

# Infinity Investment Series

Prospectus

9 October 2009

## **INFINITY INVESTMENT SERIES**

### **Directory**

#### **Managers**

Lion Global Investors Limited  
One George Street, #08-01, Singapore 049145

#### **Directors of the Managers**

Ng Keng Hooi (Chairman)  
David Philbrick Conner (Deputy Chairman)  
Daniel Chan Choong Seng (CEO & Chief Investment Officer)  
Soon Tit Koon  
Andrew Lee Kok Keng  
Cheong Jin Keat

#### **Trustee**

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay, #14-01, HSBC Building, Singapore 049320

#### **Auditors**

PricewaterhouseCoopers LLP  
8 Cross Street, #17-00, PWC Building, Singapore 048424

#### **Solicitors to the Managers**

Allen & Gledhill LLP  
One Marina Boulevard, #28-00, Singapore 018989

#### **Solicitors to the Trustee**

Shook Lin & Bok LLP  
1 Robinson Road, #18-00, AIA Tower, Singapore 048542

## INFINITY INVESTMENT SERIES

### Important Information

The managers of Infinity Investment Series (the "**Fund**"), Lion Global Investors Limited (the "**Managers**"), accept full responsibility for the accuracy of information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief that this Prospectus contains all information with respect to the Fund which is material in the context of the offer of units of the Fund ("**Units**") hereunder and the statements contained in this Prospectus are in every material respect true and accurate and not misleading and, there are no other facts the omission of which would make any statement in this Prospectus misleading. Unless otherwise stated, all terms not defined in this Prospectus have the same meanings as used in the deed of trust (as amended) relating to the Fund (the "**Deed**").

Investors should consult the relevant provisions of the Deed and obtain independent professional advice in any event of any doubt or ambiguity relating thereto.

No application has been made for the Units to be listed on any stock exchange. Any holder of Units may request the Managers to realise all or part of his holding of Units in accordance with and subject to the provisions of the Deed. The Managers' unit trusts and investment products, except for guaranteed funds, are not obligations of, deposits in, or guaranteed by, the Managers or any of their affiliates. An investment in unit trusts and/or other investment products is subject to investment risks, including the possible loss of the principal amount invested. The value of Units and the income from them may fall as well as rise. Past performance figures are not necessarily indicative of future performance of any unit trust. Investors should note that the value of Units and the income from them may fall as well as rise.

Potential investors should seek independent professional advice to ascertain (a) the possible tax consequences, (b) the legal requirements, (c) any foreign exchange restrictions or exchange control requirements which they may encounter under the laws of the countries of their citizenship, residence or domicile or (d) any restrictions or requirements under the Central Provident Fund (Investment Schemes) Regulations and the terms and conditions in respect of the Central Provident Fund Investment Scheme issued by the Central Provident Fund ("**CPF**") Board thereunder (as the same may be amended, modified or supplemented from time to time), which may be relevant to the subscription, holding or disposal of Units and should inform themselves of and observe all such laws and regulations in any relevant jurisdiction that may be applicable to them.

The distribution of this Prospectus and the offering, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. The Managers require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to the Managers. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or

any information herein for any purpose whatsoever nor permit or cause the same to occur. In particular, please note that the Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any other applicable law of the United States. The Fund has not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended. The Units are being offered and sold outside the United States to persons that are not “**U.S. persons**” (as defined in Regulation S promulgated under the U.S. Securities Act) in reliance on Regulation S promulgated under the U.S. Securities Act. The Units are not being offered or made available to U.S. persons and nothing in this Prospectus is directed to or is intended for U.S. persons.

For the purposes of the U.S. Securities Act, the term “**U.S. person**” means: (i) any natural person resident in the United States; (ii) any partnership or corporation organised or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a non-United States entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if (a) organised or incorporated under the laws of any non-United States jurisdiction and (b) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by “**accredited investors**” (as defined in Regulation D promulgated under the U.S. Securities Act) who are not natural persons, estates or trusts.

For the purposes of the U.S. Securities Act, the term “**U.S. person**” does not include: (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organised, incorporated, or (if an individual), resident in the United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person if (a) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate and (b) the estate is governed by non-United States law; (iii) any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settler if the trust is revocable) is a U.S. person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States; (v) an agency or branch of a U.S. person located outside the United States if (a) the agency or branch operates for valid business reasons and (b) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, any other similar international organisations, and their respective agencies, affiliates and pension plans.

Investors should also consider the risks of investing in the Fund which are summarised in paragraph 10 of this Prospectus.

All enquiries in relation to the Fund should be directed to the Managers, Lion Global Investors Limited, or any agent or distributor appointed by the Managers.

### **Managers' Policy on Market Timing**

The Fund is designed and managed to support medium to long-term investments. In this regard, the Managers take a serious view of, and strongly discourage the practice of market timing (that is, investors conducting short-term buying or selling of the Units to gain from inefficiencies in pricing) as such practices may cause an overall detriment to the long-term interests of other investors. In addition, short-term trading in Units increases the total transaction costs of the Fund, such as trading commission and other costs which are absorbed by all other investors. Moreover, the widespread practice of market timing may cause large movements of cash in the Fund which may disrupt the investment strategies to the detriment of long-term investors. For the reasons set out above, the Managers strongly discourage the practice of market timing and may implement internal measures to monitor and control such practice to the extent of their powers available under the Deed. The Managers intend to review their policy on market timing from time to time in a continuous effort to protect the long-term interests of investors in the Fund.

"Standard & Poor's®", "S&P®", "S&P 500®", "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by the Managers. The Infinity U.S. 500 Stock Index Fund is not sponsored, endorsed, sold or promoted by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("**S&P**") and S&P makes no representation regarding the advisability of investing in the Infinity U.S. 500 Stock Index Fund.

The Infinity U.S. 500 Stock Index Fund is not sponsored, endorsed, sold or promoted by S&P. S&P makes no representation or warranty, express or implied, to the owners of the Infinity U.S. 500 Stock Index Fund or any member of the public regarding the advisability of investing in securities generally or in the Infinity U.S. 500 Stock Index Fund particularly or the ability of the S&P 500 Index to track general stock market performance. S&P's only relationship to the Managers is the licensing of certain trademarks and trade names of S&P and of the S&P 500 Index, which is determined, composed and calculated by S&P without regard to the Managers or the Infinity U.S. 500 Stock Index Fund. S&P has no obligation to take the needs of the Managers or the owners of the Infinity U.S. 500 Stock Index Fund into consideration in determining, composing or calculating the S&P 500 Index. S&P is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Infinity U.S. 500 Stock Index Fund to be issued or in the determination or calculation of the equation by which the Infinity U.S. 500 Stock Index Fund is to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Infinity U.S. 500 Stock Index Fund.

S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE MANAGERS, OWNERS OF THE INFINITY U.S. 500 STOCK INDEX FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

# INFINITY INVESTMENT SERIES

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## INFINITY INVESTMENT SERIES

*The sub-funds of Infinity Investment Series (the “Fund”) offered in this Prospectus are authorised schemes under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the “MAS”). This Prospectus has been prepared in accordance with the requirements of the SFA. The MAS assumes no responsibility for the contents of this Prospectus. The registration of this Prospectus by the MAS does not imply that the SFA or any other legal or regulatory requirements have been complied with. The MAS has not, in any way, considered the investment merits of the sub-funds. The meanings of terms not defined in this Prospectus can be found in the deed of trust (as amended) constituting the Fund (the “Deed”).*

### 1. Basic Information

#### 1.1 Infinity Investment Series

The Fund is a Singapore constituted umbrella unit trust which offers a group of separate and distinct portfolios of securities or obligations, each of which being a sub-fund (each a “Sub-Fund”) investing in different securities or portfolios of securities. The range of Sub-Funds allows investors to select and allocate their assets in different investment opportunities under the Fund.

At present, the Managers are offering Units in the following three Sub-Funds:

- 1.1.1 Infinity U.S. 500 Stock Index Fund;
- 1.1.2 Infinity European Stock Index Fund; and
- 1.1.3 Infinity Global Stock Index Fund.

Each Sub-Fund may be separated into distinct classes of Units. Please refer to paragraph 6 below for a description of the classes of Units currently offered by the Sub-Funds.

#### 1.2 Date of Registration and Expiry Date of Prospectus

The date of registration of this Prospectus with the MAS is 9 October 2009. This Prospectus shall be valid for 12 months after the date of registration (i.e., up to and including 8 October 2010) and shall expire on 9 October 2010.

#### 1.3 Trust Deed and Supplemental Deeds

- 1.3.1 The deed of trust relating to the interests being offered for subscription or purchase (the “Principal Deed”) is dated 23 May 2000 and the parties to the Principal Deed are Lion Global Investors Limited (formerly known as Lion Capital Management Limited) (the “Managers”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”).

**1.3.2**

The Principal Deed has been amended by the following supplemental and amending and restating deeds entered into between the Managers and the Trustee:

<b>Supplemental Deed/ Amending and Restating Deed</b>	<b>Dated</b>	<b>Purpose</b>
First Supplemental Deed	13 October 2000	To amend the Deed to take into account the investment restrictions for unit trusts included under the CPF Investment Scheme ("CPFIS") issued by the CPF Board on 1 February 2000 and 13 April 2000.
Second Supplemental Deed	12 October 2001	To incorporate the revised CPF investment guidelines for unit trusts included under the CPFIS issued by the CPF Board on 1 February 2000, 13 April 2000 and 31 January 2001 by way of an Appendix to the Deed.
Amending and Restating Deed	16 October 2002	To amend the Deed to comply with the prescribed requirements for trust deeds under the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2002 and to incorporate the revised CPF investment guidelines for unit trusts included under the CPFIS issued by the CPF Board on 1 September 2002.
Second Amending and Restating Deed	1 July 2003	To amend the Deed to comply with the Notice on Cancellation Period for Collective Investment Schemes constituted as Unit Trusts issued by the MAS on 1 October 2002 (last revised on 26 June 2003).

Third Amending and Restating Deed	17 October 2003	To amend the Deed to include the Non-Specialised Funds Investment Guidelines issued by the Monetary Authority of Singapore under the Code of Collective Investment Schemes on 23 May 2002 (as updated on 28 March 2003), to include the updated CPF Investment Guidelines (issued by the CPF Board on 15 September 2003) and to allow the Fund to accept foreign currencies for subscription of each of the Sub-Funds and to pay out redemption proceeds in foreign currencies for each of the Sub-Funds.
Fourth Amending and Restating Deed	15 October 2004	To amend the Deed to, <i>inter alia</i> , give effect to the Managers' policy on market timing and to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law).
Fifth Amending and Restating Deed	14 October 2005	To amend the Deed to, <i>inter alia</i> , comply with applicable fiscal, statutory or official requirements (whether or not having the force of law).
Sixth Amending and Restating Deed	13 October 2006	To amend the Deed to, <i>inter alia</i> , enable the creation of distinct classes of Units within each Sub-Fund and to establish two classes of Units, namely SGD Class and USD Class and comply with applicable fiscal, statutory or official requirements (whether or not having the force of law).

Seventh Amending and Restating Deed	12 October 2007	To amend the Deed to, <i>inter alia</i> , comply with applicable fiscal, statutory or official requirements (whether or not having the force of law).
Eighth Amending and Restating Deed	9 October 2009	To amend the Deed to, <i>inter alia</i> , reflect the changes in name of the Managers and to allow for switching into other funds managed by the Managers.

The Principal Deed as amended by the First Supplemental Deed, the Second Supplemental Deed, the Amending and Restating Deed, the Second Amending and Restating Deed, the Third Amending and Restating Deed, the Fourth Amending and Restating Deed, the Fifth Amending and Restating Deed, the Sixth Amending and Restating Deed, the Seventh Amending and Restating Deed and the Eighth Amending and Restating Deed shall hereinafter be referred to as the “**Deed**”.

**1.3.3** The terms and conditions of the Deed shall be binding on each unitholder (each a “**Holder**”) and persons claiming through such Holder as if such Holder had been a party to the Deed and as if the Deed contained covenants on such Holder to observe and be bound by the provisions of the Deed and an authorisation by each Holder to do all such acts and things as the Deed may require the Managers and/or the Trustee to do.

**1.3.4** A copy of the Deed shall be made available for inspection free of charge, at all times during usual business hours at the registered office of the Managers at One George Street, #08-01, Singapore 049145 and will be supplied by the Managers to any person upon request at a charge of S\$25 per copy of each document.

## **1.4 Accounts and reports**

The latest copies of the annual and semi-annual accounts, the auditor’s report on the annual accounts and the annual and semi-annual reports relating to the Fund may be obtained from the Managers upon request.

## **2. The Managers, the Investment Manager and Sub-Investment Manager of the Vanguard Umbrella**

### **2.1 The Managers**

The Managers of the Fund are Lion Global Investors Limited (Company Registration Number 198601745D), whose registered office is at One George Street, #08-01, Singapore 049145.

Lion Global Investors Limited, one of the largest asset management companies in South East Asia, is a member of the OCBC Group, which is one of the leading financial service providers in Asia.

With total assets under management of about S\$26 billion and a staff strength of about 140 as at 30 June 2009, the Managers offer discretionary investment management and advisory services as well as a comprehensive suite of investment products covering all asset classes to institutional clients, such as statutory boards, educational institutions, public and private companies, charities, non-profit organisations and to retail investors.

The Managers' approach to investment is team-based and research-intensive, combining in-depth market insights with comprehensive sector knowledge. Through their 65%-owned subsidiary, Lion Fairfield Capital Management Limited, a dedicated hedge fund management and distribution platform in Asia, the Managers are actively involved in Asian hedge funds.

The Managers, through OCBC Asset Management Limited and Straits Lion Asset Management Limited, have been managing collective investment schemes and discretionary funds in Singapore since 1987 and investment-linked funds since 1996.

## **2.2 The Investment Manager and Sub-Investment Manager of the Vanguard Umbrella**

Currently, each of the Sub-Funds are invested into a corresponding sub-fund of the umbrella fund known as the Vanguard® Investment Series PLC (the "**Vanguard Umbrella**"), an investment company with variable capital constituted under the laws of Ireland and authorised by the Irish Financial Services Regulatory Authority pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations, 1989) and regulated under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (as amended), as detailed in paragraph 7.1.

The manager of the Vanguard Umbrella is Vanguard Group (Ireland) Limited ("**Vanguard**"). Vanguard was incorporated in Ireland as a private limited company on 22 May 1997 and is ultimately a wholly-owned subsidiary of The Vanguard Group, Inc.

The Vanguard Group, Inc., the investment manager of the Vanguard Umbrella, is regulated as an investment adviser and transfer agent by the U.S. Securities & Exchange Commission and has been managing collective investment schemes and discretionary funds since 1975.

The Infinity U.S. 500 Stock Index Fund invests as a feeder fund in the Vanguard® U.S. 500 Stock Index Fund. The Vanguard Group, Inc. currently serves as the investment manager of the Vanguard® U.S. 500 Stock Index Fund.

The Infinity European Stock Index Fund invests as a feeder fund in the Vanguard® European Stock Index Fund. Vanguard Investments Europe SA, an investment management firm incorporated in Belgium on 16 December 1998 and registered with the Commission Bancaire, Financière et des Assurances in Belgium, currently serves as the sub-investment manager of the Vanguard® European Stock Index Fund, and has been managing collective investment schemes and discretionary funds since 2000.

The Infinity Global Stock Index Fund invests as a feeder fund in the Vanguard® Global Stock Index Fund. Vanguard Investments Europe SA currently serves as the sub-investment manager of the Vanguard® Global Stock Index Fund.

**Investors should note that the past performance of the Managers and the investment manager and the sub-investment manager of the Vanguard Umbrella is not necessarily indicative of the future performance of the Managers, the investment manager and the sub-investment manager of the Vanguard Umbrella.**

### **3. The Trustee**

The Trustee of the Fund is HSBC Institutional Trust Services (Singapore) Limited whose registered address is at 21 Collyer Quay, #14-01, HSBC Building, Singapore 049320.

### **4. The Register of Holders**

HSBC Institutional Trust Services (Singapore) Limited is the registrar for the Fund. The Register of Holders (the “**Register**”) can be inspected at 60 Alexandra Terrace, #10-12/13, The Comtech, Singapore 118502 during usual business hours subject to reasonable conditions and restrictions as the Managers or Trustee may impose. The Register is conclusive evidence of the number of units in any Sub-Fund (“**Units**”) held by each Holder and the entries in the Register shall prevail in the event of any discrepancy between the entries in the Register and the details appearing on any statement of holding, unless the Holder proves to the satisfaction of the Managers and the Trustee that the Register is incorrect.

### **5. The Auditors**

The auditors of the accounts relating to the interests under the Deed are PricewaterhouseCoopers LLP of 8 Cross Street, #17-00, PWC Building, Singapore 048424 (the “**Auditors**”).

### **6. Sub-Fund Structure**

The Fund is a Singapore constituted umbrella fund managed by Lion Global Investors Limited, which presently comprises three Sub-Funds, namely and respectively:

- (a) Infinity U.S. 500 Stock Index Fund;

- (b) Infinity European Stock Index Fund; and
- (c) Infinity Global Stock Index Fund.

There are currently two classes of Units (each a “**Class**”), namely SGD Class Units and USD Class Units in each of the Sub-Funds. There are no material differences between the SGD Class Units and the USD Class Units within each Sub-Fund save for the currency of denomination.

## **7. Investment Objective, Focus and Approach**

### **7.1 Investment Objective**

#### **7.1.1 Infinity U.S. 500 Stock Index Fund**

The Infinity U.S. 500 Stock Index Fund aims for medium to long-term capital appreciation by following the performance of Standard & Poor’s 500 Composite Stock Price Index through investment as a feeder fund in the Vanguard® U.S. 500 Stock Index Fund, a sub-fund of the Vanguard Umbrella (a “**Vanguard Umbrella Sub-Fund**”).

An index fund such as the Infinity U.S. 500 Stock Index Fund has operating expenses and, therefore, while expected to follow its target index as closely as possible, will not be able to match the performance of the Standard & Poor’s 500 Composite Stock Price Index exactly.

The base currency of the Infinity U.S. 500 Stock Index Fund is Singapore Dollars.

#### **7.1.2 Infinity European Stock Index Fund**

The Infinity European Stock Index Fund aims for medium to long-term capital appreciation by following the performance of the European stock markets through investment as a feeder fund in the Vanguard® European Stock Index Fund, a Vanguard Umbrella Sub-Fund, whose investment objective is to provide long-term growth of capital by tracking the performance of the Morgan Stanley Capital International (“**MSCI**”) Europe Index which is made up of common stocks of companies located in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. The Vanguard® European Stock Index Fund’s policy is to remain substantially fully invested in common stocks. It may also invest in short-term fixed-income securities.

An index fund such as the Infinity European Stock Index Fund has operating expenses and, therefore, while expected to follow its target index as closely as possible, will not be able to match the performance of the MSCI Europe Index exactly.

The base currency of the Infinity European Stock Index Fund is Singapore Dollars.

### **7.1.3 Infinity Global Stock Index Fund**

The Infinity Global Stock Index Fund aims for medium to long-term capital appreciation by following the performance of the global stock markets through investment as a feeder fund in the Vanguard® Global Stock Index Fund, a Vanguard Umbrella Sub-Fund, whose investment objective is to parallel investment results of the MSCI World Free Index, a market capitalisation weighted index currently consisting of companies in 22 developed countries across North America, Europe and the Asia/Pacific regions.

An index fund such as the Infinity Global Stock Index Fund has operating expenses and, therefore, while expected to follow its target index as closely as possible, will not be able to match the performance of the MSCI World Free Index exactly.

The base currency of the Infinity Global Stock Index Fund is Singapore Dollars.

## **7.2 Investment Focus and Approach of the Vanguard Umbrella Sub-Funds**

### **7.2.1 Infinity U.S. 500 Stock Index Fund**

The investment manager of the Vanguard® U.S. 500 Stock Index Fund employs a “passive management” - or indexing – investment strategy designed to track the performance of the Standard & Poor's 500 Composite Stock Price Index by investing all, or a representative sample, of the securities that make up the Standard & Poor's 500 Composite Stock Price Index, holding each stock in approximate proportion to its weighting in the Standard & Poor's 500 Composite Stock Price Index.

### **7.2.2 Infinity European Stock Index Fund**

The sub-investment manager of the Vanguard® European Stock Index Fund employs a “passive management” - or indexing – investment strategy designed to track the performance of the MSCI Europe Index by investing all, or a representative sample, of the securities that make up the MSCI Europe Index, holding each stock in approximate proportion to its weighting in the MSCI Europe Index.

### **7.2.3 Infinity Global Stock Index Fund**

The sub-investment manager of the Vanguard® Global Stock Index Fund employs a “passive management” - or indexing – investment strategy designed to track the performance of the MSCI World Free Index by investing all, or a representative sample, of the securities that make

up the MSCI World Free Index, holding each stock in approximate proportion to its weighting in the MSCI World Free Index.

## 8. Fees and Charges

### 8.1 Infinity U.S. 500 Stock Index Fund

<b>Charges and Fees Payable by Holder</b>	
Preliminary charge:	Currently up to 2%. Maximum 5%.
Transaction charge on Subscription/Purchase*:	Currently Nil.
Realisation charge:	Currently Nil. Maximum 5%.
Switching fee^:	Currently 1%. Maximum 5%.
<b>Fees Payable by Sub-Fund</b>	
Annual management fee:	Currently 0.475% p.a. Maximum 2% p.a.
Annual trustee fee:	Currently paid by Managers out of the management fee. Maximum of 0.25% p.a. subject always to a minimum of S\$5,000 p.a.
Annual administration fee:	Currently Nil. Maximum of 1% p.a. subject always to a minimum of S\$5,000 p.a.
<b>Other Charges or Fees Equal to or Greater than 0.1% of the Sub-Fund's Net Asset Value</b>	
Registrar fees:	Currently 0.15%**.

\* Transaction costs are charged by Vanguard® U.S. 500 Stock Index Fund to the Sub-Fund for each subscription to offset the higher costs of trading securities. The transaction fee imposed on the investor is therefore to ensure that these higher costs are borne by new investors in the Sub-Fund and not by the Holders already in the Sub-Fund. Transaction costs are applicable to subscriptions into the Sub-Fund pursuant to switches or regular savings plans. All fees are paid directly to the Sub-Fund itself and in turn payable by the Sub-Fund to Vanguard® U.S. 500 Stock Index Fund.

\*\* By reference to the last audited accounts as at 31 December 2008.

<b>Charges and Fees Payable by Sub-Fund to the Vanguard® U.S. 500 Stock Index Fund</b>	
Subscription fee:	Currently Nil.
Realisation fee*:	Currently Nil.
Management fee:	0.23% p.a.
Performance fee:	Nil.

\* To discourage short-term trading, there is a 1.00% redemption fee on shares redeemed by any shareholder of the Vanguard Umbrella Sub-Fund within 90 days from the date on which such shares were issued. However, this redemption fee is currently waived.

## 8.2 Infinity European Stock Index Fund

<b>Charges and Fees Payable by Holder</b>	
Preliminary charge:	Currently up to 2%. Maximum 5%.
Transaction charge on Subscription/Purchase*:	Currently 0.2% (or such other amount as may be determined by the Managers in consultation with the Trustee).
Realisation charge:	Currently Nil. Maximum 5%.
Switching fee^:	Currently 1%. Maximum 5%.
<b>Fees Payable by Sub-Fund</b>	
Annual management fee:	Currently 0.475% p.a. Maximum 2% p.a.
Annual trustee fee:	Currently paid by Managers out of the management fee. Maximum of 0.25% p.a. subject always to a minimum of S\$5,000 p.a.
Annual administration fee:	Currently nil. Maximum of 1% p.a. subject always to a minimum of S\$5,000 p.a.
<b>Other Charges or Fees Equal to or Greater than 0.1% of the Sub-Fund's Net Asset Value</b>	
Registrar fees:	Currently 0.12%**.

\* Transaction costs are charged by Vanguard® European Stock Index Fund to the Sub-Fund for each subscription to offset the higher costs of trading securities. The transaction fee imposed on the investor is therefore to ensure that these higher costs are borne by new investors in the Sub-Fund and not by the Holders already in the Sub-Fund. Transaction costs are applicable to subscriptions into the Sub-Fund pursuant to switches or regular savings plans. All fees are paid directly to the Sub-Fund itself and in turn payable by the Sub-Fund to Vanguard® European Stock Index Fund.

\*\* By reference to the last audited accounts as at 31 December 2008.

<b>Charges and Fees Payable by Sub-Fund to Vanguard® European Stock Index Fund</b>	
Subscription fee:	Currently 0.2% (or such other amount as may be determined by the manager of the Vanguard® European Stock Index Fund)
Realisation fee*:	Currently Nil.
Management fee:	0.29% p.a.
Performance fee:	Nil.

\* To discourage short-term trading, there is a 1.00% redemption fee on shares redeemed by any shareholder of the Vanguard Umbrella Sub-Fund within 90 days from the date on which such shares were issued. However, this redemption fee is currently waived.

### 8.3 Infinity Global Stock Index Fund

<b>Charges and Fees Payable by Holder</b>	
Preliminary charge:	Currently up to 2%. Maximum 5%.
Transaction charge on Subscription/Purchase*:	Currently Nil.
Realisation charge:	Currently Nil. Maximum 5%.
Switching fee^:	Currently 1%. Maximum 5%.
<b>Fees Payable by Sub-Fund</b>	
Annual management fee:	Currently 0.475% p.a. Maximum 2% p.a.
Annual trustee fee:	Currently paid by Managers out of the management fee. Maximum of 0.25% p.a. subject always to a minimum of S\$5,000 p.a.
Annual administration fee:	Currently nil. Maximum of 0.1% p.a. subject always to a minimum of S\$5,000 p.a.
<b>Other Charges or Fees Equal to or Greater than 0.1% of the Sub-Fund's Net Asset Value</b>	
Registrar fees:	Currently 0.15%**.

\* Transaction costs are charged by Vanguard® Global Stock Index Fund to the Sub-Fund for each subscription to offset the higher costs of trading securities. The transaction fee imposed on the investor is therefore to ensure that these higher costs are borne by new investors in the Sub-Fund and not by the Holders already in the Sub-Fund. Transaction costs are applicable to subscriptions into the Sub-Fund pursuant to switches or regular savings plans. All fees are paid directly to the Sub-Fund itself and in turn payable by the Sub-Fund to Vanguard® Global Stock Index Fund.

\*\* By reference to the last audited accounts as at 31 December 2008.

<b>Charges and Fees Payable by Sub-Fund to Vanguard® Global Stock Index Fund</b>	
Subscription fee:	Currently Nil.
Realisation fee*:	Currently Nil.
Management fee:	0.29% p.a.
Performance fee:	Nil.

\* To discourage short-term trading, there is a 1.00% redemption fee on shares redeemed by any shareholder of the Vanguard Umbrella Sub-Fund within 90 days from the date on which such shares were issued. However, this redemption fee is currently waived.

^ In the case of a switch of Units to Units of another Sub-Fund or units of another fund managed by the Managers (referred to as the "new Fund"), the switching fee referred to relates to the 1% preliminary charge imposed by the Managers for investment into the new Fund. Such 1% switching fee would, in

the case of a new Fund which normally imposes a preliminary charge of more than 1%, effectively translate to a discount of the preliminary charge of the new Fund. Currently, no switching fee is charged for a switch of Units to units in a money market fund. Please note that the relevant transaction charge, if any, will be applicable to subscriptions into a Sub-Fund pursuant to a switch.

**8.4** Each Sub-Fund will be paying fees and charges to the relevant Vanguard Umbrella Sub-Fund at the prevailing fees and charges charged to other investors of that Vanguard Umbrella Sub-Fund.

**8.5** As required by the Code on Collective Investment Schemes issued by the MAS (the “**Code**”), all marketing, promotional and advertising expenses in relation to the Fund and/or the Sub-Funds will be borne by the Managers and not charged to the deposited property of the Sub-Funds.

**9. Sub-Funds Included under the CPF Investment Scheme (“CPFIS”)**

The SGD Class Units of the Sub-Funds are currently included under the CPFIS for investment by CPF members. The CPFIS risk classifications of the Sub-Funds are:

<b>Sub-Fund</b>	<b>Risk Classification</b>	<b>CPFIS-Ordinary Account/CPF-Special Account</b>
Infinity U.S. 500 Stock Index Fund	Higher Risk - Narrowly Focused - Regional - North America	CPFIS-Ordinary Account
Infinity European Stock Index Fund	Higher Risk - Narrowly Focused - Regional - Europe	CPFIS-Ordinary Account
Infinity Global Stock Index Fund	Higher Risk - Broadly Diversified	CPFIS-Ordinary Account

*The CPF Board currently pays a legislated minimum annual interest rate of 2.5% on monies in the CPF Ordinary Account. The CPF interest rate is based on the 12-month fixed deposit and month-end savings rates of the major local banks.*

*The interest rate for the Special, Medisave and Retirement Accounts (SMRA) will be pegged to the yield of 10-year Singapore government bond plus 1%. For 2009, the minimum interest rate for the SMRA will be 4.0% per annum. After 2009, the 2.5% per annum minimum interest rate, as prescribed by the CPF Act, will apply to the SMRA.*

*In addition, the CPF Board pays an extra interest rate of 1% per annum on the first S\$60,000 of a CPF member’s combined balances, including up to S\$20,000 in the Ordinary Account. The first S\$20,000 in the Ordinary Account and the first S\$30,000 in the CPF Special Account will not be allowed to be invested under the CPFIS.*

Investors should note that the applicable interest rates for each of the CPF accounts may be varied by the CPF Board from time to time.

Subscriptions using CPF monies shall at all times be subject to the regulations and such directive or requirements that may be imposed by the CPF Board from time to time.

## **10. Risks**

### **10.1 General risks**

Investors should consider and satisfy themselves as to the risks of investing in the Sub-Funds. Generally, some of the risk factors that should be considered by the investors of the Sub-Funds are market, derivatives, liquidity, political, repatriation, regulatory, currency and emerging market risks, and risks associated with investments in debt securities which are default and interest rate risks.

An investment in a Sub-Fund is meant to produce returns over the long-term. Investors should not expect to obtain short-term gains from such investment.

Investors should note that the value of Units, and the income accruing to the Units, may fall or rise and that investors may not get back their original investment.

### **10.2 Specific risks**

#### **10.2.1 Market risks**

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

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

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

#### **10.2.2 Derivatives risks**

A Sub-Fund or Vanguard Umbrella Sub-Fund may from time to

time invest in derivatives, which are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. Such assets, rates and indices may include bonds, shares, interest rates, currency exchange rates, bond indices and stock indices.

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

The Managers and/or managers of the Vanguard Umbrella Sub-Fund do not intend to use derivatives transactions for speculation or leverage but may use them for efficient portfolio management and hedging the existing exposure of any Sub-Fund and/or Vanguard Umbrella Sub-Fund provided that derivatives are not used to gear the overall portfolio. Such investments will be made subject to a restriction that the total value of investments which are futures, options, forwards, swaps, collars, floors and other derivatives (excluding derivatives entered into for hedging purposes where there is a strong correlation to the underlying investments of the Sub-Fund and/or Vanguard Umbrella Sub-Fund or efficient portfolio management) shall not exceed 15% of the total value of each Sub-Fund and/or Vanguard Umbrella Sub-Fund. The use of derivatives for efficient portfolio management should only be a temporary measure (not more than three months) to employ the resources of any Sub-Fund and/or Vanguard Umbrella Sub-Fund when an investment has been divested and the Managers and/or managers of the Vanguard Umbrella Sub-Fund are looking for an alternative. The Managers and/or managers of the Vanguard Umbrella Sub-Fund will attempt to minimise the risks through careful selection of reputable counterparties and constant monitoring of the Sub-Fund's and/or Vanguard Umbrella Sub-Fund's derivatives positions. The Managers and/or managers of the Vanguard Umbrella Sub-Fund however, have the requisite expertise, experience and quantitative tools to manage and contain such investment risks.

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

The Managers have a dedicated and independent Risk & Performance Management team which oversees the individual portfolio risks. The Managers' portfolio risk management philosophy encompasses the whole investment process from formulation to implementation. Risk management and performance analysis is an integral part of the Managers' investment process. The risks are quantified and broken down into its components through tools employed by the Risk & Performance Management team and monitored closely. The results are disseminated to the portfolio manager and depending on deviation, escalated to the Head of Absolute Return Strategies/ External Fund Managers and CEO & Chief Investment Officer.

Additionally, all open positions/exposure in derivatives will be marked to market at a frequency at least equal to the frequency of the net asset value calculation of the Fund.

The Managers have a comprehensive and structured Compliance Monitoring Program ("**CMP**") covering, amongst other things, the monitoring of the portfolios for compliance with investment guidelines. There is a dedicated team of compliance personnel to implement the CMP. Upon the creation of a new fund or client account, investment guidelines will be reviewed by the Compliance team and checks will be programmed into the Managers' automated pre-trade compliance system as far as possible. In addition to this, guidelines which cannot be electronically monitored will be manually checked for compliance. The use of financial derivatives will not exceed 100% of the deposited property of the Fund at any time.

### **10.2.3 Political risks**

The political situation in the countries may have an effect on the value of the securities of companies in whose securities a Vanguard Umbrella Sub-Fund has invested, which may in turn impact on the value of the Units in the Sub-Fund.

### **10.2.4 Currency risks**

The net asset value per Unit of a Sub-Fund will be computed in the base currency of the relevant Sub-Fund whereas the investments held for the account of that Sub-Fund and/or the relevant Vanguard Umbrella Sub-Fund may be acquired in other currencies. The base currency value of the investments of a Sub-Fund and/or the relevant Vanguard Umbrella Sub-Fund designated in another currency may rise and fall due to exchangeable fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments of each Class of each Sub-Fund may be fully hedged into the base currency of the Sub-Fund. The investments of each Sub-Fund and/or the relevant Vanguard Umbrella Sub-Fund may be

fully hedged into its base currency. In addition, currency hedging transactions, while potentially reducing the currency risks to which a Sub-Fund and/or the relevant Vanguard Umbrella Sub-Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

Where a Sub-Fund and/or the relevant Vanguard Umbrella Sub-Fund enters into "cross hedging" transactions (e.g., utilising currency different than the currency in which the security being hedged is denominated), the Sub-Fund and/or the relevant Vanguard Umbrella Sub-Fund will be exposed to the risk of changes in the value of the currency in which the securities are denominated, which could result in loss on both the hedging transaction and the Sub-Fund and/or the relevant Vanguard Umbrella Sub-Fund securities.

#### **10.2.5 Risks associated with investments in countries outside Singapore, particularly in emerging markets:**

(i) Political risks

Countries outside Singapore, especially those with emerging markets, may be subject to higher than usual risks of political changes, government regulations, social instability or diplomatic developments (including war) which could adversely affect the economies of the relevant countries and thus the value of investments in those countries. There is also the risk that nationalisation or other similar action could lead to confiscation of assets under which shareholders in those companies would get little or no compensation.

The emerging economies may be heavily dependent on international trade and accordingly, may be adversely affected by trade barriers, or other protectionist measures and international economic developments generally.

(ii) Liquidity risks

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

(iii) Repatriation risks

Investments in emerging markets could be adversely affected by delays in, or refusal to grant, relevant approvals for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Consents granted prior to investment being made in any particular country may

be varied or revoked, and new restrictions may be imposed.

(iv) Regulatory risks

A Sub-Fund's or Vanguard Umbrella Sub-Fund's investments in emerging economies are also subject to regulatory risks, for example, the introduction of new laws, the imposition of exchange controls, the adoption of restrictive provisions by individual companies or where a limit on the holding of the Sub-Fund or Vanguard Umbrella Sub-Fund in a particular company, sector or country by non-residents (individually or collectively) has been reached.

**10.2.6 Risks associated with investments in debt securities:**

(i) Default risks

Investments in debt securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal, especially if the issuer is highly leveraged. Such issuer's ability to meet its debt obligations may also be adversely affected by specific corporate developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. Also, an economic downturn or an increase in interest rates may increase the potential for default by the issuers of these securities.

(ii) Interest Rate risks

Investments in debt securities are also subject to the risk of interest rate fluctuations, and the prices of debt securities may go up or down in response to such fluctuations in interest rates.

***The above should not be considered to be an exhaustive list of the risks which potential investors should consider before investing into any Sub-Fund. Potential investors should be aware that an investment in a Sub-Fund may be exposed to other risks of an exceptional nature from time to time.***

**11. Subscription of Units**

**11.1 Subscription procedure**

Applications for Units may be made to the Managers on the application form prescribed by the Managers or through any agent or distributor appointed by the Managers or their ATMs or Internet or any other sales channels, if applicable.

Investors have a choice of paying for SGD Class Units with cash, Supplementary Retirement Scheme (“SRS”) monies or CPF monies. Investors who purchase SGD Class Units using their CPF or SRS monies may not be registered as Joint Holders.

Investors paying with CPF monies will instruct his CPF agent bank to withdraw from his CPF Ordinary Account the purchase monies in respect of the Units applied for. An investor paying with SRS monies will instruct the relevant SRS operator bank to withdraw from his SRS account monies in respect of the Units applied for. Investors wishing to use their SRS monies or CPF monies shall indicate so on the application form.

Investors may pay for USD Class Units using cash only.

No transfer is permitted in respect of Units purchased by a Holder with SRS monies or CPF monies, unless required or permitted by applicable laws or the relevant authorities.

Notwithstanding receipt of the application forms, the Managers shall retain the absolute discretion to accept or reject any application for Units in accordance with the provisions of the Deed. In the event that an application for Units is rejected by the Managers, the application monies shall be refunded (without interest) to the investors within a reasonable time in such manner as the Managers or relevant authorised distributor shall determine.

Units will only be issued when the funds are cleared, although the Managers may at their discretion issue Units before receiving full payment in cleared funds.

No certificates will be issued by the Managers.

## 11.2 Minimum Initial Subscription, Minimum Subsequent Subscription, Minimum Holding and Regular Savings Plan

Sub-Fund	Minimum Initial Subscription	Minimum Subsequent Subscription	Minimum Holding	Regular Savings Plan*
Infinity U.S. 500 Stock Index Fund	\$1,000**	\$100**	100 Units	\$100**
Infinity European Stock Index Fund	\$1,000**	\$100**	100 Units	\$100**
Infinity Global Stock Index Fund	\$1,000**	\$100**	100 Units	\$100**

\* See paragraph 12 for further details on the Regular Savings Plan.

\*\* In Singapore Dollars for SGD Class Units and in US Dollars for USD Class Units.

### 11.3 Dealing deadline and pricing basis

As Units are issued on a forward pricing basis, the issue price of Units (the “**Issue Price**”) shall not be ascertainable at the time of application.

In purchasing Units, applicants pay a fixed amount of money e.g., \$1,000, which will buy the applicant the number of Units including fractions of Units to be rounded to the nearest 2 decimal places (or such other number of decimal places or such other method of rounding determined by the Managers with the approval of the Trustee) obtained from dividing \$1,000 (after deducting the relevant preliminary charge and applicable transaction charge) by the Issue Price when it has been ascertained later.

The Issue Price of Units in each Sub-Fund (apart from the initial issue of Units) will vary from day to day in line with the net asset value of that Sub-Fund (calculated in accordance with the provisions of the Deed). The Managers shall be entitled to convert the Issue Price to a foreign currency at the applicable rate of exchange. Currently, the Managers accept the purchase of Units with both Singapore Dollars and US Dollars and will quote the Issue Price in Singapore Dollars and its equivalent in US Dollars at the applicable rate of exchange. The Managers may, subject to the prior approval of the Trustee, change the method of determining the Issue Price as provided in the Deed and the Trustee shall determine if the Holders should be informed of such changes.

The dealing deadline is 3 p.m. Singapore time on each Dealing Day<sup>1</sup>. Units in respect of applications received and accepted by the Managers before the dealing deadline will be issued at that Dealing Day’s Issue Price calculated in accordance with the provisions of the Deed.

Applications received and accepted by the Managers after the dealing deadline or on a day which is not a Dealing Day shall be treated as having been received on the next Dealing Day. If funds are not received for value by the Managers by the 3<sup>rd</sup> Business Day<sup>2</sup> (or such other day as may be determined by the Managers with relevant notice to the Trustee) after an application for Units, such application will be deemed to be cancelled.

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<sup>1</sup> A “**Dealing Day**” of the Sub-Funds means each Business Day in Singapore, Ireland and U.S.A. provided that such Business Day is also a dealing day for their underlying funds or such Business Day or Business Days at such intervals as the Managers may from time to time determine with the approval of the Trustee Provided That reasonable notice of any such determination shall be given by the Managers to all Holders at such time and in such manner as the Trustee may approve.

<sup>2</sup> A “**Business Day**” is defined as any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in any particular place or any other day as the Managers and the Trustee may agree in writing.

#### 11.4 Numerical example of how Units are allotted, based on an investment of \$1,000 in the Sub-Funds:

##### Infinity U.S. 500 Stock Index Fund/ Infinity Global Stock Index Fund

The number of Units you receive with an investment of \$1,000 will be calculated as follows (assuming a preliminary charge of 2%):

$$\$1,000 \quad - \quad \$20 \quad = \quad \$980 \quad / \quad \$1.000^* \quad = \quad 980.00 \text{ Units}$$

Your investment	Preliminary charge of 2%	Investment Amount after Preliminary Charge	Notional Issue price (= net asset value per Unit)	No. of Units
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\* In Singapore Dollars or US Dollars as the case may be. Investors should note that the notional Issue Price is for illustrative purposes only and is not indicative of any future or likely performance of the Sub-Funds.

##### Infinity European Stock Index Fund

The number of Units you receive with an investment of \$1,000 will be calculated as follows (assuming a preliminary charge of 2%):

$$\$1,000 \quad - \quad \$20 \quad = \quad \$980 \quad - \quad \$1.96 \quad = \quad \$978.04 \quad / \quad \$1.000^* \quad = \quad 978.04 \text{ Units}$$

Your investment	Preliminary charge of 2%	Investment Amount after Preliminary Charge	Transaction Charge of 0.20%	Net Investment Amount	Notional Issue price (= net asset value per Unit)	No. of Units
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\* In Singapore Dollars or US Dollars as the case may be. Investors should note that the notional Issue Price is for illustrative purposes only and is not indicative of any future or likely performance of the Sub-Fund.

#### 11.5 Confirmation of purchase

A confirmation note detailing your investment amount and the number of Units allocated to you in any Sub-Fund will be sent to you within ten (10) Business Days from the date of issue of such Units.

#### 11.6 Cancellation of Units by Investors

Investors shall, subject to Clause 13A of the Deed and to the cancellation terms and conditions attached to the application form, have the right to cancel their purchase of Units in each Sub-Fund within seven calendar days from the date of subscription or purchase of Units (or such longer period as may be agreed between the Managers and the Trustee or such other period as may

be prescribed by the MAS) by providing notice in writing to the Managers or their authorised agents in such form as may be prescribed by the Managers.

Full details of the provisions relating to the cancellation of Units may be found in the cancellation terms and conditions attached to the application form.

## **12. Regular Savings Plan**

Holders of at least 1,000 Units (or the number of Units which were or would have been purchased for S\$1,000, in the case of SGD Class Units or US\$1,000 in the case of USD Class Units at the prevailing Issue Price at the time of his initial subscription or purchase of Units) may participate in the Managers' regular savings plan ("**Regular Savings Plan**") by investing a minimum of S\$100 in respect of SGD Class Units or US\$100 in respect of USD Class Units every month. Units are allotted and payment will be debited from the Holder's bank account, SRS Account or CPF Account, as the case may be, on the 25<sup>th</sup> day of each month (or such other date as the distributor may stipulate) commencing on the month following the activation of the Holder's direct debit instructions. Where the 25<sup>th</sup> day of a month (or such other date as the distributor may stipulate when payment will be deducted) is not a Business Day, the Holder's bank account, SRS Account or CPF Account, as the case may be, will be debited on the next Business Day.

Payment for USD Class Units may not be made using SRS monies or CPF monies. Payment for USD Class Units may only be made in cash by way of inter-bank GIRO or such other mode of payment acceptable to the Managers. Any applicable bank and related charges incurred shall be borne by the investors.

A Holder may terminate his participation without suffering any penalty upon giving 30 days' written notice to the Managers.

In the event that a Holder is in breach of his obligations under the Regular Savings Plan or fails to maintain sufficient funds in his bank, SRS account or CPF Account, the Managers may terminate the participation of that Holder in the Regular Savings Plan upon giving 30 days' prior written notice to such Holder.

## **13. Realisation of Units**

### **13.1 Realisation procedure**

Holders may realise their holdings in the Sub-Funds on any Dealing Day by submitting realisation forms to the Managers or the relevant agent or distributor appointed by the Managers. Holders may realise their Units in full or partially, subject to paragraph 13.2.

Investors should note that any realisation of Units in any Sub-Fund may be limited by the total number of Units of the Sub-Fund to be realised on any Dealing Day and may not exceed 10% of the total number of Units realised

on any Dealing Day, such limitation to be applied *pro rata* to all Holders of the Units of the Sub-Fund. Any Units not realised shall be realised on the next Dealing Day, subject to the same limitation. Investors should note that Units cancelled pursuant to paragraph 11.6 of this Prospectus will be included in determining whether this 10% limit is exceeded.

### 13.2 Minimum holding and minimum realisation amount

See paragraph 11.2 for details of the minimum holding for Units. The minimum realisation is 100 Units (or such lower amount as the Managers may in any particular case or generally determine).

### 13.3 Dealing deadline and pricing basis

As Units are realised on a forward pricing basis, the realisation price of Units (the “**Realisation Price**”) is not ascertainable at the time of realisation. Units in respect of realisation forms received and accepted by the Managers by the dealing deadline of 3 p.m. Singapore time on each Dealing Day shall be realised at that Dealing Day’s Realisation Price. Realisation forms received after the dealing deadline or on a day which is not a Dealing Day shall be treated as having been received on the next Dealing Day.

The Realisation Price is determined in accordance with the provisions of the Deed. The Managers may, subject to the prior approval of the Trustee, change the method of determining the Realisation Price as provided in the Deed, and the Trustee shall determine if the Holders should be informed of such changes.

The Managers shall be entitled to convert the Realisation Price to a foreign currency at the applicable rate of exchange. Currently, the Managers accept the purchase of Units with both Singapore Dollars and US Dollars and hence will quote the Realisation Price in Singapore Dollars and its equivalent in US Dollars at the applicable rate of exchange.

### 13.4 Numerical example of how the amount paid to an investor is calculated, based on the sale of 1,000 Units in any Sub-Fund and a notional Realisation Price \$1.150 per Unit\*:

1,000 Units	X \$1.150*	= \$1,150.00
No. of Units	Notional Realisation Price (= net asset value per Unit)	Realisation proceeds

\* In Singapore Dollars or US Dollars as the case may be. Investors should note that the notional Realisation Price is for illustrative purposes only and is not indicative of any future or likely performance of the Sub-Funds. There is currently no realisation charge on realisations in respect of the Sub-Funds.

### 13.5 Payment of realisation proceeds

Realisation proceeds shall be paid within seven Business Days of receipt and acceptance of the realisation form by the Managers unless the realisation of Units has been suspended in accordance with paragraph 16 of this Prospectus.

If an investor is resident outside Singapore, the Managers shall be entitled to deduct from the total amount (which would otherwise be payable on the purchase from the investor) an amount equal to the excess of the expenses actually incurred over the amount of expenses which would have been incurred if the investor had been resident in Singapore. Any applicable bank and related charges incurred in the payment of the realisation proceeds shall also be borne by the investor.

### 14. Switching of Units

The Managers may at their discretion and on such terms and conditions as they may impose, permit each Holder of Units of any Sub-Fund (the “**original Fund**”) from time to time to switch all or any of the Units held by him into Units of another Sub-Fund or units in another fund managed by the Managers (the “**new Fund**”). Any switching shall be effected by way of realisation of Units in the original Fund and followed by issuance of units in the new Fund subject to the terms of the relevant trust deed upon the receipt of cleared funds.

The switch shall be subject to the prevailing switching fee and prevailing transaction charge (if any) as set out in paragraph 8 of this Prospectus.

No switching of Units may be made which would result in the relevant Holder holding in respect of either the original Fund or the new Fund (as the case may be), fewer units than the relevant minimum holding prescribed for such funds. If the number of units of the new Fund so produced shall include any fraction of more than two decimal places, such fraction shall be ignored and any moneys arising from such fraction shall be forfeited and retained as part of the new Fund.

Units purchased with cash, SRS monies or CPF monies may only be switched to units of the new Fund purchased with cash, SRS monies or CPF monies respectively.

Switching shall only be permitted between the same currency of units between the original Fund and the new Fund, unless otherwise permitted by the Managers at their absolute discretion.

The right to switch is exercisable by a Holder giving to the Managers a notice (a “**Switching Notice**”) in such form as the Managers may from time to time require. Such Switching Notice shall not be revocable without the consent of the Managers.

No Units shall be switched during any period when the right of Holders to require the realisation of Units is suspended pursuant to paragraph 16 of this Prospectus or on any Dealing Day on which the number of Units that can be realised is limited pursuant to paragraph 13.1 of this Prospectus.

## **15. Obtaining Prices of Units**

Each Sub-Fund will be valued daily. The indicative Issue Price and Realisation Price of the SGD Class Units and USD Class Units of each Sub-Fund are quoted on a forward basis and will likely be available two Business Days in Singapore after each relevant Dealing Day. The prices are published in Singapore Dollars and its equivalent in US Dollars on the Managers' website at [www.lookforLion.com](http://www.lookforLion.com). The prices may also be published in The Straits Times, The Business Times, Lianhe Zaobao and selected major wire services.

Investors should note that, other than in respect of the publications of the Managers, the Managers do not accept any responsibility for any errors on the part of the relevant publisher in the prices published in the abovementioned newspapers and wire services or for any non-publication of prices by such publisher and shall incur no liability in respect of any action taken or loss suffered by investors in reliance upon such publications.

## **16. Suspension of Dealing**

**16.1** The Managers may, after consultation with the Trustee, suspend the issue, realisation and valuation of Units during:

- (i) any period when the Recognised Stock Exchange on which any authorised investments forming part of the deposited property (whether of any particular Sub-Fund or of the Fund) for the time being are listed or dealt in is closed (otherwise than for ordinary holidays) or during which dealings are restricted or suspended;
- (ii) the existence of any state of affairs which, in the opinion of the Managers and the Trustee might seriously prejudice the interests of the Holders (whether of any particular Sub-Fund or of the Fund) as a whole or of the deposited property (whether of any particular Sub-Fund or of the Fund);
- (iii) any breakdown in the means of communication normally employed in determining the price of any of such authorised investments or the current price on that Recognised Stock Exchange or when for any reason the prices of any of such authorised investments cannot be promptly and accurately ascertained (including any period when the fair value of a material portion of the authorised investments cannot be determined);
- (iv) any period when remittance of money which will or may be involved in the realisation of such authorised investments or in the payment for such authorised investments cannot, in the opinion of the Managers and the Trustee, be carried out at normal rates of exchange;

- (v) any period when dealings in any Underlying Entity in which a significant portion of the relevant Sub-Fund is invested is suspended for any of the reasons referred to in sub-paragraphs (i) to (iv) above;
- (vi) any 48-hour period (or such longer period as the Managers and the Trustee may agree) prior to the date of any meeting of Holders (or any adjourned meeting thereof);
- (vii) any period where dealing of Units is suspended pursuant to any order or direction of the MAS; or
- (viii) any period when the business operations of the Managers or the Trustee in relation to the operation of the Fund or a Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

**16.2** Such suspension shall take effect forthwith upon the declaration in writing thereof to the Trustee by the Managers (or, as the case may be, to the Managers by the Trustee) and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension shall have ceased to exist and no other conditions under which suspension is authorised under this paragraph 16 shall exist upon the declaration in writing thereof by the Managers (or, as the case may be, the Trustee). The Managers may, with the approval of the Trustee, suspend the realisation of Units solely for the purpose and only during any such period of consultation or adjustment of the Realisation Price arising from Clause 14(F)(ii) of the Deed.

## **17. Performance of the Sub-Funds**

### **17.1 Past performance of the Sub-Funds<sup>3</sup> and benchmarks (as of 31 July 2009)<sup>4</sup>**

#### **17.1.1 Infinity U.S. 500 Stock Index Fund**

	One Year	Three Years (average annual compounded returns)	Five Years (average annual compounded returns)	Since inception <sup>5</sup> (average annual compounded returns)
Sub-Fund	-18.9%	-10.8%	-5.4%	-5.7%
Benchmark	-16.3%	-9.5%	-4.2%	-4.6%

The benchmark against which the performance of Infinity U.S. 500 Stock Index Fund is to be measured is the Standard & Poor's 500 Composite Stock Price Index.

<sup>3</sup> Performance calculations are calculated on a single pricing basis, taking into account the preliminary charge with dividends being reinvested net of all charges payable upon reinvestment and in SGD terms.

<sup>4</sup> Source: Morningstar/Lion Global Investors Ltd.

<sup>5</sup> Inception date of each of the Sub-Funds is 31 May 2000.

### 17.1.2 Infinity European Stock Index Fund

	One Year	Three Years (average annual compounded returns)	Five Years (average annual compounded returns)	Since inception <sup>5</sup> (average annual compounded returns)
Sub-Fund	-23.9%	-9.4%	0.5%	-1.8%
Benchmark	-21.5%	-8.5%	1.3%	-0.8%

The benchmark against which the performance of Infinity European Stock Index Fund is to be measured is the MSCI Europe Index.

### 17.1.3 Infinity Global Stock Index Fund

	One Year	Three Years (average annual compounded returns)	Five Years (average annual compounded returns)	Since inception <sup>5</sup> (average annual compounded returns)
Sub-Fund	-20.2%	-9.7%	-2.4%	-4.1%
Benchmark	-17.4%	-8.4%	-1.2%	-2.9%

The benchmark against which the performance of Infinity Global Stock Index Fund is to be measured is the MSCI World Index.

Investors should note that the past performance of any Sub-Fund is not necessarily indicative of its future performance.

## 17.2 Expense ratios

The expense ratios<sup>6</sup> of the Sub-Funds (inclusive of the expense ratio of the relevant Vanguard Umbrella Sub-Fund) for the financial year ended 31 December 2008 are as follows:

Sub-Fund	Expense ratio
Infinity U.S. 500 Stock Index Fund	1.07%
Infinity European Stock Index Fund	1.17%
Infinity Global Stock Index Fund	1.23%

<sup>6</sup> The expense ratio is calculated in accordance with the requirements in the Investment Management Association of Singapore's guidelines on the disclosure of expense ratios (the "IMAS Guidelines") and based on figures in the latest audited accounts for the Sub-Funds. The following expenses as set out in the IMAS Guidelines (as may be updated from time to time) are excluded from the calculation of the expense ratio:

- (a) brokerage and other transaction costs;
- (b) interest expenses;
- (c) performance fee;
- (d) foreign exchange gains and losses;
- (e) front or back-end loads and other costs arising on the purchase or sale of a foreign exchange unit trust or mutual fund;
- (f) tax deducted at source or arising from income received; and
- (g) dividends and other distributions paid to Holders.

### 17.3 Turnover ratios

The turnover ratios<sup>7</sup> of the Sub-Funds for the financial year ended 31 December 2008 are as follows:

Sub-Fund	Turnover ratio
Infinity U.S. 500 Stock Index Fund	8%
Infinity European Stock Index Fund	8%
Infinity Global Stock Index Fund	5%

The turnover ratios of the Vanguard Umbrella Sub-Funds for the financial year ended 31 December 2008 are as follows:

Vanguard Umbrella Sub-Fund	Turnover ratio
Vanguard® U.S. 500 Stock Index Fund	32%
Vanguard® European Stock Index Fund	30%
Vanguard® Global Stock Index Fund	17%

### 18. Soft Dollar Commissions/Arrangements

The Managers shall be entitled to receive or enter into soft-dollar commissions/arrangements in respect of each Sub-Fund. The Managers will comply with applicable regulatory and industry standards on soft-dollars. The soft-dollar commissions which the Managers may receive include research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis in relation to the investments managed for clients.

The Managers will not accept or enter into soft dollar commissions/arrangements unless such soft-dollar commissions/arrangements would, in the opinion of the Managers, assist the Managers in their management of each Sub-Fund, provided that the Managers shall ensure at all times that transactions are executed on the best available terms taking into account the relevant market at the time for transactions of the kind and size concerned, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions/arrangements.

Vanguard does not receive, intend to receive or enter into soft dollar commissions/arrangements in respect of the Vanguard Umbrella.

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<sup>7</sup> The turnover ratios are calculated based on the lesser of purchases or sales of underlying investments of a Sub-Fund expressed as a percentage over average net asset value, i.e., average daily net asset value over the same period used for calculating the expense ratio.

## **19. Conflicts of Interest**

The Managers and the Trustee are not in any positions of conflict in relation to each Sub-Fund. The Managers are of the view that they are not in a position of conflict in managing their other funds and each Sub-Fund as these funds and each Sub-Fund have different investment universes and investment restrictions. To the extent that there are overlapping investment objectives, the Managers will, as far as is practicable, endeavour to have the same securities holdings for such overlapping areas with such securities allocated on a pro-rata basis among the funds. The Managers and the Trustee will conduct all transactions with or for each Sub-Fund at arm's length. Associates of the Trustee may be engaged to offer financial, banking and brokerage services to the Fund and the Sub-Funds and such services, where provided, will be on an arm's length basis.

## **20. Reports**

### **Financial year-end and distribution of reports and accounts**

The financial year-end for the Fund is 31 December. The annual report, annual accounts and the auditor's report on the annual accounts will be prepared and sent to the Holders within 3 months of the financial year-end (or such other period as may be permitted by the MAS). The semi-annual report and semi-annual accounts will be prepared and sent to the Holders within 2 months of the financial half-year end (or such other period as may be permitted by the MAS), i.e. 30 June.

## **21. Other Material Information**

### **21.1 Information on investments**

At the end of each quarter, Holders will receive a statement showing the value of their investments, including any transactions during the quarter. However, if there is any transaction within a particular month, Holders will receive an additional statement for that month.

### **21.2 Distribution of income and capital**

Distribution of income and capital will be at the Managers' sole discretion.

### **21.3 Exemptions from liability**

**21.3.1** The Trustee and the Managers shall incur no liability in respect of any action taken or thing suffered by them in reliance upon any notice, resolution, direction, consent, certificate, affidavit, statement, certificate of stock, plan of reorganisation or other paper or document believed to be genuine and to have been passed, sealed or signed by the proper parties.

**21.3.2** The Trustee and the Managers shall incur no liability to the Holders for doing or (as the case may be) failing to do any act or thing which

by reason of any provision of any present or future law or regulation made pursuant thereto, or of any decree, order or judgment of any court, or by reason of any request, announcement or similar action (whether of binding legal effect or not) which may be taken or made by any person or body acting with or purporting to exercise the authority of any government (whether legally or otherwise) either they or any of them shall be directed or requested to do or perform or to forbear from doing or performing. If for any reason it becomes impossible or impracticable to carry out any of the provisions of the Deed neither the Trustee nor the Managers shall be under any liability therefor or thereby.

- 21.3.3** Neither the Trustee nor the Managers shall be responsible for any authenticity of any signature or of any seal affixed to any transfer or form of application, endorsement or other document affecting the title to or transmission of Units or be in any way liable for any forged or unauthorised signature on or any seal affixed to such endorsement, transfer or other document or for acting upon or giving effect to any such forged or unauthorised signature or seal. The Trustee and the Managers respectively shall nevertheless be entitled but not bound to require that the signature of any Holder to any document required to be signed by him under or in connection with the Deed shall be verified to its or their reasonable satisfaction.
- 21.3.4** Any indemnity expressly given to the Trustee or the Managers in the Deed is in addition to and without prejudice to any indemnity allowed by law; Provided Nevertheless That any provision of the Deed shall be void insofar as it would have the effect of exempting the Trustee or the Managers from or indemnifying them against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of duty or trust of which they may be guilty in relation to their duties where they fail to show the degrees of diligence and care required of them having regard to the provisions of the Deed.
- 21.3.5** Nothing contained in the Deed shall be construed so as to prevent the Managers and the Trustee in conjunction or the Managers or the Trustee separately from acting as managers or trustees of trusts separate and distinct from the Fund.
- 21.3.6** Neither the Trustee nor the Managers shall be responsible for acting upon any resolution purporting to have been passed at any meeting of the Holders in respect whereof minutes shall have been made and signed even though it may be subsequently found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not binding upon all the Holders.

**21.3.7** Notwithstanding anything contained in the Deed:

- (i) the Trustee shall not incur any liability in respect of or be responsible for losses incurred through the insolvency of or any act or omission of any depository or clearing system with which authorised investments may be deposited or any broker, financial institution or other person with whom authorised investments are deposited in order to satisfy any margin requirement;
- (ii) the Trustee shall not incur any liability in respect of or be responsible for losses incurred through the insolvency of or any act or omission of any nominee, custodian, joint custodian or sub-custodian appointed by the Trustee except where the Trustee has failed to exercise reasonable skill and care in the selection, appointment and monitoring of such appointee (having regard to the market in which the relevant appointee is located) or the Trustee is in wilful default; and
- (iii) the Trustee shall not incur any liability in respect of or be responsible for losses incurred through the insolvency of or any act or omission of any sub-custodian not appointed by it.

**21.3.8** The Trustee may act upon any advice of or information obtained from the Managers or any bankers, accountants, brokers, lawyers, agents or other persons acting as agents or advisers of the Trustee or the Managers and the Trustee shall not be liable for anything done or omitted or suffered in reliance upon such advice or information provided that it has acted in good faith, without negligence and with due care. The Trustee shall not be responsible for any misconduct, mistake, oversight, error of judgment, forgetfulness or want of prudence on the part of any such banker, accountant, broker, lawyer, agent or other person as aforesaid or of the Managers provided that the Trustee has acted in good faith and with due care in the appointment thereof. Any such advice or information may be obtained or sent by letter or facsimile and the Trustee shall not be liable for acting on any advice or information purported to be conveyed by any such letter or facsimile although the same contains some error or is not authentic.

**21.3.9** The Trustee shall not incur any liability for any loss which a Holder may suffer by the reason of any depletion in the value of the Deposited Property which may result from any securities lending transaction effected pursuant to Clause 16(L) of the Deed and shall be indemnified out of and have recourse to the Deposited Property of the relevant Sub-Fund in respect thereof.

**21.3.10** The Managers shall be entitled to exercise all rights of voting conferred by any of the Deposited Property in what they may consider to be the best interests of the Holders, but neither the Managers nor the Trustee

shall be under any liability or responsibility in respect of the management of the authorised investment in question nor in respect of any vote, action or consent given or taken or not given or not taken by the Managers whether in person or by proxy, and neither the Trustee nor the Managers nor the holder of any such proxy or power of attorney shall incur any liability or responsibility by reason of any error of law or mistake of fact or any matter or thing done or omitted or approval voted or given or withheld by the Trustee or Managers or by the holder of such proxy or power of attorney under the Deed; and the Trustee shall be under no obligation to anyone with respect to any action taken or caused to be taken or omitted by the Managers or by any such proxy or attorney.

**21.3.11** The Trustee shall not be under any liability on account of anything done or suffered to be done by the Trustee in good faith in accordance with or in pursuance of any request or advice of the Managers.

## **21.4 Investment restrictions**

The investment guidelines for funds included under the CPFIS (“**CPFIS Included Funds**”) issued by the CPF Board (“**CPF Investment Guidelines**”) as set out in Appendix 1 hereto, and the Non-Specialised Funds Investment Guidelines issued by the MAS under Appendix 1, Annex 1a and Annex 1b of the Code as set out in Appendix 2 hereto, both of which guidelines may be amended, restated, supplemented or replaced from time to time, shall apply to the Sub-Funds.

The Managers may engage in securities lending transactions and are subject to the provisions on securities lending as set out in Appendix 1 and Appendix 2 of this Prospectus.

## **21.5 Holders' right to vote**

**21.5.1** A meeting of Holders of all the Sub-Funds of the Fund duly convened and held in accordance with the provisions of the Schedule to the Deed shall be competent by Extraordinary Resolution:

- (i) to sanction any modification, alteration or addition to the provisions of the Deed which shall be agreed by the Trustee and the Managers as provided in Clause 38 of the Deed;
- (ii) to sanction a supplemental deed increasing the maximum permitted percentage of the management participation, the distribution fee, the administration fee or the Trustee's remuneration as provided in Clause 24 of the Deed in relation to a Sub-Fund;
- (iii) to terminate the Fund as provided in Clause 35(F) of the Deed;
- (iv) to remove the Auditors as provided in Clause 31(D) of the Deed;

- (v) to remove the Trustee as provided in Clause 33(C)(iii) of the Deed;
- (vi) to remove the Managers as provided in Clause 33(A)(iv) of the Deed; and
- (vii) to direct the Trustee to take any action (including the termination of the Fund) pursuant to Section 295 of the SFA,

but shall have no other powers.

**21.5.2** A meeting of the Holders of a Sub-Fund or Class of a Sub-Fund duly convened and held in accordance with the provisions of the Schedule to the Deed shall be competent by Extraordinary Resolution:

- (i) to sanction any modification, alteration or addition to the provisions of the Deed which shall be agreed by the Trustee and the Managers as provided in Clause 38 of the Deed to the extent that such modification, alteration or addition affects the Holders of the relevant Sub-Fund or relevant Class of a Sub-Fund;
- (ii) to sanction a supplemental deed increasing the maximum permitted percentage of the Management Participation, the Distribution Fee or the maximum permitted percentage of the Trustee's remuneration in relation to the relevant Sub-Fund or the relevant Class of a Sub-Fund;
- (iii) to terminate the relevant Sub-Fund or the relevant Class of a Sub-Fund as provided in Clause 35(F) of the Deed;
- (iv) to sanction a scheme of reconstruction, whether by way of amalgamation, merger or dissolution of the relevant Sub-Fund or the relevant Class of a Sub-Fund; and
- (v) to direct the Trustee to take any action (including the termination of any Sub-Fund or Class of a Sub-Fund) pursuant to Section 295 of the SFA,

but shall have no other powers.

**21.5.3** "Extraordinary Resolution" is defined in the Deed to mean a resolution proposed and passed as such by a majority consisting of seventy-five per cent. or more of the total number of votes cast for and against such resolution.

## **21.6 Valuation**

The net asset value of each Sub-Fund shall be calculated by valuing the assets of such Sub-Fund in accordance with Clause 10(D) of the Deed and the Code and deducting from such amount the liabilities of such Sub-Fund in accordance with Clause 10(F) of the Deed. The resultant sum shall be divided by the number of Units of such Sub-Fund in issue or deemed to be in issue immediately prior to the relevant Dealing Day, and the resultant amount (rounded down to three decimal places or such other number of decimal places or any other method or rounding determined by the Managers with the approval of the Trustee) shall be the net asset value of a Unit of such Sub-Fund on such Dealing Day.

## **21.7 Other information relating to the Vanguard Umbrella**

Please refer to Appendix 3 hereto, which sets out information relating to the Vanguard Umbrella, which is an investment company with variable capital constituted under the laws of Ireland and authorised by the Irish Financial Services Regulatory Authority pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations, 1989) and regulated under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

## **22. Queries and Complaints**

If you have questions concerning the Fund or your investment in any Sub-Fund, you may call the Managers at telephone number (65) 6417 6900.

## APPENDIX 1 - CPF INVESTMENT GUIDELINES

### 1. Diversification

- 1.1 A CPFIS Included Fund must be reasonably diversified (e.g. in terms of type of investment, market, industry, issuer, etc., as appropriate), taking into account the type and size of the CPFIS Included Fund, its investment objectives and prevailing market conditions.
- 1.2 The Managers must adopt appropriate investment limits or operating ranges (by market, asset class, issuer etc.) for the CPFIS Included Fund.

### 2. Deposits and Account Balances with Financial Institutions

For the purpose of this paragraph 2, a rating refers to a solicited rating and not a "pi" ("public information") rating.

- 2.1 The Managers may place monies with financial institutions with individual/financial strength ratings of above C by Fitch Inc or Moody's. Branches of a financial institution are deemed to have the same credit ratings as their head office. However, subsidiaries of financial institutions must have their own credit ratings.
- 2.2 Where a rated financial institution with which the CPFIS Included Fund has placed monies ceases to meet the requisite minimum rating, the Managers should as soon as practicable but in any event within one month, withdraw the monies. In the case of a fixed deposit, if the Managers satisfy the Trustee that it is not in the best interest of Holders to withdraw the deposits within one month, the Trustee may, subject to the following conditions, extend the one month period:
- (a) the deposit must not be rolled over or renewed;
  - (b) the deposit is not put at substantial risk; and
  - (c) such extension is subject to monthly review by the Trustee.

### 3. Credit Rating for Debt Securities

- 3.1 The Managers may invest in debt securities rated at least Baa by Moody's, BBB by Standard & Poor's or BBB by Fitch Inc (including sub-categories or gradations therein).
- 3.2 Debt securities that do not have the requisite ratings cited in paragraph 3.1 but which are fully, unconditionally and irrevocably guaranteed as to principal and interest by entities with individual/financial strength ratings of above C by Fitch Inc or Moody's, qualify as approved investments under these CPF Investment Guidelines.
- 3.3 Paragraphs 3.1 and 3.2 do not apply to debt securities issued by Singapore-incorporated issuers and Singapore statutory boards that are not rated. The

Managers may invest in all such debt securities until such time as is stated otherwise.

- 3.4** If the credit rating of a debt security in a CPFIS Included Fund's portfolio falls below the minimum rating, the Managers are required to sell the debt security within three months, unless the Managers satisfy the Trustee that it is not in the best interest of Holders to do so, in which case, such disposal should be carried out as soon as the circumstances permit. Such extension is subject to monthly review by the Trustee.

#### **4. Single Party Limit**

Exceptions to the single party limit allowed for structured products are subject to the criteria set out in Paragraph 11 below, over and above that set out in Annex 1a of the Code entitled "Exceptions to Rules in Appendix 1 for Structured Products".

#### **5. Securities Lending**

- 5.1** Up to 50% of the Value of the Deposited Property of the CPFIS Included Fund may be lent at any time provided adequate collateral (i.e. collateral with sufficient margin over the value of the lent security) is taken. Such collateral can either be in:

- (a) cash;
- (b) deposits with financial institutions with a minimum short-term rating of Prime-1 by Moody's, A-1 by Standard & Poor's or F-1 by Fitch Inc; or
- (c) letters of credit and banker's guarantees where the issuers are rated at least Prime-1 by Moody's, A-1 by Standard & Poor's or F-1 by Fitch Inc; or
- (d) debt securities which have remaining maturity of not more than 366 calendar days and are rated at least A2 by Moody's, A by Standard & Poor's or A by Fitch Inc.

However, the 366 day requirement need not be complied with, if the collateral taken are:

- (i) debt securities with rating of at least A2 by Moody's, A by Standard & Poor's or A by Fitch Inc; and
- (ii) the securities lending transaction is conducted through an institution with a credit rating of at least A2 by Moody's, A by Standard & Poor's or A by Fitch Inc; and
- (iii) the institution would indemnify the CPFIS Included Fund in the event of losses due to failure by the securities borrower to return the borrowed stock.

**5.2** Cash collateral should be invested only in debt securities which have remaining maturity of not more than 366 calendar days and rated at least A2 by Moody's, A by Standard & Poor's, A by Fitch Inc, or deposited with financial institutions with a minimum short-term rating of Prime-1 by Moody's, A-1 by Standard & Poor's, F-1 by Fitch Inc. Such deposits must have a remaining maturity of not more than 366 days.

## **6. Unlisted Shares**

Investments in unlisted shares (excluding IPO shares which have been approved for listing) are allowed within the 5% deviation limit.

## **7. Borrowings**

The 10% borrowing limit set out in the Code must be adhered to without exception. For feeder funds, the borrowing limit is to be applied to the Singapore CPFIS Included Fund.

## **8. Deviations from the CPF Investment Guidelines**

This paragraph sets out the circumstances when the Managers may invest up to 5% of the value of the CPFIS Included Fund in investments which fall outside the Code and/or the CPF Investment Guidelines.

### **8.1 CPFIS Included Funds constituted in Singapore and are wholly managed in Singapore**

The Managers of a CPFIS Included Fund must ensure that the CPFIS Included Fund is managed in full compliance with the Code and that at least 95% of the value of the Deposited Property of the CPFIS Included Fund is invested in accordance with the CPF Investment Guidelines at all times.

### **8.2 CPFIS Included Funds constituted in Singapore that are Partially or Wholly Sub-Managed**

The Managers of a CPFIS Included Fund that have received the CPF Board's approval for sub-management of such CPFIS Included Funds in Singapore or abroad must ensure that the CPFIS Included Fund is managed in full compliance with the Code and that at least 95% of the Value of the Deposited Property of the CPFIS Included Fund is invested in accordance with the CPF Investment Guidelines at all times.

### **8.3 CPFIS Included Funds constituted in Singapore that invest in other funds not included under CPFIS**

With the CPF Board's approval, a CPFIS Included Fund may invest in another fund that is not included under CPFIS. The Managers must ensure that at least 95% of the Value of the Deposited Property of the CPFIS Included Fund is invested in accordance with the Code and the CPF Investment Guidelines at all times. Where a CPFIS Included Fund invests partially in another fund that is not included under the CPFIS, the 5% deviation allowed applies as follows:

The total sum of the CPFIS Included Fund's pro-rated share of the deviating investments by **the underlying fund** and the deviating investments of that part of the CPFIS Included Fund which is **managed in Singapore, or partially or wholly sub-managed in Singapore or abroad**, shall not exceed 5% of the Value of the CPFIS Included Fund.

"**Pro-rated share**" is defined as follows:

$$\text{Dollar value of investments of CPFIS Included Fund in underlying fund} \times \frac{\text{Dollar value of deviating investments of underlying fund}}{\text{Dollar value of underlying fund}}$$

For the avoidance of doubt, the part of the CPFIS Included Fund that is managed in Singapore, or partially or wholly sub-managed in Singapore or abroad must be invested in full compliance with the Code, and any deviating investments should only be in respect of the CPF Investment Guidelines.

- 8.4** CPFIS Included Funds that are Fund-of-Funds ("FOF") (i.e. a CPFIS Included Fund whose objective is to invest all or substantially all of its assets with different fund managers, to be managed on a dedicated basis or to be invested in pooled investments or schemes)

The Managers of an FOF must ensure that at least 95% of the Value of the Deposited Property of the FOF is invested in accordance with the Code and the CPF Investment Guidelines at the time of investment.

Subsequently, the Managers of the FOF should ensure that the FOF continues to comply with the Code and the CPF Investment Guidelines **on a regular basis** (e.g. when periodic reports of the CPFIS Included Fund are available), no less than once every 6 months.

- 8.5** CPFIS Included Funds that are constituted outside Singapore

The Managers of a CPFIS Included Fund that is constituted outside Singapore must ensure that at least 95% of the Value of the Deposited Property of such CPFIS Included Fund is invested in accordance with the Code and the CPF Investment Guidelines at all times.

**9. Breach of Single Party and Other Limits**

- 9.1** If the 5% limit on investments which deviate from the stated guidelines in paragraph 8 is exceeded as a result of one or more of the following events:

- (a) the appreciation or depreciation of the Value of the Deposited Property of the CPFIS Included Fund;
- (b) any redemption of units or payments made from the CPFIS Included Fund; or

- (c) any changes in the total issued nominal amount of securities of a company arising for example from rights, bonuses or benefits which are capital in nature,

or the underlying fund of a CPFIS Included Fund acquiring more “deviating” investments, the Managers shall within 3 months from the date when the limit is exceeded:

- (i) for CPFIS Included Funds which are locally managed, sub-managed or constituted outside of Singapore, sell so much of such securities; or
- (ii) for CPFIS Included Funds invested in funds not included under the CPFIS, sell so much of such units in the funds,

as may be necessary to result in the 5% limit being no longer exceeded. The period may be extended if the Managers satisfy the Trustee that it is in the best interest of Holders to do so. Such extension is subject to monthly review by the Trustee.

**9.2** If any of the limits are exceeded other than as a result of the events stated in paragraphs 9.1(a), (b), (c) or the underlying funds of a CPFIS Included Fund acquiring more prohibited investments, the Managers are required to sell so much of such investments and/or reduce such borrowings **immediately** to result in the limit being no longer exceeded.

**9.3** The Managers are required to inform the CPF Board of a breach of the CPF Investment Guidelines by CPFIS Included Funds that it manages within 14 calendar days of the occurrence of the breach. For CPFIS Included Funds which invest in other funds that are not managed by the Managers themselves, the Managers are required to inform the CPF Board within 14 days of the date of notification of the breach by the manager of the other fund or the date the Managers become aware of the breach, whichever is the earlier. In the event that the Trustee agrees to an extension of the deadline (beyond that stipulated in the CPF Investment Guidelines) to rectify the breach, the Trustee should inform the CPF Board within 7 calendar days of its agreement to the extension. The Trustee should also inform the CPF Board within 7 calendar days of the rectification of the breach.

**9.4** If the Managers are unable to adhere to Paragraph 9.2 above and are unable to (or do not) obtain an extension under Paragraph 9.3 above, they must take the following actions:

- (a) report such breach to the CPF Board within 14 calendar days of the occurrence of the breach;
- (b) cease to accept subscriptions for the CPFIS Included Fund from the CPF Ordinary and Special Accounts with immediate effect and seek to exclude the CPFIS Included Fund from the CPFIS;

- (c) within 3 months from the date of the breach, to give notice to each CPF member invested in the CPFIS Included Fund of the breach, make full disclosure on the impact of the breach and provide each investing member with the right to redeem or switch to another fund without charge; and
- (d) continue to monitor the breach and report to the CPF Board on a monthly basis as to the status of such breach until the breach is rectified.

## **10. Prohibited Investments**

Any other investments/activities not mentioned in these CPF Investment Guidelines shall be prohibited, and subject to the deviation limit as stated in paragraph 8.

## **11. Exceptions to Single Party Limit for Investments in Structured Products**

### **Revision in Ratings of Issuer, FI, or Counter Party**

- 11.1** Where the rating of the issuer or the Third Party referred to in paragraph 2.2(a) of Annex 1a entitled “Exceptions to Rules in Appendix 1 for Structured Products” of the Code falls below those specified therein or if the issuer or Third Party ceases to be rated, the Managers should within 3 months from the occurrence of such event take action to comply with the 10% single party limit. The 3-month period may be extended if the Managers satisfy the Trustee that it is in the best interest of the Holders. Such extension should be subject to monthly review by the Trustee.
- 11.2** Where the rating of the FI or the Third Party referred to in paragraph 2.2(b) of Annex 1a entitled “Exceptions to Rules in Appendix 1 for Structured Products” of the Code falls below those specified or if the FI or Third Party ceases to be rated, the Managers should within 3 months from the occurrence of such event take action to comply with the 10% single party limit. The 3-month period may be extended if the Managers satisfy the Trustee that it is in the best interest of the Holders. Such extension should be subject to monthly review by the Trustee.
- 11.3** Where the rating of the issuer referred to in paragraph 2.3 of Annex 1a entitled “Exceptions to Rules in Appendix 1 for Structured Products” of the Code falls below those specified, the Managers should within 3 months from the occurrence of such event take action to comply with the one-third or 10% single party limit, whichever is applicable. The 3-month period may be extended if the Managers satisfy the Trustee that it is in the best interest of the Holders. Such extension should be subject to monthly review by the Trustee.

## APPENDIX 2 - NON-SPECIALISED FUNDS INVESTMENT GUIDELINES

### 1. Unlisted Securities

- 1.1 Investments in unlisted securities including unlisted derivatives should not exceed 10% of the Deposited Property of the Non-Specialised Fund. This 10% limit does not apply to shares offered through an initial public offering which have been approved for listing and unlisted debt securities that are traded on an organised over-the-counter market which is of good repute and open to the public.
- 1.2 Up to an additional 10% of the Deposited Property of the Non-Specialised Fund may be invested in unlisted debt securities which are of investment grade (i.e. rated at least BBB by Fitch Inc, Baa by Moody's or BBB by Standard and Poor's, including such sub-categories and gradations therein) but for which there is no ready secondary market.
- 1.3 Exceptions to the 10% unlisted securities rule are also allowed for Structured Products (as defined in paragraph 2.7 below) subject to the criteria set out in paragraph 8 below.

### 2. Single Issuer and Group Limits

- 2.1 Investments in securities issued by a single issuer should not exceed 10% of the Deposited Property of the Non-Specialised Fund ("single issuer limit"). Further, investments in securities issued by a group of companies (a group of companies is defined as a company, its subsidiaries, fellow subsidiaries and its holding company) should not exceed 20% of the Deposited Property of the Non-Specialised Fund ("single group limit").
- 2.2 Notwithstanding the "single issuer limit" and "single group limit" set out in paragraph 2.1, investments in any security that is a component of a Non-Specialised Fund's reference benchmark may be up to the benchmark weighting of the issuer, with an additional absolute overweight allowance of two percentage points above the benchmark weight. The reference benchmark should be one which is widely accepted and constructed by an independent party.
- 2.3 Investments in securities issued by and deposits placed with an issuer, as well as securities of that same issuer which have been lent, should be aggregated in computing the single issuer and group limits. If the Non-Specialised Fund holds as collateral securities by the aforesaid issuer, these should also be included in computing the Non-Specialised Fund's exposure to that issuer.
- 2.4 Exposure to the underlying of a financial derivative has to be included in the calculation of the single issuer and group limits.

- 2.5** The single issuer limit of 10% in paragraph 2.1 may be raised to 35% of the Deposited Property of the Non-Specialised Fund where:
- (a) the issuer is, or the issue is guaranteed by, either a government, government agency, or supranational that has a minimum long-term issuer rating of BBB by Fitch Inc, Baa by Moody's or BBB by Standard and Poor's (including such sub-categories or gradations therein); and
  - (b) except for Non-Specialised Funds with a fixed maturity, not more than 20% of the Deposited Property of the Non-Specialised Fund may be invested in any single issue of securities by the same issuer.
- 2.6** The single issuer limit in paragraphs 2.1 and 2.2 does not apply where:
- (a) the issuer is, or the issue has the benefit of a guarantee from, either a government, government agency or supranational that has a minimum long-term issuer rating of AA by Fitch Inc, Aa by Moody's or AA by Standard & Poor's (including such sub-categories or gradations therein); and
  - (b) except for Non-Specialised Funds with a fixed maturity, not more than 20% of the Deposited Property of the Non-Specialised Fund may be invested in any single issue of securities by the same issuer.
- 2.7** Exceptions to the single issuer and group limits are allowed for structured products tailor made for a Non-Specialised Fund such that the issuer(s) of the securities and/or instruments, or an entity other than the issuer(s) (the "**Third Party**"), stands ready to unwind the product(s) at prevailing market prices so as to enable the Non-Specialised Fund to meet redemptions on each Dealing Day ("**Structured Products**"), subject to the criteria set out in paragraph 8 below.
- 2.8** For the avoidance of doubt, the single issuer and group limits do not apply to placement of short-term deposits arising from:
- (a) subscription monies received at any point in time pending the commencement of investment by the Non-Specialised Fund;
  - (b) liquidation of investments pending reinvestment; or
  - (c) liquidation of investments prior to the termination or maturity of a Non-Specialised Fund where the placing of these monies with various institutions would not be in the interests of Holders.
- 2.9** Scenarios illustrating the application of the single issuer and group limits are set out in Annex 1b to Appendix 1 of the Code on Collective Investment Schemes.
- 2.10** A Non-Specialised Fund may not hold more than 10% of any single issue of securities by the same issuer.

### **3. Securities Lending**

- 3.1** Up to 50% of the Deposited Property of the Non-Specialised Fund may be lent provided adequate collateral, in the form of instruments consistent with the investment objective and character of the Non-Specialised Fund and with a remaining term to maturity of not more than 366 days, is taken. If cash received as collateral is invested, these should be invested in the form of instruments described above.
- 3.2** Irrevocable letters of credit and banker's guarantees are acceptable as collateral if the issuer has a credit rating of at least F-1 by Fitch Inc, Prime-1 by Moody's or A-1 by Standard & Poor's.
- 3.3** The 366-day maturity requirement in paragraph 3.1 does not apply to debt securities taken as collateral where:
- (a) such debt securities are rated at least A by Fitch Inc, A by Moody's or A by Standard & Poor's (including such sub-categories and gradations therein); and
  - (b) the securities lending transaction is conducted through an institution with a credit rating of at least A by Fitch Inc, A by Moody's or A by Standard & Poor's (including such sub-categories and gradations therein) and the institution indemnifies the Non-Specialised Fund in the event of losses due to failure by the securities borrower to return the borrowed securities.
- 3.4** In addition, securities lending is subject to the following conditions:
- (a) the collateral is marked to market daily; and
  - (b) the Trustee or its representative takes delivery of the collateral immediately.
- 3.5** Where the Non-Specialised Fund is also entitled at all times to immediately recall the securities lent without penalty, up to 100% of the Deposited Property of the Non-Specialised Fund may be lent.

### **4. Financial Derivatives**

- 4.1** Non-Specialised Funds that make use of financial derivatives should ensure that the risks related to such financial instruments are duly measured, monitored and managed.
- 4.2** The exposure of the Non-Specialised Fund to financial derivatives should not exceed 100% of the Deposited Property of the Non-Specialised Fund at any time. Such exposure should be calculated by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives. Other methods for calculating exposure may be allowed subject to prior consent from the MAS. In its application, the Managers should describe

the proposed method, the rationale for using the method and demonstrate that the method has taken into account the current value of the underlying assets, future market movements, counterparty risks and the time available to liquidate the positions.

**4.3** The prospectus should include:

- (a) a statement as to whether financial derivatives are used for the purposes of hedging or meeting the investment objectives of the Non-Specialised Fund or both;
- (b) where the exposure of the Non-Specialised Fund to financial derivatives is calculated using a method other than the method suggested in paragraph 4.2, a description of the method used and how it differs from the method suggested in paragraph 4.2;
- (c) a description of the risk management and compliance procedures and controls adopted; and
- (d) a statement that the Managers will ensure that the risk management and compliance procedures and controls adopted are adequate and that it has the necessary expertise to control and manage the risks related to the use of financial derivatives.

**4.4** Non-Specialised Funds investing in financial derivatives as an asset class will have to comply with paragraph 4.2 to 4.3 above by 22 March 2007. Non-Specialised Funds investing in financial derivatives for purposes of hedging existing positions in a portfolio or for efficient portfolio management, provided that derivatives are not used to gear the overall portfolio, have to comply with the guidelines in paragraphs 4.2 to 4.3 above by 22 December 2007.

**5. Prohibited Investments and Activities**

**5.1** The Non-Specialised Fund should not invest in:

- (a) metals including gold, commodities and their derivatives; or
- (b) infrastructure projects and real estate.

**5.2** The Non-Specialised Fund should not engage in:

- (a) direct lending of monies or the granting of guarantees;
- (b) underwriting; or
- (c) short selling except where this arises from financial derivative transactions and exposures are appropriately covered in accordance with paragraph 4.

## **6. Borrowings**

The Non-Specialised Fund may borrow only for the purposes of meeting redemptions and short-term (not more than four weeks) bridging requirements. Aggregate borrowings for such purposes should not exceed 10% of the Deposited Property of the Non-Specialised Fund at the time the borrowing is incurred.

## **7. Breach of Limits**

The unlisted securities, single issuer and group, securities lending and borrowing limits in paragraphs 1, 2, 3 and 6 are applicable at the time the transactions are entered into. Where any of these limits is breached as a result of:

- (a) the appreciation or depreciation of the Deposited Property of the Non-Specialised Fund;
- (b) any redemption of units or payments made from the Non-Specialised Fund;
- (c) any changes in the total issued nominal amount of securities of a company arising for example from rights, bonuses or benefits which are capital in nature; or
- (d) the reduction in the weight of a security in the benchmark being tracked by a Non-Specialised Fund,

the Managers should not enter into any transaction that would increase the extent to which the relevant limit is breached. In addition, the Managers should within a reasonable period of time but no later than three months from the date of the breach, take action as is necessary to rectify the breach. This period may be extended if the Managers satisfy the Trustee that it is in the best interest of the Holders. Such extension should be subject to monthly review by the Trustee.

## **8. Exceptions to Single Issuer and Group Rule for Investments in Structured Products**

### **8.1 Issuer and Counter-party Requirements**

- (a) The unlisted securities limit may be increased to one-third of the Deposited Property of the Non-Specialised Fund only for investing in unlisted derivatives that form part of a Structured Product and only if the counterparty and, where applicable, the Third Party in the transaction meet the minimum ratings set out in paragraph 8.1(b) below.
- (b) For the single issuer and group limits to be increased to one-third of the Deposited Property of the Non-Specialised Fund:
  - (i) in the case where the issuer of the security is a corporation, government, government agency or supranational, it should have

a minimum long-term issuer rating of A by Fitch Inc, A by Moody's or A by Standard and Poor's (including such sub-categories or gradations therein).

- (ii) in the case where a deposit is placed with a financial institution ("FI"), the FI should have a minimum individual rating of B by Fitch Inc or a financial strength rating of B by Moody's (including such sub-categories or gradations therein).
- (c) For the single issuer and group limits to be entirely waived, the issuer should be, or the issue should have the benefit of a guarantee from, either a government, government agency, or supranational that has a minimum long-term issuer rating of AA by Fitch Inc, Aa by Moody's or AA by Standard and Poor's (including such sub-categories or gradations therein).
- (d) An entity that stands ready to unwind more than 10% of the Deposited Property of the Non-Specialised Fund should have the ratings specified in paragraph 8.1(b).
- (e) Where the entity that stands ready to unwind the product is also the issuer of a bond, equity or derivative component that forms part of the Structured Product, the prospectus of the Non-Specialised Fund should state this fact.

## **8.2 Revision in Ratings of Issuer or Counter-party**

- (a) Where the rating of the issuer referred to in paragraph 8.1(b)(i) or of the Third Party:
  - (i) falls to BBB by Fitch Inc, Baa by Moody's or BBB by Standard and Poor's (including such sub-categories or gradations therein), no action needs to be taken; or
  - (ii) falls below those specified in (i) above or if the issuer or Third Party ceases to be rated, the Managers should within three months from the occurrence of such event take action to comply with the single issuer and group limits. The three-month period may be extended if the Managers satisfy the Trustee that it is in the best interest of the Holders. Such extension should be subject to monthly review by the Trustee.

- (b) Where the rating of the FI referred to in paragraph 8.1(b)(ii) or of the Third Party:
  - (i) falls to an individual rating of C by Fitch Inc or a financial strength rating of C by Moody's (including such sub-categories or gradations therein), no action need be taken; or
  - (ii) falls below those specified in (i) above or if the issuer or Third Party ceases to be rated, the Managers should within three months from the occurrence of such event take action to comply with the single issuer and group limits. The three-month period may be extended if the Managers satisfy the Trustee that it is in the best interest of the Holders. Such extension should be subject to monthly review by the Trustee.
- (c) Where the rating of the issuer referred to in paragraph 8.1(c):
  - (i) falls to A by Fitch Inc, A by Moody's or A by Standard and Poor's (including such sub-categories or gradations therein), no action need be taken; or
  - (ii) falls below those specified in (i) above or if the issuer ceases to be rated, the Managers should within three months from the occurrence of such event take action to comply with the single issuer and group limits. The period may be extended if the Managers satisfy the Trustee that it is in the best interest of the Holders. Such extension should be subject to monthly review by the Trustee.

**9. Scenarios illustrating the Application of the Single Issuer and Group Limits in Appendix 1**

**Scenarios for Application of Single Issuer and Group Limits**

Suppose companies A and B are both subsidiaries of Company X (X and its subsidiaries to be collectively known as a "Group").

**9.1 Assume that both A and B are not included in the reference benchmark.**

A CIS may invest up to 10% of its deposited property in securities issued by A and another 10% of its deposited property in securities issued by B. The CIS may invest up to 20% of its deposited property in securities issued by companies in this Group.

**9.2 Assume that A and B are included in the reference benchmark with weights of 2% and 5% respectively.**

A CIS may invest up to 10% of its deposited property in securities issued by A and another 10% of its deposited property in securities issued by B. The CIS may invest up to 20% of its deposited property in securities issued by this Group.

**9.3 Assume that A and B are included in the reference benchmark with weights of 2% and 14% respectively.**

- (a) A CIS may invest up to 16% [14+2] of its deposited property in B. As the total weight of A and B in the benchmark is less than the 20% single group limit, the 20% single group limit applies. Hence, the fund may invest up to 4% in either A or any non-reference benchmark securities issued by the Group or a combination thereof.
- (b) If the CIS invests, say, up to 2% of its deposited property in securities issued by A and 16% of its deposited property in securities issued by B, it may invest a further 2% of its deposited property in non-reference benchmark securities issued by the Group.

**9.4 Assume that A and B are included in the reference benchmark with weights of 12% and 14% respectively.**

A CIS may invest up to 14% [12+2] of its deposited property in securities issued by A and another 16% [14+2] of its deposited property in securities issued by B. However, as the single group limit has been reached, no investments in non-reference benchmark securities issued by the Group may be made.

## APPENDIX 3 - OTHER INFORMATION RELATING TO THE VANGUARD UMBRELLA

### 1. Use of financial derivatives

1.1 The sub-funds of the Vanguard Umbrella (i) Vanguard® U.S. 500 Stock Index Fund, (ii) Vanguard® European Stock Index Fund, and (iii) Vanguard® Global Stock Index Fund (collectively, the “**Vanguard Funds**”), may make use of financial derivative instruments (including but not limited to spot and forward contracts, repurchase and reverse repurchase agreements), including equivalent cash-settled instruments, dealt in on a regulated market and/or financial derivative instruments dealt in over-the-counter (together, “**FDIs**”) for efficient portfolio management or hedging purposes.

### 1.2 Risks associated with the use of FDIs

#### (a) Futures contracts

Positions in futures contracts may be closed out only on an exchange that provides a secondary market for such futures. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of adverse price movements, the relevant Vanguard Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if the relevant Vanguard Fund has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, the relevant Vanguard Fund may be required to make delivery of the instruments underlying futures contracts it holds. The inability to close options and futures positions also could have an adverse impact on the ability to effectively hedge the relevant Vanguard Fund.

The relevant Vanguard Fund will minimise the risk that it will be unable to close out a futures contract by only entering into futures that are traded on national futures exchanges and for which there appears to be a liquid secondary market. The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount of investment in the contract. The relevant Vanguard Fund also incurs the risk that the Investment Manager of the Vanguard Umbrella will incorrectly predict future stock market trends. However, because the futures strategies of the relevant Vanguard Funds are engaged in only for hedging purposes, the Vanguard Umbrella does not believe that the Vanguard Funds are subject to the risks of loss frequently associated with futures transactions. The relevant Vanguard Fund would generally have sustained comparable losses if,

instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline.

Utilisation of futures transactions by the relevant Vanguard Fund does involve the risk of imperfect or no correlation where the securities underlying the futures contracts have different maturities than the fund securities being hedged. It is also possible that the relevant Vanguard Fund could both lose money on futures contracts and also experience a decline in the value of its fund securities. There is also a risk of loss by the relevant Vanguard Fund of margin deposits in the event of the bankruptcy of a broker with whom the relevant Vanguard Fund has an open position in a futures contract or related option.

(b) Counterparty risk

The relevant Vanguard Fund will be exposed to credit risk on the counterparties with which it trades in relation to futures and option contracts and other derivative financial instruments that are not traded on a recognised exchange. Such instruments are not afforded the same protections as may apply to participants trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The relevant Vanguard Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which it trades such instruments, which could result in substantial losses to the relevant Vanguard Fund.

(c) Repurchase and reverse repurchase agreements

If the seller of a repurchase agreement fails to fulfill its commitment to repurchase the security in accordance with the terms of the agreement, the relevant Vanguard Fund may incur a loss to the extent that the proceeds realised on the sale of the securities are less than the repurchase price. If the seller becomes insolvent, a bankruptcy court may determine that the securities do not belong to the relevant Vanguard Fund and order that the securities be sold to pay off the seller's debts. The relevant Vanguard Fund may experience both delays in liquidating the underlying securities and losses during the period while it seeks to enforce its rights thereto, including possible sub-normal levels of income and lack of access to income during the period and expenses in enforcing its rights.

Reverse repurchase agreements involve the risk that the market value of the securities sold by the relevant Vanguard Fund may decline below the prices at which the relevant Vanguard Fund is obliged to repurchase such securities under the agreement. In the event that the buyer of securities under a reverse repurchase agreement files for bankruptcy or proves insolvent, the the relevant Vanguard Fund's use of proceeds from the agreement may be restricted pending the determination by the other party or its trustee or receiver whether to enforce the obligation to repurchase the securities.

## **2. Risk management process**

- 2.1** The Vanguard Umbrella may not leverage or gear the relevant Vanguard Fund through the use of FDIs, that is, the total exposure of the relevant Vanguard Fund, including but not limited to its exposure from the use of any FDIs, must not exceed the total net assets of the relevant Vanguard Fund.
- 2.2** The relevant Vanguard Fund may hedge exposure to one currency by entering into forward currency transactions in a related currency because of the institutional and expected future correlation between the two currencies. The exposure of the relevant Vanguard Fund to foreign currency risk will not be leveraged risk in any way, and uncovered positions in currency derivatives are not permitted.

## **3. Supplementary information**

Investors may obtain supplementary information relating to the risk management methods employed by the Vanguard Umbrella including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments from the Managers.

**INFINITY INVESTMENT SERIES**

**PROSPECTUS**

**BOARD OF DIRECTORS OF LION GLOBAL INVESTORS LIMITED**

Signed

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Ng Keng Hooi  
Chairman

Signed

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David Philbrick Conner  
Deputy Chairman

Signed

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Daniel Chan Choong Seng  
CEO & Chief Investment Officer

Signed

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Soon Tit Koon  
Director

Signed

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Andrew Lee Kok Keng  
Director

Signed

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Cheong Jin Keat  
Director

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