Macquarie Unit Trust Series

Macquarie IPO China Concentrated Core Fund

Macquarie IPO China Gateway Fund

Macquarie Asia New Stars Fund

EXPLANATORY MEMORANDUM

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16 December 2018

IMPORTANT INFORMATION FOR INVESTORS

Important - If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent financial advice.

This Explanatory Memorandum (dated 16 December 2018) comprises information relating to Macquarie Unit Trust Series (the "**Fund**"), an exempted unit trust established under the laws of the Cayman Islands by a trust deed dated 23 January 2007, and its Sub-Funds (the "**Sub-Funds**") as described in the Appendices to this Explanatory Memorandum.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts that omission of which would make any statement misleading. However, neither the delivery of this Explanatory Memorandum nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to such date. This Explanatory Memorandum may from time to time be updated. Intending applicants for Units should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum have been issued.

Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum should be regarded as unauthorised and accordingly must not be relied upon.

No action has been taken to permit an offering of Units or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong or Singapore as mentioned below where action would be required for such purposes. Accordingly, this Explanatory Memorandum may not be used for the purpose of an offer or solicitation in any other jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

In particular:-

(a) the Units have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a US Person (as defined in Regulation S under such Act); and

(b) the Fund has not been and will not be registered under the United States Investment Company Act of 1940 as amended.

This Explanatory Memorandum does not constitute, and shall not be construed as, an offer or invitation to the public of the Cayman Islands to subscribe for Units.

None of the entities noted in this document are authorised deposit-taking institutions for the purposes of the Banking Act 1958 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ("MBL"). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities, unless noted otherwise.

Potential applicants for Units should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units.

Macquarie Unit Trust Series and the Sub-Funds have been authorised by the Securities and Futures Commission ("**SFC**") in Hong Kong. In granting such authorisation, the SFC takes no responsibility for the financial soundness of Macquarie Unit Trust Series and the Sub-Funds or the accuracy of any of the statements made or opinions expressed in this Explanatory Memorandum.

Note: SFC authorisation is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The offer or invitation of Units in the Sub-Funds which is recognised by the Monetary Authority of Singapore for restricted offer in Singapore which is the subject of this Explanatory Memorandum is not allowed to be made to the retail public in Singapore. This Explanatory Memorandum is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of the laws of Singapore (the "SFA"). Accordingly, statutory liability under that Act in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This Explanatory Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Explanatory Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Units may not be circulated or distributed, nor may Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 304 of the SFA, (ii) to a relevant person, or any person pursuant to section 305(2) of the SFA, and in accordance with the conditions, specified in section 305 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Units are subscribed or purchased under section 305 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Units pursuant to an offer made under section 305 of the SFA except:

(1) to an institutional investor (for corporations, under section 274 of the SFA) or to a relevant person defined in section 305(5) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

The offer of Units is regulated by the Cayman Islands Monetary Authority under the Mutual Funds Law (2015 Revision) of the Cayman Islands. The contact details of the Cayman Islands Monetary Authority are as follows:

Address:	Elizabethan Square PO Box 10052 Grand Cayman Cayman Islands, BWI
Telephone No.:	+345 949 7089
Facsimile No.:	+345 949 2532

The Manager, a company incorporated in Hong Kong, is regulated by the Securities and Futures Commission of Hong Kong. The contact details of the Securities and Futures Commission are as follows:

Address:	Investment Products Department Securities and Futures Commission 35/F Cheung Kong Center 2 Queen’s Road Central Hong Kong
Telephone No.:	+852 2231 1222
Facsimile No.:	+852 2521 7836

The Trustee, a company incorporated in the Cayman Islands, is regulated by the Cayman Islands Monetary Authority. The contact details of the Cayman Islands Monetary Authority are set out above.

Hong Kong investors may contact the complaint officer of the Manager if they have any complaints or enquiries in respect of the Fund or its Sub-Funds. Depending on the subject matter of the complaints or enquiries, these will be dealt with by the Manager directly, or referred to the relevant parties for further handling. The Manager will, on a best effort basis, revert and address the investor’s complaints and enquiries as soon as practicable.

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ADMINISTRATION

Manager

Macquarie Funds Management Hong Kong Limited
Level 18, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Directors of the Manager

John Charles Bugg
Carl Jacobsohn
Nicholas James Bird

Trustee and Registrar

HSBC Trustee (Cayman) Limited
P.O. BOX 484
Strathvale House
Ground Floor
90 North Church Street
George Town
Grand Cayman KY1-1106
Cayman Islands

Service Provider to the Trustee

HSBC Institutional Trust
Services (Asia) Limited
No. 1 Queen's Road
Central
Hong Kong

Auditors

Ernst & Young Limited
62 Forum Lane, Camanda Bay
P.O. Box 510
Grand Cayman, KY1-1106
Cayman Islands

Solicitors to the Manager as to Hong Kong law

Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

Legal Counsel to the Fund as to matters of Cayman Islands law

Maples and Calder
53th Floor, The Centre
99 Queen's Road Central
Hong Kong

DEFINITIONS

The defined terms used in this Explanatory Memorandum have the following meanings:-

"Business Day"	Means a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"Code"	Means the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the SFC, as may be amended from time to time
"Connected Person"	Means in relation to the Manager or the Trustee (for the purpose of this definition, referred to individually as a "Principal" and collectively as the "Principals"): - (a) any person or fund beneficially owning, directly or indirectly, 20 per cent. or more of the ordinary share capital of any Principal or able to exercise, directly or indirectly, 20 per cent. or more of the total votes in any Principal; or (b) any person or fund controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which any Principal forms part; or (d) any director or officer of any Principal or of any of its connected persons as defined in (a), (b) or (c) above
"Dealing Day"	Means such days as are described in the Appendix for each Sub-Fund
"Dealing Deadline"	Means such time as described in the Appendix for each Sub-Fund
"Fund"	Means Macquarie Unit Trust Series, an umbrella Cayman Islands unit trust
"HKD" and "HK dollar"	Means the currency of Hong Kong
"Hong Kong"	Means the Hong Kong Special Administrative Region of the People's Republic of China
"Issue Price"	Means in respect of each Sub-Fund the price per Unit as disclosed in the relevant Appendix relating to a Sub-Fund
"Manager" or "MFMHKL"	Means Macquarie Funds Management Hong Kong Limited

“Net Asset Value”	Means the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed “Valuation”
“Realisation Price”	Means the price at which Units will be realised, as more fully described in the section headed “Payment of Realisation Proceeds” and in the relevant Appendix relating to a Sub-Fund
“Renminbi” or “RMB”	Means the currency of the People’s Republic of China
“Service Provider to the Trustee”	Means HSBC Institutional Trust Services (Asia) Limited acting in its capacity as delegate of the Trustee
“SFC”	Means the Securities and Futures Commission of Hong Kong
“Stock Connects”	Means the program which aims to achieve mutual stock market access between mainland China and Hong Kong and includes (i) the Shanghai-Hong Kong Stock Connect, a securities trading and clearing links program developed by the Stock Exchange of Hong Kong Limited (“SEHK”), Shanghai Stock Exchange (“SSE”), China Securities Depositary and Clearing Corporation Limited (“ChinaClear”) and Hong Kong Securities Clearing Company Limited (“HKSCC”); and (ii) the Shenzhen-Hong Kong Stock Connect, a securities trading and clearing links program developed by SEHK, Shenzhen Stock Exchange (“SZSE”), ChinaClear and HKSCC.
“Sub-Fund”	Means a sub-fund of the Fund
“Subscription Price”	Means the price at which Units may be subscribed as more fully described in the section headed “Purchase of Units” and in the Appendix relating to a Sub-Fund
“Trust Deed”	Means the trust deed establishing the Fund dated 23 January 2007, as amended, restated and supplemented from time to time
“Trustee and Registrar”	Means HSBC Trustee (Cayman) Limited in its capacity as trustee and registrar of the Fund
“Unit”	Means a unit in a Sub-Fund
“Unitholder”	Means a person registered as a holder of a Unit
“US”	Means the United States of America
“USD” and “US dollar”	Means the currency of the United States of America
“Valuation Day”	Means such days as are described in the relevant Appendix relating to a Sub-Fund
“Valuation Point”	Means such time on the relevant Valuation Day as described in the Appendix relating to a Sub-Fund and any such other time as the Manager with the approval of the Trustee may from time to time determine to calculate the Net Asset Value

INTRODUCTION

Macquarie Unit Trust Series is an exempted umbrella unit trust established in the Cayman Islands. The Manager may create one or more Sub-Funds from time to time. Details of the Sub-Funds to which this Explanatory Memorandum relates are set out in the Appendices to this Explanatory Memorandum.

MANAGEMENT OF THE FUND

The Management Company

The Manager of the Fund is Macquarie Funds Management Hong Kong Limited, whose office is Level 18, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

The Manager was established on 21 July 2000.

The Manager is licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Hong Kong Securities and Futures Ordinance, subject to the licensing condition that it may not hold client assets.

The Manager undertakes the management and administration of the Fund, including communication with Unitholders and conduct of meetings, and in conjunction with the Trustee is responsible for the maintenance of accounts and records in compliance with the Trust Deed and the laws of the Cayman Islands.

The Manager may appoint sub-managers or investment advisers in relation to one or more specific Sub-Funds subject to prior SFC approval.

The Manager has appointed HSBC Institutional Trust Services (Asia) Limited to provide fund administration services.

The Trustee and Registrar

HSBC Trustee (Cayman) Limited, a company incorporated in the Cayman Islands, has been appointed as trustee and registrar to the Fund.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets and administration of the Fund. The Trustee may, however, appoint any person or persons as it thinks fit (including, without limitation, itself or any Connected Person of the Trustee) to act as custodian or co-custodian to hold all or certain assets of any Sub-Fund and may empower any such custodian or co-custodian to appoint, with the prior consent in writing of the Trustee, sub-custodians for the performance of the Trustee’s duties, powers or discretions under the Trust Deed. The Trustee has also delegated certain of its functions and duties to HSBC Institutional Trust Services (Asia) Limited, its Service Provider in Hong Kong. Notwithstanding such delegation, the register of Unitholders will be maintained by the Registrar in the Cayman Islands, and HSBC Institutional Trust Services (Asia) Limited as Service Provider to the Trustee is subject to the overall direction and control of HSBC Trustee (Cayman) Limited.

The Trustee shall remain liable for any act or omission of any agent, nominee, custodian or joint custodian as appointed by the Trustee (other than Clearstream or Cedel S.A. or any other depositary, institution or clearing system which may from time to time be approved by the SFC) in relation to any assets forming part of the property of the Fund as if the same were the act or omission of the Trustee.

The Trustee shall not be liable for any act or omission of (i) any agent, nominee, custodian, broker or prime broker appointed by the Trustee on the instruction of Manager provided that the Trustee is not involved in the selection of such agent, nominee, custodian, joint custodian, broker or prime broker; and (ii) any agent, delegate, nominee, custodian, joint custodian, broker or prime broker appointed by the Trustee in such emerging and restricted markets as notified in writing to the Manager provided that the relevant Sub-Fund is not authorised pursuant to section 104 of the Hong Kong Securities Futures Ordinance.

Nothing in any of the provisions of the Trust Deed may provide that the Trustee or the Manager (as the case may be) can be exempted from any liability to Unitholders imposed under the laws of Hong Kong and/or the laws of Cayman Islands or breaches of trust through fraud, default and negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. The Trustee shall however not be under any liability except such liability as may be expressly imposed by the Trust Deed, nor shall it (save as the Trust Deed otherwise appears) be liable for any act or omission of the Manager. Subject as provided in the Trust Deed, the Trustee shall be entitled for the purpose of indemnity against any action, costs, claims, damages, expenses or demands (other than those arising out of any liability or obligation to the Unitholders imposed on the Trustee pursuant to the laws of the Cayman Islands or the Trust Deed) to which it may be put as Trustee to have recourse to the Trust Fund or any part thereof.

The Trustee will remain as the trustee of the Trust until the Trustee retires or is removed. The circumstances under which the Trustee may retire or be removed are set out in the Trust Deed. Where any Sub-Fund is authorised pursuant to section 104 of the Securities and Future Ordinance, any change in the Trustee is subject to the SFC's prior approval and the Trustee will remain as the trustee of the Trust until a new trustee is appointed in accordance with the provisions set out in the Trust Deed. Unitholders will be duly notified of any such changes in accordance with the requirements prescribed by the SFC.

The Manager has the sole responsibility for making investment decisions in relation to the Trust and/or each Sub-Fund and the Trustee (including its delegates) are not responsible for and have no liability for any investment decision made by the Manager. Subject to the duty to ensure that the investment and borrowing limitations of the relevant Sub-Fund comply with the applicable legal and regulatory requirements including but not limited to those in the Code on Unit Trusts and Mutual Funds issued by the SFC and except as expressly stated in this Explanatory Memorandum, the Trust Deed and/or required by the applicable legal and regulatory requirements including but not limited to those in the Code on Unit Trusts and Mutual Funds issued by the SFC, neither the Trustee nor any of its employees, service providers or agents are or will be directly or indirectly involved in the business affairs, organisation, sponsorship or investment management of the Trust or any Sub-Fund. Also, none of the Trustee, its employees, service providers or agents is responsible for the preparation or issue of this Explanatory Memorandum, and does not accept responsibility for any information contained in this Explanatory Memorandum, other than the descriptions under this section.

Neither the Trustee nor the Service Provider to the Trustee will participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury. HSBC Group has adopted a policy of compliance with the sanctions issued by OFAC.

Service Provider to the Trustee

HSBC Trustee (Cayman) Limited has appointed HSBC Institutional Trust Services (Asia) Limited as its service provider in relation to its duties to provide administrative services and safe-keeping of the assets of the Fund (the "Service Provider to the Trustee"). Notwithstanding such appointment, the register of Unitholders will be maintained by the Registrar in the Cayman Islands, and HSBC Institutional Trust Services (Asia) Limited as Service Provider to the Trustee is subject to the overall direction and control of HSBC Trustee (Cayman) Limited.

HSBC Institutional Trust Services (Asia) Limited was incorporated in Hong Kong on 27 September 1974. It is an indirect wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited and its ultimate holding company is HSBC Holdings Plc.

As members of the HSBC Group, HSBC Institutional Trust Services (Asia) Limited and HSBC Trustee (Cayman) Limited are part of one of the world's leading international banking and financial service organisations. The HSBC Group has major commercial and investment banking businesses in the Asia Pacific region, Europe, the Americas, the Middle East and Africa.

Neither the Trustee nor the Service Provider to the Trustee will participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury. HSBC Group has adopted a policy of compliance with the sanctions issued by OFAC.

Neither HSBC Trustee (Cayman) Limited nor HSBC Institutional Trust Services (Asia) Limited is involved with the business affairs, organisation or sponsorship or investment management of the Fund. In addition, HSBC Trustee (Cayman) Limited and HSBC Institutional Trust Services (Asia) Limited are not responsible for the preparation of this Explanatory Memorandum and therefore accept no responsibility for any information contained in this Explanatory Memorandum, other than information or contents which relate to, and to which the Trustee or the Service Provider to the Trustee has given its consent.

INVESTMENT OBJECTIVE

The investment objective of each Sub-Fund, principal risks, as well as other important details are set forth in the Appendix hereto relating to each Sub-Fund.

OFFERING

Units in a Sub-Fund will be issued at the Subscription Price which will be determined by reference to the Net Asset Value of the relevant class of Units of the Sub-Fund as at the Valuation Point to which the subscription relates.

Different classes of Units may be offered for each Sub-Fund. Classes of Units that are available only on a private placement basis may be offered for a Sub-Fund and details relating to these classes of Units are not set out in this Explanatory Memorandum. Although the assets attributable to each class of Units of a Sub-Fund will form one single pool, each class of Units will have a different charging structure with the result that the net asset value attributable to each class of Units of a Sub-Fund may differ slightly. In addition, each class of Units may be subject to different minimum initial and subsequent investment amounts and holding amounts, and minimum realisation and conversion amounts. Investors should refer to the Appendix for the relevant Sub-Fund for the available classes of Units and the applicable minimum amounts. The Manager may in its discretion agree to accept applications for subscription, realisation and conversion of certain classes below the applicable minimum amounts.

PURCHASE OF UNITS

Application Procedure

To purchase Units an investor should:-

(a) complete the application form and return the original form to the Service Provider to the Trustee or to an authorised distributor; or

(b) fax the completed application form to the Service Provider to the Trustee or to an authorised distributor.

Applications or application monies received by the Service Provider to the Trustee after the Dealing Deadline for a particular Dealing Day will be dealt with on the next following Dealing Day unless otherwise agreed by the Manager in its absolute discretion. Investors should confirm the relevant cut-off time with their distributors if they choose to submit the application form to an authorised distributor.

Subject to the suspension of the determination of the Net Asset Value of any Sub-Fund (for details see the section headed "Suspension of Calculation of Net Asset Value"), the Subscription Price at which Units in the relevant Sub-Funds will be issued on a Dealing Day will be calculated by the Service Provider to the Trustee, in accordance with the Trust Deed by reference to the Net Asset Value of the relevant class of Units of each Sub-Fund as at the Valuation Point to which the application relates.

Fax orders must always be followed by an original completed application form. Investors should be reminded that if they choose to send application forms by fax, they bear the risk of the forms not being received by the Service Provider to the Trustee. Investors should therefore for their own benefit confirm with the Service Provider to the Trustee safe receipt of a form. None of the Trustee, the Service Provider to the Trustee nor the Manager shall be responsible for any loss resulting from the non-receipt or duplicate receipt of any application form sent by fax.

Applications will generally be accepted only if cleared funds have been received on or prior to the Dealing Day in relation to which Units are to be issued unless otherwise agreed by the Manager.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Units but no certificates will be issued.

The Manager (upon consultation with the Trustee) has discretion to accept or reject in whole or in part any application for Units. In the event that an application is rejected, application monies will be returned without interest by cheque through the post or by telegraphic transfer at the risk of the person(s) entitled thereto.

The Manager, at its discretion, is entitled to impose a preliminary charge on the subscription amount for Units (as more particularly described in respect of each Sub-Fund in the relevant Appendix relating to that Sub-Fund). The Manager may retain the benefit of such charge or may re-allow or pay all or part of the preliminary charge (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its absolute discretion determine.

Payment Procedure

The Subscription Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant Sub-Fund as at the Valuation Point in respect of the Dealing Day on which the subscription request is received by the Service Provider to the Trustee by the number of Units then in issue rounded to 3 decimal places (in the case of the Macquarie IPO China Concentrated Core Fund, rounded up to 3 decimal places) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund and the base currency of the relevant class of Units (if different from that of the Sub-Fund) and quoted by the Manager in such base currency or currencies and in such other currency or currencies at the Manager's discretion (with prior notice to the Trustee) by converting such price to its equivalent in such other currency or currencies at the same rate as the Manager shall apply in calculating the Net Asset Value as at the Valuation Point.

Subscription monies should normally be paid in the base currency of the relevant class of Units of a Sub-Fund. Arrangements can be made for applicants to pay for Units in most other major currencies converted at the prevailing exchange rate as determined by the Trustee. In such cases, the cost of currency conversion will be borne by the applicant. However, the Manager and the Trustee, at their absolute discretion, may refuse to accept subscription monies paid in any currency other than in the base currency of the relevant class of Units.

All payments should be made by cheque, telegraphic transfer or banker's draft. Cheques and banker's drafts should be crossed "a/c payee only, not negotiable" and made payable to "HSBC Institutional Trust Services (Asia) Limited - Subscription Account", and sent with the application form. Payment by cheque is likely to cause delay in receipt of cleared funds and Units will not be issued until the cheque is cleared. Any costs of transfer of application monies to a Sub-Fund will be payable by the applicant. No third party payment or cash payment will be accepted for any subscription application.

Details of payments by telegraphic transfer are set out in the application form.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 (dealing in securities) regulated activity under Part V of the Securities and Futures Ordinance.

General

All holdings will be registered and certificates are not issued. Evidence of title will be the entry on the register of Unitholders. Unitholders should therefore be aware of the importance of ensuring that the Service Provider to the Trustee is informed of any change to the registered details. Fractions of Units may be issued and calculated by rounding down to 3 decimal places. Application monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. The Manager reserves the right to reject any application in whole or in part. A maximum of 4 persons may be registered as joint Unitholders. If investors choose to submit to an authorised distributor, they should confirm the relevant cut-off time with their distributors.

REALISATION OF UNITS

Realisation Procedure

Unitholders who wish to realise their Units may do so on any Dealing Day by submitting a realisation request to the Service Provider to the Trustee or to an authorised distributor before the Dealing Deadline for the relevant Sub-Fund, as defined in the relevant Appendix.

In order for realisation to take effect on a particular Dealing Day, the realisation request must be received by the Service Provider to the Trustee not later than the applicable Dealing Deadline.

If the request is received after the applicable Dealing Deadline it will be dealt with on the next Dealing Day.

A realisation request must be given in writing or by facsimile and must specify the name of the relevant Sub-Fund and the value or number of Units to be realised, the name(s) of the registered holder(s), and give payment instructions for the realisation proceeds. Unless otherwise agreed by the Trustee the original of any realisation request given by facsimile should be forwarded to the Service Provider to the Trustee. Neither the Manager nor the

Trustee shall be responsible to a Unitholder for any loss resulting from non-receipt or duplicate receipt of any realisation request sent by facsimile.

A Unitholder shall not be entitled hereunder to realise part only of his / her holding of Units in relation to the relevant Sub-Fund if thereby his / her holding would be reduced to less than the minimum holding for that Sub-Fund.

Payment of Realisation Proceeds

The Realisation Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant Sub-Fund as at the Valuation Point in respect of the Dealing Day on which the realisation request is received by the Service Provider to the Trustee by the number of Units then in issue rounded to 3 decimal places (in the case of the Macquarie IPO China Concentrated Core Fund, rounded down to 3 decimal places) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund and the base currency of the relevant class of Units (if different from that of the Sub-Fund) and quoted by the Manager in such base currency or currencies and in such other currency or currencies at the Manager’s discretion (with prior notice to the Trustee) by converting such price to its equivalent in such other currency or currencies at the same rate as the Manager shall apply in calculating the Net Asset Value as at the Valuation Point.

The Manager may at its option impose a realisation charge in respect of the Units to be realised. The realisation charge, if any, is described in the relevant Appendix relating to each Sub-Fund. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the realisation charge to be imposed (within the permitted limit).

The amount due to a Unitholder on the realisation of a Unit pursuant to the paragraphs above shall be the Realisation Price per Unit, less any realisation charge, any fiscal and sale charges and any rounding adjustment in respect thereof. The fiscal and sale charges (if any), as well as the rounding adjustment aforesaid in relation to the realisation of any Units shall be retained as part of the relevant Sub-Fund. The realisation charge shall be retained by the Manager.

Realisation proceeds will not be paid to any realising Unitholder until (a) unless otherwise agreed by the Trustee, the written original of the realisation request duly signed by the Unitholder has been received by the Service Provider to the Trustee, and (b) where realisation proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee. No payment will be made to a person other than the registered Unitholder.

Subject as mentioned above and so long as relevant account details have been provided, realisation proceeds will be paid in the base currency of the relevant class of Units by telegraphic transfer, normally within 10 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented request for realisation of Units. If relevant account details are not provided, realisation proceeds will be paid to the realising Unitholder (or to the first-named of joint Unitholders) at the Unitholder's risk by cheque in the currency of the relevant class of Units. Any realisation money unclaimed after seven years from the date of payment shall become part of the assets of the Sub-Fund.

Realisation proceeds can be paid in a currency other than the base currency of the relevant class of Units at the request and expense of the Unitholder. In such circumstances, the Trustee shall use such currency exchange rates as it may from time to time determine.

Restrictions on Realisation

The Manager or the Trustee may suspend the realisation of Units or delay the payment of realisation proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below).

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any Sub-Fund realised on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10 per cent. of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders wishing to realise Units of the same Sub-Fund on that Dealing Day will realise the same proportion of such Units, and Units not realised (but which would otherwise have been realised) will be carried forward for realisation, subject to the same limitation, and will have priority on the next Dealing Day. If requests for realisation are so carried forward, the Manager will inform the Unitholders concerned.

Compulsory Redemption or Transfer of Units

If the Manager or the Trustee suspects that Units of any class are owned directly or beneficially by any person (i) in contravention of any laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed; or (ii) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which in its opinion might result in the relevant Sub-Fund or the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Sub-Fund or the Fund might not otherwise have incurred or suffered, the Manager may (a) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions; or (b) deem receipt of a redemption request in respect of such Units.

Where the Manager has given such notice and the Unitholder has failed to either (i) transfer the relevant Units within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager (whose judgment is final and binding) that the relevant Units are not held in contravention of any of the restrictions set out above, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice. The Manager in taking any such action or pursuing any such remedy, if permitted by applicable laws and regulations, shall act in good faith and on reasonable grounds.

CONVERSION BETWEEN SUB-FUNDS

The Manager may from time to time permit Unitholders (subject to such limitations as the Manager after consulting the Trustee may impose and any suspension in the determination of the Net Asset Value of any relevant Sub-Fund) to convert all or part of their Units of any class relating to a Sub-Fund (the "**Existing Units**") into Units relating to another Sub-Fund (the "**New Units**") by giving notice in writing or by facsimile to the Manager. A request for conversion will not be effected if as a result the relevant holder would hold less than the minimum holding of Units of the relevant class prescribed by, or is prohibited from holding Units of that Sub-Fund under, the relevant offering document. Unless the Manager otherwise agrees, Units of a class can only be converted into Units of the same class of the same or another Sub-Fund.

Conversion is performed by redeeming the Existing Units and applying the proceeds, net of applicable fees and charges, to the subscription of New Units. Requests for conversion received by the Manager prior to the Dealing Deadline for a Dealing Day will be dealt with on that Dealing Day. Neither the Manager nor the Trustee shall be responsible to any Unitholder for any loss resulting from the non-receipt or duplicate receipt of a request for conversion or any amendment to a request for conversion prior to receipt.

The conversion price at which the whole or any part of a holding of Existing Units will be converted on any Dealing Day into New Units will be determined by reference to the realisation price of Existing Units and subscription price of New Units on the relevant Dealing Day.

The Manager has a right to impose a conversion charge in relation to the conversion of Units as set out in the relevant Appendix.

If there is, at any time during the period from the time as at which the realisation price per Existing Unit is calculated to the time at which any necessary transfer of funds from the Sub-Fund to which the Existing Units relate (the "**Original Sub-Fund**") to the Sub-Fund to which the New Units relate takes place, an officially announced devaluation or depreciation of any currency in which any investment of the Original Sub-Fund is denominated or normally traded, the realisation price per Existing Unit shall be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation and the number of New Units which will arise from that conversion shall be recalculated as if that reduced realisation price had been the realisation price ruling for realisation of Existing Units on the relevant Dealing Day.

Restrictions on Conversion

The Manager may suspend the conversion of Units in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below). For restrictions on realisation, see "Restrictions on Realisation" above.

VALUATION

The Net Asset Value of each Sub-Fund shall be calculated by valuing the assets of such Sub-Fund and deducting the liabilities attributable to such Sub-Fund. These liabilities shall include, without limitation, any management fee or trustee fee, any taxes, any borrowings and the amount of any interest and expenses thereon, any other costs or expenses expressly authorised by the Trust Deed, and an appropriate allowance for any contingent liabilities.

The value of the net assets of each Sub-Fund will be determined as at each Valuation Point in accordance with the Trust Deed. The Trust Deed provides (inter alia) that:-

(a) except in the case of any interest in a collective investment scheme to which paragraph (c) applies and subject as provided in paragraph (g) below, all calculations based on the value of investments quoted, listed, traded or dealt in on any securities market shall be made by reference to the last traded price or (if no last traded price is available) midway between the latest available market dealing offered price and the latest available market dealing bid price on the principal stock exchange for such investments, at or immediately preceding the Valuation Point, and in determining such prices the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine;

(b) if no bid and offer prices or price quotations are available as provided in paragraph (a) above, the value of investments shall be certified by such firm or institution making a market in such investment or, if the Trustee so requires, by the Manager (or its advisers) after consultation with the Trustee;

(c) subject as provided in paragraphs (d) and (g) below, the value of each interest in any collective investment scheme shall be the last published net asset value per unit or share in such collective investment scheme (where available) or (if the same is not available) the last published bid price for such unit or share at or immediately preceding the Valuation Point;

(d) if no net asset value is available as provided in paragraph (c), the value of the relevant investment shall be determined from time to time in such manner as the Manager (or its advisers), having obtained approval from its board of directors, shall determine;

(e) the value of any investment which is not listed or ordinarily dealt in on a market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the approval of the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investment;

(f) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, having obtained approval from its board of directors, any adjustment should be made to reflect the value thereof;

(g) notwithstanding the foregoing, the Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment; and

(h) the value of any investment (whether of a security or cash) otherwise than in the base currency of the relevant Sub-Fund shall be converted into base currency at the rate (whether official or otherwise) which the Manager, having obtained approval from its board of directors, shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

Suspension of Calculation of Net Asset Value

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of a Sub-Fund for the whole or any part of any period during which:

(a) there is a closure of or the restriction or suspension of trading on any securities market on which a substantial part of the investments of the relevant Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit in the relevant Sub-Fund; or

(b) for any other reason the prices of investments of the relevant Sub-Fund cannot, in the reasonable opinion of the Manager, reasonably, promptly and fairly be ascertained; or

(c) circumstances exist as a result of which, in the reasonable opinion of the Manager, it is not reasonably practicable to realise any investments of the relevant Sub-Fund or it is not possible to do so without seriously prejudicing the interests of relevant Unitholders; or

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the investments of the relevant Sub-Fund or the issue or realisation of Units in the relevant Sub-Fund is prohibited, restricted, delayed or cannot, in the reasonable opinion of the Manager, be carried out promptly at normal rates of exchange.

Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value of the relevant Sub-Fund until the Manager (with the approval of the Trustee) shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration, notify the SFC of such suspension and, at least once a month during the period of such suspension, publish on the website *www.macquarie.hk/mfg* that such declaration of suspension has been made. Investors should note that the website has not been reviewed or authorised by the SFC and may contain information of funds that are not authorised by the SFC and may not be offered to the retail public in Hong Kong.

No Units in the relevant Sub-Fund may be issued, realised or converted during such a period of suspension.

INVESTMENT AND BORROWING RESTRICTIONS

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager for the Fund. A summary of these restrictions appears below:-

Unless otherwise disclosed in the Appendix for each Sub-Fund and agreed by the SFC, each of the Sub-Fund(s) is subject to the following principal investment restrictions:-

(a) not more than 10 per cent. of the Net Asset Value of a Sub-Fund may consist of securities (other than Government and other public securities) issued by a single issuer;

(b) a Sub-Fund may not hold more than 10 per cent. of any ordinary shares issued by any single issuer;

(c) not more than 15 per cent. of the Net Asset Value of a Sub-Fund may consist of securities of any company not listed or quoted on a stock exchange, over-the-counter market or other organised securities market;

(d) not more than 15 per cent. of the Net Asset Value of a Sub-Fund may consist of warrants and options, other than warrants and options held for hedging purposes;

(e) (i) not more than 10 per cent. of the Net Asset Value of a Sub-Fund may consist of shares or units in other open ended unit trusts or mutual funds ("**managed funds**") which are non-recognised jurisdiction schemes and not authorised by the SFC; (ii) not more than 30 per cent. of the Net Asset Value of a Sub-Fund may consist of shares or units in a managed fund which is a recognised jurisdiction scheme or an SFC-authorised scheme (except for an SFC-authorised scheme where its name and key investment information are disclosed in the offering document of the Sub-Fund), provided that

- no investment may be made in a managed fund the investment objective of which is to invest primarily in any investment prohibited under Chapter 7 of the Code, and where the investment objective of such managed fund is to invest primarily in investments restricted under Chapter 7 of the Code and/or applicable laws and regulations, such holdings may not be in contravention of the relevant limitation;
- all initial charges on the managed fund must be waived if the managed fund is managed by the Manager or any of its Connected Persons;
- the Manager may not obtain a rebate on any fees or charges levied by such managed fund or its manager;

(f) not more than 20 per cent. of the Net Asset Value of a Sub-Fund may consist of physical commodities (including gold, silver, platinum or other bullion) and commodity based investments (other than shares in companies engaged in producing, processing or trading in commodities);

(g) the net aggregate value of the contract prices, whether payable to or by a Sub-Fund (other than futures contracts entered into for hedging purposes), together with the aggregate value of investments falling within paragraph (f) above held by the Sub-Fund, may not exceed 20 per cent. of the Net Asset Value of the Sub-Fund;

(h) not more than 30 per cent. of the Net Asset Value of a Sub-Fund may consist of Government and other public securities of a single issue; and

(i) subject to paragraph (h) above, a Sub-Fund may be fully invested in Government and other public securities issued by a single issuer provided that it holds Government and other public securities of at least six different issues.

The Manager shall not on behalf of any Sub-Fund(s):-

(i) invest in a security of any class in any company or body if any director or officer of the Manager individually own more than 1/2 per cent. of the total nominal amount of all the issued securities of that class or collectively own more than 5 per cent. of those securities;

(ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts (REITs));

(iii) make short sales if as a consequence the liability of such Sub-Fund to deliver securities would exceed 10 per cent. of the Net Asset Value of such Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);

(iv) write uncovered options;

(v) write a call option if the aggregate of the exercise prices of all such call options written on behalf of the relevant Sub-Fund would exceed 25 per cent. of the Net Asset Value of that Sub-Fund;

(vi) make a loan out of that Sub-Fund without the prior written consent of the Trustee except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan;

(vii) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money without the prior written consent of the Trustee;

(viii) enter into any obligation on behalf of the relevant Sub-Fund or acquire any asset for the account of that Sub-Fund which involves the assumption of any liability which is unlimited; or

(ix) apply any part of the relevant Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made unless such call could be met in full out of cash or near cash forming part of such Sub-Fund which has not been appropriated and set aside for any other purposes and shall not be entitled without the consent of the Trustee to apply any part of the relevant Sub-Fund in the acquisition of any other investment which is in the opinion of the Trustee likely to involve the Trustee in any liability (contingent or otherwise).

The Manager shall as a priority objective take all steps as may be necessary to remedy any breach of the above limits within a reasonable period of time, taking due account of the interests of relevant Unitholders. However, it shall not be necessary for the Manager to effect changes to the underlying investments merely because, owing to appreciations or depreciations in the value of such investments held or made for the account of a Sub-Fund, or as a result of any realisation of Units or any payment out of such Sub-Fund, any of the limits referred to above shall be exceeded. If and so long as any of such limits shall be exceeded, the Manager shall not make any acquisition which would result in such limit being further exceeded (unless otherwise agreed by the SFC), and the Manager shall, as a priority objective, take all reasonable steps as are necessary to restore the position so that the limits exceeded in such cases will not persist, taking due account of the interests of the relevant Unitholders.

Unless otherwise disclosed in the relevant Appendix, the Manager may undertake cash borrowing up to 25 per cent. of the latest available Net Asset Value of each Sub-Fund to acquire investments, to realise Units or to pay expenses relating to the relevant Sub-Fund. The assets of a Sub-Fund may be charged or pledged as security for any such borrowings. In addition, the assets of a Sub-Fund may be charged to secure a guarantee given in favour of Unitholders in such Sub-Fund.

Each Sub-Fund may use derivatives for hedging purposes only. Each Sub-Fund is not expected to incur any leverage arising from the use of derivatives.

Unless otherwise disclosed in the relevant Appendix, the Trustee may at the request of the Manager arrange for the lending of securities by a Sub-Fund, provided that it has used reasonable endeavours to satisfy itself that adequate collateral will have been provided to such Sub-Fund by the borrower. Any income attributable to such Sub-Fund as a result of such lending shall be credited to the Sub-Fund.

LIQUIDITY RISK MANAGEMENT

The Manager has established policies and procedures on liquidity risk management with respect to the Sub-Funds (the "Liquidity Management Policies") in accordance with the applicable regulatory requirements. The Manager monitors the liquidity profile of the assets and liabilities of the respective Sub-Funds on an ongoing basis, with the aim of identifying, monitoring and managing the liquidity risks of the respective Sub-Fund, having regard to the Liquidity Management Policies. Such Liquidity Management Policies, combined with the liquidity risk management tools employed by the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity policy takes into account the investment strategy, liquidity profile, and redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of each Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The Liquidity Management Policies involve monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the realisation policy as stated under the section headed "Realisation of Units" on page 10 of the Explanatory Memorandum, and will facilitate compliance with each Sub-Fund's obligation to meet realisation requests. Where appropriate, liquidity stress testing on the respective Sub-Fund will be performed by the Manager in order to assess the impact on the liquidity of the respective Sub-Fund including in times of reduced market liquidity.

Investors should note that, as a tool for liquidity risk management, the Manager may, with the approval of the Trustee, limit the number of Units of any Sub-Fund realised on any Dealing Day to 10 per cent. of the total number of Units of the relevant Sub-Fund in issue, subject to the conditions set out under the heading "Restrictions on Realisation". The Manager may also undertake borrowing on behalf of a Sub-Fund to realise Units.

EXPENSES AND CHARGES

The current management fee, trustee fee, administration fee (if any) and performance fee (if any) for each Sub-Fund are set out in the relevant Appendix. The Manager will give 3 months' prior notice to Unitholders should there be any increase of (i) the management fee from the current level up to the maximum level of 2 per cent. per annum, (ii) the administration fee from the current level up to the maximum level of 1 per cent. per annum and/or (iii) the trustee fee from the current level up to the maximum level of 1 per cent. per annum.

Each Sub-Fund will bear the costs set out in the Trust Deed which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs will be allocated amongst the Sub-Funds pro rata to their relevant Net Asset Values unless otherwise determined by the Manager with the approval of the Trustee. Such costs include but are not limited to the costs of investing and realising the investments of the Sub-Fund(s), the fees and expenses of custodians of the assets of the Fund, the fees and expenses of the auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Unitholders and the costs incurred in the preparation and printing of any explanatory memorandum.

The costs of establishment of the Fund and its first Sub-Fund, Macquarie IPO China Concentrated Core Fund, in Hong Kong amounted to approximately USD100,000 and have already been amortised in full. The additional costs of establishment of each of the subsequent Sub-Funds amounted to approximately USD50,000. The costs of establishment of each Sub-Fund have been fully expensed in the first financial year of that Sub-Fund. If any Sub-Fund is wound-up prior to the expenses being fully amortised, such unamortised amount will be borne by the relevant Sub-Fund before its termination.

The Manager may at its discretion apply the administration fee (if any) received by it towards satisfaction of any portion of the operating expenses as described in this section.

Cash Rebates and Soft Commissions

Neither the Manager nor any of its Connected Persons will receive cash commissions or other rebates from brokers or dealers in respect of transactions for the account of a Sub-Fund.

The Manager and/or any company associated with it reserves the right to effect transactions by or through the agency of another person with whom the Manager and/or any company associated with it has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any company associated with it goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Fund as a whole and may contribute to an improvement in the performance of the Fund or of the Manager and/or any company associated with it in providing services to the Fund and for which no direct payment is made but instead the Manager and/or any company associated with it undertakes to place business with that party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

TAXATION

Each prospective Unitholder should inform himself of, and where appropriate take advice on, the taxes applicable to the acquisition, holding and realisation of Units by him under the laws of the places of his /her citizenship, residence and domicile.

In addition to any other tax considerations pertaining to any Sub-Fund, as may be disclosed in the relevant Appendix relating to such Sub-Fund, each prospective Unitholder should consider the following tax considerations.

Hong Kong

During such period as the Fund is authorised by the SFC then, under present Hong Kong law and practice:-

(a) The Fund is not expected to be subject to Hong Kong tax in respect of any of its investment activities as set out in the Appendices.

(b) No tax will be payable by Unitholders in Hong Kong in respect of dividends or other income distributions of the Fund or in respect of any capital gains arising on a sale, realisation or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on by Unitholders in Hong Kong.

Cayman Islands

The Government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Fund or the Unitholders. The Cayman Islands are not party to a double tax treaty with any country that is applicable to any payments made to or by the Fund.

The Fund has received an undertaking from the Governor in Council of the Cayman Islands that, in accordance with section 81 of the Trusts Law (2001 Revision) of the Cayman Islands, for a period of 50 years from 23 January 2007, no laws of the Cayman Islands thereafter enacted imposing any tax or duty to be levied on income or on capital assets, gains or appreciations or any tax in the nature of estate duty or inheritance tax shall apply to any property comprised in or any income arising under the Fund or the Trustee or Unitholders in respect of any such property or income.

No stamp duty is levied in the Cayman Islands on the transfer or realisation of Units. There is, at the date of this Explanatory Memorandum, no exchange control in the Cayman Islands.

Australia

The Sub-Funds are not expected to be Australian resident trust estates for Australian income tax purposes. Neither the Trustee nor Unitholders who are non-residents of Australia (and do not hold their Units in carrying on business through an Australian permanent establishment) should be subject to tax in Australia in relation to any income or gains of the Sub-Fund that are not sourced in Australia (i.e. any income or gains arising from investments that are not in Australia).

In the event that the Trustee is subject to Australian tax on any part of the net income of the Sub-Funds, the Trustee will be entitled to withhold an amount equivalent to such taxes from the assets of the Sub-Funds in accordance with the terms of the Trust Deed.

Unitholders who are non-residents of Australia would not be subject to capital gains tax on the sale, conversion or redemption of their Units provided that the Unitholder does not hold the Units in carrying on a business through an Australian permanent establishment.

Unitholders who are residents of Australia may be subject to tax in Australia on income and gains from their Units irrespective of where the income and gains of the Sub-Funds are sourced, and would be subject to capital gains tax on any gain arising from the sale, conversion or redemption of their Units.

PRC

Corporate Income Tax

If the Fund or the relevant Sub-Fund is considered a tax resident enterprise of the PRC, it will be subject to PRC corporate income tax ("CIT") at 25% on its worldwide taxable income. If the Fund or the relevant Sub-Fund is considered a non-tax resident enterprise with a permanent establishment or place or establishment of business ("PE") in the PRC, the profits attributable to that PE would be subject to CIT at 25%.

Under the PRC CIT Law, a non-PRC tax resident enterprise without a PE in the PRC will generally be subject to withholding income tax ("WIT") of 10% on its PRC sourced income, including but not limited to passive income (e.g. dividends, interest, gains arising from transfer of assets, etc.).

The Manager, in respect of the Fund and the relevant Sub-Fund, intends to manage and operate the Fund and the relevant Sub-Fund in such a manner that the Fund or the relevant Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-PRC tax resident enterprise with a PE in the PRC for CIT purposes, although due to uncertainty in tax laws and practices in the PRC, this result cannot be guaranteed.

(i) Dividends

Circular Caishui [2014] No. 81 ("Circular 81") and Circular Caishui [2016] No. 127 ("Circular 127") provided dividends received by foreign investors (including the relevant Sub-Fund) from investment in China A-shares via the Stock Connects is subject to 10% withholding tax which will be withheld by the PRC companies distributing the dividends, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

(ii) Capital gains

Based on the CIT Law and its implementation rules, "income from the transfer of property" sourced from the PRC by non-PRC tax resident enterprises should be subject to 10% PRC WIT unless exempt or reduced under an applicable tax treaty and agreement by the PRC tax authorities.

Circular 81 and Circular 127 provided that capital gain realised from the transfer of China A-shares via Stock Connects is temporarily exempt from PRC WIT.

In light of the above and based on professional and independent tax advice, the Manager, in respect of the relevant Sub-Fund, intends:

- to provide for WIT at 10% on dividend from China A-shares if such WIT is not withheld at source; and

- not to make provisions for any PRC WIT in respect of gross realised and unrealised capital gains derived from the trading of China A-shares via Stock Connects.

Any shortfall between the provision and the actual tax liabilities, which will be debited from the relevant Sub-Fund's assets, will adversely affect the relevant Sub-Fund's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

It is possible that the applicable tax law, regulations and practice may change from time to time and taxes being applied retrospectively. In light of the above mentioned uncertainty and in order to meet the potential tax liability, the Manager reserves the right to provide for or vary the provision for WIT.

Value-added Tax ("VAT") and other surcharges

According to the Circular Caishui [2016] 36 ("Circular 36"), VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities.

Circular 81 and Circular 127 provided that gains derived by foreign investors trading China A-share via the Stock Connects are temporarily exempt from VAT.

Dividend income or profit distributions on equity investment derived from the PRC are not included in the taxable scope of VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities.

Stamp duty

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is generally imposed on the sale of PRC-listed shares at a rate of 0.1% of the sales consideration. The Fund or the relevant Sub-Fund will be subject to this tax on each disposal of PRC listed shares.

New tax laws, regulations and practice in the PRC specifically relating to the Stock Connects may be promulgated in the future and may be applied retrospectively. The promulgation of such new laws, regulations and practice may operate to the advantage or disadvantage of the Unitholders due to the Fund or the relevant Sub-Fund's investments in the PRC market. Investors should inform themselves of, and where appropriate consult their professional advisors on, the possible tax consequences of subscribing for, buying, holding, converting, redeeming or otherwise disposing of Units under the laws of their country of citizenship, residence, or domicile or incorporation.

FOREIGN ACCOUNT TAX COMPLIANCE

Sections 1471 – 1474 (referred to as "FATCA") of the US Internal Revenue Code of 1986, as amended ("IRS Code") imposes rules with respect to certain payments to non-United States persons, such as the Fund and the Sub-Funds, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service ("IRS") to identify United States persons (within the meaning of the IRS Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an "FFI"), such as the Fund and the Sub-Funds (and, generally, other investment funds organised outside the US), generally will be required to enter into an agreement (an "FFI Agreement") with the IRS under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owners to the US IRS.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a 30% withholding tax on all "withholdable payments" derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, starting from 1 January 2019, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments." It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as "foreign passthru payments") may also be subject to FATCA withholding starting no earlier than 1 January 2019, though the US tax rules on "foreign passthru payment" in U.S. Treasury Regulations are currently pending.

The Cayman Islands has signed a Model 1(b) (non-reciprocal) inter-governmental agreement with the United States (the "US IGA") to give effect to FATCA. FFIs in Cayman Islands that comply with the US IGA and any enabling legislation enacted under Cayman Islands law to give effect to the US IGA will be treated as satisfying the due diligence and reporting requirements of FATCA and accordingly will be treated as participating FFIs for the purposes of FATCA. As such, those FFIs will be "deemed compliant" with the requirements of FATCA and will not be subject to withholding tax or be required to close recalcitrant accounts.

The US IGA categorises FFIs as either "Reporting FFIs" or "Non-Reporting FFIs". Each of the Sub-Funds is a Reporting FFI under the US IGA. A Reporting FFI is (i) not required to enter an "FFI agreement" with the IRS, (ii) required to register with the IRS to obtain a Global Intermediary Identification Number, (iii) required to conduct due diligence on its investors to identify whether accounts are held directly or indirectly by "Specified US Persons", and (iv) required to report information on such Specified US Persons and Non-Participating FFIs to the Cayman Islands Tax Information Authority (the "Cayman TIA"). The Cayman TIA will exchange the information reported to it with the IRS annually on an automatic basis. While a Non-Reporting FFI will not be subject to these requirements, it will need to provide self-certification to withholding agents to avoid the imposition of the 30% withholding tax.

As of the date of this Explanatory Memorandum, each of the Sub-Funds has registered with the IRS.

Under the terms of the US IGA and the relevant regulations, FATCA withholding tax will not be imposed on payments made to the relevant Sub-Fund, or on payments made by the relevant Sub-Fund to a Unitholder, except to the extent the relevant Sub-Fund, its Unitholder or any other investors fails to comply with its obligations under FATCA or the US IGA, or otherwise fails to comply with any other obligations it may have to the relevant Sub-Fund with respect to the relevant Sub-Fund's obligations under FATCA and/or the US IGA, as applicable. If subject to, or required to, withhold, such FATCA withholding tax will generally be at the rate of 30% of the relevant payment.

The Cayman Islands has also signed with the United Kingdom a separate inter-governmental agreement (the "UK IGA") in broadly similar form to the US IGA. The UK IGA imposes similar requirements to the US IGA, so that the relevant Sub-Fund will be required to identify accounts held directly or indirectly by "Specified United Kingdom Persons" and report information on such Specified United Kingdom Persons to the Cayman TIA, which will exchange such information annually with HM Revenue & Customs ("HMRC"), the United Kingdom tax authority. It is possible that further inter-governmental agreements ("future IGAs") similar to the US IGA and the UK IGA may be entered into with other third countries by the Cayman Islands Government to introduce similar regimes for reporting to such third countries fiscal authorities ("foreign fiscal authorities").

Each of the Sub-Funds will endeavour to satisfy the requirements imposed under applicable laws and regulations and any inter-governmental agreements entered into by the Cayman Islands Government to avoid any withholding tax. In the event that the relevant Sub-Fund is not able to comply with the relevant requirements and suffers withholding tax as a result of non-compliance, the Net Asset Value of the relevant Sub-Fund may be adversely affected and the relevant Sub-Fund may suffer significant loss as a result.

By investing (or continuing to invest) in the relevant Sub-Fund, investors shall be deemed to acknowledge that:

(i) the relevant Sub-Fund, the Manager or the Trustee may be required to disclose to the Cayman TIA certain confidential information in relation to the investor, including but not limited to the investor's name, address, country of tax residency, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment;

(ii) the Cayman TIA may be required to automatically exchange information as outlined above with the IRS, HMRC and other foreign fiscal authorities;

(iii) the relevant Sub-Fund, the Manager or the Trustee may be required to disclose to the IRS, HMRC and other foreign fiscal authorities certain confidential information when registering with such authorities and if such authorities contact the relevant Sub-Fund, the Manager or the Trustee with further enquiries;

(iv) the relevant Sub-Fund, the Manager or the Trustee may require the investor to provide additional information and/or documentation which the relevant Sub-Fund may be required to disclose to the Cayman TIA;

(v) in the event an investor does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the relevant Sub-Fund, or a risk of the relevant Sub-Fund or its investors being subject to withholding tax under the relevant legislative or inter-governmental regime, the relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (a) withholding, deducting from the investor's account, or otherwise collecting any such tax liability from the investor to the extent permitted by applicable laws and regulations, (b) compulsory redemption or withdrawal of the investor concerned pursuant to the Trust Deed and as set out in the section headed "Compulsory Redemption of Units" in this Explanatory Memorandum or (c) bringing legal action against the investor for losses suffered by the relevant Sub- Fund as a result of such withholding. The Manager in taking any such action or pursuing any such remedy on behalf of the relevant Sub-Fund, if permitted by applicable laws and regulations, shall act in good faith and on reasonable grounds;

(vi) no investor affected by any such action or remedy shall have any claim against the relevant Sub-Fund, the Manager or the Trustee for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of the relevant Sub-Fund in order to comply with any of the US IGA, the UK IGA or any future IGAs, or any of the relevant underlying legislation.

Each Unitholder and prospective investor should consult with his / her own tax advisor as to the potential impact of FATCA or other withholding tax requirements in his / her own tax situation.

CAYMAN ISLANDS - AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION

The Cayman Islands has signed two inter-governmental agreements to improve international tax compliance and the exchange of information – one with the United States and on with the United Kingdom (the "US IGA" and the "UK IGA" respectively). The Cayman Islands has also signed, along with over 60 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard ("CRS").

Cayman Islands regulations were issued on 4 July 2014 to give effect to the US IGA and the UK IGA, and on 16 October 2015 to give effect to the CRS (collectively, the "AEOI Regulations"). Pursuant to the AEOI Regulations, the Cayman Islands Tax Information

Authority (the "Cayman TIA") has published guidance notes on the application of the US IGA and the UK IGA and has the power to issue guidance in relation to the CRS.

All Cayman Islands "Financial Institutions" will be required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, except to the extent that they can rely on an exemption that allows them to become a "Non-Reporting Financial Institution" (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes. The Fund does not propose to rely on any reporting exemption and therefore intends to comply with the requirements of the AEOI Regulations.

The AEOI Regulations require the Company to, amongst other things (i) register with the IRS to obtain a Global Intermediary Identification Number ("GIIN") (in the context of FATCA only), (ii) register with the Cayman TIA, and thereby notify the Cayman TIA of its status as a "Reporting Financial Institution", (iii) conduct due diligence on its accounts to identify whether any such accounts are considered "Reportable Accounts", and (iv) report the information on such Reportable Accounts to the Cayman TIA. The Cayman TIA will transmit the information reported to it to the overseas fiscal authority relevant to the reportable account (i.e. the IRS in the case of a US Reportable Account, HMRC in the case of a UK Reportable Account, etc.) annually on an automatic basis.

For information on any potential withholding tax that may be levied against the Fund, see also the section above 'Foreign Account Tax Compliance'.

By investing in the Fund and/or continuing to invest in the Fund, investors shall be deemed to acknowledge that further information may be needed to be provided to the Fund and its service provided. The Fund's compliance with the AEOI Regulations may result in the disclosure of investor information, and investor information may be exchanged with overseas fiscal authorities. Where an investor fails to provide any requested information, the Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, compulsory redemption of the investor concerned, the deduction or withholding of certain amounts from any redemption proceeds or distribution payments.

REPORTS AND ACCOUNTS

The Fund's financial year end is on 30 June in each year. Audited accounts (in English) in USD will be made available to Unitholders as soon as possible, and in any event within four months, after the end of the financial year. The Manager will also make available unaudited semi-annual reports (in English) to Unitholders within two months after 31 December in each year. Such reports contain a statement of the Net Asset Value of each Sub-Fund and of the investments comprising its portfolio. Once issued the accounts and reports will be available for inspection at the Manager's office free of charge during normal working hours.

Unitholders may obtain a copy of the audited accounts and semi-annual reports within four months and two months, respectively, after the relevant financial period at the following website: *www.macquarie.hk/mfg* or upon request to the Manager. Investors should note that the website has not been reviewed by the SFC and may contain information of funds that are not authorised by the SFC and may not be offered to the retail public in Hong Kong.

DISTRIBUTION OF INCOME

Unless otherwise expressly provided in the Appendices relating to the Sub-Funds, the Manager shall not make any distribution of income or net capital gains realised on the sale of investments. Income, if any, and net capital gains, if any, in respect of the Fund or any Sub-Fund shall be accumulated and capitalised.

VOTING RIGHTS

Meetings of Unitholders may be convened by the Manager or the Trustee, and the Unitholders of 10 per cent. or more in value of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for all meetings is Unitholders present in person or by proxy representing 10 per cent. of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. An extraordinary resolution means a resolution proposed and passed as such by 75 per cent. or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting. The quorum for passing an extraordinary resolution shall be Unitholders present in person or by proxy representing 25 per cent. or more of the Units in issue. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. On a show of hands, every individual Unitholder present in person or by representative has one vote; on a poll every Unitholder present in person, by proxy or by representative has one vote for every Unit of which he is the holder. In the case of joint Unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the Register of Unitholders. A poll may be demanded by the Chairman or one or more Unitholders present in person or by proxy representing 5 per cent. of the Units for the time being in issue.

PUBLICATION OF PRICES

The Net Asset Value per Unit of each Sub-Fund will be published on each Valuation Day on the website: *www.macquarie.hk/mfg*. Investors should note that the website has not been reviewed by the SFC and may contain information of funds that are not authorised by the SFC and may not be offered to the retail public in Hong Kong.

TRANSFER OF UNITS

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

The Manager or the Trustee may refuse to enter the name of a transferee in the Register or recognise a transfer of any Units if either of them believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed.

TRUST DEED

The Fund was established as an exempted trust under the laws of the Cayman Islands by a Trust Deed dated 23 January 2007 made between MQ Portfolio Management Limited as manager of the Fund and HSBC Trustee (Cayman) Limited as Trustee. By a deed of retirement of the Manager and appointment of the new Manager dated 27 May 2008 (the "Deed of Retirement and Appointment") to the Trust Deed, MQ Portfolio Management Limited retired as the manager of the Fund with effect from 1 July 2008 and MFMHKL was appointed as the new manager of the Fund. Each new Sub-Fund shall be established and constituted by a deed supplemental to the Trust Deed ("Supplemental Deed") and commence as provided in such Supplemental Deed.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

Copies of the Trust Deed as for the time being in force may be obtained from the Manager at a cost of 300 Hong Kong dollars each and may be inspected during normal working hours at the offices of the Manager and the Trustee free of charge.

TERMINATION OF THE FUND OR ANY SUB-FUND

The Fund shall continue for a period of 100 years from the date of the Trust Deed or until it is terminated in one of the ways set out below.

The Manager shall be entitled to retire voluntarily. In the event of the Manager desiring to retire, it shall give all Unitholders of the Fund written notice of at least three months (or such shorter period as permitted by the SFC). The Trustee may find a new manager to act as the Manager and failing which may terminate the Fund.

The Fund may be terminated by the Trustee if (a) the Manager shall have ceased to be the Manager (other than by reason of the Manager going into liquidation or receivership) and within a period of 30 days thereafter, no new manager is appointed or (b) if in the reasonable opinion of the Trustee the Manager is incapable of performing or fails to perform its duties or (c) if the Manager goes into liquidation. Further at any time the Unitholders of any Sub-Fund may authorise termination of such Sub-Fund by extraordinary resolution. The Trustee may also terminate the Fund if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund. The Trustee may also terminate the Fund if the Trustee desires to retire and the Manager, within a period of 60 days from the date the Trustee notifies the Manager of such desire, fails to find a new trustee qualified to act as trustee in the place of the retiring Trustee.

The Fund or any Sub-Fund may be terminated by the Manager (a) if on any date, in relation to any Sub-Fund, the aggregate net asset value of the Units outstanding in respect of such Sub-Fund shall be less than USD10 million save that in respect of a guaranteed Sub-Fund an extraordinary resolution of affected Unitholders shall be required to approve the termination or (b) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable (in consultation with the SFC) to continue the Fund or such Sub-Fund or (c) if the Fund and/or the relevant Sub-Fund (as the case may be) ceases to be authorised or otherwise officially approved pursuant to the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong), save that such power of termination shall not apply to a guaranteed Sub-Fund. In such cases (where no extraordinary resolution is required) three months' notice (or such other notice as may be approved by the SFC) of any termination will be given to Unitholders.

ANTI-MONEY LAUNDERING REGULATIONS

In order to comply with legislation or regulations aimed at the prevention of money laundering the Fund is required to adopt and maintain anti-money laundering procedures, and may require investors to provide evidence to verify their identity, the identity of their beneficial owners/controllers (where applicable), and source of funds. Where permitted, and subject to certain conditions, the Trustee may also delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

The Trustee, the Service Provider to the Trustee and the Manager reserve the right to request such information as is necessary to verify the identity of an investor and the identity of their beneficial owners/controllers (where applicable). Where the circumstances permit, the

Trustee, the Service Provider to the Trustee and the Manager may be satisfied that full due diligence may not be required at subscription where an exemption applies under the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands, as amended and revised from time to time or any other applicable law. However, detailed verification information may be required prior to the payment of any proceeds from or any transfer of any Units.

In the event of delay or failure on the part of an investor in producing any information required for verification purposes, the Trustee, the Service Provider to the Trustee or the Manager may refuse to accept the application, or if the application has already occurred, may suspend or redeem the relevant Units, in which case any funds received will be returned without interest to the account from which they were originally debited.

The Trustee, the Service Provider to the Trustee and the Manager also reserve the right to refuse to make any redemption or distribution payment to an investor if any of them suspect or are advised that the payment of such monies to such investor may be non-compliant with applicable laws or regulations, or if such refusal is considered necessary or appropriate to ensure the compliance by the Fund, the Trustee, the Service Provider to the Trustee and/or the Manager with any applicable laws or regulations.

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority ("FRA") of the Cayman Islands, pursuant to the Proceeds of Crime Law (2018 Revision) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Law (2018 Revision) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

CONFLICTS OF INTEREST

The Manager, the Sub-Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, sub-manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund. Each will, at all times, have regard in such event to its obligations to the Fund and will endeavour to ensure that such conflicts are resolved fairly and in good faith. The Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated and all transactions are effected in good faith at arm’s length and in the best interests of the relevant Sub-Fund on normal commercial terms.

The Manager may from time to time use securities brokers which are Connected Persons to provide brokerage services to any Sub-Fund, provided that the Manager shall ensure that:

(a) the transactions are on arm’s length terms;

(b) such securities brokers are selected with due care and are suitably qualified in the circumstances;

(c) transaction execution is consistent with applicable best execution standards;

(d) the fee or commission paid to any such brokers in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;

(e) the Manager must monitor or procure that any sub-manager it appoints shall monitor such transactions to ensure compliance with the relevant obligations; and

(f) the nature of such transactions and the total commissions and other quantifiable benefits received by such brokers shall be disclosed in the Fund's annual report.

Members of the Macquarie Group Limited ("**Macquarie Group**") may be involved with the establishment and operation of, or provide corporate finance and investment advisory and other services to, some of the companies in which the Sub-Fund may invest in and may receive arm's length consideration from such companies for the services they provide.

Macquarie Group Limited, the Manager and/or the affiliates and controlled entities of Macquarie Group may buy and sell securities or derivatives in securities ("**Composite Securities**") which are similar or identical to the investments of the Fund, and may issue instruments the value of which is linked to the value of the Composite Securities. These activities may affect the market value or prevailing level of the Composite Securities, or could result in the Macquarie Group having interests which conflict with those of the Unitholders in relation to the market value or prevailing level of the Composite Securities. Any member of the Macquarie Group may also act as underwriter in connection with future offerings of shares or other securities or may act as financial adviser to the issuer, or sponsor, as the case may be, of any such share or other securities or in a commercial banking capacity for the issuer of any such share or other securities. Such activities could present certain conflicts of interest and may affect the value of the assets of the Fund.

Any member of the Macquarie Group may engage in trading or hedging transactions involving the Composite Securities or other derivative products that may affect the value of the assets of the Fund.

Any member of the Macquarie Group may from time to time establish, sponsor, manage or advise funds, collective investment schemes or clients on investment pursuant to investment strategies and investment universes that are identical or similar to that of one or more Sub-Funds. Without limitation, in parallel with the management of any particular Sub-Fund, any member of the Macquarie Group may establish and manage one or more funds or collective investment schemes offered in various jurisdictions.

The Manager may enter into trades for the account of the relevant Sub-Fund with the accounts of other clients of the Manager or its affiliates ("cross trades"). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, the cross trades are executed on arm's length terms at current market value, and the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. account owned by the Manager or any of its connected persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations.

REGULATION OF THE FUND IN CAYMAN ISLANDS

Mutual Funds Law

The Fund falls within the definition of a "mutual fund" under the terms of the Mutual Funds Law (2015 Revision) of the Cayman Islands (the "Law") and accordingly is regulated pursuant to the Law.

The Trustee (being a licensed mutual fund administrator in the Cayman Islands) provides the principal office of the Fund in the Cayman Islands and, accordingly, the Fund is regulated under Section 4(1)(b) of the Law.

As a regulated mutual fund, the Fund is subject to the supervision of the Cayman Islands Monetary Authority (the "Authority") and the Authority may at any time instruct the Fund to have its accounts audited and to submit them to the Authority within such time as the Authority specifies. Failure to comply with these requests by the Authority may result in substantial fines on the part of the Trustee and may result in the Authority applying to the court to have the Fund wound up.

The Fund will not, however, be subject to supervision in respect of its investment activities or the constitution of the Fund's portfolio by the Authority or any other governmental authority in the Cayman Islands, although the Authority does have power to investigate the activities of the Fund in certain circumstances. Neither the Authority nor any other governmental authority in the Cayman Islands has commented upon or approved the terms or merits of this Explanatory Memorandum. There is no investment compensation scheme available to investors in the Cayman Islands.

The Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Authority include, inter alia, the power to require the substitution of the Trustee, to appoint a person to advise the Fund on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Fund. There are other remedies available to the Authority, including the ability to apply to court for approval of other actions.

The Trustee, the Manager or their agents domiciled in the Cayman Islands, may be compelled to provide information, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; e.g. by the Cayman Islands Monetary Authority, either for itself or for a recognised overseas regulatory authority, under the Monetary Authority Law (2018 Revision), or by the Tax Information Authority, under the Tax Information Authority Law (2017 Revision) or Reporting of Savings Income information (European Union) Law (2014 Revision) and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws shall not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Trustee, the Manager or agent, may be prohibited from disclosing that the request has been made.

AUDITOR'S MAXIMUM LIABILITY

The engagement letter entered between the Manager and the auditor of the Fund, Ernst & Young Limited, Cayman Islands, contains provisions limiting the liability of the auditor to three times the fees paid to the auditor for the services or work product giving rise to the liability except to the extent finally determined to have resulted from the wilful or intentional neglect or misconduct, or fraudulent behaviour of the auditor.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Trust Deed, the Supplemental Deeds, executed in respect of the Sub-Funds and the Deed of Retirement and Appointment are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays, and public holidays) or for purchase on payment of a reasonable fee at the offices of the Manager.

APPENDIX I

MACQUARIE IPO CHINA CONCENTRATED CORE FUND

DEFINITIONS

This Appendix describes the Macquarie IPO China Concentrated Core Fund, a Sub-Fund of the Macquarie Unit Trust Series.

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this Appendix. In addition in this Appendix, the following expressions have the following meanings:-

"Dealing Day"	means every day (other than Saturdays and Sundays) on which the Hong Kong Stock Exchange, the New York Stock Exchange and the Stock Exchange of Singapore are open for normal trading, or such other day as the Manager may determine from time to time with the approval of the Trustee
"Dealing Deadline"	means 4:00 p.m. (Hong Kong time) on the relevant Dealing Day
"Hong Kong Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Issue Price"	means USD10 per Unit for Class A1 and Class A2
"IPO"	means initial public offering
"IPO Securities"	means securities of companies which have been listed within the past 1000 days
"PRC or China"	means the People's Republic of China (excluding Hong Kong, Macau and Taiwan)
"Sub-Fund"	means the Macquarie IPO China Concentrated Core Fund
"Valuation Day"	means each Dealing Day
"Valuation Point"	means the close of the last relevant market to close on the relevant Valuation Day

1. Introduction

The Macquarie IPO China Concentrated Core Fund (the "Sub-Fund") has been established to provide investors exposure to returns from IPO Securities of companies which derive or are expected to derive a significant portion of their revenues from the PRC. These securities, which may be shares or other related financial instruments that are listed outside the PRC, include H shares and Red Chip shares listed on the Hong Kong Stock Exchange, and US-, Hong Kong- or Singapore-listed shares and ADRs of companies which have or are expected to have material economic exposure to the PRC.

Units in the Sub-Fund may be issued to investors on any Dealing Day at the Subscription Price which will be determined by reference to the Net Asset Value of the Sub-Fund as at the Valuation Point to which the subscription relates.

The base currency of the Sub-Fund is USD.

2. Investment Objective, Strategy and Policy

The Sub-Fund invests in listed equities with a focus on PRC-related IPO Securities principally those listed in Hong Kong, US and Singapore. The Manager constructs an investment portfolio consisting of newly listed stocks that meet the Sub-Fund's quantitative and qualitative criteria based on independent research and investment techniques. When the Manager determines that new IPO Securities are suitable for the investment portfolio, the Manager may remove an IPO Security and re-balance the portfolio.

In circumstances where the Manager makes an application for a security that will be listed and the Manager's allocation through the primary market is scaled back, secondary market purchases may be made if the security has been listed within the past 1000 days. The Manager will determine the weightings it considers appropriate from time to time in its discretion. Cash and money market instruments will also be held to manage the liquidity within the Sub-Fund's portfolio. The number of IPO Securities to be held within the investment portfolio will be determined by the Manager from time to time.

The Manager does not intend to hedge any foreign exchange risk in respect of the Sub-Fund.

In circumstances where the Sub-Fund holds cash, the Sub-Fund may invest in index futures contracts which the Manager considers will provide exposure to equity markets of the PRC. The net aggregate value of the prices of futures contracts may not exceed the lesser of 100% of cash held within the Sub-Fund or 20% of the Net Asset Value of the Sub-Fund.

3. Available Classes

Class A2 Units are currently available for issue to investors. (Class A1 Units are currently closed to new subscriptions.)

Class of Units	Base currency	Minimum initial investment	Minimum subsequent investment	Minimum redemption amount	Minimum holding amount
A1, A2	USD	USD3,000	USD1,000	USD1,000	USD1,000

Unless the Manager in any particular case or generally otherwise agrees, a Unitholder shall not be entitled to realise Units other than in value of USD1,000 or more. Also, a Unitholder shall not be entitled hereunder to realise part only of his / her holding of Units in relation to the Sub-Fund if thereby his / her holding would be reduced to less than the minimum holding of the Sub-Fund.

Class A1 and Class A2 Units shall carry the same rights and shall be subject to the same restrictions, fees and charges.

4. Fees

Preliminary Charge

The Manager may charge a preliminary charge of up to 5.0% of the subscription amount for the Units in the Sub-Fund, which may be paid to any authorised distributors of the Manager. Subject to the maximum rate of 5.0%, the Manager may determine the rate of preliminary charge from time to time. The current preliminary charge is 5.0% of the subscription amount of each Unit subscribed. The Manager may share such fee with any persons who distribute Units or otherwise procure the distribution of Units in the Sub-Fund. The Manager may enter into commercial arrangements with investors and rebate a portion of such fee to the investors. Investors should be aware that the preliminary charge may not be refundable in the event the investor chooses to realise their Units in the Sub-Fund.

Conversion Charge

The Manager may charge a conversion charge of up to 2.0% of net proceeds from redemption of Units of one Sub-Fund that are to be converted into Units of another Sub-Fund. The Manager currently does not intend to impose any conversion charge.

Management Fee

The Manager is entitled to receive a management fee from the Sub-Fund of up to 2.0% per annum of the Net Asset Value, however, it is the intention of the Manager to charge a fee of 1.5% per annum of the Net Asset Value calculated as at each Valuation Day. The management fee is accrued on a daily basis and payable calendar quarterly. Any fees or remuneration payable to any sub-manager appointed by the Manager shall be borne solely by the Manger and not the assets of the Sub-Fund.

Administration Fee

The Manager is entitled to a receive an administration fee from the Sub-Fund of up to 1.0% per annum of the Net Asset Value, however, it is the intention of the Manager to charge a fee of 0.25% per annum of the Net Asset Value calculated as at each Valuation Day. The administration fee is accrued on a daily basis and payable calendar quarterly.

Performance Fee

The Manager is entitled to receive a performance fee, payable annually in arrears after the end of the relevant "performance period", which shall be the end of each period ending 30 June. If the Sub-Fund is launched mid financial year, the first performance period will be less than a full year.

As at each Dealing Day, the performance fee accrual will be calculated as 10% of the difference between the Net Asset Value per Unit of the Sub-Fund on a Dealing Day (net of all other fees and expenses) and the "Benchmark Value" (as defined below) provided that on such Dealing Day the Net Asset Value per Unit is above the Benchmark Value.

The "High Water Mark" for each performance period will be set as the higher of the Issue Price and the Net Asset Value per Unit as at the end of any previous performance period in respect of which a performance fee was last paid, adjusted by deducting performance fees and distributions. On the first issue of Units in the Sub-Fund, the High Water Mark will equal the Issue Price. Where a performance fee is payable for a performance period, the Net Asset Value per Unit as at the end of that performance period will be set as the High Water Mark for the next performance period.

The "Benchmark Value" for the initial performance period will be set at 5.0% per annum above the High Water Mark and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis. For each performance period thereafter, the Benchmark Value will be set at 5.0% per annum above the previous Benchmark Value (adjusted by deducting distributions and performance fees) and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis until the High Water Mark is re-set to a higher value.

When the High Water Mark is re-set to a higher value, the Benchmark Value will be set at 5.0% per annum above the new High Water Mark and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis. For each performance period thereafter, the Benchmark Value will be set at 5.0% per annum above the previous Benchmark Value (adjusted by deducting distributions and performance fees) and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis until the High Water Mark is re-set to the next higher value.

The performance fee accruals as at any Dealing Day will be included in the calculation of the Net Asset Value per Unit. In the event of the Net Asset Value per Unit being less than the Benchmark Value, following a Dealing Day where a positive performance fee accrual was made, the performance fee accrual will reduce to zero. No further daily performance fee accruals will be made until the Net Asset Value per Unit exceeds the Benchmark Value.

At the end of a performance period the positive balance (if any) of the performance fee accrual will become payable to the Manager and the performance fee accrual in the Net Asset Value per Unit will be reset to zero.

When there is a positive performance fee accrual during a period of significant new subscriptions into the Sub-Fund, followed by a period of negative performance, all Unit holders will participate (in proportion with their Unit holding) in the reduction in the performance fee accrual, regardless of their actual contribution to the performance fee accrual. Also, if the Net Asset Value per Unit is rising but is still below the Benchmark Value, the Manager will not benefit from any performance fee accruals on the relevant Units, including Units that are newly issued and which only experience positive performance.

If any Units are realised or converted to Units in another fund on a Dealing Day during a performance period, the performance fee accrued during such performance period in respect of those Units shall be crystallised and become payable to the Manager.

Units will be subscribed or realised during a performance period based on the Net Asset Value per Unit (taking into account any positive balance of performance fee accruals as calculated in accordance with the above). The price at which investors subscribe or realise Units at different times during a performance period will be affected by the performance of the Sub-Fund and its level of subscriptions and realisations, which could have a positive or negative effect on the performance fee borne by them.

Trustee Fee

The maximum rate of annual fee payable to the Trustee is 1.0% of Net Asset Value per annum. Currently the Trustee fee will be borne by the Manager. The Trustee is also entitled to reimbursement from the Manager for any transaction, processing and valuation fees, and such other applicable fees as may be agreed with the Manager.

Notice of Change in Fees

The Trust Deed provides that the Manager will give 3 months' prior notice to Unitholders should there be any increase of (i) the management fee from the current level up to the maximum level of 2 per cent. per annum, (ii) the administration fee from the current level up to the maximum of 1 per cent. per annum and/or (iii) the trustee's fee up to the maximum level of 1 per cent. per annum.

The costs of establishment of the Trust and the Sub-Fund in Hong Kong were approximately USD100,000 and were expensed in the first financial year of the Sub-Fund.

5. Dealing Day, Dealing Deadline, Subscription and Realisation

The Dealing Deadline is 4:00 p.m. (Hong Kong time) on the relevant Dealing Day. Dealing may be carried out daily on each Dealing Day.

The detailed procedures regarding the subscription and realisation of Units are described in the main part of this Explanatory Memorandum under "Purchase of Units" and "Realisation of Units".

6. Valuation

The Valuation Point in relation to the Sub-Fund is the close of the last relevant market to close on each Valuation Day.

7. Securities Lending and Repurchase / Reverse Repurchase Transactions

The Manager currently does not intend to conduct securities lending, repurchase or reverse repurchase transactions for the account of the Sub-Fund.

8. Risk Factors

Market Risk

Investors should be aware that the Sub-Fund is subject to market fluctuations and the risk inherent in all investments. The Net Asset Value per Unit is subject to market fluctuation and may go down as well as up.

Investors should be aware that the Sub-Fund invests directly in equities which are subject to the risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global markets, in particular China. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the Sub-Fund to losses.

Event / Opportunity Risk

There is the risk that there are inadequate trading opportunities which the Manager wishes or is able to participate in. As a result, the assets of the Sub-Fund may not be fully invested in trading positions and may be heavily weighted in cash or equivalent assets. While the risk profile of cash or cash equivalent investments are lower than equities investments, the potential returns on cash or equivalent assets may also be lower than that which could be available if there were sufficient trading opportunities.

Credit Risk

The Sub-Fund faces the risk that an issuer of a security in which the Sub-Fund has invested will default on its obligations due to insolvency or financial distress, resulting in an adverse effect on the value of the Sub-Fund's investments.

Liquidity Risk

Liquidity relates to the ability of the Manager to sell an investment in a timely manner at a price around the prevailing market rates. The market for some securities in which the Sub-Fund may invest may be relatively illiquid. The liquidity of the markets in which the Sub-Fund may invest has the potential to fluctuate substantially over time. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investment of the Sub-Fund’s assets in relatively illiquid securities may restrict the ability of the Manager to dispose of those investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such transactions, and the bid and offer prices will be established solely by dealers in these transactions.

In particular, the liquidity risks association with investments or potential investments in IPO securities, due to their lack of trading history, may be difficult to assess.

If sizeable realisation requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such investments. As a result, this may have adverse impact on the Sub-Fund and its investors.

Leverage Risk

The Sub-Fund may from time to time enter into borrowing arrangements to make investments. This can result in a leverage effect and can give rise to the danger that market movements affecting the underlying investments, and therefore the Sub-Fund, may result in magnified losses to the Sub-Fund.

Suspension Risk

Under the terms of the Trust Deed, in certain circumstances, the Manager may suspend the calculation of the Net Asset Value of Units in the Sub-Fund as well as suspend subscriptions and realisations for Units in the Sub-Fund. Investors may not be able to subscribe or realise when such a suspension is invoked.

Investors may not be able to obtain a market value of their investment if the unit price is suspended.

Currency Risk

The Sub-Fund may from time to time hold investments denominated in a currency different to the denomination of the Sub-Fund or the denomination of a particular Unit class meaning the the value of your investment in Sub-Fund will be at risk to adverse movements in the foreign currency rates. The value of your investment may therefore be affected by, amongst other factors, the relative exchange rates of the denomination of the relevant Unit class and the currency in which the assets of the Sub-Fund are denominated. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. The Manager does not intend to hedge any foreign exchange risk in respect of the Sub-Fund.

Cross-Class Liability

For the purposes of internal accounting, a separate account will be established for each Class of Units, to which will be allocated the assets of the Sub-Fund attributable to that Class and from which will be debited liabilities of the Sub-Fund specifically attributable to that Class. It is not possible to isolate the assets attributable to any one Class to the extent that the liabilities attributable to other Classes exceed the assets attributable to those respective Classes. Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to such Class may have recourse to the assets attributable to other Classes within the Sub-Fund. The Manager is not currently aware of any such existing or contingent liability.

Taxation Risk

Changes in tax laws or their interpretation could adversely affect the tax treatment of the Sub-Fund, its investments and its investors.

Legal and Compliance Risk

Domestic and/or international laws or regulations may change in a way that adversely affects the Sub-Fund. Differences in laws between countries or jurisdictions may make it difficult for the Trustee to enforce legal agreements entered into on behalf of the Sub-Fund. The Sub-Fund reserves the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of the Sub-Fund or restructuring the Sub-Fund.

Country Risk

The Manager may invest in securities in a country which may experience economic or political instability. Such instability may cause delays in realising, or loss in value of the assets invested in that country.

Volatility Risk

Generally, the higher the potential return for an asset the higher the risk, and the greater the chance of substantial fluctuations in returns (including the possibility of losses) that may occur over time (especially over shorter periods of time). Volatility risk may also mean that the value of a Unit in the Sub-Fund may decline considerably between lodging a realisation request and the determination of the Realisation Price at the time of realisation.

Derivative Risk

The Sub-Fund may invest in derivatives such as futures, including index futures, and options. Index futures are futures contracts on a financial index. The use of derivatives may create leverage and a Sub-Fund's exposure may be greater than the value of contract prices paid. Derivatives may be difficult to value and their prices can be highly volatile. Price movements of derivative contracts may be influenced by, among others, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies.

When used for hedging purposes, there may be an imperfect correlation between the derivatives and the investments or market sectors being hedged. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange market on which to close out an open position.

Strategy Risk

The Manager may apply quantitative and qualitative criteria in determining the investment portfolio. The application of quantitative methods may at times result in a portfolio becoming concentrated in certain markets and/or sectors. Such concentration could increase the risk of losses as a result of market movements.

Structured Product Risk

The Sub-Fund may invest in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities such as participation notes, equity swaps and equity linked notes. A participation note is generally a contract that entitles the buyer to the economic benefits of ownership of equity securities. An equity swap is generally a contract for an exchange of an equity-based cash flow for a fixed-income cash flow. An equity linked note is generally an instrument whose return is determined by the performance of a single equity security, a basket of equity securities, or an equity index. These instruments are sometimes referred to as “structured products” because the terms of the instrument may be structured by the issuer of the product and the purchaser of the product, such as the Sub-Fund. These products may be issued by banks, brokerage firms, insurance companies and other corporations including companies from within the Macquarie Group. Structured products may not be listed and are subject to the terms and conditions imposed by their issuer. Investment in structured products can be illiquid as there is no active market in structured products. In order to meet realisation requests, the Sub-Fund relies upon the counterparty issuing the structured products to quote a price to unwind any part of the structured products. This price will reflect the market liquidity conditions and the size of the transaction. In addition, investment through structured products may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Counterparty Risk

By acquiring derivatives or structured products to obtain equity exposure, the Sub-Fund will be taking counterparty risk on the issuers or counterparties (collectively, “Counterparties”) to such transactions. The Sub-Fund will rely on such Counterparties to perform their obligations under such transactions or instruments in accordance with the terms of such transactions (including delivery or payment in a timely manner). Any insolvency or default of such Counterparties may have adverse effect on the value of the Sub-Fund’s investments.

Depositary Receipts Risk

Investment into a given country may be made via direct investments into that market or by depositary receipts traded on other international exchanges in order to benefit from increased liquidity in a particular security and other advantages. A depositary receipt admitted to the official listing on a stock exchange may be deemed an eligible transferable security regardless of the eligibility of the market in which the security to which it relates normally trades.

Custody Risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by the Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

9. Distributions

The Manager may declare and make distributions from the Sub-Fund. However, the Manager does not intend to make any distributions from the Sub-Fund and intends to reinvest all of the Sub-Fund's income and gains.

APPENDIX II

MACQUARIE IPO CHINA GATEWAY FUND

DEFINITIONS

This Appendix describes the Macquarie IPO China Gateway Fund, a Sub-Fund of the Macquarie Unit Trust Series.

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this Appendix. In addition in this Appendix, the following expressions have the following meanings:-

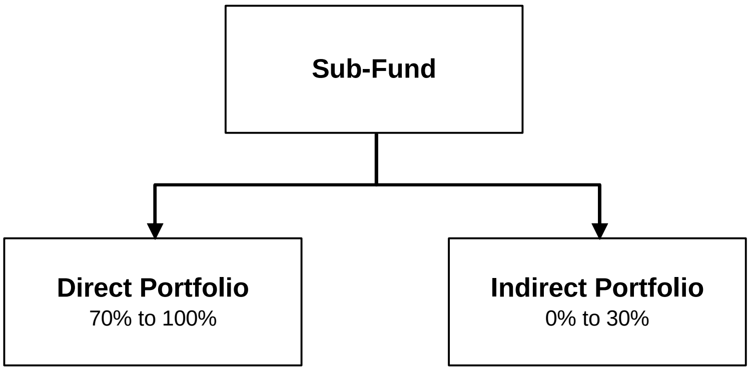
"Dealing Day"	means: (a) every day, other than: (i) Saturdays and Sundays; and (ii) a day, determined at the Manager's discretion, on which any exchange or market on which a substantial portion of the Sub-Fund's investments is traded, is closed or while dealings on any one exchange or market are restricted or suspended; or (b) such other day as the Manager may determine from time to time with the approval of the Trustee
"Dealing Deadline"	means 4:00 p.m. (Hong Kong time) on the relevant Dealing Day
"Hong Kong Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Greater China"	means the PRC, Hong Kong, Macau and Taiwan
"Issue Price"	means USD10 per Unit for Class A1 and Class A2; means HKD100 per Unit for Class A3
"IPO"	means initial public offering
"IPO Securities"	means securities of companies which have been listed within the past 1000 days
"PRC"	means the People's Republic of China (excluding Hong Kong, Macau and Taiwan)
"Sub-Fund"	means the Macquarie IPO China Gateway Fund
"Valuation Day"	means each Dealing Day
"Valuation Point"	means the close of the last relevant market to close on the relevant Valuation Day

1. Introduction

The Macquarie IPO China Gateway Fund (the "Sub-Fund") has been established to provide investors exposure to returns from IPO Securities. This exposure will be achieved: directly by investing in shares or other related financial instruments which are or will be listed predominantly on stock exchanges in Hong Kong, Singapore, Taiwan or the USA ("Direct Portfolio"); and indirectly by investing in the

Macquarie IPO China Concentrated Core Fund ("Indirect Portfolio").

The exposures of the Sub-Fund are expected to look as follows:



Units in the Sub-Fund may be issued to investors on any Dealing Day at the Subscription Price which will be determined by reference to the Net Asset Value of the Sub-Fund as at the Valuation Point to which the subscription relates.

The base currency of the Sub-Fund is USD. Each class of Units may have a base currency different from that of the Sub-Fund. Please refer to "3. Available Classes" below for further information.

2. Investment Objective, Strategy and Policy

Investment Objective

The investment objective of the Sub-Fund is to capture the potential growth of IPO Securities – from their initial offer price and during the early stages of their listing.

Investment Strategy – Direct Portfolio

In pursuit of this objective the Sub-Fund's Direct Portfolio will acquire a portfolio of IPO Securities.

The IPO Securities to be included in the Direct Portfolio will be chosen by the Manager in accordance with the Manager's quantitative and qualitative investment criteria (this is described further below).

The Manager will generally seek to acquire new IPO Securities for the Direct Portfolio through the initial public offering of the relevant IPO Securities or on the market after listing. The eligible universe of the Direct Portfolio includes listed equities with a focus on IPO Securities listed in Hong Kong, Singapore, Taiwan and the United States. In the case of IPO Securities not listed in Hong Kong, Singapore or Taiwan, the IPO Securities must relate to companies which derive or are expected to derive a significant portion of their revenues from Greater China or Singapore. The Sub-Fund intends to invest no more than 30 per cent. of its Net Asset Value in IPO Securities which are listed in markets other than Hong Kong or Taiwan and which are not expected to derive a significant portion of their revenues from the PRC.

Equity exposure in the secondary market may be achieved through investment in shares, depositary receipts, participation rights and potentially through other instruments which are linked to the performance of eligible IPO securities such as participation notes, equity swaps and equity linked notes, provided that exposure via investments in such instruments (excluding ADRs and GDRs) shall not exceed 15% of the net assets of the Sub-Fund.

The Manager will determine the investment portfolio by applying a variety of quantitative and qualitative criteria. Examples include:

- market capitalisation – the Sub-Fund will generally invest in those companies with a large market capitalisation (as a guide, this will generally be in excess of USD500 million);

- liquidity – the Manager may have regard to a company's actual or anticipated trading liquidity relative to the size of the Sub-Fund;

- size of "free float" – the Manager may have regard to a company's free float relative to the size of the Sub-Fund. The Manager may exclude from the eligible universe stocks which would otherwise lead to an allocation by the Sub-Fund which comprises a significant portion of the free float; and

- market diversification – the Manager may, if it considers appropriate, consider the level of concentration of recent IPOs in particular with respect to geographic region, market or industry sector or other factors that may lead to an undesirable level of concentration of investment risk, in determining whether to exclude stocks which may otherwise have been included in the eligible universe.

- fundamental value- the Manager may consider valuation, qualitative and risk attributes in considering the inclusion of the IPO Securities in the portfolio.

The Manager will determine an appropriate number of positions to best serve the investment objectives of the Sub-Fund having regard to the relative size of allocations that the Sub-Fund would need to make to individual positions compared to the available liquidity and likely market impact and transaction costs of trading those positions. The number and relative size of the positions may be adjusted from time to time.

The Direct Portfolio may also comprise cash.

Investment Strategy – Indirect Portfolio

The Manager of the Sub-Fund is also the manager of another Sub-Fund under the same management team within the Macquarie Unit Trust Series called the Macquarie IPO China Concentrated Core Fund. The Macquarie IPO China Concentrated Core Fund was established to provide investors with exposure to PRC-related IPO securities - principally those listed in Hong Kong, US and Singapore. It invests in shares which may include H shares and Red Chip shares listed on the Hong Kong Stock Exchange, and US-, Hong Kong- or Singapore-listed shares and ADRs of companies which have or are expected to have material economic exposure to the PRC.

The Sub-Fund may invest up to 30% of its net assets in the Macquarie IPO China Concentrated Core Fund, i.e. the Indirect Portfolio. The Direct Portfolio may also acquire IPO Securities that are within the eligible universe of the Macquarie IPO China Concentrated Core Fund and the investments in the Direct and Indirect Portfolio will in aggregate comply with investment restrictions applicable to the Sub-Fund.

The Manager, in its capacity as the manager of the Macquarie IPO China Concentrated Core Fund, will not be entitled to any preliminary charge, management fee, administration fee and performance fee (if any) payable in respect of any component of the Sub-Fund that is invested in the Macquarie IPO China Concentrated Core Fund.

The Sub-Fund's investments in the Macquarie IPO China Concentrated Core Fund shall be the only investment by the Sub-Fund in other collective investment schemes.

General

The Direct Portfolio of the Sub-Fund and the Indirect Portfolio will in aggregate comply with investment restrictions applicable to the Sub-Fund.

The Sub-Fund may invest indirectly through one or more wholly-owned subsidiaries established solely for the purpose of investment including making direct investments in a market where the Manager considers that direct investment in such market is not in the best interest of the investors. The underlying investments of such subsidiaries, together with all other investments made by the Sub-Fund, will in aggregate comply with the investment restrictions applicable to the Sub-Fund. The costs of establishment and maintenance of such subsidiaries, which will be borne by the Sub-Fund, are estimated to be not more than USD10,000 per annum. Audited accounts and unaudited semi-annual reports will be prepared in a consolidated form to include the assets (including investment portfolio) and liabilities of such subsidiaries as part of those of the Sub-Fund.

The Sub-Fund may hold cash and invest in money market instruments for the purpose of liquidity and efficient portfolio management.

The Manager does not intend to hedge any foreign exchange risk in respect of the Sub-Fund.

In circumstances where the Sub-Fund holds cash, the Sub-Fund may invest in Asian equity market index futures contracts which the Manager considers will provide exposure to equity markets of Greater China or Singapore. The net aggregate value of the prices of futures contracts may not exceed the lesser of 100% of cash held within the Sub-Fund or 20% of the Net Asset Value of the Sub-Fund.

3. Available Classes

Class A2 and Class A3 Units are currently available for issue to investors. (Class A1 Units are currently closed to new subscriptions.)

Class of Units	Base currency	Minimum initial investment	Minimum subsequent investment	Minimum redemption amount	Minimum holding amount
A1, A2	USD	USD3,000	USD1,000	USD1,000	USD1,000
A3	HKD	HKD10,000	HKD5,000	HKD5,000	HKD5,000

Unless the Manager in any particular case or generally otherwise agrees, a Unitholder shall not be entitled to realise Units other than in value of USD1,000 or more for Class A1 and A2 and HKD5,000 for Class A3. Also, a Unitholder shall not be entitled hereunder to realise part only of his / her holding of Units in relation to the Sub-Fund if thereby his / her holding would be reduced to less than the minimum holding of the Sub-Fund.

Class A1, Class A2 and Class A3 Units shall carry the same rights and shall be subject to the same restrictions, fees and charges.

4. Fees

Preliminary Charge

The Manager may charge a preliminary charge of up to 5.0% of the subscription amount for the Units in the Sub-Fund, which may be paid to any authorised distributors of the Manager. Subject to the maximum rate of 5.0%, the Manager may determine the rate of preliminary charge from time to time. The current preliminary charge is 5.0% of the subscription amount of each Unit subscribed. The Manager may share such fee with any persons who distribute Units or otherwise procure the distribution of Units in the Sub-Fund. Investors should be aware that this amount may not be refundable in the event the investor chooses to realise their Units in the Sub-Fund.

Conversion Charge

The Manager may charge a conversion charge of up to 2.0% of net proceeds from redemption of Units of one Sub-Fund that are to be converted into Units of another Sub-Fund. The Manager currently does not intend to impose any conversion charge.

Management Fee

The Manager is entitled to receive a management fee from the Sub-Fund of up to 2.0% per annum of the Net Asset Value, however, it is the intention of the Manager to charge a fee of 1.5% per annum of the

Net Asset Value calculated as at each Valuation Day. The management fee is accrued on a daily basis and payable calendar quarterly. Any fees or remuneration payable to any sub-manager appointed by the Manager shall be borne solely by the Manger and not the assets of the Sub-Fund.

Administration Fee

The Manager is entitled to receive an administration fee from the Sub-Fund of up to 1.0% per annum of the Net Asset Value, however, it is the intention of the Manager to charge a fee of 0.25% per annum of the Net Asset Value calculated as at each Valuation Day. The administration fee is accrued on a daily basis and payable calendar quarterly.

Performance Fee

The Manager is entitled to receive a performance fee, payable annually in arrears after the end of the relevant "performance period", which shall be the end of each period ending 30 June. If the Sub-Fund is launched mid financial year, the first performance period will be less than a full year.

As at each Dealing Day, the performance fee accrual will be calculated as 10% of the difference between the Net Asset Value per Unit of the Sub-Fund on a Dealing Day (net of all other fees and expenses) and the "Benchmark Value" (as defined below) provided that on such Dealing Day the Net Asset Value per Unit is above the Benchmark Value.

The "High Water Mark" for each performance period will be set as the higher of the Issue Price and the Net Asset Value per Unit as at the end of any previous performance period in respect of which a performance fee was last paid, adjusted by deducting performance fees and distributions. On the first issue of Units in the Sub-Fund, the High Water Mark will equal the Issue Price. Where a performance fee is payable for a performance period, the Net Asset Value per Unit as at the end of that performance period will be set as the High Water Mark for the next performance period.

The "Benchmark Value" for the initial performance period will be set at 5.0% per annum above the High Water Mark and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis. For each performance period thereafter, the Benchmark Value will be set at 5.0% per annum above the previous Benchmark Value (adjusted by deducting distributions and performance fees) and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis until the High Water Mark is re-set to a higher value.

When the High Water Mark is re-set to a higher value, the Benchmark Value will be set at 5.0% per annum above the new High Water Mark and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis. For each performance period thereafter, the Benchmark Value will be set at 5.0% per annum above the previous Benchmark Value (adjusted by deducting distributions and performance fees) and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis until the High Water Mark is re-set to the next higher value.

The performance fee accruals as at any Dealing Day will be included in the calculation of the Net Asset Value per Unit. In the event of the Net Asset Value per Unit being less than the Benchmark Value, following a Dealing Day where a positive performance fee accrual was made, the performance fee accrual will reduce to zero. No further daily performance fee accruals will be made until the Net Asset Value per Unit exceeds the Benchmark Value.

At the end of a performance period the positive balance (if any) of the performance fee accrual will become payable to the Manager and the performance fee accrual in the Net Asset Value per Unit will be reset to zero.

When there is a positive performance fee accrual during a period of significant new subscriptions into the Sub-Fund, followed by a period of negative performance, all Unit holders will participate (in proportion with their Unit holding) in the reduction in the performance fee accrual, regardless of their actual contribution to the performance fee accrual. Also, if the Net Asset Value per Unit is rising but is still below the Benchmark Value, the Manager will not benefit from any performance fee accruals on the relevant Units, including Units that are newly issued and which only experience positive performance.

If any Units are realised or converted to Units in another fund on a Dealing Day during a performance period, the performance fee accrued during such performance period in respect of those Units shall be crystallised and become payable to the Manager.

Units will be subscribed or realised during a performance period based on the Net Asset Value per Unit (taking into account any positive balance of performance fee accruals as calculated in accordance with the above). The price at which investors subscribe or realise Units at different times during a performance period will be affected by the performance of the Sub-Fund and its level of subscriptions and realisations, which could have a positive or negative effect on the performance fee borne by them.

Trustee Fee

The maximum rate of annual fee payable to the Trustee is 1.0% of Net Asset Value per annum. Currently the Trustee fee will be borne by the Manager. The Trustee is also entitled to reimbursement from the Manager for any transaction, processing and valuation fees, and such other applicable fees as may be agreed with the Manager.

Notice of Change in Fees

The Trust Deed provides that the Manager will give 3 months' prior notice to Unitholders should there be any increase of (i) the management fee from the current level up to the maximum level of 2 per cent. per annum, (ii) the administration fee from the current level up to the maximum of 1 per cent. per annum and/or (iii) the trustee's fee up to the maximum level of 1 per cent. per annum.

The costs of establishment of the Sub-Fund in Hong Kong were approximately USD50,000 and were expensed in the first financial year of the Sub-Fund.

5. Dealing Day, Dealing Deadline, Subscription and Realisation

The Dealing Deadline is 4:00 p.m. (Hong Kong time) on the relevant Dealing Day. Dealing may be carried out daily on each Dealing Day.

The detailed procedures regarding the subscription and realisation of Units are described in the main part of this Explanatory Memorandum under "Purchase of Units" and "Realisation of Units".

6. Valuation

The Valuation Point in relation to the Sub-Fund is the close of the last relevant market to close on each Valuation Day.

7. Securities Lending and Repurchase / Reverse Repurchase Transactions

The Manager currently does not intend to conduct securities lending, repurchase or reverse repurchase transactions for the account of the Sub-Fund.

8. Risk Factors

Market Risk

Investors should be aware that the Sub-Fund is subject to market fluctuations and the risk inherent in all investments. The Net Asset Value per Unit is subject to market fluctuation and may go down as well as up.

Investors should be aware that the Sub-Fund invests directly in equities which are subject to the risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global markets. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the Sub-Fund to losses.

Prospective investors should note that investment in emerging markets (such as the PRC) involve special considerations and risks. These include a possibility of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, less stringent accounting standards, social instability or diplomatic developments which could affect adversely the economies of such countries or the value of a Sub-Fund's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties.

Strategy Risk

The Manager may apply quantitative and qualitative criteria in determining the investment portfolio. The application of quantitative methods may at times result in a portfolio becoming concentrated in certain markets and/or sectors. Such concentration could increase the risk of losses as a result of market movements.

Event / Opportunity Risk

There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. As a result, the assets of the Sub-Fund may not be fully invested in trading positions and may be heavily weighted in cash or equivalent assets. While the risk profile of cash or cash equivalent investments are lower than equities investments, the potential returns on cash or equivalent assets may also be lower than that which could be available if there were sufficient trading opportunities.

Structured Product Risk

The Sub-Fund may invest in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities such as participation notes, equity swaps and equity linked notes. A participation note is generally a contract that entitles the buyer to the economic benefits of ownership of equity securities. An equity swap is generally a contract for an exchange of an equity-based cash flow for a fixed-income cash flow. An equity linked note is generally an instrument whose return is determined by the performance of a single equity security, a basket of equity securities, or an equity index. These instruments are sometimes referred to as "structured products" because the terms of the instrument may be structured by the issuer of the product and the purchaser of the product, such as the Sub-Fund. These products may be issued by banks, brokerage firms, insurance companies and other corporations including companies from within the Macquarie Group. Structured products may not be listed and are subject to the terms and conditions imposed by their issuer. Investment in structured products can be illiquid as there is no active market in structured products. In order to meet realisation requests, the Sub-Fund relies upon the counterparty issuing the structured products to quote a price to unwind any part of the structured products. This price will reflect the market liquidity conditions and the size of the transaction. In addition, investment through structured products may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Credit Risk

The Sub-Fund faces the risk that an issuer of a security in which the Sub-Fund has invested will default on its obligations due to insolvency or financial distress, resulting in an adverse effect on the value of the Sub-Fund's investments. In addition, in the case of a default, the Sub-Fund could become subject to adverse market movements while replacement transactions are executed.

Counterparty Risk

By acquiring derivatives or structured products to obtain equity exposure, the Sub-Fund will be taking counterparty risk on the issuers or counterparties (collectively, "Counterparties") to such transactions. The Sub-Fund will rely on such Counterparties to perform their obligations under such transactions or instruments in accordance with the terms of such transactions (including delivery or payment in a timely manner). Any insolvency or default of such Counterparties may have adverse effect on the value of the Sub-Fund's investments.

Liquidity Risk

Liquidity relates to the ability of the Manager to sell an investment in a timely manner at a price around the prevailing market rates. The market for some securities in which the Sub-Fund may invest may be relatively illiquid. The liquidity of the markets in which the Sub-Fund may invest has the potential to fluctuate substantially over time. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investment of the Sub-Fund's assets in relatively illiquid securities may restrict the ability of the Manager to dispose of those investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such transactions, and the bid and offer prices will be established solely by dealers in these transactions.

In particular, the liquidity risks association with investments or potential investments in IPO securities, due to their lack of trading history, may be difficult to assess.

If sizeable realisation requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such investments. As a result, this may have adverse impact on the Sub-Fund and its investors.

Leverage Risk

The Sub-Fund may from time to time enter into borrowing arrangements to make investments. This can result in a leverage effect and can give rise to the danger that market movements affecting the underlying investments, and therefore the Sub-Fund, may result in magnified losses to the Sub-Fund.

Suspension Risk

Under the terms of the Trust Deed, in certain circumstances, the Manager may suspend the calculation of the Net Asset Value of Units in the Sub-Fund as well as suspend subscriptions and realisations for Units in the Sub-Fund. Investors may not be able to subscribe or realise when such a suspension is invoked. Investors may not be able to obtain a market value of their investment if the unit price is suspended.

Currency Risk

The Sub-Fund may from time to time hold investments denominated in a currency different to the denomination of the Sub-Fund or the denomination of a particular Unit class meaning the value of your investment in the Sub-Fund will be at risk to adverse movements in the foreign currency rates. The value of your investment may therefore be affected by, amongst other factors, the relative exchange rates of the denomination of the relevant Unit class and the currency in which the assets of the Sub-Fund are denominated. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. The Manager does not intend to hedge any foreign exchange risk in respect of the Sub-Fund.

Cross-Class Liability

For the purposes of internal accounting, a separate account will be established for each Class of Units, to which will be allocated the assets of the Sub-Fund attributable to that Class and from which will be debited liabilities of the Sub-Fund specifically attributable to that Class. It is not possible to isolate the assets attributable to any one Class to the extent that the liabilities attributable to other Classes exceed the assets attributable to those respective Classes. Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to such Class may have recourse to the assets attributable to other Classes within the Sub-Fund. The Manager is not currently aware of any such existing or contingent liability.

Taxation Risk

Changes in tax laws or their interpretation could adversely affect the tax treatment of the Sub-Fund, its investments and its investors.

If the Sub-Fund uses participation instruments to access certain markets, such instruments may have tax withheld on the investment returns, including notional dividends, passed through to the Sub-Fund by the counterparty to such instruments.

Legal and Compliance Risk

Domestic and/or international laws or regulations may change in a way that adversely affects the Sub-Fund. Differences in laws between countries or jurisdictions may make it difficult for the Trustee to enforce legal agreements entered into on behalf of the Sub-Fund. The Sub-Fund reserves the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of the Sub-Fund or restructuring the Sub-Fund.

Country Risk

The Manager may invest in securities in a country which may experience economic or political instability. Such instability may cause delays in realising, or loss in value of the assets invested in that country.

Volatility Risk

Generally, the higher the potential return for an asset the higher the risk, and the greater the chance of substantial fluctuations in returns (including the possibility of losses) that may occur over time (especially over shorter periods of time). Volatility risk may also mean that the value of a Unit in the Sub-Fund may decline considerably between lodging a realisation request and the determination of the Realisation Price at the time of realisation.

Derivative Risk

The Sub-Fund may invest in derivatives such as futures, including index futures, and options. Index futures are futures contracts on a financial index. The use of derivatives may create leverage and a Sub-Fund's exposure may be greater than the value of contract prices paid. Derivatives may be difficult to value and their prices can be highly volatile. Price movements of derivative contracts may be influenced by, among others, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies.

When used for hedging purposes, there may be an imperfect correlation between the derivatives and the investments or market sectors being hedged. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange market on which to close out an open position.

Depositary Receipts Risk

Investment into a given country may be made via direct investments into that market or by depositary receipts traded on other international exchanges in order to benefit from increased liquidity in a particular security and other advantages. A depositary receipt admitted to the official listing on a stock exchange may be deemed an eligible transferable security regardless of the eligibility of the market in which the security to which it relates normally trades.

Custody Risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by the Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

9. Distributions

The Manager may declare and make distributions from the Sub-Fund. However, the Manager does not intend to make any distributions from the Sub-Fund and intends to reinvest all of the Sub-Fund's income and gains.

APPENDIX III

MACQUARIE ASIA NEW STARS FUND

DEFINITIONS

This Appendix describes the Macquarie Asia New Stars Fund, a Sub-Fund of the Macquarie Unit Trust Series.

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this Appendix. In addition in this Appendix, the following expressions have the following meanings:-

"Asia" means any country in Asia, including but not limited to Australia, Cambodia, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Pakistan, the Philippines, PRC, Singapore, Taiwan, Thailand and Vietnam, but excluding Japan

"Asian Market" means a stock exchange of a country in Asia

"Dealing Day" means:

(a) every day, other than:

  (i) Saturdays and Sundays; and

  (ii) a day, determined at the Manager's discretion, on which any exchange or market on which a substantial portion of the Sub-Fund's investments is traded, is closed or while dealings on any one exchange or market are restricted or suspended; or

(b) such other day as the Manager may determine from time to time with the approval of the Trustee

"Dealing Deadline" means 4:00 p.m. (Hong Kong time) on the relevant Dealing Day

"Issue Price" means USD10 per Unit for Class A1 and Class A2

"Other Eligible Market" means a stock exchange of a country outside Asia, including but not limited to the United Kingdom and the United States of America

"PRC" means the People's Republic of China (excluding Hong Kong, Macau and Taiwan)

"Sub-Fund" means the Macquarie Asia New Stars Fund

"Valuation Day" means each Dealing Day

"Valuation Point" means the close of the last relevant market to close on the relevant Valuation Day

1. Introduction

The Macquarie Asia New Stars Fund (the "Sub-Fund") provides investors exposure to small-mid market capitalisation companies that have exposure to any one or more countries in Asia. This exposure is achieved by investing in shares or other similar financial instruments of such companies which are, or are expected to be listed on, an Asian Market or Other Eligible Market. The Manager does not intend to hedge any foreign exchange risk in respect of the Sub-Fund.

Units in the Sub-Fund may be issued to investors on any Dealing Day at the Subscription Price which will be determined by reference to the Net Asset Value of the Sub-Fund as at the Valuation Point to which the subscription relates.

The base currency of the Sub-Fund is USD.

2. Investment Objective, Strategy and Policy

Investment Objective

The investment objective of the Sub-Fund is to capture the potential growth of small-mid market capitalisation companies with exposure to any one or more countries in Asia by investing in securities of small-mid market capitalisation companies ("Small-Mid Cap securities") which are, or are expected to be listed on, an Asian Market or Other Eligible Market.

Investment Strategy

The Sub-Fund's portfolio of Small-Mid Cap securities will be selected based on the Manager's quantitative and qualitative investment criteria that may include selecting and weighting stocks based on factors such as fundamental analysis and valuation, momentum and liquidity.

As a guide, Small-Mid Cap securities are securities of companies that have a market capitalisation within the minimum and maximum limits of leading small-mid cap market indices for Asia (ex Japan). At least 70% of the Net Asset Value of the Sub-Fund will generally be invested in equity markets within Asia. In addition, at least 70% of the Sub-Fund's equities investments (excluding index futures contracts) will generally be securities which are Small-Mid Cap securities at the time an initial investment is made in that security. Subject to this limit, the Sub-Fund may invest in large capitalisation companies (which may include securities of companies which were acquired as Small-Mid Cap securities but have subsequently grown to become large cap securities). There is no time limit for holding a position and there is no upper cap on the number of stocks that may be held in the portfolio.

Each security may have a weight of up to 7.5% of the Net Asset Value of the Sub-Fund. The total combined weight of unlisted securities (including those expected to be listed) will not exceed 15% of the Net Asset Value of the Sub-Fund.

The Investment Universe

The eligible investment universe of the Sub-Fund includes equities that are listed, or expected to be listed, with a focus on small-mid market capitalisation securities with exposure to any one or more countries in Asia.

A company will be considered to have "exposure" to any one or more countries in Asia if (a) it is listed, or expected to be listed, on any Asian market, or (b) if it is listed or expected to be listed, on any Other Eligible Market (for example, the United States of America or the United Kingdom) and the company derives, or is expected to derive, a significant portion of its revenue from one or more countries in Asia.

The Sub-Fund may invest in China A-shares directly through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, the "**Stock Connects**"). Such investment may at times be more than 30% and up to 100% of its Net Asset Value.

The Sub-Fund is not subject to any limitation on the portion of its Net Asset Value that may be invested in any industry or sector.

Equity exposure may be achieved through investment in shares, depositary receipts, participation rights and potentially through other instruments which are linked to the performance of eligible securities such as participation notes and equity linked notes, provided that exposure via investments in such instruments (excluding ADRs and GDRs) shall not exceed 15% of the Net Asset Value of the Sub-Fund.

The Manager may apply a variety of risk management filters or screens when selecting the investment universe including:

(a) **market capitalisation** — the Sub-Fund will generally invest in those companies with a small-mid market capitalisation as at the time of initial investment;

(b) **liquidity** — the Manager may have regard to a company's actual or anticipated trading liquidity relative to the size of the Sub-Fund;

(c) **size of "free float"** — the Manager may have regard to a company's free float relative to the size of the Sub-Fund. The Manager may exclude from the eligible universe stocks which would otherwise lead to an allocation by the Sub-Fund which comprises a significant portion of the free float;

(d) **market diversification** — the Manager may, if it considers appropriate, consider the level of concentration of the portfolio in particular with respect to geographic region, market or industry sector or other factors that may lead to an undesirable level of concentration of investment risk, in determining whether to exclude stocks which may otherwise have been included in the eligible universe; and

(e) **fundamental value** – the Manager may consider valuation, qualitative and risk attributes in considering the inclusion of the Small-Mid Cap securities in the portfolio.

The Manager will determine an appropriate number of positions to best serve the investment objective of the Sub-Fund having regard to the relative size of allocations that the Sub-Fund would need to make to individual positions compared to the available liquidity and likely market impact and transaction costs of trading those positions. The number of positions may be adjusted from time to time.

Up to 20% of the Sub-Fund's Net Asset Value may be held in cash and money market instruments to manage the liquidity within the Sub-Fund's portfolio. Under exceptional circumstances (e.g. market crash, major crisis, large redemption requests or large subscriptions), a significantly higher percentage of the Sub-Fund's Net Asset Value may be temporarily held in cash and money market instruments for, amongst other purposes, cash flow management. The Sub-Fund may invest in index futures contracts which the Manager considers will provide exposure to equity markets within Asia. The net aggregate value of the prices of futures contracts may not exceed 20% of the Net Asset Value of the Sub-Fund.

The Manager does not intend to hedge foreign exchange exposure within the Sub-Fund.

General

The portfolio of the Sub-Fund will comply with investment restrictions applicable to the Sub-Fund.

The Sub-Fund may invest indirectly through one or more wholly-owned subsidiaries established solely for the purpose of investment including making direct investments in a market where the Manager considers that direct investment in such market is not in the best interest of the investors. The underlying investments of such subsidiaries, together with all other investments made by the Sub-Fund, will in aggregate comply with the investment restrictions applicable to the Sub-Fund. The costs of establishment and maintenance of such subsidiaries, which will be borne by the Sub-Fund, are estimated to be not more than USD10,000 per annum. Audited accounts and unaudited semi-annual reports will be prepared in a consolidated form to include the assets (including investment portfolio) and liabilities of such subsidiaries as part of those of the Sub-Fund.

The Sub-Fund may hold cash and invest in money market instruments for the purpose of liquidity and efficient portfolio management. The Manager does not intend to hedge any foreign exchange risk in respect of the Sub-Fund.

3. Available Classes

Class A2 Units are currently available for issue to investors. (Class A1 Units are currently closed to new subscriptions.)

Class of Units	Base currency	Minimum initial investment	Minimum subsequent investment	Minimum redemption amount	Minimum holding amount
A1, A2	USD	USD3,000	USD1,000	USD1,000	USD1,000

Unless the Manager in any particular case or generally otherwise agrees, a Unitholder shall not be entitled to realise Units other than in value of USD1,000 or more. Also, a Unitholder shall not be entitled hereunder to realise part only of his / her holding of Units in relation to the Sub-Fund if thereby his / her holding would be reduced to less than the minimum holding of the Sub-Fund.

Class A1 and Class A2 Units shall carry the same rights and shall be subject to the same restrictions, fees and charges.

4. Fees

Preliminary Charge

The Manager may charge a preliminary charge of up to 5.0% of the subscription amount for the Units in the Sub-Fund, which may be paid to any authorised distributors of the Manager. Subject to the maximum rate of 5.0%, the Manager may determine the rate of preliminary charge from time to time. The current preliminary charge is 5.0% of the subscription amount of each Unit subscribed. The Manager may share such fee with any persons who distribute Units or otherwise procure the distribution of Units in the Sub-Fund. Investors should be aware that this amount may not be refundable in the event the investor chooses to realise their Units in the Sub-Fund.

Conversion Charge

The Manager may charge a conversion charge of up to 2.0% of net proceeds from redemption of Units of one Sub-Fund that are to be converted into Units of another Sub-Fund. The Manager currently does not intend to impose any conversion charge.

Management Fee

The Manager is entitled to receive a management fee from the Sub-Fund of up to 2.0% per annum of the Net Asset Value, however, it is the intention of the Manager to charge a fee of 1.5% per annum of the Net Asset Value calculated as at each Valuation Day. The management fee is accrued on a daily basis and payable calendar quarterly. Any fees or remuneration payable to any sub-manager appointed by the Manager shall be borne solely by the Manger and not the assets of the Sub-Fund.

Administration Fee

The Manager is entitled to receive an administration fee from the Sub-Fund of up to 1.0% per annum of the Net Asset Value, however, it is the intention of the Manager to charge a fee of 0.25% per annum of the Net Asset Value calculated as at each Valuation Day. The administration fee is accrued on a daily basis and payable calendar quarterly.

Performance Fee

(i) Performance fee calculation and accrual

The Manager is entitled to receive a performance fee, payable annually in arrears after the end of the relevant "performance period", which shall be the end of each period ending 30 June. If the Sub-Fund is launched mid financial year, the first performance period will be less than a full year.

As at each Dealing Day, the performance fee accrual will be calculated as 10% of the difference between the Net Asset Value per Unit of the Sub-Fund on a Dealing Day (net of all other fees and expenses) and the "Benchmark Value" (as defined below) provided that on such Dealing Day the Net Asset Value per Unit is above the Benchmark Value.

The "High Water Mark" for each performance period will be set as the higher of the Issue Price and the Net Asset Value per Unit as at the end of any previous performance period in respect of which a performance fee was last paid, adjusted by deducting performance fees and distributions. On the first issue of Units in the Sub-Fund, the High Water Mark will equal the Issue Price. Where a performance fee is payable for a performance period, the Net Asset Value per Unit as at the end of that performance period will be set as the High Water Mark for the next performance period.

The "Benchmark Value" for the initial performance period will be set at 5.0% per annum above the High Water Mark and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis. For each performance period thereafter, the Benchmark Value will be set at 5.0% per annum above the previous Benchmark Value (adjusted by deducting distributions and performance fees) and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis until the High Water Mark is re-set to a higher value.

When the High Water Mark is re-set to a higher value, the Benchmark Value will be set at 5.0% per annum above the new High Water Mark and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis. For each performance period thereafter, the Benchmark Value will be set at 5.0% per annum above the previous Benchmark Value (adjusted by deducting distributions and performance fees) and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis until the High Water Mark is re-set to the next higher value.

The performance fee accruals as at any Dealing Day will be included in the calculation of the Net Asset Value per Unit. In the event of the Net Asset Value per Unit being less than the Benchmark Value, following a Dealing Day where a positive performance fee accrual was made, the performance fee accrual will reduce to zero. No further daily performance fee accruals will be made until the Net Asset Value per Unit exceeds the Benchmark Value.

At the end of a performance period the positive balance (if any) of the performance fee accrual will become payable to the Manager and the performance fee accrual in the Net Asset Value per Unit will be reset to zero.

When there is a positive performance fee accrual during a period of significant new subscriptions into the Sub-Fund, followed by a period of negative performance, all Unit holders will participate (in proportion with their Unit holding) in the reduction in the performance fee accrual, regardless of their actual contribution to the performance fee accrual. Also, if the Net Asset Value per Unit is rising but is still below the Benchmark Value, the Manager will not benefit from any performance fee accruals on the relevant Units, including Units that are newly issued and which only experience positive performance.

If any Units are realised or converted to Units in another fund on a Dealing Day during a performance period, the performance fee accrued during such performance period in respect of those Units shall be crystallised and become payable to the Manager.

Units will be subscribed or realised during a performance period based on the Net Asset Value per Unit (taking into account any positive balance of performance fee accruals as calculated in accordance with the above). The price at which investors subscribe or realise Units at different times during a performance period will be affected by the performance of the Sub-Fund and its level of subscriptions and realisations, which could have a positive or negative effect on the performance fee borne by them.

There is no equalisation arrangement in respect of the calculation of performance fee. That means there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis based on the timing the relevant Unitholder subscribes or redeems the relevant Units during a performance period. In certain circumstances, the Unitholder may be advantaged or disadvantaged as a result of this calculation methodology.

For instance, a Unitholder will be advantaged if he or she subscribes to the Sub-Fund during a performance period when the Net Asset Value per Unit is below the Benchmark value, and redeems prior to the end of such performance period when the Net Asset Value per Unit has increased up to but does not exceed the Benchmark value at the time of his redemption, and thus, no performance fee is payable even though the Unitholder has made a profit.

Likewise, a Unitholder will be disadvantaged if he or she subscribes to the Sub-Fund during a performance period when the Net Asset Value per Unit is above the Benchmark value and redeems prior to or at the end of such performance period when the Net Asset Value per Unit at the time of redemption has decreased but remains above the Benchmark value. Under such circumstances, the Unitholder has paid the performance fee despite of a loss as his subscription price of the Units has taken into account a provision for the performance fee.

(ii) Illustrative examples

Illustrative Examples

The examples below are shown for illustration purposes only and may contain simplifications. They do not represent any actual or prospective performance of the Fund or the Sub-Funds. No assurance is provided that the Fund or the Sub-Funds will achieve the performance used in the examples and you should not rely on this in determining whether to invest in the Fund or the Sub-Funds.

Assumptions:

Assume that the initial Subscription Price for the relevant Unit is USD100 and that the minimum initial investment amount for the Sub-Fund is one Unit. The performance fee payable is 10% of the difference between the Net Asset Value per Unit of a Sub-Fund on a Dealing Day (net of all other fees and expenses) and the Benchmark Value provided that on such Dealing Day the Net Asset Value per Unit is above the Benchmark Value.

(I) Initial performance period - This example assumes that the Net Asset Value per Unit is above the High Water Mark as at the end of the initial performance period. In this scenario, a performance fee will be payable as explained below.

In this example, Investor A subscribes for one Unit in the Sub-Fund during the initial performance period on a Dealing Day where the initial Subscription Price is USD100. Thereafter, assume that the Unit price has decreased and Investor B subscribes for one Unit in the Sub-Fund within the first performance period on a Dealing Day with a Subscription Price of USD95. On the first issue of Units, the Sub-Fund's High Water Mark is the initial Subscription Price, which in this example is USD100 and the Sub-Fund's "Benchmark Value" will be set at 5% per annum above the High Water Mark and adjusted upwards with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis. The performance fee is accrued as at each Dealing Day.

By the end of the first performance period, assume that the Net Asset Value per Unit has increased to USD120. The outperformance of the Net Asset Value per Unit is USD15 (being the Net Asset Value per Unit less the Benchmark Value). The number of Units on issue in the Sub-Fund as at the end of the initial performance period is two Units.

The total performance fee payable by the Sub-Fund in this scenario would be calculated as:

(Net Asset Value – "Benchmark Value") x performance fee x number of Units on issue as at the end of the relevant "performance period".

(USD120 - USD105) x 10% x 2 units = USD3.

Note that in this example, no further adjustment was required to be made to the Benchmark Value since the subscription by Investor B was not made during that performance period above the

Benchmark Value.

At the end of the initial performance period, the performance fee will be crystallised and paid from the Sub-Fund to the Investment Manager at a rate of USD1.50 per Unit. In effect, each of Investors A and B will have borne the USD1.50 performance fee in respect of the first performance period (calculated by dividing the total performance fee payable by the Sub-Fund of USD3 with the number of units issued as at the end of the "performance period", being two Units).

(II) Second performance period - This example assumes that as at the end of the second performance period, the Net Asset Value per Unit has fallen below the High Water Mark – In this scenario, no performance fee will be payable as explained below):

Now let's assume that, as at the start of the second performance period, the new High Water Mark is USD118.50 (being the higher of the Benchmark Value and the Net Asset Value per Unit as at the end of the last performance period (after deduction of performance fees)). At the beginning of the second performance period the Sub-Fund's "Benchmark Value" will be initially set as USD118.50 and will be adjusted upwards on a daily basis at the rate of 5% per annum, including with any new subscriptions made during that performance period at above the Benchmark Value at the time of subscription on a weighted average basis. The "Benchmark Value" on the first day of the performance period will be USD118.52 after the 5% per annum daily adjustment above the High Water Mark.

Mid-way through the second performance period, the Net Asset Value per Unit has fallen to USD90. Investor A redeems their one Unit and Investor C subscribes for one Unit, on a Dealing Day when the price per Unit was USD90. On this Dealing Day, the Net Asset Value per Unit is below the High Water Mark. Therefore, no performance fee is accrued or payable in respect of the Unit redeemed by Investor A.

At the end of the second performance period, assume that the Net Asset Value per Unit has increased to USD115. There has been no outperformance of Net Asset Value per Unit as the Net Asset Value per Unit is less than the Benchmark Value of USD124.43. No performance fee is therefore payable in the second performance period.

The above illustrative examples do not include circumstances where a new subscription is made during a performance period at above the prevailing Benchmark Value. As a result the examples do not account for any weighted average adjustments which would occur in these circumstances.

Trustee Fee

The maximum rate of annual fee payable to the Trustee is 1.0% of Net Asset Value per annum. Currently the Trustee fee will be borne by the Manager. The Trustee is also entitled to reimbursement from the Manager for any transaction, processing and valuation fees, and such other applicable fees as may be agreed with the Manager.

Notice of Change in Fees

The Trust Deed provides that the Manager will give 3 months' prior notice to Unitholders should there be any increase of (i) the management fee from the current level up to the maximum level of 2 per cent. per annum, (ii) the administration fee from the current level up to the maximum of 1 per cent. per annum and/or (iii) the trustee's fee up to the maximum level of 1 per cent. per annum.

The costs of establishment of the Sub-Fund in Hong Kong were approximately USD50,000 and were expensed in the first financial year of the Sub-Fund.

5. Dealing Day, Dealing Deadline, Subscription and Realisation

The Dealing Deadline is 4:00 p.m. (Hong Kong time) on the relevant Dealing Day. Dealing may be carried out daily on each Dealing Day.

The detailed procedures regarding the subscription and realisation of Units are described in the main part of this Explanatory Memorandum under "Purchase of Units" and "Realisation of Units".

6. Valuation

The Valuation Point in relation to the Sub-Fund is the close of the last relevant market to close on each Valuation Day.

7. Securities Lending and Repurchase / Reverse Repurchase Transactions

The Manager currently does not intend to conduct securities lending, repurchase or reverse repurchase transactions for the account of the Sub-Fund.

8. Risk Factors

Market Risk

Investors should be aware that the Sub-Fund is subject to market fluctuations and the risk inherent in all investments. The Net Asset Value per Unit is subject to market fluctuation and may go down as well as up due to any of the key risk factors below and therefore investors' investment may suffer losses. There is no guarantee of the repayment of principal.

Investors should be aware that the Sub-Fund invests directly in equities which are subject to general market risks and the risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, issuer-specific factors and the business and social conditions in local and global markets.

Emerging Markets Risk

Prospective investors should note that investment in emerging markets (such as the PRC) involve special considerations and increased risks not typically associated with investment in more developed markets. These include a possibility of nationalisation, expropriation or confiscatory taxation, foreign exchange risks/control, political changes, legal, government regulation, less stringent accounting standards, social instability or diplomatic developments which could affect adversely the economies of such countries or the value of a Sub-Fund's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, settlement risks, custody risks, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political, economical and social uncertainties.

Securities exchanges in emerging markets typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the Sub-Fund to losses. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

In addition, high market volatility and potential settlement difficulties in the equity markets of emerging markets may result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

Concentration Risk

The Sub-Fund's investments are concentrated in equities of small and medium sized companies with exposure to Asia. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Asia market.

Strategy Risk

The Manager may apply quantitative and qualitative criteria in determining the investment portfolio. The application of quantitative methods may at times result in a portfolio becoming concentrated in certain markets and/or sectors. Such concentration could increase the risk of losses as a result of market movements.

Event / Opportunity Risk

There is the risk that there are inadequate trading opportunities which the Manager wishes or is able to participate in. As a result, the assets of the Sub-Fund may not be fully invested in trading positions and may be heavily weighted in cash or equivalent assets. While the risk profile of cash or cash equivalent investments are lower than equities investments, the potential returns on cash or equivalent assets may also be lower than that which could be available if there were sufficient trading opportunities.

Structured Product Risk

The Sub-Fund may invest in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities such as participation notes, equity swaps and equity linked notes. A participation note is generally a contract that entitles the buyer to the economic benefits of ownership of equity securities. An equity swap is generally a contract for an exchange of an equity-based cash flow for a fixed-income cash flow. An equity linked note is generally an instrument whose return is determined by the performance of a single equity security, a basket of equity securities, or an equity index. These instruments are sometimes referred to as “structured products” because the terms of the instrument may be structured by the issuer of the product and the purchaser of the product, such as the Sub-Fund. These products may be issued by banks, brokerage firms, insurance companies and other corporations including companies from within the Macquarie Group. Structured products may not be listed and are subject to the terms and conditions imposed by their issuer. Investment in structured products can be illiquid as there is no active market in structured products. In order to meet realisation requests, the Sub-Fund relies upon the counterparty issuing the structured products to quote a price to unwind any part of the structured products. This price will reflect the market liquidity conditions and the size of the transaction. In addition, investment through structured products may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Credit Risk

The Sub-Fund faces the risk that an issuer of a security in which the Sub-Fund has invested will default on its obligations due to insolvency or financial distress, resulting in an adverse effect on the value of the Sub-Fund's investments. In addition, in the case of a default, the Sub-Fund could become subject to adverse market movements while replacement transactions are executed.

Counterparty Risk

By acquiring derivatives or structured products to obtain equity exposure, the Sub-Fund will be taking counterparty risk on the issuers or counterparties (collectively, “Counterparties”) to such transactions. The Sub-Fund will rely on such Counterparties to perform their obligations under such transactions or instruments in accordance with the terms of such transactions (including delivery or payment in a timely manner). Any insolvency or default of such Counterparties may have adverse effect on the value of the Sub-Fund’s investments.

Liquidity Risk

Liquidity relates to the ability of the Manager to sell an investment in a timely manner at a price around the prevailing market rates. The market for some securities in which the Sub-Fund may invest may be relatively illiquid. The liquidity of the markets in which the Sub-Fund may invest has the potential to fluctuate substantially over time. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investment of the Sub-Fund’s assets in relatively illiquid securities may restrict the ability of the Manager to dispose of those investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such transactions, and the bid and offer prices will be established solely by dealers in these transactions.

In particular, the liquidity risks associated with investments or potential investments in small market capitalisation securities and IPO securities, due to their small market capitalisation, less stable trading history or lack of trading history, may be difficult to assess.

If sizeable realisation requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such investments. As a result, this may have adverse impact on the Sub-Fund and its investors.

Small/Mid-Capitalisation Companies Risk

The stock prices of small and medium-sized companies may tend to be more volatile to adverse economic developments than those of larger-sized companies in general due to a lower degree of liquidity, greater sensitivity to changes in economic conditions and higher uncertainty over future growth prospects.

Leverage Risk

The Sub-Fund may from time to time enter into borrowing arrangements to make investments. This can result in a leverage effect and can give rise to the danger that market movements affecting the underlying investments, and therefore the Sub-Fund, may result in magnified losses to the Sub-Fund.

Suspension Risk

Under the terms of the Trust Deed, in certain circumstances, the Manager may suspend the calculation of the Net Asset Value of Units in the Sub-Fund as well as suspend subscriptions and realisations for Units in the Sub-Fund. Investors may not be able to subscribe or realise when such a suspension is invoked. Investors may not be able to obtain a market value of their investment if the unit price is suspended.

Currency Risk

The Sub-Fund may from time to time hold investments denominated in a currency different to the denomination of the Sub-Fund or the denomination of a particular Class of Units. Also, a Class of Units may be designated in a currency other than the base currency of the Sub-Fund. The value of your investment in the Sub-Fund will be at risk to adverse movements in the foreign currency rates. The Net Asset Value of the Sub-Fund may therefore be affected unfavourably by, amongst other factors, fluctuations in the relative exchange rates of the denomination of the relevant Class of Units and the currency in which the assets of the Sub-Fund are denominated and by changes in exchange rate controls. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. The Manager does not intend to hedge any foreign exchange risk in respect of the Sub-Fund.

RMB Currency and Conversion Risks

RMB is currently not freely convertible and is subject to exchange controls and restrictions. Investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Risks associated with the Stock Connects

<u>Overview</u>
The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company to be established by the SEHK, may be able to trade eligible China A-shares listed on SSE by routing orders to SSE.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company to be established by the SEHK, may be able to trade eligible China A-shares listed on SZSE by routing orders to SZSE.

Eligible securities

Shanghai-Hong Kong Stock Connect

Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (i.e. "SSE Securities"). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-shares that are not included as constituent stocks of these indices but which have corresponding China H-shares listed on the Hong Kong Stock Exchange, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are included in the "risk alert board".

It is expected that the list of eligible securities will be subject to review from time to time.

Shenzhen-Hong Kong Stock Connect

Hong Kong and overseas investors will be able to trade certain stocks listed on the SZSE market (i.e."**SZSE Securities**"). These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of RMB6 billion or above and all SZSE-listed shares of companies which have issued both China A-shares and China H-shares except for the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the "risk alert board".

At the initial stage of the Northbound Shenzhen Trading Link, investors eligible to trade shares that are listed on the ChiNext Board of SZSE under the Northbound Shenzhen Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

It is expected that the list of eligible securities will be subject to review from time to time.

Trading quota
Trading under the Stock Connects will be subject to a daily quota.

Settlement and custody
The China A-shares traded through Stock Connects are issued in scripless form, so investors will not hold any physical China A-shares. Hong Kong and overseas investors who have acquired SSE Securities and SZSE Securities will maintain the SSE Securities and SZSE Securities with their brokers' or custodians' stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on the Hong Kong Stock Exchange).

Risk associated with Stock Connects
Stock Connect is relatively new in nature and investment in China A-shares by the Sub-Fund via the Stock Connects may expose the Sub-Fund to the following additional risks:

Quota limitations - The Stock Connects are subject to quota limitations. Once the daily quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Fund's ability to invest in China A-shares through the relevant Stock Connect on a timely basis in order to pursue its investment strategies effectively.

Suspension risk - Each of the Hong Kong Stock Exchange, SSE and SZSE may suspend Northbound and/ or Southbound trading in light of the market situation, subject to prior consent from the relevant regulators. Where a suspension in the Northbound trading through the Stock Connects is effected, the Sub-Fund's ability to access the PRC market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

Operational risk - The Stock Connects provide a new channel for investors from Hong Kong and overseas to access the China stock market directly. The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme 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 trial programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connects requires routing of orders across the border. This requires the development of new information technology systems on the part of the Hong Kong Stock Exchange and exchange participants (i.e. a new order routing system ("**China Stock Connect System**") to be set up by the Hong Kong Stock Exchange to which exchange participants need to connect. There is no assurance that the systems of the Hong Kong Stock Exchange 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 programme could be disrupted. The Sub-Fund's ability to access the China A-shares market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring - PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE will reject the sell order concerned. The Hong Kong Stock Exchange 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.

If the Sub-Fund desires to sell certain China A-shares it holds, it must transfer those China A-shares to the respective accounts of its brokers before the market opens on the day of selling ("**trading day**"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the Sub-Fund may not be able to dispose of holdings of China A-shares in a timely manner. The Manager may employ certain pre-trade checking models with the aim of facilitating the disposal of the Sub-Fund's China A-shares in a timely manner. There is however no guarantee that such models will always result in China A-shares being disposed of within the required deadline.

Recalling of eligible stocks - When a stock is recalled from the scope of eligible stocks for trading via the Stock Connects, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Sub-Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

Clearing and settlement risk - The HKSCC and ChinaClear will establish the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For crossboundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. 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 Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Participation in corporate actions and shareholders' meetings - The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities. Hong Kong and overseas investors (including the Sub-Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be as short as one business day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians. According to existing mainland China practice, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and SZSE Securities.

No Protection by Investor Compensation Fund - Investment through the Stock Connects are conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. The Sub-Fund's investments through Northbound trading under the Stock Connects are not covered by the Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund. Therefore, the Sub-Fund may be exposed to the risks of default of the broker(s) it engages in its trading in China A-shares through the programme.

Regulatory risk - The Stock Connect is relatively new in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC 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 Connects.

It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change which may have potential retrospective effects. There can be no assurance that the Stock Connects will not be abolished. The Sub-Fund, which may invest in the PRC markets through the Stock Connects, may be adversely affected as a result of such changes.

Risks associated with the Small and Medium Enterprise Board and/or ChiNext Board - The Sub-Fund may invest in the Small and Medium Enterprise Board of the SZSE ("SME Board") and/or the ChiNext Board of the SZSE ("ChiNext Board"). Investments in the SME Board and/or ChiNext Board will involve may result in significant losses for the Sub-Fund and its investors. "Small/Mid-Capitalisation Companies Risk" and the following additional risks apply:

- Higher Fluctuation on Stock Prices

  Listed companies on the SME Board and/or ChiNext Board are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE ("Main Board").

- Valuation / Over-Valuation Risk

  Stocks listed on the SME Board and/or ChiNext Board may be difficult to value and/or overvalued. Exceptionally high valuation resulting from over-valuation may not be sustainable. Also, stock price may be more susceptible to manipulation due to fewer circulating shares.

- Differences in Regulations

  The rules and regulations regarding companies listed on ChiNext Board are less stringent in terms of profitability and share capital than those in the Main Board and SME Board.

- Delisting Risk

  It may be more common and faster for companies listed on the SME Board and/or ChiNext Board to delist. This may have an adverse impact on the relevant Sub-Fund if the companies that it invests in are subsequently delisted.

Cross-Class Liability

For the purposes of internal accounting, a separate account will be established for each Class of Units, to which will be allocated the assets of the Sub-Fund attributable to that Class and from which will be debited liabilities of the Sub-Fund specifically attributable to that Class. It is not possible to isolate the assets attributable to any one Class to the extent that the liabilities attributable to other Classes exceed the assets attributable to those respective Classes. Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to such Class may have recourse to the assets attributable to other Classes within the Sub-Fund. The Manager is not currently aware of any such existing or contingent liability.

Taxation Risk

Changes in tax laws or their interpretation could adversely affect the tax treatment of the Sub-Fund, its investments and its investors.

If the Sub-Fund uses participation instruments to access certain markets, such instruments may have tax withheld on the investment returns, including notional dividends, passed through to the Sub-Fund by the counterparty to such instruments.

Foreign Account Tax Compliance

The Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax. In the event that the Sub-Fund is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund may suffer significant loss as a result.

PRC Tax Risk

There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised via the Stock Connects or access products on the Sub-Fund's investments in the PRC (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value. Please also refer to sub-section headed "PRC" under the section headed "Taxation" for further details.

Legal and Compliance Risk

Domestic and/or international laws or regulations may change in a way that adversely affects the Sub-Fund. Differences in laws between countries or jurisdictions may make it difficult for the Trustee to enforce legal agreements entered into on behalf of the Sub-Fund. The Sub-Fund reserves the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of the Sub-Fund or restructuring the Sub-Fund.

Country Risk

The Manager may invest in securities in a country which may experience economic or political instability. Such instability may cause delays in realising, or loss in value of the assets invested in that country.

Volatility Risk

Generally, the higher the potential return for an asset the higher the risk, and the greater the chance of substantial fluctuations in returns (including the possibility of losses) that may occur over time (especially over shorter periods of time). As discussed above (under the heading 'Small Companies Risk'), the Sub-Fund's investments in small and medium-sized companies may result in greater possibility of substantial fluctuations in the value of the Sub-Fund's assets. This increase in volatility in the value of the Sub-Fund's assets may mean greater possibility of investment losses. Volatility risk may also mean that the value of a Unit in the Sub-Fund may decline considerably between lodging a realisation request and the determination of the Realisation Price at the time of realisation.

Money Markets Instruments Risk
Holdings in money market instruments are not the same as deposits with a bank or deposit-taking company. The Sub-Fund may suffer losses in trading such instruments which may adversely affect the net asset value of the Sub-Fund.

Derivative Risk

The Sub-Fund may invest in derivatives such as futures, including index futures, and options. Index futures are futures contracts on a financial index. Risk associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The use of derivatives may create leverage and a Sub-Fund's exposure may be greater than the value of contract prices paid which can result in a loss significantly greater than the amount invested in the derivatives by the Sub-Fund. Derivatives may be difficult to value and their prices can be highly volatile. Price movements of derivative contracts may be influenced by, among others, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. Exposure to derivatives may lead to a high risk of significant loss by the Sub-Fund.

When used for hedging purposes, there may be an imperfect correlation between the derivatives and the investments or market sectors being hedged. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange market on which to close out an open position.

Depositary Receipts Risk

Investment into a given country may be made via direct investments into that market or by depositary receipts traded on other international exchanges in order to benefit from increased liquidity in a particular security and other advantages. A depositary receipt admitted to the official listing on a stock exchange may be deemed an eligible transferable security regardless of the eligibility of the market in which the security to which it relates normally trades.

Custody Risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by the Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

Performance Fee Risk

Performance fees may encourage the Manager of the Sub-Fund to make riskier investments than would be the case in the absence of a performance-based incentive system.

Given there is no equalization arrangement for the calculation of the performance fee, a redeeming investor may still incur a performance fee in respect of his investments, even though he has suffered a loss of investment capital.

In addition, performance fees may be paid on unrealized gains which may never be realized by the Sub-Fund.

9. Distributions

The Manager may declare and make distributions from the Sub-Fund. However, the Manager does not intend to make any distributions from the Sub-Fund and intends to reinvest all of the Sub-Fund’s income and gains.