L&G E Fund MSCI China A UCITS ETF

FUND SUPPLEMENT
No.8

(A sub-fund of Legal & General UCITS ETF Plc, an umbrella investment company with variable capital and segregated liability between its Funds incorporated with limited liability in Ireland under registration number 459936).

The Company and the Directors, whose names appear on page 10 of the Prospectus, are the persons responsible for the information contained in this Fund Supplement and accept responsibility accordingly. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information.

This Fund Supplement contains information relating to the L&G E Fund MSCI China A UCITS ETF (the "Fund") which is a separate Fund of Legal & General UCITS ETF Plc (the "Company"), an umbrella fund with segregated liability between its Funds. This Fund Supplement forms part of and should be read in the context of, and together with, the Company's Prospectus dated 20 April 2020 and any other applicable addenda. Investors should also refer to the Company's latest published annual report and audited financial statements (if any) and, if published after such report, a copy of the latest semi-annual report and unaudited financial statements. Capitalised expressions used and not defined in this Fund Supplement shall bear the meanings as set out in the Prospectus. If you are in any doubt about the action to be taken or the contents of this Fund Supplement, please consult your stockbroker, bank manager, lawyer, accountant or other independent professional adviser who, if such advice is taken in the United Kingdom, is an organisation or firm authorised or exempted pursuant to the FSMA.

Potential investors should consider the risk factors set out in the Prospectus and in this Fund Supplement before investing in this Fund. An investment in the Fund involves certain risks and may only be suitable for persons who are able to assume the risk of losing their entire investment.

The Prospectus sets forth information on investment risk, management and administration of the Fund, valuation, subscription, redemption and transfer procedures and details of fees and expenses payable by the Fund and should be read subject to the information herein.

An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

The date of this Fund Supplement is 20 April 2020.

DEFINITIONS

*"**PRC Custodian**"*, means HSBC Bank (China) Company Limited

"***Revised RQFII Rules***", means the Revised RQFII Rules described in the section of this Fund Supplement entitled *"Renminbi Qualified Foreign Institutional Investor (RQFII)"* and any amendments or supplemental regulations thereto issued by the relevant authorities

"***RQFII***", means Renminbi Qualified Foreign Institutional Investor

*"**Sub-Custodian**"*, means The Hong Kong and Shanghai Banking Corporation Limited

"***Sub-Investment Manager***", means E Fund Management (Hong Kong) Co., Limited

INVESTMENT OBJECTIVE

The investment objective of the L&G E Fund MSCI China A UCITS ETF (the "**Fund**") is to provide exposure to the equity markets in China.

INVESTMENT POLICY

In order to achieve this investment objective, the Fund will aim to track the performance of the MSCI China A Onshore Index (the "**Index**") by investing primarily in an optimised portfolio of A Shares that, as far as possible and practicable, consists of the component securities of the Index. The Fund shall utilise optimisation/representative sampling techniques which will, in the opinion of the Sub-Investment Manager, assist in achieving the Fund's investment objective, including by reducing overall transaction costs and taxes. In utilising such techniques, the Fund will aim to identify and invest in a representative sample or sub-set of the component securities of the Index, the performance of which is anticipated to correlate generally with the performance of the Index as a whole. This is generally achieved through the use of quantitative analysis with the level of sampling techniques used by the Fund being determined by the nature of the Index components.

The component securities of the Index are equity securities, referred to as "**A Shares**", issued by companies incorporated in mainland China and denominated and traded in RMB on the Shenzhen and Shanghai stock exchanges. For the purposes of making direct investments in the securities markets of the PRC, the Investment Manager has appointed the Sub-Investment Manager as sub-investment manager to the Fund. The Fund will rely on the Sub-Investment Manager's status as an RQFII and the investment quota which has been granted to it by the relevant PRC authorities for the exclusive use of the Fund. Further detail relating to the appointment of the Sub-Investment Manager and the RQFII regime is set out below in the section entitled *"Renminbi Qualified Foreign Institutional Investor (RQFII)"*.

Whilst the Fund intends to primarily invest directly in the listed A Share securities represented in the Index, the Fund may, subject to the conditions and within the limits laid down by the Central Bank, from time-to-time invest in the following additional assets which, in the opinion of the Sub-Investment Manager, will assist in achieving the Fund's investment objective:

- securities that are not component securities of the Index the characteristics and returns of which, individually or collectively, are seen to be similar or well-correlated to the constituents of the Index;
- Depositary Receipts relating to the component securities of the Index or to A Shares generally (ADRs and GDRs);
- futures providing exposure to the Index (or to the component securities of the Index), other similar indices or to A Shares generally and which are listed or traded on the stock exchanges and/or Regulated Markets listed in Schedule I of the Prospectus. Investment by the Fund in futures shall be made in accordance with the section entitled *"Investment in FDIs"* and

Schedule II of the Prospectus. The Fund will only invest in futures as provided for in the RMP prepared by the Sub-Investment Manager in respect of the Fund and filed with the Central Bank; and

- units or shares of open ended collective investment schemes (including other exchange-traded funds) subject to an aggregate limit of 10% of the Fund's Net Asset Value.

Such investments may be utilised generally with a view to achieving the Fund's investment objective, particularly in circumstances where it is not possible or practicable for the Fund to purchase certain of the securities comprising the Index, for example, as a result of the costs and expenses involved, any restrictions imposed by law or regulation or direction of any relevant regulatory authority or where such securities become illiquid or otherwise unobtainable at fair value. Such investments may also be utilised to reduce overall transaction costs or taxes.

The Fund may in addition employ FDIs and other techniques relating to transferable securities for the purpose of efficient portfolio management in accordance with the terms set out in the section entitled "*Efficient Portfolio Management Techniques*" and Schedule II of the Prospectus.

Temporary borrowing

The Directors may exercise all borrowing powers of the Company in accordance with the sections of the Prospectus entitled *"Borrowing Powers"* on page 33 and *"Borrowing Restrictions"* in Schedule III. Such temporary borrowing may, at the discretion of the Directors, be used for short term liquidity purposes in connection with the purchase of any Investments in connection with subscription applications and the making of any redemption payments in respect of the Fund up to a maximum of 10% of the Net Asset Value of the Fund at any given time.

TRACKING ERROR

The estimated anticipated tracking error for the Fund in normal market conditions is up to 2%.

INDEX DESCRIPTION

The Index captures large and mid-cap representation across Chinese companies with A Share listings on the Shanghai and/or Shenzhen stock exchanges. The Index targets a fixed investable market representation instead of a fixed number of constituents and therefore provides a dynamic reflection of the large and mid-cap segment of the A Shares market. The version of the Index replicated by the Fund is calculated in USD.

The Index is constructed based on the MSCI Global Investable Market Indices (GIMI) Methodology, which is intended to reflect a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the China A Share investment opportunity set with a strong emphasis on index liquidity, investability and replicability.

Net Total Return

Total return indices measure the market performance, including price performance and income from regular cash distributions (cash dividends or capital repayments). This income is treated as being reinvested in the Index and thus makes up part of the total index performance. The Index is a *net* total return index which means that cash dividends are reinvested in the Index net of withholding tax at the maximum rate levied by the PRC authorities on dividend payments to non-resident institutional investors who would not benefit from a double taxation treaty between their country of domicile and China.

Rebalancing frequency

The Index is reviewed quarterly, in February, May, August and November, with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue Index turnover. During the May and November semi-annual index reviews, the Index is rebalanced and the large and mid-capitalisation cut-off points are recalculated.

Further information

The information set out above is a summary of the principal features of the Index and does not purport to be an exhaustive description. The following further information relating to the Index is (at the date of this Fund Supplement) available at the following URLs:

- factsheets and performance: https://www.msci.com/documents/10199/b39c7f2f-21c7-4fb6-9fa3-d0a19babcf17 and www.msci.com/end-of-day-data-search
- component selection criteria, rebalancing methodology and treatment of corporate events ("*MSCI Global Investable Market Indexes Methodology*" and *"MSCI Corporate Events Methodology")* and calculation methodology ("*MSCI Index Calculation Methodology*"): https://www.msci.com/index-methodology
- constituents and weights: https://www.msci.com/constituents

	ISIN	Bloomberg	Reuters
Index MSCI China A Onshore Index (USD) (Net Total Return)	N/A	MBCN1A	.dMICNA0000NUS

As at the date of this Fund Supplement, MSCI Limited is listed as an authorised benchmarks administrator on the public register maintained by ESMA under the Benchmark Regulation.

Portfolio Composition

The portfolio of Investments held by the Fund is available daily at http://www.lgimetf.com

PROFILE OF A TYPICAL INVESTOR

Only Authorised Participants may subscribe for ETF Shares in the Fund directly with the Company. All other investors may only purchase ETF Shares in the Fund through the secondary market.

It is expected that investors in the Fund will be informed investors who have taken professional advice and who understand (and are able to bear) the risks associated with an investment in the Fund, in particular, the risks associated with direct investment in mainland China, the levels of volatility associated with emerging market equities and the risk of losing their entire investment.

RISK MANAGEMENT

The Fund's global exposure, being the incremental exposure and leverage generated by the Fund through its use of FDI, shall be calculated on at least a daily basis using the commitment approach and, in accordance with the requirements of the Central Bank, may at no time exceed 100% of the Fund's Net Asset Value. It is not however expected that the Fund will be leveraged.

RISK FACTORS

Investors are specifically referred both to the section headed *"Risk Factors"* and to Schedule II in the Prospectus and should consider the following Fund-specific risk factors prior to investing in the Fund.

1. **Investment objective:** The China-specific investment objective of the Fund means that it will be more vulnerable to China-specific investment risks (as outlined in greater detail in the section below entitled *"China-specific investment risks"*) than other collective investment schemes whose investment objectives and policies may be more diversified with respect to investment type and country/regional focus. **An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

2. **Market capitalisation risk:** The Index captures large and mid-cap representation across Chinese companies with A Share listings on the Shanghai and Shenzhen stock exchanges. The securities of medium-sized (by market capitalisation) companies, or financial instruments related to such securities, may have a more limited market than the securities of larger companies and may involve greater risks and volatility than investments in larger companies. Accordingly, it may be more difficult for the Fund to effect sales of such securities at an advantageous time or without a substantial drop in price than it would be to effect sales of securities of a company with a large market capitalisation and broad trading market. In addition, securities of medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports. Such factors may impact on the values of the companies contained within the Index and consequently on the performance of the Fund.

<u>**China-specific investment risks**</u>

3. **General:** China is one of the world's largest emerging markets. As with investing in any emerging market country, the Fund's Investments in mainland China may be subject to greater risk of loss than investments made in a developed market. This is due, among other things, to greater market volatility, lower trading volume, greater risk of market shut down, and more governmental limitations with respect to foreign-inward investment. The companies in which the Fund invests may be held to lower disclosure, corporate governance, accounting and reporting standards than companies listed or traded in more developed markets. In addition, some of the securities held by the Fund may be subject to higher transaction and other costs, foreign ownership limits, the imposition of taxes, or may have liquidity issues which make such securities more difficult to sell at reasonable prices. These factors may increase the volatility and hence the risk of an investment in the Fund.

4. **A Shares dependency risk:** The existence of a liquid trading market for A Shares may depend on whether there is a readily available supply of, and corresponding demand for, A Shares. Investors should note that the Shanghai Stock Exchange and Shenzhen Stock Exchange are undergoing continuing development. Market volatility and settlement difficulties in the A Share markets may result in significant fluctuation in the prices of the securities traded on such markets and may consequently increase the volatility of the Net Asset Value of the Fund.

5. **Suspensions, limits and other disruptions affecting trading of A Shares:** Liquidity for A Shares will be impacted by any temporary or permanent suspensions of particular stocks imposed from time to time by the Shanghai and/or Shenzhen stock exchanges or pursuant to any regulatory or governmental policy and/or intervention with respect to particular Investments or the markets generally. Any such suspension or corporate action may make it impossible for the Fund to acquire or liquidate positions in the relevant stocks as part of the general management and periodic adjustment of the Fund's Investments and in connection with subscriptions and redemptions for Shares in the Fund. Such circumstances may also make it difficult for the Net Asset Value of the Fund to be determined, may increase the tracking error of the Fund and may expose the Fund to losses.

   In order to mitigate the effects of extreme volatility in the market price of A Shares, the Shanghai and Shenzhen stock exchanges currently limit the amount of fluctuation permitted in the prices of A Shares during a single trading day. The daily limit is currently set at 10% and represents the maximum amount that the price of a security (during the current trading session) may vary either up or down from the previous day's settlement price. The daily limit governs only price movements and does not restrict trading within the relevant limit. However, the limit does not limit potential losses because the limit may work to prevent a liquidation of any relevant securities at the fair or probable realisation value for such securities which means that the Fund may be unable to dispose of unfavourable positions. There can be no assurance that a liquid market on an exchange would exist for any particular A Share or for any particular time. Any limit imposed on a stock comprised in the Fund's portfolio may limit the ability of the Fund to acquire or liquidate positions in the relevant stocks as part of the general management and periodic adjustment of the Fund's Investments and in connection with subscriptions and redemptions for Shares in the Fund, may make it difficult for the Net Asset Value of the Fund to be determined and may increase the tracking error of the Fund and expose the Fund to losses.

The foregoing circumstances may cause the Shares of the Fund to trade at a significant premium or discount to the Net Asset Value on any Relevant Stock Exchange on which they are admitted for trading.

In any of the foregoing circumstances, if a significant portion of the Fund's Investments and/or the constituents of the Index are restricted or suspended, the Fund may, in the sole discretion of the Directors, determine to suspend the determination of the Net Asset Value and the issue and redemption of Shares of the Fund in accordance with the section of the Prospectus entitled *"Temporary Suspensions".* Any temporary suspension of the issue and redemption of Shares in the Fund may cause the Shares of the Fund to trade at a premium or discount to the Net Asset Value on any Relevant Stock Exchange on which they are admitted for trading.

6. **Legal risk in the PRC:** The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because of the limited volume of published cases and judicial interpretation and their non-binding nature, the interpretation and enforcement of these regulations involves significant uncertainties. Given the relatively short history of the PRC system of commercial laws, the PRC regulatory and legal framework may not be as well developed as those of developed countries. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on the Fund's onshore business operations or the ability of the Fund to acquire A Shares.

7. **Segregated liability:** The Company is structured as an umbrella fund with segregated liability between its Funds. As a matter of Irish law, the assets of one Fund will not be available to meet the liabilities of another (a provision which also applies in insolvency and is also generally binding upon creditors). Furthermore, and by operation of Irish law, any contract entered into by the Company in respect of one of its Funds shall include an implied term to the effect that recourse by the contract counterparty may not be had to assets of Funds other than the Fund or Funds in respect of which the contract was entered into. However, the Company is a single legal entity that operates and has assets held on its behalf in the PRC and other countries from time to time and may become subject to claims in such jurisdictions which may not necessarily recognise such segregation and so, in the event an action to enforce a debt or liability of a Fund was brought against the Company in the PRC or any other venue other than Ireland, there remains a risk that a creditor may seek to seize or attach assets of one Fund in satisfaction of a debt or liability owed by another Fund and the jurisdiction in which the claim is being heard may not recognise the principle of segregated liability between Funds.

8. **Government intervention in financial markets:** There may be substantial government intervention in the PRC economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests. The PRC government and regulators may also intervene in the financial markets, such as by the imposition of trading restrictions, a ban on "naked" shortselling or the suspension of short selling for certain stocks which may affect the trading of A Shares. This may have an unpredictable impact on the Fund's Investments and may also lead to an increased tracking error for the Fund. Furthermore, such market interventions may have a negative impact on market sentiment which may in turn affect the performance of the Index and as a result the performance of the Fund.

9. **RMB currency risk:** The PRC government heavily regulates the domestic exchange of foreign currencies within the PRC. PRC law requires that all domestic securities transactions must be settled in RMB, places significant restrictions on the remittance of foreign currency, and strictly

regulates currency exchange from RMB. There is no assurance that there will always be sufficient amounts of RMB (available onshore in mainland China or offshore) for the Fund to remain fully invested in A Shares.

10. **Remittance and repatriation of RMB:** The PRC government imposes extensive capital controls over cross border movements of RMB. Repatriations of RMB from mainland China to offshore by RQFIIs are currently permitted daily and are not subject to legal repatriation restrictions or prior regulatory approval. However, there is no assurance that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the PRC rules and regulations may be applied retroactively. Any restrictions on offshore repatriation imposed in respect of the Fund's cash may have an adverse effect on the Fund's ability to meet redemption requests.

    Currently the Bank of China (Hong Kong) Limited is the only clearing bank for offshore RMB in Hong Kong. The remittance of RMB funds into the PRC for investment purposes and the repatriation of RMB funds out of the PRC to Hong Kong may be dependent on the operational systems and procedures developed by the Bank of China (Hong Kong) Limited for such purposes and there is no assurance that there will not be delays in remittance and/or repatriation which are outside of the control of the Company and its respective delegates. Any delays or restrictions imposed on the remittance and/or repatriation of the Fund's cash into or out of the PRC will impact the Fund's ability to purchase relevant stocks required in order to effectively track the Index and may increase the level of tracking error. Such delays or restrictions will also impact the Fund's ability to repatriate cash in connection with redemption applications.

11. **Base currency and currencies of reference versus RMB:** Depending on an investor's currency of reference (for example, the currency in which the Shares of the Fund are listed and traded on a Relevant Stock exchange), currency fluctuations between an investor's currency of reference and the Base Currency of the Fund (USD) may adversely affect the value of such investor's investment in the Fund. Additionally, as the Fund's Investments will largely be denominated in currencies other than Base Currency, changes in the exchange rate between the Base Currency and the currency of the relevant Investment may lead to a depreciation of the value of the Fund's Investments as expressed in Base Currency. For investors whose currency of reference is not Base Currency, changes in the exchange rate between such investors' reference currency and the currency of the relevant Investment may lead to a depreciation of the value of the Fund's Investments as expressed in such investor's reference currency.

12. **Onshore versus offshore RMB risk:** RMB is the official currency of the PRC and is the currency of denomination for all financial transactions in the PRC. In recent years offshore markets for RMB have become established in Hong Kong and certain offshore jurisdictions (including Singapore, London, France, Korea, Germany, Qatar, Australia, Switzerland, Canada and Luxembourg). Offshore RMB deposits held in Hong Kong are now jointly regulated by the Hong Kong Monetary Authority and PBOC. While both onshore RMB ("**CNY**") and offshore RMB held in Hong Kong ("**CNH**") are the same currency, the onshore and offshore markets in which they are traded are largely segregated and the movement of currency from an offshore market to the onshore market (and vice versa) is highly restricted. Investors should note that CNY and CNH are traded at different rates and their movement may not be in the same direction. As a proportion of the Fund's Investments will be held in both CNH and CNY, the Fund may be exposed to the differences between the CNH and CNY rates and foreign exchange transaction costs associated with conversions. The liquidity and trading price of the Fund on any Relevant Stock Exchanges may also be adversely affected by the prevailing exchange rates for CNH.

13. **FX transaction costs borne by Authorised Participant/Investor:** Subscriptions for Shares in the Fund will ordinarily be made in Base Currency and may from time to time be permitted in other currencies in accordance with the Prospectus. Where subscriptions are made in Base Currency, the Prefunding Amount will initially be converted to CNH and subsequently to CNY for the purpose of investing in A Shares in the PRC. Redemptions of Shares in the Fund will ordinarily be made in Base Currency and may from time to time be permitted in other currencies in accordance with the Prospectus. Where redemptions are made in Base Currency, the redemption proceeds will typically be converted from CNY to CNH and

subsequently to Base Currency before being returned to the redeeming investor. The foreign exchange transaction costs associated with conversions made pursuant to subscriptions and/or redemptions and the risk of a potential difference between the CNY and CNH rates will be borne by the relevant Authorised Participant/investor and included in the Duties and Charges which are applied to the relevant subscription/redemption amounts paid/received by such Authorised Participant/investor.

14. **Trading period difference between Chinese markets and Relevant Stock Exchanges:** There will be periods during which the stock exchanges in the PRC are open for trading and/or the Index level is published but during which one or more Relevant Stock Exchanges may not be open for trading. During such periods, the component securities of the Index and of the Fund's portfolio will be tradeable and thus subject to market movements and events whereas the Shares of the Fund may not be available for purchase and the most recently published Net Asset Value may not reflect the current market prices of the component securities of the Index and of the Fund's portfolio.

    Conversely, there will be periods during which the Relevant Stock Exchanges are open for trading but the stock exchanges in the PRC are not and/or the Index level is not published. During such periods, the Fund's Shares may be traded at a premium or discount to its current Net Asset Value depending on the level of market risk perceived by any relevant market maker at such time which may depend on current market sentiment, news and events prevailing at such time.

15. **Operational, settlement and systems risks:** Exchange traded funds which invest directly in the securities markets of the PRC are inherently more complex than exchange traded funds that invest in developed markets operating in the same (or similar) time zones and which may be more aligned with the relevant exchange traded fund with respect to operational conventions, rules and regulations. In particular, investors should note that the exchange settlement conventions of the PRC securities markets are materially different to the standard settlement and timing conventions in European securities markets and this inevitably gives rise to risk with respect to the timing of the settlement of subscriptions and redemptions in the Shares of the Fund. In particular, investors should note that the timing of the settlement of subscriptions and redemptions in the Shares of the Fund may be subject to any significant disruptions affecting the Fund's Investments. Operational risks may arise from technical failures or failures in communication and trading systems operated by third parties and any breaches of any relevant operational policies or guidelines by the Administrator, Investment Manager and/or Sub-Investment Manager and any third parties involved in the administration of the Fund's Investments and/or providing services in connection therewith. There is no guarantee that the internal control systems and operational guidelines that the foregoing entities have in place will be sufficient to mitigate the impact of any such risks or that events beyond the control of the foregoing entities will not occur.

    The Fund depends on third parties, including, without limitation, the Administrator, the Manager, the Investment Manager, the Sub-Investment Manager, Global Sub-Custodian, Sub-Custodian, PRC Custodian and PRC Broker(s) (as relevant), to develop and implement appropriate computer programs and systems for the Fund's activities which are cross-border in nature and involve investment into the PRC which is a market that is still undergoing significant development both from a legal/regulatory and operational perspective. The Fund may rely extensively on such computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, trading, clearing and settling transactions, evaluating certain financial instruments, monitoring the Fund's portfolio and net capital, generating risk management and other reports that are critical to oversight of the Fund's activities and the remittance and repatriation of the Fund's cash into and out of the PRC. The Fund's operational interface will be highly dependent upon the ongoing effective operation of and interaction between such programs and systems and the Company, the Manager, the Investment Manager and the Sub-Investment Manager may not be in a position to verify the risks or reliability of such third-party programs or systems. These programs or systems may be subject to certain limitations, including, but not limited to, those caused by computer "worms", viruses and power failures. The successful operation of such systems is often out of the Company's, the Manager's, the Investment Manager's and the Sub-Investment Manager's control and the failure of one or more systems or the inability of such systems to satisfy the Fund's operations could have a material adverse effect on the Fund. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability of a Fund to monitor its investment portfolio and risks. This risk is made more acute by the cross-border nature of the Fund's activities which involve the transfer of monies between jurisdictions in different time-zones.

RQFII regime and associated risks

16. **RQFII investment quota:** The Revised RQFII Rules described in the section of this Fund Supplement entitled *"Renminbi Qualified Foreign Institutional Investor (RQFII)"* are subject to on-going developments and there can be no certainty as to the future interpretation and/or continued application of the Revised RQFII Rules by any relevant PRC regulatory authority or the future promulgation of any additional or amending rules that may affect the Fund's ability to invest directly in A Shares.

    The Fund's ability to achieve its investment objective by investing directly in A Shares is dependent on the availability of sufficient RQFII investment quota to match subscription levels in the Fund. For the purposes of making direct investments in A Shares, the Investment Manager has appointed the Sub-Investment Manager as sub-investment manager to the Fund. The Sub-Investment Manager has been granted an investment quota by SAFE for the purposes of investing in the securities markets of mainland China on behalf of the Fund. In the event that the initial RQFII investment quota becomes fully invested by the Fund, the Fund would need to source additional quota via the Sub-Investment Manager or via an alternative source. In such circumstances, there is no guarantee that the Sub-Investment Manager would be granted additional investment quota by SAFE or that the Fund would be able to alternatively source additional RQFII quota for the purpose of direct investment in A Shares. Additionally, there is no guarantee that the Sub-Investment Manager will be able to maintain its RQFII status or any other regulatory approvals/authorisations which would enable it to continue to act as Sub-Investment Manager of the Fund. Additionally, the Fund may be required or directed to divest itself of all physical A Share holdings by or pursuant to any law or regulation or any order or direction issued by any judicial or regulatory authority or other official body with jurisdiction over or in relation to the Fund's Investments. All of the foregoing circumstances are outside of the control of the Fund, the Manager and the Manager's delegates. Additionally, there may be circumstances where the Investment Manager deems it appropriate to terminate the services of the Sub-Investment Manager.

    All of the foregoing circumstances would impact upon the Fund's ability to continue holding or investing directly in A Shares, would impact upon the Fund's ability to closely track the performance of the Index and would require the Investment Manager to consider alternative sources of RQFII investment quota.

    In circumstances where RQFII investment quota becomes limited or unavailable for investment by the Fund, it is possible that the secondary market value of the Shares may vary significantly from the Net Asset Value per Share and, in such circumstances, those investors who have acquired their Shares on the secondary market will be permitted to redeem their Shares in the Fund directly with the Company. For further information, please refer to the section entitled *"Direct redemptions of ETF Shares by Investors other than Authorised Participants"* in the Prospectus.

    In circumstances where the Investment Manager is unable to procure sufficient RQFII investment quota for the purpose of direct investment in A Shares by the Fund, the Directors of the Fund may (as an alternative to investing in any other type of investment permitted under the investment policy of the Fund) declare a temporary suspension of the determination of the Net Asset Value of the Fund and/or the issue of shares in the Fund in accordance with the section of the Prospectus entitled *"Temporary Suspensions"*. During any such period of temporary suspension, the secondary market value of the Fund's Shares may trade at a significant premium or discount to the Net Asset Value of the Fund.

    If any period of suspension of the determination of the Net Asset Value of the Fund and/or of the issue and redemption of shares in the Fund in accordance with the preceding paragraph continues beyond a reasonable period of time (as determined by the Directors in their absolute discretion), the Directors may resolve to close the Fund by issuing a notice of compulsory redemption to holders of Shares in the Fund in accordance with the section of the Prospectus entitled *"Compulsory (Total) Redemption"*.

17. **RQFII investment restrictions:** Investors should note that the Fund is restricted under the Revised RQFII Rules from holding more than 10% of the total outstanding shares in a single listed A Share company. In addition, the aggregate shareholding of all foreign investors in a single listed A Share company cannot be more than 30% of the total outstanding shares of such company.

    The PRC may introduce additional limitations or restrictions in the future on the foreign ownership or holdings of securities in the PRC which may have adverse effects on the liquidity and performance of the Fund's Investments as compared to the performance of the Index.

    The foregoing may restrict the Fund's ability to acquire the shares of one or more constituents of the Index in accordance with the relevant weightings of the Index (or in the relevant desired proportions determined by the Sub-Investment Manager as part of its replication strategy) and therefore may impact on the Fund's ability to closely track the performance of the Index.

18. **PRC sub-custody risks:** Pursuant to the Revised RQFII Rules and the terms of the RQFII Custodian Agreement, the Securities Accounts and Cash Accounts, as defined in the section of this Fund Supplement entitled "Sub-Custody Framework", will be maintained in the joint names of the Sub-Investment Manager (as the RQFII license holder) and the Fund (as a Fund of the Company). Whilst the Company and the Depositary have received advice that the assets held in such accounts are independent from the assets of the Sub-Investment Manager and belong solely to the Fund, it is possible that the judicial and regulatory authorities in the PRC may interpret this position differently in the future.

    Investors should note that cash deposited in the Cash Accounts with the PRC Custodian, including any Prefunding Amount (as defined in the section of this Fund Supplement entitled "Dealing Information", in the joint names of the Sub-Investment Manager (as the RQFII license holder) and the Fund (as a Fund of the Company), will constitute a debt owing from the PRC Custodian to the Fund as a depositor. Such cash will be co-mingled with cash belonging to other clients and creditors of the PRC Custodian which means that, in the event that the PRC Custodian becomes bankrupt or goes into liquidation, the Fund will constitute an unsecured creditor of the PRC Custodian with respect to such cash, ranking pari passu with all other unsecured creditors of the PRC Custodian. The Fund may therefore, in such circumstances, experience delays in recovering any such cash amounts and may not be able to recover the full value of such amounts causing the Fund to suffer loss.

19. **PRC brokerage risk:** The execution of transactions may be conducted by a broker(s) in the PRC ("**PRC Broker(s)**") appointed by the Sub-Investment Manager (as the relevant RQFII license holder). Under the Revised RQFII Rules, up to three PRC Brokers can be appointed for each of the Shanghai and Shenzhen stock exchanges. However, as a matter of practice, it is likely that only one PRC Broker will be appointed in respect of each stock exchange in the PRC as a result of the requirement that securities are sold through the same PRC Broker through whom they were originally purchased. Thus, the Fund may rely on only one PRC Broker for each stock exchange in the PRC, which may be the same PRC Broker. If the Sub-Investment Manager is unable to use its designated PRC Broker in the PRC, the operation of the Fund will be adversely affected and may cause Shares of the Fund to trade at a premium or discount to Net Asset Value or the Fund may not be able to closely track the Index. In addition, the operation of the Fund may be adversely affected in case of any acts or omissions of the PRC Broker, which may result in the Fund having a higher tracking error or the Fund being traded at a significant premium or discount to its Net Asset Value.

    If a single PRC Broker is appointed, the Fund may not necessarily pay the lowest commission available in the market. However, the Sub-Investment Manager shall, in the selection of PRC Brokers, have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards.

There is a risk that the Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers. In such event, the Fund may be adversely affected in the execution of any transaction. As a result, the Net Asset Value of the Fund may also be adversely affected. Subject to the applicable laws and regulations, the Sub-Investment Manager will make arrangements to satisfy itself that the PRC Brokers have appropriate procedures to properly segregate the Fund's securities from those of the relevant PRC Brokers.

Tax risk associated with direct investments in mainland China

20. **General:** Potential investors should note that the statements on taxation which are set out in this Fund Supplement and the section of the Prospectus entitled *"Taxation"* are issued by the Company based on advice which has been received regarding the laws, judicial decisions, regulations, rulings and practices currently in force in Ireland and the PRC as at the date of the Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Fund will endure indefinitely. Other legislation could be enacted that would subject the Fund to additional taxes or subject investors to increased taxes. Any change in the Company's or the Fund's tax status or in taxation legislation could affect the value of the Investments held by the Fund and affect the Fund's ability to closely track the performance of the Index.

21. **Tax on capital gains attributable to the Fund:**

Background to CGT provisioning

As at 22 December 2014, with respect to the period prior to 17 November 2014, specific rules governing the treatment of RQFIIs (and any collective investment schemes on behalf of which the relevant RQFII quota is utilised) with respect to capital gains tax ("**CGT**") in the PRC had not been announced by the relevant PRC tax authorities (comprising, the Ministry of Finance of the PRC, the State Administration of Taxation of the PRC and the China Securities Regulatory Commission) (together, the "**PRC Tax Authorities**"). In particular, there was no guidance with respect to how capital gains would be taxed, how such tax would be collected, which PRC Tax Authority would be the relevant collecting authority and whether RQFII licence holders (and any collective investment schemes on behalf of which the relevant RQFII quota is utilised) would be able to avail of relevant double taxation agreements ("**DTAs**"). Furthermore, there was no centralised register or other official source in the PRC where all relevant legislation and regulation enacted or issued by the PRC Tax Authorities was made available to the public.

Having considered, amongst other things, independent tax advice, the Directors had, as at the date of the Fund's establishment, determined that:

- a daily adjustment would be made to the Net Asset Value of the Fund representing 10% of any realised and/or unrealised capital gains arising in connection with the Fund's investments in *Land Rich Companies* (i.e. PRC resident companies in respect of which 50% or more of the share value of the company consists directly or indirectly of immovable property), such amount representing the estimated amount of CGT which may have become payable in respect of such investments in the event that the PRC Tax Authorities ultimately sought to collect CGT from the Company; and
- in line with a significant number of RQFIIs (including those whose quota was being utilised for and on behalf of non-PRC open-ended collective investment schemes, including UCITS) who sought to rely on the terms of relevant DTAs, no equivalent daily adjustment was to be made to the Net Asset Value of the Fund to account for capital gains arising in connection with the Fund's investments in *Non-Land Rich Companies;*

(collectively, the "**CGT Provision**").

The CGT Provision was operated with respect to the Fund for the period prior to 17 November 2014 and, following that date, was designated to be held in reserve until such time as the Fund's actual, overall CGT liability (i.e. with respect to Land Rich Companies and Non-Land Rich Companies, collectively) for the period prior to 17 November 2014 was ultimately ascertained.

As noted above, in the period prior to 17 November 2014, the CGT Provision had only accounted for realised and/or unrealised capital gains arising in connection with the Fund's investments in *Land Rich Companies* (i.e. no equivalent provision was made in respect of Non-Land Rich Companies). Accordingly, there was a risk that, to the extent that the relevant DTAs were ultimately determined not to apply to the benefit of the Fund, the Fund would have a CGT liability relating to any realised gains made on its investments in Non-Land Rich Companies (i.e. for which the Fund had not been accruing tax).

On 07 December 2015, the Company submitted an application to the Shanghai State Tax Bureau for a determination with respect to the Fund's tax liability with respect to the period prior to 17 November 2014. As part of the application, the Company referred to the DTA existing between Ireland and the PRC as the relevant authority for an exemption from CGT with respect to Non-Land Rich Companies for the period prior to 17 November 2014. The Shanghai State Tax Bureau accepted the Company's application and issued a tax payment certificate with respect to the CGT payable in respect of Land Rich Companies only. Accordingly, it was determined by the Company that the Fund no longer had a contingent liability with respect to realised gains made on its investments in Non-Land Rich Companies in the period prior to 17 November 2014.

Accordingly, the excess of the CGT Provision (i.e. the amount exceeding the amount owing to the Shanghai State Tax Bureau in respect of Land Rich Companies) that had been retained by the Fund in respect of the contingent liability for Non-Land Rich Companies was credited to the Net Asset Value of the Fund on 08 December 2015.

CGT provisioning for the period from and including 17 November 2014

On 14 November 2014, the PRC Tax Authorities issued an announcement relating to capital gains tax applicable to QFIIs and RQFIIs with respect to the trading of shares and other equity interest investments in the PRC (Caishui [2014] No.79) (the "**14 November Announcement**"). The 14 November Announcement clarified that, on a temporary basis, capital gains realised as and from 17 November 2014 by QFIIs and RQFIIs with respect to the trading of shares and other equity interest investments in the PRC (including investments in both *Land Rich Companies* and *Non-Land Rich Companies*) would not be subject to CGT.

Having considered independent professional tax advice in the wake of the 14 November Announcement and given the temporary exemption granted to RQFIIs as detailed therein, the Directors determined that, with effect from and including the 17 November 2014, and for so long as the temporary exemption from CGT remains in place, it would not be necessary for the Fund to continue to accrue for CGT relating to capital gains derived from the trading of A-Shares in the manner described under the heading *"Background to CGT provisioning"* above.

Investors should note that legislation, regulation and guidance can be enacted/issued in the PRC without prior notice or subsequent publicity which means that the Company may from time to time be unaware of any new developments that may impact on the tax treatment of the Fund. There is also the risk that the interpretation of any relevant legislation and/or regulation by local PRC officials and market participants may vary.

If at any time the Directors determine that the risk of CGT being imposed on capital gains realised from the Fund's investments in *Land Rich Companies* and/or *Non-Land Rich Companies* with respect to any period from and including the 17 November 2014 becomes material, the Company may at such time elect to re-commence making provision for CGT by making further adjustments to the Net Asset Value of the Fund to reflect the estimated amount of such tax liability.

22. **Tax on income attributable to the Fund:** PRC income tax in respect of dividends and interest is withheld at source at the time when such amounts are paid, currently at a provisional rate of 10%. The actual tax rates imposed by the PRC Tax Authorities may however be different and may change from time to time. There is a possibility that the relevant rules may be changed and that taxes may be applied on foot of such changed rules retrospectively.

Additionally, whilst the Index methodology will imply a withholding tax rate of 10% with respect to the amount treated as being re-invested into the Index, there can be no certainty that the withholding tax rates applied via the Index methodology to dividends reinvested into the index will always be the same as the actual withholding tax rates applied to dividends received by the Fund on its Investments.

Various tax reform policies have been implemented by the PRC government in recent years and existing tax laws and regulations may be revised or amended in the future. Any changes in tax policies applicable within the PRC may reduce the after-taxation profits of the companies in the PRC to which the performance of the Fund is linked.

Other risk factors

23. **Investment in futures:** Futures exchanges may limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of the current trading session. Once the daily limit has been reached in a futures contact subject to such a limit, no more trades may be made on that day at a price beyond that limit. The daily limit governs only price movements during a particular trading day and therefore does not limit potential losses because the limit may work to prevent a liquidation of unfavourable positions. In addition, the ability to establish and close out a position in options on futures contracts will be subject to the development and maintenance of a liquid market in the options. There can be no assurance that a liquid market on an exchange would exist for any particular option or for any particular time.

    When the Fund invests in equity futures instruments, the Fund may be required to segregate cash and other high-grade liquid assets or certain portfolio securities as collateral due to its positions in futures instruments. There can be no disposal of such segregated assets, so long as the Fund maintains the positions requiring collateral. Segregating assets could diminish the Fund's return, due to the opportunity losses of foregoing other potential investments with the assets transferred or pledged as collateral.

24. **Investment in other collective investment schemes:** The Fund may invest up to 10% of its Net Asset Value in other collective investment schemes. As an investor in such other collective investment schemes, in addition to the fees, costs and expenses payable by an investor in the Fund, each investor in the Fund may also indirectly bear a portion of the fees, costs and expenses of the underlying collective investment schemes, including management, investment management and administration and other expenses.

25. **Prefunding Amount, Refund Amount and associated risks:** Direct investment in A Shares can only be effected on a pre-funded basis. This means that, in order for the Fund to be able to purchase A Shares on any particular day, the full cash amount required to cover the cost of such purchase must already be held in the Fund's local Chinese sub-custody account with the PRC Custodian. Accordingly, Authorised Participants subscribing for Shares in the Fund will be required to settle their subscription by delivering to the Fund an up-front cash amount (the "Prefunding Amount") to cover the purchase of the underlying securities in which the Fund will invest on foot of such subscription request. In circumstances where any Prefunding Amount delivered by an Authorised Participant in order to subscribe for Shares in the Fund is subsequently determined to have been in excess of the Subscription Price for the relevant Shares on the Dealing Day by reference to which the subscription was effected, the excess cash amount will be held in custody on a temporary basis until such time as it can be refunded to the relevant Authorised Participant (the "**Refund Amount**"). The relevant Authorised Participant shall remain an unsecured creditor of the Fund in respect of the Refund Amount until such time as the Refund Amount is repaid to it.

    Additionally, the Refund Amount will remain subject to the risks factors described in paragraphs 17 – 21, 23 and 26 above for the duration of the period in which it remains in custody in the PRC.

    Authorised Participants should note that the Refund Amount will be repaid to the relevant Authorised Participant net of the pro-rata portion, attributable to the Refund Amount, of any FX transaction costs incurred on the Prefunding Amount when the Prefunding Amount was originally converted from Base Currency into CNH and subsequently to CNY and remitted into the PRC for investment purposes. Additionally, the Refund Amount will be repaid to the relevant Authorised Participant net of any transaction costs associated with converting such Refund Amount from CNY into CNH and subsequently into Base Currency and repatriating and transferring such cash so that it can be repaid to the relevant Authorised Participant.

Authorised Participants should also note that no interest will accrue on the relevant Refund Amount and interest shall not therefore be payable by the Fund to the relevant Authorised Participant in respect of any such amount.

26. **Effect of Substantial Redemptions:** Substantial redemptions by investors could require the Fund to liquidate securities positions or other Investments more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's Investments and/or disrupting the Sub-Investment Manager's Index tracking strategy. In particular, substantial redemptions typically require that a representative proportion of the Fund's Investments are liquidated to finance any redemption payments. In circumstances where any of the Fund's Investments are subject to a prolonged limit or other restriction in trading, a suspension or other form of disruption and the Fund is unable to liquidate such Investments, and/or the Fund is unable to liquidate such Investments at prices which the Directors (or their delegates) deem to be their current fair or probable realisation value, in order to finance any redemption application that has been accepted, the Fund may need to liquidate a higher proportion of its other Investments, pay redemption proceeds out of the cash assets of the Fund or borrow cash on a temporary basis. In such circumstances, there is a risk that the fair or probable realisation value determined by the Directors (or their delegates) for a particular illiquid Investment at the point at which any Redemption Price is determined may subsequently be determined to be less than originally valued, and may in certain circumstances, including but not limited to circumstances where the relevant Investment remains illiquid on a more permanent basis than originally anticipated by the Directors, be determined to have a zero value. Where the Fund has made redemption payments based on a fair or probable realisation value determined for an Investment and the subsequent market value is later determined to be less, the Fund will incur losses. Such losses may be substantial where the aggregate value of redemption requests accepted for the relevant Dealing Day are significant.

Reduction in the size of the Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

In addition, there is a risk that the level of redemptions may become such that the remaining Investments of the Fund are not at a level that makes proper management of the Fund viable. In these circumstances, the Investment Manager and/or the Sub-Investment Manager, as relevant, may, acting in the best interests of remaining investors, sell underlying positions and manage the Fund on a cash basis in anticipation of a decision by the Directors or the investors to terminate the Fund.

THE SHARES

As at the date of this Fund Supplement, the Fund only has a single class of Shares which are ETF Shares as detailed in the table below. Additional classes of Shares may be added in the future in accordance with the requirements of the Central Bank.

Shares are freely transferable subject to and in accordance with the provisions of the Articles and as set out in the Prospectus.

As with other Irish companies limited by shares, the Company is required to maintain a register of Shareholders. ETF Shares will be held by the Common Depository's Nominee (as registered holder) in registered form. Only persons appearing on the register of Shareholders (i.e. the Common Depository's Nominee) will be a Shareholder. Fractional Shares will not be issued. No temporary documents of title or Share certificates will be issued (save for the Global Share Certificate, as set out in the Prospectus). A trade confirmation will be sent by the Administrator to the Authorised Participants.

Share Class	Share Class Type	Minimum Subscription / Redemption Amount	TER*	Dividend policy
USD Accumulating ETF	ETF Shares	1,000,000 Shares	0.88%	N/A

*Expressed as a % per annum of the Net Asset Value of the Share class.

STOCK EXCHANGE LISTINGS

As at the date of this Fund Supplement, the following classes of ETF Shares have been admitted to trading on the stock exchanges listed below. Applications for the admission to additional stock exchanges of existing and new classes of ETF Shares may be made from time to time.

Share Class	Share Class Type	Listing Exchange	Listing Currency	ISIN	Bloomberg code	Reuters code
USD Accumulating ETF	ETF Shares	London Stock Exchange	GBP	IE00BHBFDF83	CASE LN	CASE.L
		London Stock Exchange	USD	IE00BHBFDF83	CASH LN	CASH.L
		Deutsche Börse	EUR	DE000A1XEFE1	CASH GY	ECCASH.DE
		Borsa Italiana	EUR	IE00BHBFDF83	CASH IM	CASH.MI
		NYSE Euronext	EUR	IE00BHBFDF83	CASH NA	CASH.AS

DEALING PROCEDURES

Except as otherwise disclosed below or in the table entitled *"Dealing Information"*, the procedures for subscribing for and redeeming of Shares are outlined in the Prospectus. Subscriptions and redemptions in the Fund shall be in cash only.

Shares may be subscribed for in the manner set out in the Prospectus under the heading *"Subscriptions"*, beginning on page 55.

Shares in the Fund may be redeemed as described in the Prospectus under the heading *"Redemptions"* beginning on page 63.

<u>Currency of Payment and Foreign Exchange Transactions</u>

Where payments in respect of subscriptions or redemptions of Shares or dividend payments are tendered or requested in a major currency other than the Base Currency of the Fund, any necessary foreign exchange transactions may be arranged by the Manager (at its discretion) for the account of, and at the risk and expense of, the applicant, in accordance with the procedures designated by the Manager from time to time. The Manager may arrange for such transactions to be carried out by an affiliate of the Administrator.

DEALING INFORMATION

Base Currency	USD.
Dealing Currency	The dealing currency for each class of Shares is the currency of denomination of the relevant class of Shares.
Business Day	Means: (i) a day on which the Hong Kong Stock Exchange, Shenzhen Stock Exchange, Shanghai Stock Exchange and all Significant Markets are open for normal trading, provided such day is also an Index Publication Day and a normal business day in New York City and Hong Kong; or (ii) any such other day or days as the Directors may from time to time determine, subject to advance Shareholder notice provided that, if on any such day, the period during which any relevant securities market, as specified in (i) above, is open for normal trading is reduced as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Directors otherwise determine.
Dealing Day	Each Business Day, provided always that there shall be at least one Dealing Day each fortnight subject to the Director's ability to declare a temporary suspension of the determination of the Net Asset Value and of the issue and redemption of Shares of the Fund. The Promoter maintains an online "*Dealing Day Calendar*" at: http://www.lgimetf.com where advance notice of all expected Dealing Days for the Fund is published on an ongoing basis. The Dealing Day Calendar is also available on request from the Manager and from the Promoter.
Dealing Deadline	4:00 p.m. (UK time) on the Business Day before the Dealing Day on which the subscription or redemption is to be effected or such other time for the relevant Dealing Day (provided always that the Dealing Deadline shall be no later than the relevant Dealing Day's Valuation Point) as may be determined by the Directors, subject to advance Shareholder notice. The Dealing Deadline is the time by which applications for subscriptions and redemptions must be received by the Administrator in order to be processed for the relevant Dealing Day.
TER	Please refer to the table contained in the section above entitled *"The Shares"* for the TER applicable to each Share class. Brokerage and extraordinary expenses are excluded from the TER – see section entitled *"Fees and Expenses"* on page 72 of the Prospectus. Fees and expenses relating to establishment of the Fund are borne by the Manager.
Minimum Subscription Amount	Please refer to the table contained in the section above entitled *"The Shares"*.
Minimum Redemption Amount	Please refer to the table contained in the section above entitled *"The Shares"*.

Subscription Price	The subscription price for Shares shall be the aggregate of: (i) the Net Asset Value per Share subscribed for on the relevant Dealing Day and (ii) if applicable, any Duties and Charges incurred in connection with the acquisition by or on behalf of the Fund of Investments in connection with the subscription (including any provision for market spreads between the estimated price at which the Fund's Investments were valued for the purpose of calculating the Net Asset Value and the price at which such Investments are actually bought as a result of the subscription).
Redemption Price	Shares shall be redeemed at the Net Asset Value (on the relevant Dealing Day) per Share redeemed, less any associated Duties and Charges (including any provision for spreads between the estimated price at which the Fund's Investments were valued for the purpose of calculating the Net Asset Value and the price at which such Investments are actually sold as a result of the redemption).
Settlement of Subscriptions	Payment in respect of subscriptions must be received from Authorised Participants in cleared funds by 5:00 p.m. (UK time), or such later time as may be determined by the Manager (or its delegate), on the day of the Dealing Deadline applicable for the relevant Dealing Day in accordance with the procedures established by the Manager from time to time. Such payment shall be in the amount of up to 110% of the estimated value attributable on that day to the Shares subscribed for as determined and communicated on that day to the relevant Authorised Participant(s) by the Manager (or its delegate) (the "**Prefunding Amount**"). In exceptional circumstances, the Prefunding Amount may prove to be insufficient (or may be anticipated by the Manager (or its delegate) to be insufficient) to purchase the relevant amount of underlying Investments attributable to the subscription. In such circumstances, the relevant Authorised Participant may be required to deliver, in accordance with the procedures established by the Manager, an amount as specified by the Manager (or its delegate) to cover the shortfall (the "**Top-Up Amount**"). Such Top-Up Amount shall not exceed: • *in circumstances where not all of the relevant Investments can be executed on the relevant Dealing Day*, the difference between (i) the surplus Prefunding Amount, if any, remaining following the purchase by the Fund of Investments on the relevant Dealing Day in satisfaction of the relevant subscription request and (ii) the sum of (a) the estimated value attributed by the Manager or its delegate on the relevant Dealing Day to any Investments that cannot be executed on such Dealing Day and (b) an additional 10% of such estimated value as referred to in (a) above; or • *in circumstances where the Prefunding Amount is insufficient to cover all Duties and Charges incurred in connection with a subscription,* the amount of any such shortfall. Any such Top-Up Amount must be received in cleared funds from the relevant Authorised Participant by 5:00 p.m. (UK time) on the Dealing Day in respect of which the subscription is to be effected or such later time as the Manager (or its delegate) may determine in accordance with the procedures established by the Manager from time to time. In circumstances where any Prefunding Amount (including any Top-Up Amount) delivered by an Authorised Participant in order to subscribe for Shares in the Fund is subsequently determined to have been in excess of the Subscription Price for the relevant Shares on the Dealing Day by reference to which the subscription was effected, the excess cash amount will be held in custody on a temporary basis until such time as it can be

	refunded to the relevant Authorised Participant. Such excess amount (the "**Refund Amount**") will be repaid to the relevant Authorised Participant within the time period specified in the paragraph immediately below and will be repaid net of any transaction costs associated with converting such Refund Amount from the currency in which it is held into the Base Currency and the costs associated with repatriating and transferring such Refund Amount so that it can be repaid to the relevant Authorised Participant. Shares in the Fund will normally be settled on the Business Day following the relevant Dealing Day and in any event will be settled no later than 5 Business Days following the relevant Dealing Day. Any applicable Refund Amount will typically be repaid to the relevant Authorised Participant on the Business Day immediately following the date on which the relevant Shares are settled and in any event will be repaid no later than 5 Business Days following the date on which the relevant Shares are settled.
Settlement of Redemptions	Redemption proceeds in respect of Shares will normally be paid on the third Business Day following the Dealing Day by reference to which the redemption is effected or, in any event, within such other period as the Directors may determine (not exceeding 10 Business Days following the relevant Dealing Deadline) provided that all required documentation has been furnished to the Administrator and the relevant investor has delivered, in the relevant Recognised Clearing and Settlement System, the Shares to be redeemed.
Failure to Deliver	*Subscriptions* The Company reserves the right (but shall not be obliged) to cancel any subscription for Shares in the Fund in circumstances where the relevant Authorised Participant fails to deliver the relevant Prefunding Amount or, where applicable, the required Top-Up Amount by the times stipulated under *"Settlement of Subscriptions"* above. However, the Directors may in their sole discretion where they believe it is in the best interests of the Fund, decide not to cancel a subscription and the provisional allotment of Shares where an Authorised Participant has failed to deliver the relevant Top-Up Amount by the time stipulated under *"Settlement of Subscriptions"* above. The Company may temporarily borrow an amount equal to the relevant Top-Up Amount for the purposes of purchasing any relevant Investments in connection with such subscription. In such circumstances, the relevant Authorised Participant shall indemnify the Company for any failure to reimburse the Company in respect of such borrowing and any loss suffered by the Company due to interest charges and other costs suffered by the Fund, so that the Fund is in the same position as it would have been had the Company not acted upon the subscription application. If the Authorised Participant fails to reimburse the Company promptly on demand, the Company (or its delegate) will have the right to sell or redeem all or part of the Authorised Participant's holdings of Shares in the Fund or any other Fund of the Company in order to meet those amounts owed to it. *Redemptions* An application for redemption by an investor will only be valid if the relevant investor delivers to the Fund the required number of Shares by the time stipulated under *"Settlement of Redemptions"* above. In the event an investor fails to deliver the required number of Shares within such designated time, the Company (or its delegate) reserves the right (but shall not be obliged) to cancel the relevant application for redemption and the relevant investor shall indemnify the Company for any loss suffered by

	the Company as a result of a failure by the investor to deliver the required Shares in a timely fashion, including (but not limited to) (i) any capital gains that would have been realised on any liquidated Investments had the relevant Investments not been liquidated in connection with the redemption and (ii) any interest charges and/or other costs suffered by the Fund, so that the Fund is in the same position as it would have been had the Company not acted upon the redemption application.
Valuation	The Valuation Point is 4:00 p.m. (UK time) on each Dealing Day, being the time at which the WM/Reuters Closing Spot Rate (fix) is determined for the conversion into Base Currency of each currency in which the Fund's Investments are held or such other time(s) as the Directors may from time to time determine and notify by way of Shareholder notice in relation to the valuation of the assets and liabilities of the Fund. Investments of the Fund which are listed or traded on a Regulated Market and for which quotations are readily available shall be valued as at the last traded price.

RENMINBI QUALIFIED FOREIGN INSTITUTIONAL INVESTOR (RQFII)

The Renminbi Qualified Foreign Institutional Investor ("**RQFII**") scheme is a modified version of the Qualified Foreign Institutional Investor ("**QFII**") scheme which enables specified types of foreign institutional investors to invest into China's domestic securities markets. Specifically, the RQFII scheme facilitates the use of RMB held outside of mainland China for investment in the mainland Chinese domestic securities markets.

Background and developments

The pilot scheme for RQFII was first launched in December 2011 with the purpose of enabling the financial industry to use their RMB funds held outside of mainland China for investment into the domestic Chinese securities markets through various RMB denominated products launched in Hong Kong. Originally, under the initial RQFII scheme, only the Hong Kong subsidiaries of qualified mainland Chinese asset management companies and securities companies were eligible to apply for an RQFII licence and investment quota, with a total aggregate available investment quota limited to RMB 20 billion.

In March 2013, the total aggregate investment quota under the RQFII was increased to RMB 270 billion. In the same month, the China Securities Regulatory Commission ("**CSRC**"), the People's Bank of China ("**PBOC**") and the State Administration of Foreign Exchange ("**SAFE**") jointly issued the "*Measures for the Pilot Scheme for Domestic Securities Investment through RQFIIs*". CSRC also issued in March 2013 the "*Provisions on the Implementation of the Measures for the Pilot Scheme for Domestic Securities Investment through RQFIIs".* PBOC and SAFE jointly issued the "*Circular on Issues Concerning the Domestic Securities Investment by RQFII*" on August 30th 2016. In a press release dated September 30th 2016, CSRC indicated the relexation of certain soft requirements previously imposed by window guidance through onshore custodian banks on RQFII investments. Together, these are collectively referred to as the "**Revised RQFII Rules**". The Revised RQFII Rules replaced the previous regulations pertaining to the RQFII scheme issued in late 2011, early 2012 and early 2013 and introduced several significant changes, including the following:

- the category of entities eligible to apply for an RQFII licence was expanded to include (i) the Hong Kong subsidiaries of Chinese commercial banks and insurance companies and (ii) financial institutions registered in and having their principal place of business in Hong Kong, as long as the relevant institution holds a Type-9 regulated activity licence issued by the Hong Kong Securities and Futures Commission ("**SFC**") and is already engaged in the asset management business;
- the restriction which stipulated that only capital raised in Hong Kong could be invested into the domestic Chinese securities market was abolished with the result that investment capital raised outside of mainland China and Hong Kong can also be used for investment;

- the restrictions which stipulated that RQFIIs invest no less than 80% of their investment quotas in fixed-income products (bonds and fixed-income funds), no more than 20% in stocks and equity-type funds and no more than 20% in cash assets, were removed;
- instead of the previous quota approval mechanism, SAFE has now introduced and implemented an RQFII quota registration system based on each RQFII's assets under management (AUM) which may allow an RQFII to enlarge its quota already granted by SAFE; and
- the scope of permissible investments under the RQFII scheme was expanded to include (i) stocks, bonds and warrants traded or transferred on the Shanghai or Shenzhen stock exchanges, (ii) fixed income products traded in the inter-bank bond market, subject to approval by PBOC, (iii) securities investment funds, (iv) stock index futures and (v) other financial instruments approved by CSRC from time to time.

As part of the Revised RQFII Rules, RQFIIs are required to set up separate designated accounts with onshore sub-custodian banks for trading in the domestic stock exchanges and the inter-bank bond market, and for trading stock index futures.

Restrictions and limitations

Under the current RQFII scheme:

(a) an RQFII cannot hold more than 10% of the total outstanding shares in any single A Share-listed company; and

(b) the aggregate shareholding of all foreign investors in any single A Share-listed company cannot be more than 30% of the total outstanding shares of that company; and

(c) The rules applicable to open-ended collective investment schemes ("**CIS**") are more relaxed than those applicable to other product categories launched under the RQFII scheme. In particular, investments of a CIS launched by an RQFII are not subject to any "lock-up" period or other repatriation restrictions with respect to investment capital remitted into mainland China for investment purposes. This means that investment capital and any associated profits (i.e. income and capital gains realised in respect of the CIS' investments) can be repatriated out of mainland China on a daily basis without restriction and are not subject to the prior approval of SAFE.

Where a foreign investor carries out strategic investment in listed companies according to the "*Measures for the Administration of Strategic Investments in Listed Companies by Foreign Investors"*, the shareholding in relation to such investments shall not be subject to the limitations in paragraphs (a) and (b) above.

The three primary regulatory bodies in mainland China regulating the RQFII scheme are:

Regulatory body	Key Functions
China Securities Regulatory Commission ("**CSRC**")	• approves RQFII status • regulates onshore securities investments by RQFIIs
State Administration of Foreign Exchange ("**SAFE**")	• approves and allocates RQFII investment quota • monitors and regulates the remittance and repatriation of RMB funds jointly with PBOC
People's Bank of China ("**PBOC**")	• regulates onshore investments in the inter-bank bond market by RQFIIs • regulates onshore RMB accounts opened by RQFIIs and monitors and regulates the remittance and repatriation of RMB funds jointly with SAFE

Sub-Investment Manager

The Sub-Investment Manager has obtained status as an RQFII licence holder from CSRC and, as at the date of this Fund Supplement, has initially been granted an investment quota of RMB 27,200,000,000 by SAFE exclusively for the purposes of direct investment by the Sub-Investment Manager in the securities markets of mainland China. The RQFII investment quota amount is expressed in RMB and represents the maximum net amount of investment principal that can be remitted into mainland China by the Fund at any given time. In addition to the investment principal, amounts required for the payment of any associated taxes and fees can also be remitted into mainland China.

In the event that the Sub-Investment Manager has utilised a significant proportion of the RQFII investment quota initially granted, the Sub-Investment Manager may apply for additional RQFII investment quota in accordance with the streamlined application process established by SAFE. However, in circumstances where it deems appropriate, including where the RQFII investment quota (including any additional quota amounts granted by SAFE) has been substantially used up, the Manager may impose limits on primary market subscriptions for Shares in the Fund. The Manager (or its delegates) will, as it deems appropriate, contact all relevant Authorised Participants in circumstances where the RQFII investment quota is substantially used up. To the extent that additional RQFII investment quota is granted, a notice will be published on www.lgimetf.com.

In addition to being the RQFII licence holder in respect of the Fund, the Sub-Investment Manager will also be responsible for carrying out the investment management and risk management functions in respect of the Fund. Thus, the Sub-Investment Manager shall be responsible for ensuring that all transactions in the Fund's Investments are dealt with in compliance with the provisions of this Fund Supplement and the Prospectus as well as in compliance with the relevant laws and regulations applicable to transactions entered into by the Sub-Investment Manager on behalf of the Fund as an RQFII.

SUB-CUSTODY FRAMEWORK

The Depositary has appointed its affiliate, the Bank of New York Mellon SA/NV, as its global sub-custodian in respect of assets of its client schemes (including the Fund) pursuant to a global sub-custody agreement (the "**Global Sub-Custodian Agreement**"). The Global Sub-Custodian has in turn entered into an agreement with the Sub-Custodian pursuant to which the Sub-Custodian has been appointed to act as its sub-custodian for the purpose of safekeeping the investments of its customers in certain agreed markets, including the PRC (the "**Sub-Custody Framework**").

Notwithstanding that the Depositary has, pursuant to its obligations as a UCITS depositary, established the Sub-Custody Framework for the purpose of safe-keeping the assets of its client schemes, including the Fund, held in the PRC (as described above), the Revised RQFII Rules separately require that every RQFII license holder must appoint a local PRC custodian for the purposes of safe-keeping the investments and holding the cash in connection with the RQFII quota and for the purpose of coordinating relevant foreign exchange requirements. Therefore, in order to satisfy the requirements of the Revised RQFII Rules, the Global Sub-Custodian in conjunction with the Sub-Investment Manager (as the relevant RQFII licence holder) has entered into a separate agreement (the "**RQFII Custodian Agreement**") for the purpose of appointing the Sub-Custodian to act through the PRC Custodian in the PRC as the local custodian of the Fund's Investments and cash in connection with the RQFII investment quota that is to be used by the Sub-Investment Manager exclusively for the Fund in the PRC pursuant to the Revised RQFII Rules.

The Depositary has confirmed that, pursuant to the terms of the RQFII Custodian Agreement all instructions relating to the Fund provided to the Sub-Custodian will be made through the Global Sub-Custodian, and such instructions will be in accordance with the terms of the Global Sub-Custodian Agreement.

In accordance with the UCITS requirements, the Depositary has additionally confirmed that it shall provide for the safekeeping of the Fund's assets in mainland China through its global custody network, and that such safekeeping is in accordance with the conditions set down Regulation 114(7) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 which provide that there must be legal separation of non-cash assets held under custody and that the Depositary through its delegates must maintain appropriate internal control systems to ensure that records clearly identify the nature and amount of assets under custody, the ownership of each asset and where documents of title to each asset are located.

The PRC Custodian has been instructed to open securities accounts with the China Securities Depository and Clearing Corporation Ltd ("**CSDCC**") (the "**Securities Accounts**") and RMB special deposit accounts with the PRC Custodian (the "**Cash Accounts**") in the joint names of the Sub-Investment Manager (as the RQFII license holder) and the Fund (as a Fund of the Company). The Sub-Investment Manager, as the RQFII license holder, through the Global Sub-Custodian, shall instruct the Sub-Custodian (acting through the PRC Custodian) to execute all transactions with respect to the assets of the Fund held in the Securities Accounts and Cash Accounts as well as in relation to other matters such as the repatriation of cash.

TAXATION

A description of the taxation applicable to the Company and its investors is outlined under the heading "*Taxation*" in the Prospectus.

German Tax Information

The Company seeks to maintain "equity fund" status for the Fund pursuant to Section 2 para. 6 and 7 of the German Investment Tax Act 2018.

Investors should consult their own professional advisers as to the implications of the Fund maintaining "equity fund" status pursuant to the German Investment Tax Act 2018.

As at the date of this Fund Supplement, at least 51% of the Fund's assets will be continuously invested in equity assets as defined in Section 2. para. 8 of the German Investment Tax Act 2018.

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