

Pillar 2 - Portfolio Management

1. Portfolio Limits: does the fund have explicit portfolio limits such as, but not limited to, single country, single sector, single security, single asset class, the correlation between securities, or other spelled-out limits.

We are a Constrained Fund

Constrained Fund - the portfolio manager can deviate from the explicit limits by:

By a maximum of 5 percentage points

2. Portfolio level ESG characteristics [iv]: We have decided ESG criteria to be used as our portfolio characteristics that include:

We do not have an established portfolio-level criterion that is based on ESG information or ESG issues

3. ESG based Securities Selection criteria[iv]: We take steps to incorporate financially material ESG information alongside traditional financial information in financial analysis and valuation of the investment product's investments:

We do not have an established security selection criterion that is based on ESG information or ESG issues

4. The number of holdings [i]: What is the average number of securities in the fund over the last 3 years?

45 - 59

5. Security weight: What determines the weight of each security?

Liquidity at the security level

Liquidity at the portfolio level

Correlation with other securities in the portfolio

Potential risk-adjusted returns relative to other securities in the portfolio

Potential to produce alpha

Material[ii] ESG merits of the investee

Investee's response to our fund's/firm's engagement on material[ii] ESG issues

Portfolio limits (explicit limits or soft guidelines) such as single issuer, single security, etc.

6. Portfolio liquidity in normal markets: When we construct the portfolio, we account for short-to-medium liquidity at the portfolio level under normal market conditions.

Our liquidity targets are better than the above (please specify in maximum 250 words)

Please specify the liquidity targets in maximum 250 words.

Being able to liquidate at least 80% of the fund's assets within 2 trading days, and at least 90% of assets within 5 trading days.

7. Portfolio liquidity in stressed markets: One key factor we consider when we construct the portfolio level is liquidity at the portfolio level under stressed market conditions.

Our liquidity targets are better than the above (please specify in maximum 250 words)

Please specify the liquidity targets in maximum 250 words.

Being able to liquidate at least 80% of the fund's assets within 2 trading days, and at least 90% of assets within 5 trading days.

8. Target active share [iii]: What is the target proportion of active shares for this strategy or fund?

Not applicable to this strategy

9. Actual active share [iii]: What is the ACTUAL proportion of active shares in your fund or strategy (average of last 12 months)?

61 - 70% active shares

10a. Investment Bases: Our investment decisions are substantively based on the following.

Security's liquidity in the secondary market

Valuation

Risk/return profile of a security relative to other positions in the portfolio

Investee's cash flow

Investee's ability to meet liabilities promptly/ credit quality

The ability of investee to benefit from structural changes in its industry

Investee's key management's track record

Validity of our investment thesis

Downgrade/upgrade of the investee by our analysts

ESG factors improving

Investee's response to our fund's/firm's ESG engagement

Environmental factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance

Social factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. In the case of investing, the material impact is positive.

Governance factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. In the case of investing, the material impact is positive.

10b. Divestment Bases: Our divestment decisions are substantively based on the following.

Security's liquidity in the secondary market

Valuation

Risk/return profile of a security relative to other positions in the portfolio

Investee's cash flow

Investee's ability to meet liabilities promptly/ credit quality

The ability of investee to benefit from structural changes in its industry

Investee's key management's track record

Validity of our investment thesis

Downgrade/upgrade of the investee by our own analysts

ESG factors deteriorating

Investee's response to our fund's/firm's ESG engagement

Environmental factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance

Social factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. The material impact is negative, and the investee is not taking adequate steps to address these material social factors.

Governance factors have (or likely will have) a material^[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. The material impact is negative, and the investee is not taking adequate steps to address these material governance factors.

11. Portfolio managers' turnover: What is the portfolio managers' turnover rate over the last 12 months?

<30%

12. Analysts' turnover: What is the analysts' turnover rate over the last 12 months?

<10%

13. Research resources: How many securities does each analyst responsible for this fund cover on average?

Fewer than 50

14. Research depth: What types of research do you rely on to make investment decisions?

Our proprietary financial models

Site visits to investees' facilities: We observe operational employees' effectiveness, productivity, attitude, initiative

Site visits to investees: We observe the key processes or production of items that are salient to the investees' competitiveness

One-to-one conversations with investees' management outside of scheduled conferences for all investment analysts

We verify investees' claims with informed third parties, including but not limited to suppliers, customers, distributors, competitors, and industry specialists

Earnings conference calls or meetings with investees' management which are scheduled for all investment analysts

Independent consultants specializing in specific sectors, technologies, geographies, economies, factors, etc.

Sell-side brokers' research

15. Actual Example - Please provide an ACTUAL example of how you executed ONE of the following, in a maximum of 500 words.

What was your thought process behind security weight/investment/divestment into specific securities

Please briefly describe the critical challenge/s, actions taken, results and lessons learned:

We seek to construct a concentrated basket of 50-70 stocks, investing primarily in structural growth companies, which tend to be core holdings, with some exposure to cyclical growth companies, which tend to be value stocks in restructuring and recovery situations. For the former, we focus on longer-term investments driven by end demand growth, sustainable supply side constraints and strong earnings and cash flow growth with less valuation sensitivity. For the latter, we look for shorter-term, opportunistic investments with catalysts to improve profitability and unlock value at attractive valuations.

Stock position sizing is an important component of the construction process, reflecting the balance between opportunity and risk. After the investment opportunity is defined (e.g. structural growth drivers), we build conviction on the stock ideas through the Strategic Classification and Five Year Expected Return. Together with considerations including but exclusive to market conditions, sentiment changes and implications of liquidity, our conviction in the bottom-up opportunity and its risk-reward trade-offs guide active position sizing. The higher the level of conviction (such as higher strategic classification and expected return) and liquidity, the larger the typical active position size.

One divestment example is the exit from New Oriental Education, which offers private tutoring in the K-12 market. The stock was classified as Quality given its strong positioning in the industry, in particular in the offline tutoring market with well-established brand name and economies of scale. As regulatory concerns continued to increase in 1Q21, the share price fell sharply. Based upon our scenario analysis of a range of regulatory outcomes, the stock offered very high expected return therefore the fund maintained a position in the stock, albeit with a small position (approx. 60bps at the end of March 21) given the high level of uncertainty around regulations. The fund exited from the stock in May as we became increasingly concerned that heightened regulatory uncertainty could undermine the long term investment thesis, which was based on the industry consolidation by industry leaders such as New Oriental Education. Subsequently, in July, regulatory tightening culminated in the authorities announcing a new set of regulations governing after-school tutoring (AST) activities, which undermined the sector's business model, presenting adverse political challenges of unknown duration and significantly changing the original investment thesis. The lessons learned from this experience include 1) potential range of outcomes from regulatory changes in China could be even wider than we had anticipated 2) The importance of risk management in position sizing 3) rigour and discipline in assessing if there is a possible change in the original investment thesis.