calculating pooled fund returns, a pooled fund net/net return must be calculated and presented. If specific time periods are not mandated by local laws or regulations, returns must be presented consistent with one of the following options:
   • One-, three-, and five-year annualized returns through the most recent period, with the period-end date clearly identified. If the pooled fund has been in existence for less than five years, firms must also present the annualized returns since the pooled fund inception date. For example, if the pooled fund has been in existence for four years, firms must present one-, three-, and four-year annualized returns through the most recent period. Returns for periods of less than one year must not be annualized.
   • Period-to-date returns in addition to one-, three-, and five-year annualized returns through the most recent period, with the period-end date clearly identified. If the pooled fund has been in existence for less than five years, firms must also present the annualized returns since the pooled fund inception date. For example, if the pooled fund has been in existence for four years, firms must present one-, three-, and four-year annualized returns in addition to the period-to-date return. Returns for periods of less than one year must not be annualized.

6Please refer to the Appendix for examples of how the required items may be shown in official pooled fund documents or fund-specific marketing material.
7The description of the investment mandate, objective, or strategy of a pooled fund should include its purpose, the boundaries within which the fund is supposed to invest (e.g., in what regions, asset classes, sectors, and types of securities), and investment policies. It must include all key features of the pooled fund and enough information to allow prospective pooled fund investors to understand the key characteristics of the pooled fund’s investment mandate, objective, or strategy.
8“Period-to-date return” is the return measured from the most recent calendar year-end to the current performance measurement period’s end date. For example, if the most recent calendar year-end date is 31 December 2014 and the current performance measurement period’s end date is 31 March 2015, the period-to-date return is the three-month return measured from 31 December 2014 to 31 March 2015.

EXPOSURE DRAFT GUIDANCE STATEMENT ON BROADLY DISTRIBUTED POOLED FUNDS 7
• Period-to-date returns in addition to five years of annual returns (or for each annual period since the pooled fund inception date if the pooled fund has been in existence for less than five years), with the annual period-end date clearly identified.

If the official pooled fund document and the fund-specific marketing material are created for a specific pooled fund share class, returns must reflect the fees and expenses of that specific share class. If the official pooled fund document and the fund-specific marketing material are not created for a specific pooled fund share class, fees and expenses reflected in the returns must be based on the share class with the maximum fee or returns for all fund share classes must be presented.

4. Benchmark total returns (for the same time periods as the pooled fund) and the benchmark description.\(^9\) If the firm determines that no appropriate benchmark for the pooled fund exists, the reason for the lack of a benchmark (e.g., “no appropriate benchmark exists”) must be disclosed.

5. The currency used to express performance.

  *Question:* Do you agree that all the required items listed above should be required items? Are there any other items that should be required?

  *Question:* Do you agree that a pooled fund net/net return should not reflect the deduction of sales charges and loads? Why or why not?

  *Question:* Should the required items be required in official pooled fund documents unless prohibited by local regulators? Why or why not?

  *Question:* Should the required items be required in fund-specific marketing material created for prospective pooled fund investors? Why or why not?

**Recommended Items**

1. Sales Charges and Loads
   a. If a pooled fund has sales charges and loads, they should be disclosed in the fund's official pooled fund document and fund-specific marketing material.
   b. If the presented pooled fund returns reflect the deduction of sales charges or loads, this deduction should be disclosed.

2. GIPS Pooled Fund Claim of Compliance
   It is recommended that the following pooled fund claim of compliance be used in the official pooled fund document and in fund-specific marketing material unless prohibited by local laws and regulations.

   “XXX, the firm managing this pooled fund, claims compliance with the Global Investment Performance Standards (GIPS®). For more information about the GIPS standards, please visit www.gipsstandards.org.”

Note that this claim of compliance is different from both the claim of compliance required to be disclosed in compliant presentations and the claim of compliance specified in the GIPS Advertising Guidelines. Although inclusion of this claim of compliance in pooled fund materials is viewed as best practice, it is not required.

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\(^9\)A benchmark description is general information regarding the investments, structure, and/or characteristics of the benchmark. The description must include the key features of the benchmark or the name of the benchmark for a readily recognized index or other point of reference.
If the official name of the firm that manages the pooled fund differs from the name of the firm that claims compliance with the GIPS standards or if the firm as defined for GIPS compliance differs from the legal entity that manages the pooled fund, the claim of compliance should also include the firm definition.

**Question:** If returns reflect the deduction of sales loads, should firms be required to disclose this deduction?

**Question:** Do you agree that including this GIPS pooled fund claim of compliance in the official pooled fund document and in the fund-specific marketing material should be a recommendation? Why or why not?

**Offer and Provision of a Compliant Presentation**

Owing to the hurdles that firms managing broadly distributed pooled funds face in complying with the GIPS standards as highlighted in the “Purpose of the Guidance Statement on Broadly Distributed Pooled Funds” section, the offer of a compliant presentation in the official pooled fund document and the fund-specific marketing material is neither required nor recommended. Firms are not required to provide a compliant presentation to prospective pooled fund investors. They may consider their obligation under Provision 0.A.9 fulfilled if all the required items indicated previously are included in the official pooled fund document and the fund-specific marketing material. However, firms must provide a compliant presentation to a prospective pooled fund investor upon request.

**Question:** Do you agree that the offer of a compliant presentation in the official pooled fund document and the fund-specific marketing material should be neither required nor recommended? Why or why not?

**Question:** Do you agree that firms should not be required to provide a compliant presentation to prospective pooled fund investors unless requested to do so by a prospective pooled fund investor? Why or why not?

**Question:** In cases where there are direct interactions between a firm and a prospective pooled fund investor, should it be a requirement or a recommendation (or neither) that a compliant presentation be given to the prospective pooled fund investor?

**Other Information**

Information in addition to the required and recommended items is likely to be mandated by local laws or regulations. Firms are encouraged to give as full a picture of the pooled fund as possible, going beyond the required items listed in this Guidance Statement. In all cases, firms must adhere to the principles of the GIPS standards—fair representation and full disclosure—when preparing materials for a pooled fund.
APPENDIX

The following examples demonstrate how the required items may be presented in the official pooled fund document and in fund-specific marketing material. Please note that the required items may be shown on the same page or on different pages throughout a particular official pooled fund document or fund-specific marketing material so long as all the required items are included in the document.

Example 1: Official Pooled Fund Document—Key Investor Information Document (KIID)

![Image of Key Investor Information Document](image_url)
Charges

The charges are used to pay the costs of running the Fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

The entry and exit charges shown are maximum figures. In some cases you may pay less. Please refer to your financial advisor or the distributor for the actual entry and exit charges.

* Subject to a charge of up to 2% paid into the Fund where the Manager suspects excessive trading by an investor.

The ongoing charges figure is based on expenses for the twelve month period ending 30 September 2015. This figure may vary from year to year. It excludes portfolio trade-related costs, except costs paid to the custodian and any entry/exit charge paid to an underlying collective investment scheme (if any).

** To the extent the Fund undertakes securities lending to reduce costs, the Fund will receive 62.5% of the associated revenue generated and the remaining 37.5% will be received by the securities lending agent. As securities lending revenue sharing does not increase the costs of running the Fund, this has been excluded from the ongoing charges.

Past Performance

Past performance is not a guide to future performance.

Historic performance to 31 December 2014

For more information on charges, please see the Fund’s prospectus, which is available at ...

- One-off charges taken before or after you invest
  - Entry Charge: 5.00%
  - Exit Charge: None*

This is the maximum that might be taken out of your money before it is invested or before proceeds of your investments are paid out.

- Charges taken from the Fund over each year
  - Ongoing Charges: 1.83%**

- Charges taken from the Fund under certain conditions
  - Performance Fee: None

Practical Information

- The custodian of the Fund is Limited, Luxembourg branch.
- Further information about the Fund can be obtained from the prospectus and the latest annual and half-yearly reports of the Fund.
- These documents are available free of charge in English and certain other languages. These can be found, along with other information, such as share prices, on the International Investor Servicing team.
- Investors should note that the tax legislation that applies to the Fund may have an impact on the personal tax position of your investment in the Fund.
- The Fund is a sub-fund of an umbrella structure comprising different sub-funds. This document is specific to the Fund and share class stated at the beginning of this document. However, the prospectus, annual and half-yearly reports are prepared for the umbrella.
- Investors may switch their shares in the Fund for shares in another sub-fund within subject to meeting certain conditions as set out in the prospectus.

Currency used to express performance

Benchmark

1. Name and/or description
2. Total returns for the same periods as the pooled fund
Example 2A: Official Pooled Fund Document—Summary Prospectus

STOCK FUND

INVESTMENT OBJECTIVES
The Fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income.

FEES AND EXPENSES
This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

SHAREHOLDER FEES
(fees paid directly from your investment)

Sales charge (load) imposed on purchases None
Deferred sales charge (load) None
Sales charge (load) imposed on reinvested distributions None
Redemption fee None
Exchange fee None

ANNUAL FUND OPERATING EXPENSES
(expresses that you pay each year as a percentage of the value of your investment)

Management fees 50%
Distribution and/or service (12b-1) fees None
Other expenses (acquire, custody, accounting, legal, etc.) 0.2%
Total Annual Fund Operating Expenses 52%

Example: This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The example assumes that:
- You invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those time periods.
- Your investment has a 5% return each year; and
- The Fund’s operating expenses remain the same.
Although your actual costs may be higher or lower, under these assumptions your costs would be:

<table>
<thead>
<tr>
<th>Year</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
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<td></td>
<td>$53</td>
<td>$167</td>
<td>$291</td>
<td>$653</td>
</tr>
</tbody>
</table>

PORTFOLIO TURNOVER
The Fund incurs transaction costs, such as commissions, when buys and sells securities (or “turns over” the portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These transaction costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 57% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES
The Fund invests primarily in a diversified portfolio of equity securities. Under normal circumstances, the Fund will invest at least 80% of its total assets in equity securities, including common stocks, depositary receipts evidencing ownership of common stocks, preferred stocks, securities convertible into common stocks, and securities that carry the right to buy common stocks. The Fund may invest up to 20% of its total assets in U.S. dollar-denominated securities of non-U.S. issuers traded in the United States that are not in the S&P 500 Index. The Fund may enter into forward currency contracts or currency futures contracts to hedge foreign currency exposure.

The Fund typically invests in medium-to-large well established companies based on standards of the applicable market. In selecting investments, the Fund typically invests in companies that, in its opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The Fund focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow, and dividends. Various other factors, including financial strength, economic condition, competitive advantage, quality of the business franchise, and the reputation, experience, and competence of a company’s management are weighed against valuation in selecting individual securities. The Fund also considers the economic and political stability of the country where the issuer is located and the protections provided to shareholders.

PRINCIPAL RISKS OF INVESTING
You could lose money by investing in the Fund, and the Fund could underperform other investments. You should expect the Fund’s share price and total return to fluctuate within a wide range. The Fund’s performance could be hurt by:
- Manager risk. Manager’s opinion about the intrinsic worth of a company or security may be incorrect or the market may continue to undervalue the company or security. Manager may not make timely purchases or sales of securities for the Fund.
- Equity risk. Equity securities generally have greater price volatility than debt securities. Equity securities may decline in value because of changes in the actual or perceived financial condition of their issuers or other events affecting their issuers.
- Market risk. Prices may increase or decrease, sometimes suddenly and unpredictably, due to general market conditions.
- Liquidity risk. The Fund may not be able to purchase or sell a security in a timely manner or at desired prices or achieve its desired weighting in a security.
- Derivatives risk. Investing in derivatives, such as forward currency contracts and equity index futures, involves risks additional to those associated with investing directly in securities. The value of a derivative may not correlate to the value of the underlying instrument to the extent expected. Derivative transactions may be volatile, and can create leverage, which could cause the Fund to lose more than the amount of assets initially contributed to the transaction, if any. The Fund may not be able to close a derivatives position at an advantageous time or price.

Description of the pooled fund’s investment objective

An indication of the pooled fund’s risk
For over-the-counter derivatives transactions, the counterparty may be unable or unwilling to make required payments and deliveries, especially during times of financial market distress.

- **Non-U.S. investment risk.** Securities of non-U.S. issuers (including ADRs) may be less liquid, more volatile, and harder to value than U.S. securities. Non-U.S. issuers may be subject to political, economic, or market instability, or unfavorable government action in their local jurisdictions. There may be less information publicly available about non-U.S. issuers and their securities and those issuers may be subject to lower levels of government regulation and oversight. These risks may be higher when investing in emerging market issuers. Certain of these risks may also apply to securities of U.S. issuers with significant non-U.S. operations.

- **Non-U.S. currency risk.** Foreign currencies may decline relative to the U.S. dollar, which reduces the unhedged value of securities denominated in or otherwise exposed to those currencies. May not hedge or may not be successful in hedging the Fund’s currency exposure.

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

**Performance Information**

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows changes in the Fund’s returns from year to year. The table shows how the Fund’s average annual total returns for one, five, and ten years compare to those of a broad measure of market performance. The Fund’s past performance (before and after taxes) does not necessarily indicate how the Fund will perform in the future. Visit the Fund’s website or call for current performance figures.

<table>
<thead>
<tr>
<th>Stock Fund</th>
<th>1 Year</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return before taxes</td>
<td>10.43%</td>
<td>15.56%</td>
<td>7.13%</td>
</tr>
<tr>
<td>Return after taxes on distributions</td>
<td>9.63</td>
<td>15.16</td>
<td>6.51</td>
</tr>
<tr>
<td>Return after taxes on distributions and sale of Fund shares</td>
<td>6.51</td>
<td>12.56</td>
<td>5.79</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>(reflects no deduction for expenses or taxes)</td>
<td>13.69</td>
<td>15.46</td>
</tr>
</tbody>
</table>

After-tax returns are calculated using the historical highest individual federal marginal income tax rates, but do not reflect the impact of state or local taxes. Actual after-tax returns may differ depending on your individual circumstances. After-tax return figures do not apply to you if you hold your Fund shares through a tax-deferred arrangement such as a 401(k) plan or an individual retirement account.

---

An indication of the pooled fund’s risk

(Continued from previous page)

**Benchmark**

1. Name and/or description
2. Total returns for the same periods as the pooled fund

Pooled Fund Returns

Currency used to express performance
Example 2B: Fund-Specific Marketing Material—Fund Fact Sheet of the Same Equity Fund as in Example 2A

### Objectives
- The Fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income.

### Strategy
- The Fund invests primarily in a diversified portfolio of equity securities. In selecting investments, the Fund invests in companies that, in its opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The Fund focuses on the underlying financial conditions and prospects of individual companies, including future earnings, cash flow, and dividends. Various other factors, including financial strength, economic condition, competitive advantage, quality of the business franchise, and the reputation, experience, and competence of a company's management are weighed against valuation in selecting individual securities.

### Risks
- The Fund is subject to market risk, meaning holdings in the Fund may decline in value for extended periods due to the financial prospects of individual companies or due to general market and economic conditions. Please read the prospectus for specific details regarding the Fund’s risk profile.

### General Information
- **Net Asset Value Per Share:** $180.47
- **Total Net Assets (billion):** $59.9
- **Expense Ratio:** 0.52%
- **Portfolio Turnover Rate (11/1/15 to 6/30/15, unannualized):** 7%
- **30-Day SEC Yield:** 1.30%
- **Fund Inception:** 1965
- **No sales charge or distribution fees:**
- **Investment Manager:** Managed by the Investment Policy Committee, whose nine members’ average tenure as of 27 years.

### Asset Allocation
- **Equity Securities:** 99.3%
- **Net Cash:** 0.7%

### Portfolio Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Fund</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Equity Securities</td>
<td>64</td>
<td>502</td>
</tr>
<tr>
<td>Median Market Capitalization (billion)</td>
<td>$48</td>
<td>$18</td>
</tr>
<tr>
<td>Capitalization (billion)</td>
<td>$114</td>
<td>$135</td>
</tr>
<tr>
<td>Price-to-Earnings Ratio</td>
<td>14.9x</td>
<td>17.5x</td>
</tr>
<tr>
<td>Foreign Securities not in the S&amp;P 500</td>
<td>10.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

### Sector Diversification (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fund</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td>25.3</td>
<td>16.5</td>
</tr>
<tr>
<td>Information Technology</td>
<td>22.3</td>
<td>19.7</td>
</tr>
<tr>
<td>Health Care</td>
<td>18.2</td>
<td>15.4</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>15.3</td>
<td>12.9</td>
</tr>
<tr>
<td>Energy</td>
<td>8.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>2.2</td>
<td>9.4</td>
</tr>
<tr>
<td>Materials</td>
<td>1.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Telecommunication Services</td>
<td>0.8</td>
<td>2.3</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.0</td>
<td>2.8</td>
</tr>
</tbody>
</table>

### Ten Largest Holdings (%)

<table>
<thead>
<tr>
<th>Holding</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital One Financial Corp.</td>
<td>4.2</td>
</tr>
<tr>
<td>Wells Fargo &amp; Co.</td>
<td>4.0</td>
</tr>
<tr>
<td>Hewlett-Packard Co.</td>
<td>3.6</td>
</tr>
<tr>
<td>Microsoft Corp.</td>
<td>3.6</td>
</tr>
<tr>
<td>Time Warner Cable, Inc.</td>
<td>3.4</td>
</tr>
<tr>
<td>Time Warner, Inc.</td>
<td>3.3</td>
</tr>
<tr>
<td>Novartis AG (Switzerland)</td>
<td>3.2</td>
</tr>
<tr>
<td>Charles Schwab Corp.</td>
<td>3.2</td>
</tr>
<tr>
<td>Bank of America Corp.</td>
<td>3.0</td>
</tr>
<tr>
<td>Comcast Corp.</td>
<td>2.7</td>
</tr>
</tbody>
</table>

---

60 SEC Yield is an annualization of the Fund's total net investment income per share for the 30-day period ending on the last day of the month.

61 Price-to-earnings (P/E) ratios are calculated using 12-month forward earnings estimates from third-party sources.

62 Foreign securities are U.S. dollar denominated.

63 The Fund’s portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation to buy, sell, or hold any particular security and is not indicative of current or future trading activity.
EXPOSURE DRAFT GUIDANCE STATEMENT ON BROADLY DISTRIBUTED POOLED FUNDS 15

Average Annual Total Return

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>20 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Fund</td>
<td>4.55%</td>
<td>20.43%</td>
<td>17.80%</td>
<td>7.20%</td>
<td>11.00%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>7.43%</td>
<td>17.31%</td>
<td>17.35%</td>
<td>7.90%</td>
<td>8.91%</td>
</tr>
</tbody>
</table>

Returns represent past performance and do not guarantee future results. Investment returns and share price will fluctuate with market conditions, and investors may have a gain or loss when shares are sold. Fund performance changes over time and currently may be significantly lower than stated above. Performance is updated and published monthly. Visit the Fund’s website for current month-end performance figures.

The Fund had a total return of 2.6% for the second quarter of 2015, compared to 0.3% for the S&P 500 Index. For the six months ended June 30, 2015, the Fund had a total return of 1.4%, compared to 1.2% for the S&P 500. At quarter end, the Fund had net assets of $59.9 billion with net assets of 0.7%.

MARKET COMMENTARY

During the second quarter, the S&P 500 rose to record highs in May before retreating to end the quarter up slightly. After moderating in the first quarter, U.S. economic activity expanded in recent months: labor market conditions improved, household spending grew modestly, and the housing sector reached multi-year highs in existing home sales and building permits. However, these positive developments were tempered by concerns about Greece’s sovereign debt crisis and potential exit from the Eurozone. The escalating situation in Greece could continue to create market volatility.

Indicative of a stronger U.S. economy, longer-term U.S. Treasury rates rose substantially in the second quarter; the 10-year U.S. Treasury yield increased from 1.9% to 2.4%. Despite the rise, interest rates remained low in the United States and around the world compared to their historical averages. The U.S. Federal Reserve (Fed) reaffirmed its target range for the federal funds rate and its intention to raise rates slowly. Many investors now expect the Fed to begin increasing rates in the second half of 2015.

Despite trading above their long-term average, U.S. equity market valuations remain reasonable in our opinion; the S&P 500 traded at 17.5 times forward estimated earnings with a 2.1% dividend yield at quarter end. Given higher starting valuations, we continue to have a more tempered outlook for long-term equity returns. Corporate balance sheets and cash flows remain strong. Over our three- to five-year investment horizon, we continue to believe the Fund’s portfolio is well-positioned to benefit from global growth opportunities and a normalization of interest rates. Acknowledging that markets can be volatile in the short term, we encourage shareholders to remain focused on the long term.

SECOND QUARTER PERFORMANCE REVIEW

The Fund outperformed the S&P 500 by 2.3 percentage points for the quarter.

KEY CONTRIBUTORS TO RELATIVE RESULTS

- The Fund’s average overweight position (25% versus 16%) and holdings in the Financials sector (up 8% compared to up 2% for the S&P 500 sector) contributed significantly to results. Capital One (up 12%), Goldman Sachs (up 11%), and JPMorgan (up 11%) performed well.
- The Fund’s average overweight position (12% versus 4%) and holdings in the Media industry (up 7% compared to up 5% for the S&P 500 sector) also contributed.
- Additional contributors included Celanese (up 29%), Cigna (up 25%), and Microsoft (up 9%).

KEY DETERACTORS FROM RELATIVE RESULTS

- No sector detracted notably during the quarter. However, certain holdings were weak, including ADT Corp. (down 19%), Wal-Mart (down 13%), and ExxonMobil (down 10%).

Before investing in any Fund, you should carefully consider the Fund’s investment objectives, risks, and charges and expenses. To obtain a Fund’s prospectus and summary prospectus, which contain this and other important information, visit . Please read the prospectus and summary prospectus carefully before investing.
Example 3: Official Pooled Fund Document—Product Key Facts

This is a Mainland fund authorized for public offering in Hong Kong pursuant to Mainland-Hong Kong Mutual Recognition of Funds arrangement.

This statement provides you with key information about this product. This statement is a part of the offering document. You should not invest in this product based on this statement alone.

Quick facts

- Fund Manager:
- Custodian:
- Ongoing charges over a year:
  - Class X: \( \text{\%} \)
  - Class Y: \( \text{\%} \)
- Underlying index:
- Estimated annual tracking difference or Tracking difference of the last calendar year:
- Dividend policy:
- Financial year end of this fund:
- Min. investment:
- Base currency:

\( ^* \) The ongoing charges figure is based on expenses for the year ended \( \text{[date]} \). This figure may vary from year to year. \( ^* \) Please disclose the basis of calculating the ongoing charges including, for example, when estimates are used due to material changes, rebates or fee waivers.

[Note 1: The fund manager of Mainland funds may delegate investment management function to a party operating within the Mainland. However, a Mainland fund manager cannot delegate its investment management functions to a party operating outside the Mainland.]

[Note 2: Where the fund may pay dividend out of capital, please refer to the disclosure requirements in O3A4 to O3A4C of the FAQ on Code on Unit Trusts and Mutual Funds.]

What is this product?

This is a fund constituted under the laws of the Mainland China and its home regulator is the China Securities Regulatory Commission.

Objectives and Investment Strategy

Objectives

The investment objective of the fund is [to provide investment results that, before fees and expenses, closely correspond to the performance of the index].

Strategy

The fund manager will [please specify the investment strategy of the fund] e.g. use a full replication strategy by investing all or substantially all of its assets in the constituents of the index, broadly in proportion to the respective weightings of the constituents. / use a representative sampling strategy by investing in a portfolio featuring high correlation with the index and the fund manager may invest in other securities that are not included in the index etc.]

[Note 1: Where the fund may invest in financial derivative instruments (“FDI”), please disclose the types of FDI used and that the fund may invest in FDI for hedging purpose only.]

[Note 2: Please disclose whether the fund may engage in stock lending, repo transactions, reverse repo transactions or other similar transactions and the purpose and extent of such transactions (e.g. up to \( \% \) of NAV). If the fund engages substantially (e.g. more than 30\% of NAV) in such transactions, please also disclose the related risks.]
Index

[Please include a brief description of (i) the market/sector the index aims to represent, and (ii) the characteristics and general composition of the index, and (where applicable) concentration in any economic sectors and/or issuers.]

The fund manager and its connected persons are independent of the index provider (or if not, please specify the means by which possible conflicts of interests will be addressed).

[Please include details of top 10 index constituents as of a date within a month of this Product Key Facts Statement.]

<table>
<thead>
<tr>
<th>Index Constituent</th>
<th>Weighting in index</th>
<th>Index Constituent</th>
<th>Weighting in index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. AAA Company</td>
<td>●●%</td>
<td>6. FFF Company</td>
<td>●●%</td>
</tr>
<tr>
<td>2. BBB Company</td>
<td>●●%</td>
<td>7. GGG Company</td>
<td>●●%</td>
</tr>
<tr>
<td>3. CCC Company</td>
<td>●●%</td>
<td>8. HHH Company</td>
<td>●●%</td>
</tr>
<tr>
<td>4. DDD Company</td>
<td>●●%</td>
<td>9. JJJ Company</td>
<td>●●%</td>
</tr>
<tr>
<td>5. EEE Company</td>
<td>●●%</td>
<td>10. KKK Company</td>
<td>●●%</td>
</tr>
</tbody>
</table>

The index methodology and the latest index information and other important news of the index are available from the [index] website at [●].

What are the key risks?

Investment involves risks and there is no guarantee of the repayment of principal. Please refer to the offering document for details including the risk factors.

[●]

[Note: Please refer to the FAQ published by the SFC.]

How has the fund performed?

- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the [fund][share class] increased or decreased in value during the calendar year being shown.
- Performance data has been calculated in [RMB] including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance. [This note is not required if performance data is available in all the relevant years.]
- Fund launch date: 2003
- [Share class X] launch date: 2008

An indication of the pooled fund’s risk

Benchmark

1. Name and/or description
2. Total returns for the same periods as the pooled fund

Pooled Fund Returns

Currency used to express performance
Example 4: Fund-Specific Marketing Material—Monthly Fund Update

**Global Fixed Income Plus Portfolio (Hedged)**
A sub-fund of Funds, SICAV

**Investment Objective**
- The Portfolio seeks to provide income and capital growth over the longer term. For full investment objective and policy details see the Prospectus.

**Performance (%)**

<table>
<thead>
<tr>
<th>Fund (EUR)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>-1 1</td>
<td>2.3</td>
<td>2.3</td>
<td>3.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-1.9</td>
<td>1.9</td>
<td>2.9</td>
<td>3.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Manager's</td>
<td>-1.6</td>
<td>1.3</td>
<td>2.3</td>
<td>3.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Manager's</td>
<td>1.7</td>
<td>2.7</td>
<td>3.7</td>
<td>4.7</td>
<td>5.7</td>
</tr>
</tbody>
</table>

**Calendar Year Performance (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Fund (EUR)</th>
<th>Index</th>
<th>Benchmark</th>
<th>Manager's</th>
<th>Manager's</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>-8.1</td>
<td>-1.9</td>
<td>-1.6</td>
<td>1.7</td>
<td>2.7</td>
</tr>
<tr>
<td>2011</td>
<td>2.3</td>
<td>0.9</td>
<td>1.3</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>2012</td>
<td>4.1</td>
<td>3.3</td>
<td>2.9</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>2013</td>
<td>4.3</td>
<td>2.9</td>
<td>3.3</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>2014</td>
<td>3.7</td>
<td>3.1</td>
<td>4.1</td>
<td>2.7</td>
<td>2.7</td>
</tr>
</tbody>
</table>

**Sector Allocation (%)**

- 10.0% Government Bonds
- 0.0% Corporate Bonds
- 10.0% High Yield
- 10.0% Emerging Market Debt
- 10.0% Floating Rate
- 10.0% Commodity
- 10.0% Real Estate
- 10.0% Other

**Credit Allocation (%)**

- 10.0% Government Bonds
- 0.0% Corporate Bonds
- 10.0% High Yield
- 10.0% Emerging Market Debt
- 10.0% Floating Rate
- 10.0% Commodity
- 10.0% Real Estate
- 10.0% Other

**Country Bond Allocation (%)**

- 10.0% US
- 10.0% Japan
- 10.0% UK
- 10.0% Germany
- 10.0% France
- 10.0% Italy
- 10.0% Sweden
- 10.0% Denmark
- 10.0% Norway

**Financial Information**
- Net Asset Value (NAV): EUR 1039
- Total Net Assets (€m): EUR 496
- Current Duration of Portfolio (years): 6.30
- Current Duration of Reference Benchmark (years): 6.30
- Yield to Maturity of Portfolio (%): 3.20
- Global Bond - EUR Hedged Sector on 08/15
- Market Value of Portfolio: 231

**Performance (Indexed)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Fixed Income Plus Portfolio (Hedged)</th>
<th>Benchmark Global Aggregate Bond Index (Hedged)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>11.8%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2011</td>
<td>11.8%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2012</td>
<td>11.8%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2013</td>
<td>11.8%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2014</td>
<td>11.8%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

**Fund Characteristics**
- Currency - Class R Shares (Acc.)
- USD
- Manager: BNP Paribas Asset Management SICAV
- Accumulative Shares
- No. of holdings: 100
- No. of top 10: 22
- Historical Volatility Portfolio - 1 yr: 2.90
- Beta - 1 yr: 0.95
- Sharpe Ratio - 1 yr: 0.96
- Historical Tracking error - 1 yr: 2.01
- Fund Facts:
  - ISIN - Class R Shares (Acc.)
  - Reporting period: 30 November
  - Reference Benchmark: Benchmark Global Aggregate Bond Index (Hedged) (EUR)
  - Fund manager: BNP Paribas Asset Management SICAV
  - Internal Risk: 2.9
  - Internal Return: 3.0
  - Total Return: 3.1
  - Total Return (NAV): 3.2

**Notes**
- Performance data and other factual information available in full on request.
- Past performance is no guarantee of future results. The risks involved in the investment of this fund may vary over time as well as the performance of the fund. The risks involved in the fund may be higher than those of a similar fund in the same category.
- This is a sub-fund of Funds, SICAV. This fund is part of a group of sub-funds within the same group of Funds, SICAV. The risks involved in the fund may be higher than those of a similar fund in the same category.
- The benchmark returns do not reflect any management or other charges to the fund, whereas stated returns of the fund do.
Global Fixed Income Plus Portfolio

Certain Material Risks

An investment in the Shares of the Portfolio does not constitute a complete investment programme. The following risk considerations detail certain risks with an investment in the Portfolio as described in the KIID but is not a comprehensive summary of all the risks associated with an investment in the Portfolio. For more detailed information on the risks associated with an investment in the Portfolio, please refer to the section in the Prospectus entitled “Risk Considerations”.

- **Market risk** - the value of assets in the Portfolio is typically dictated by a number of factors, including the confidence levels of the market in which they are traded.
- **Contingent Convertible (“CoCo”) Bond Risk** - investment in this particular type of bond may result in material losses to the Portfolio based on certain trigger events. The existence of these trigger events creates a different type of risk from traditional bonds and may more likely result in a partial or total loss of value or alternatively they may be converted into shares of the issuing company which may also have suffered a loss in value.
- **Operational risk** - material losses to the Portfolio may arise as a result of human error, system and/or process failures, inadequate procedures or controls.
- **Liquidity risk** - the Portfolio may not always find another party willing to purchase an asset that the Portfolio wants to sell which could impact the Portfolio’s ability to meet redemption requests on demand.
- **Exchange rate risk** - changes in exchange rates may reduce or increase the returns an investor might expect to receive independent of the performance of such assets. If applicable, investment techniques used to attempt to reduce the risk of currency movements (hedging), may not be effective. Hedging also involves additional risks associated with derivatives.
- **Custodian risk** - insolvency, breaches of duty of care or misconduct of a custodian or sub-custodian responsible for the safekeeping of the Portfolio’s assets can result in loss to the Portfolio.
- **Interest rate risk** - when interest rates rise, bond prices fall, reflecting the ability of investors to obtain a more attractive rate of interest on their money elsewhere. Bond prices are therefore subject to movements in interest rates which may move for a number of reasons, political as well as economic.
- **Credit risk** - The failure of a counterparty or an issuer of a financial asset held within the Portfolio to meet its payment obligations will have a negative impact on the Portfolio.
- **Derivatives risk** - derivative instruments are highly sensitive to changes in the value of the underlying asset that they are based on. Certain derivatives may result in losses greater than the amount originally invested.
- **Counterparty risk** - a party that the Portfolio transacts with may fail to meet its obligations which could cause losses.
- **High yield risk** - high-yield instruments, meaning investments which pay a high amount of income generally involve greater credit risk and sensitivity to credit developments, giving rise to greater price movement than lower yielding instruments.
- **Emerging markets risk** - emerging markets are likely to bear higher risk due to lower liquidity and possible lack of adequate financial, legal, social, political and economic structures, protection and stability as well as uncertain tax positions.
- **Leverage risk** - the Portfolio may operate with a significant amount of leverage. Leverage occurs when the economic exposure created by the use of derivatives is greater than the amount invested. A leveraged Portfolio may result in large fluctuations in the value of the Portfolio and therefore entails a high degree of risk including the risk that losses may be substantial.