



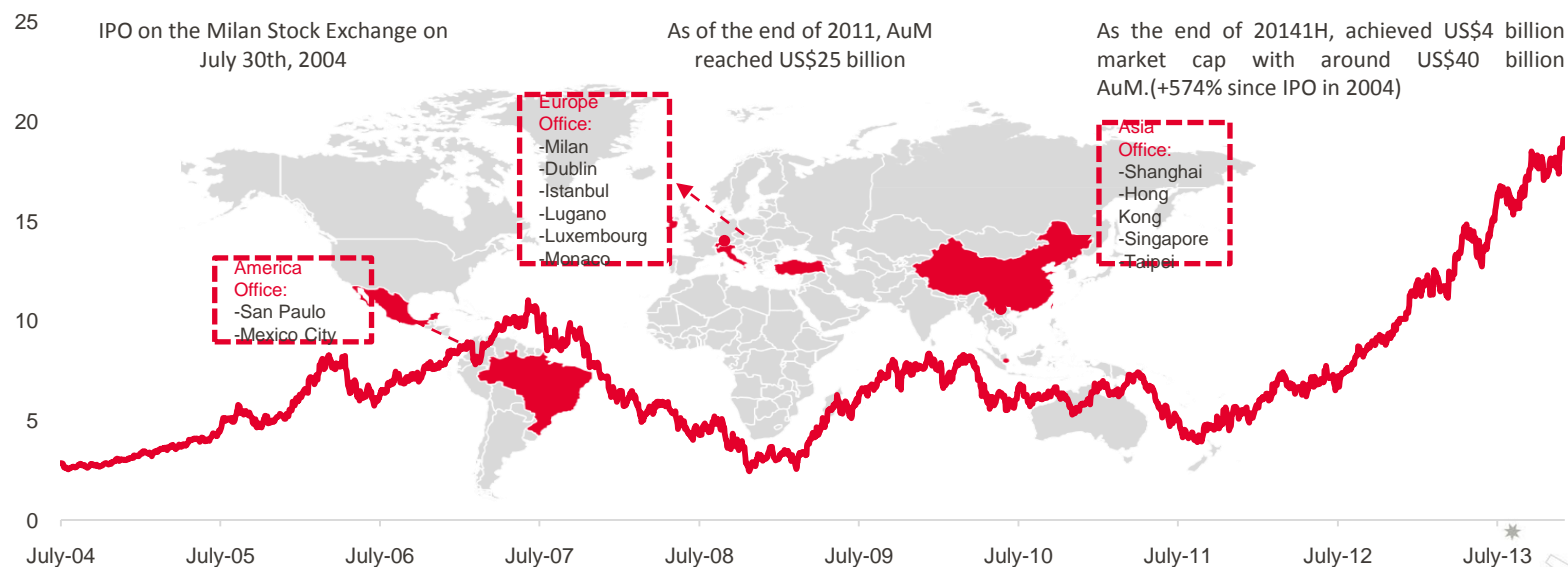
China Cross-Border Cash Management

The Azimut Group

The Azimut Group, the largest independent asset management company in Italy, comprises a number of companies that are focused on the promotion, management and distribution of financial and insurance products. In Greater China (where its Shanghai subsidiary was the first wholly foreign owned financial advisory firm).

Azimut Holding (AZM.IM) is a listed company on the Milan Stock Exchange and is a member of the FTSE MIB, the main index grouping the 40 largest companies listed on the Milan Stock Exchange. As of end of 2013, Azimut Holding had a market capitalization of approximately US\$ 4 billion (+537% since its IPO in 2004).

Assets under management as of end of June 2014 were US\$37 billion spread across 80+ mutual funds, fund of funds, hedge funds and corporate managed accounts. In 2011 Azimut launched the first UCITS fund investing in RMB assets, now one of the largest and most specialized RMB strategies in the world. In 2013 became the first foreign company to advise a Chinese asset manager on the local market.



China is now the most important trading nation in the world



#1 market for iron



#1 market for coal



#1 market for copper



#1 market for soybeans



#1 market for autos



#1 market for computers

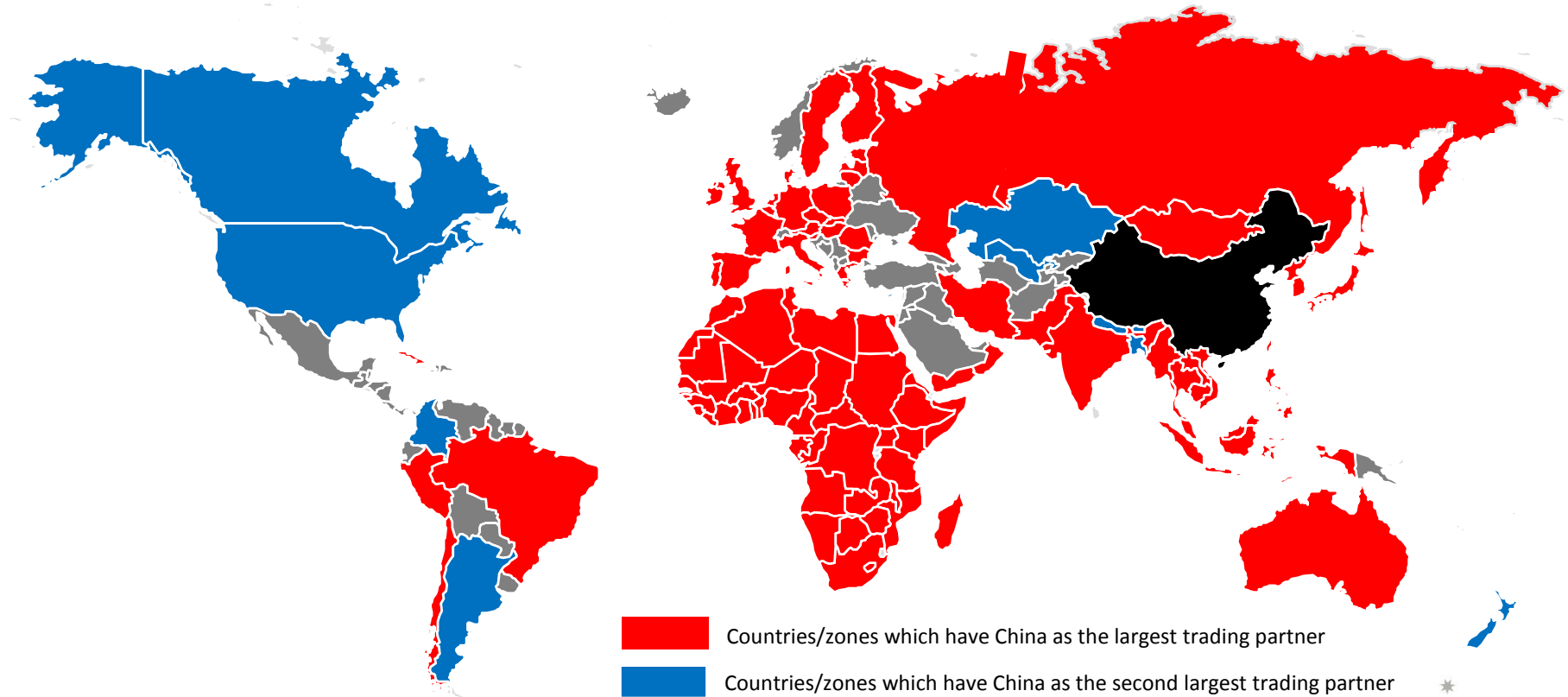


#1 market for TVs

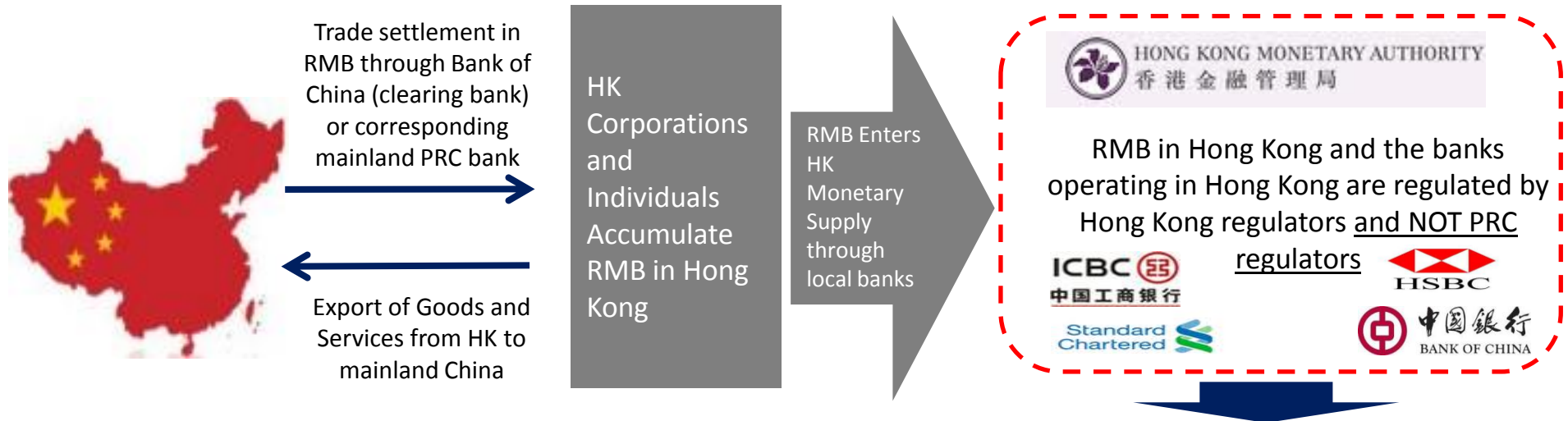


#1 market for mobile phones

China is the #1 or #2 Trading Partner of 78 Countries



CNH is the Offshore RMB – CNH is Freely Traded and Regulated by the Hong Kong Monetary Authority



The Hong Kong Monetary Authority places minimal restrictions on the CNH market. Both foreign and local corporations and institutions can freely convert, transfer, trade and deposit RMB in any amounts. The only restrictions pertain to sending RMB into mainland China, which requires approval by mainland Chinese regulators.

- Banks participating in the RMB spot FX market in HK (all the major global and Chinese banks) offer two tiers of RMB exchange rate:
- 1) If the FX transaction is related to a trade settlement, the bank can offset the trade with a RMB onshore/offshore clearing bank (Chinese SOE banks) which have direct access to the onshore RMB market (subject to PBOC quotas)
 - 2) If the FX transaction is not related to a trade settlement, the bank trades the RMB with other banks in HK just like any other inter-bank traded FX



What are the advantages in using RMB for trade settlement?

Goods/Services Exported from China

Goods/Services Imported to China

Advantages For
Chinese Entity
or WOFE
Invoicing in
RMB

Fully hedge RMB costs eliminating FX uncertainty and eliminate hedging costs.

Streamlined working capital management.

Fully hedge RMB revenues eliminating FX uncertainty and eliminate hedging costs.

Reduced regulatory paperwork as there is no need to convert to third-party currency.

Advantages for
Foreign
Counterparty
Invoicing in
RMB

Ability to negotiate better pricing.

Access to a larger supplier base which does not want to invoice in USD.

Competitive advantage vis-à-vis competition and ability to negotiate better pricing.

Access to a larger customer base which does not want to invoice in USD.

Separate studies by HSBC and Deutsche Bank reveals that on average Chinese suppliers/buyers are willing to negotiate prices by 2%-7% if settling is done in RMB



Latest updates on RMB cross-border settlement

Can foreign firms pay to a supplier in China in RMB?

All trade and other current account transactions between Mainland China and other parts of the world can be settled in RMB.

Are all provinces in China approved to receive or pay in RMB to entities abroad?

All legitimate and licensed import and export enterprises in all provinces and cities in China are allowed to settle their trade transactions in RMB with any part of the world.

Who can hold RMB abroad?

A RMB bank account can be opened in virtually every major country with all the major global banks or the large Chinese banks with branch networks. However, except for true offshore RMB centers like HK or SGP, physical RMB note circulation may not be feasible.

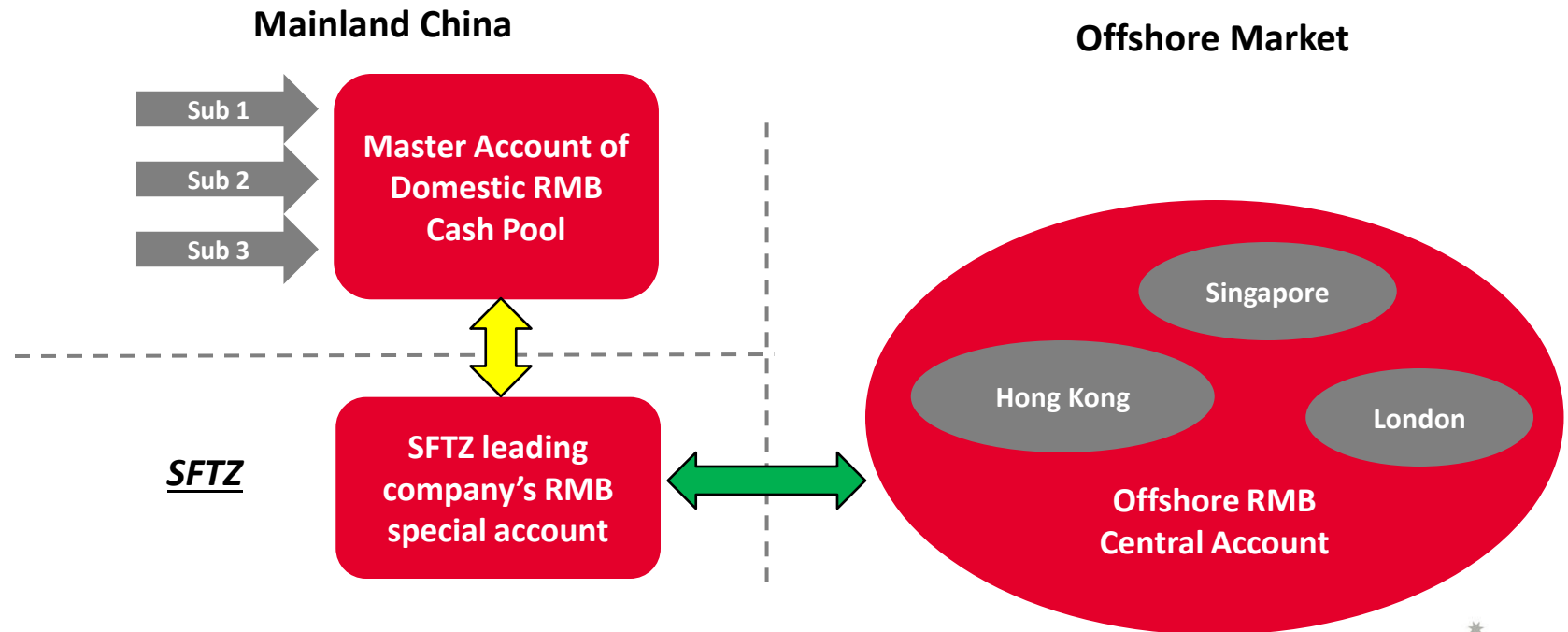
What are the restrictions regulations for a China-based firm to use RMB settlement?

No additional regulations/paperwork – whether importing/exporting you can use the same documentation as before. It has also been confirmed that export VAT rebates will be valid for RMB invoicing. Using RMB also has the added benefit of quicker settlement.

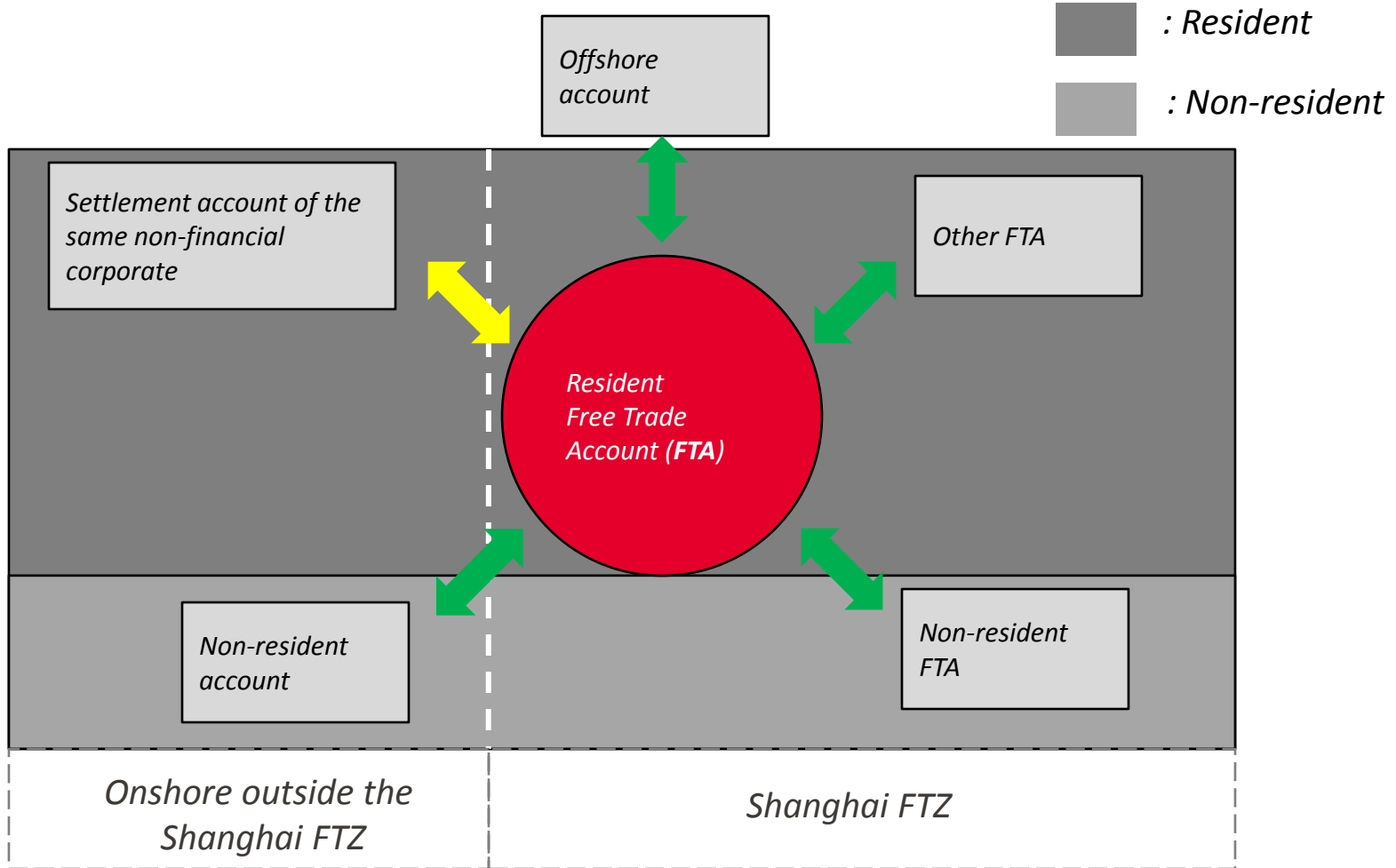


RMB 2-way cross border sweeping

Eligible Participants	Account Opening	Key Parameters
<ul style="list-style-type: none"> •Both SFTZ entities and non-SFTZ entities (including both onshore and offshore) •Leading Company-must be SFTZ entity 	<ul style="list-style-type: none"> •Open RMB special account for the SFTZ leading company •Other participants-existing operational accounts with banks 	<ul style="list-style-type: none"> •Funds that are swept from the Master Account to the members' accounts, or vice versa, should be generated from the group's business operating or investment activities, and cannot be from financing activities











Shanghai FTZ-Flows and Limitations



The PBOC issued 'China (Shanghai) Pilot Free Trade Zone Separate Accounting Business Implementing Rules (Pilot)' (the "Implementing Rules") on May 22nd 2014, which defines different fund flows in and out of FTZ.



RMB Continues to Position Itself as an Attractive Asset Class

		<u>Rating</u> <u>S&P</u>	<u>1 Year</u> <u>Govt Rate</u>	<u>FX Risk/</u> <u>Volatility</u>	<u>FX YTD</u> <u>Perf</u>	<u>Inflation</u> <u>Rate</u>
Traditional "Safe Havens"		AA+	0.09%	0.0%	0.0%	2.0%
		AAA	-0.14%	7.20%	-4.21%	0.0%
		AAA	-0.08%	6.56%	-6.21%	0.8%
		AA-	0.05%	9.42%	0.02%	3.4%
China		AA-	3.79%	1.84%	-1.40%	2.3%
Emerging Markets		BBB	8.75%	8.62%	-10.92%	7.6%
		BBB	11.36%	10.75%	5.32%	6.5%
		BBB-	8.60%	9.90%	2.33%	8.0%



Investment Options in China

Investment options available to expats working in China

	Availability	Risk	Return	Transparency	Liquidity
Bank deposits	YES	VERY LOW	VERY LOW	N/A	~1 Month
Money Market Funds	YES	MEDIUM	MEDIUM	LOW	Daily
Bond Funds	YES	LOW	MEDIUM	MEDIUM	Daily
Trust Products & WMP	YES	HIGH	MEDIUM	VERY LOW	~1 Month



CUAM AZ Money Market No.1 (ONSHORE CASH)

INVESTMENT OBJECTIVE

The product seeks to maximize and provide short term stable return comprised of interest income and capital growth by investing principally in highly rated short-term RMB denominated fixed income products or bank deposits and offer superior risk adjusted returns (minimizing credit, counterparty, and market) while not sacrificing liquidity.

KEY INFORMATION

Asset Manager	China Universal Asset Management Co., Ltd.
Investment Advisor	AZ Investment Management
Custodian Bank	ICBC, Shanghai Branch
Inception Date	April 2012
Currency	CNY
Min. Initial Investment	CNY 1,000,000
Min. Additional Investment	Any amount above minimum balance of CNY 1,000,000
Redemption Amount	Any amount above minimum balance of CNY 1,000,000 or full invested amount
Liquidity	Weekly liquidity. Investors can redeem on each Monday before 3:00PM Beijing Time
Settlement	T+2 into the original bank account
Fees	0.60% p.a. (management fee 0.50% + custodian fee 0.10%)

INVESTMENT PHILOSOPHY

CAPITAL PROTECTION

Invest in government/quasi government and highly rated securities with international credit ratings of "A" or above

LIQUIDITY MANAGEMENT

Invest in highly liquid securities and manage the duration of the portfolio to maximize liquidity

YIELD ENHANCEMENT

Seek to take advantage of idiosyncrasies and inefficiencies in the Chinese markets to maximize portfolio yield

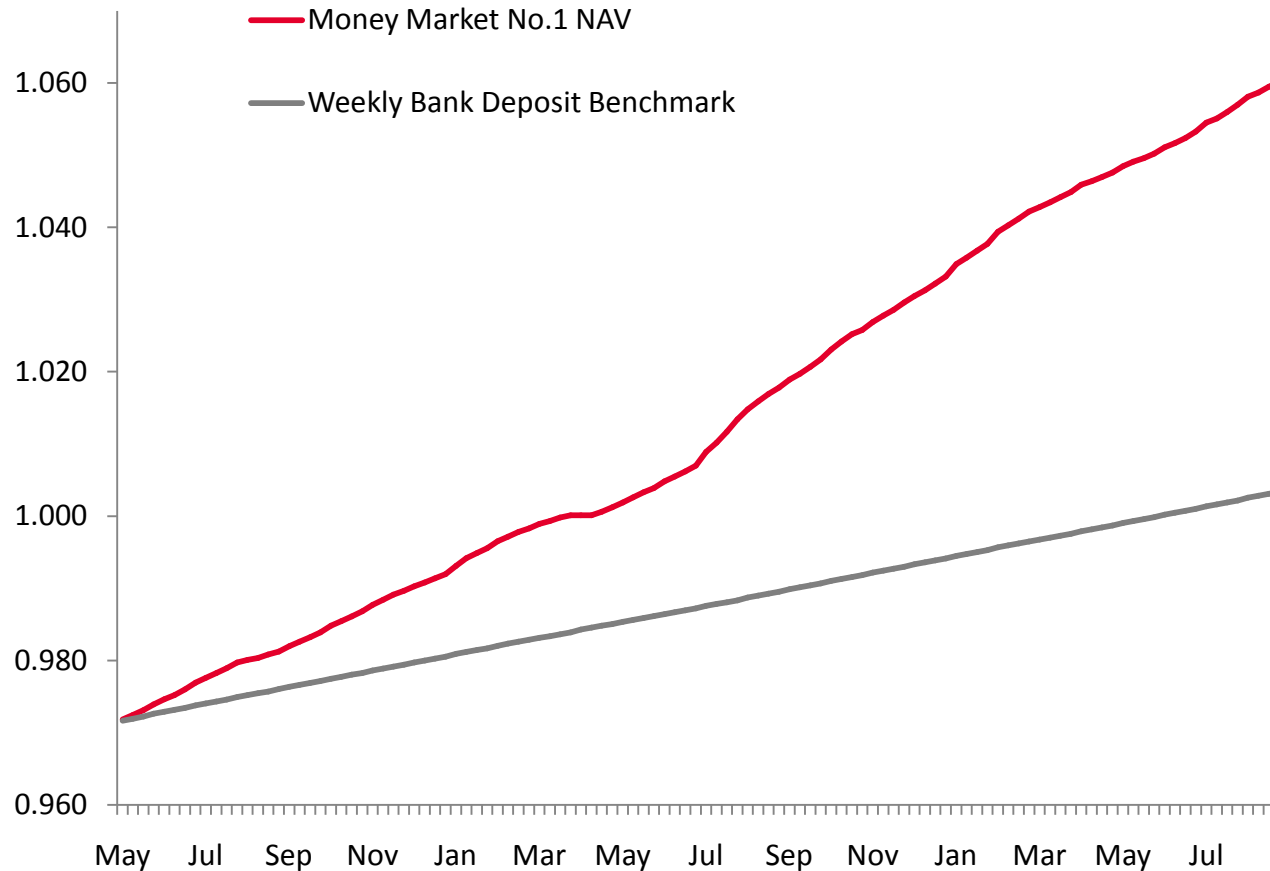
FUND CHARACTERISTICS

- Easily accessible with daily subscription and weekly redemption / T+2.
- Returns and counterparty diversification significantly higher than a bank time deposit. Greater risk adjusted returns compared to Chinese public money market funds. Does not compare with widely quoted banks' "Wealth Management" products as those products have diverse and often undisclosed underlying assets.
- Delivers secure and consistent returns as underlying deposits mature – regulations prohibit guaranteeing returns in excess of the relevant benchmark rates set by PBOC and offered by commercial banks as deposit rate, however Money Market No. 1 is at least as secure as those bank deposits.
- Employs extremely strict and conservative investment guidelines, in line with European and US money market fund guidelines. It invests in repos and CD's issued by the 10 largest Chinese banks and Government backed securities.
- Transparent and timely reporting. Fund composition and data available monthly or on a need to be basis. Fund managers available to investors at any time.



AZ CUAM Money Market No. 1

Current AZ Money Market 1 cash strategy Annualized Net Yield (as of Aug 2014):
4.62% (vs weekly deposit benchmark at 1.35%)



Over the past 6 months, our cash strategy has allowed corporate and individuals participants to access and use their liquidity **on a weekly basis** as needed (without being constrained by bank deposit lock-up terms), while delivering a **net annualized return of 4.44%** vs weekly benchmark of 1.35% p.a.

The opportunity cost of not having participated for 100mm in AZIM cash strategy over the past 6 months vs weekly bank deposits is above 1,500,000 RMB.



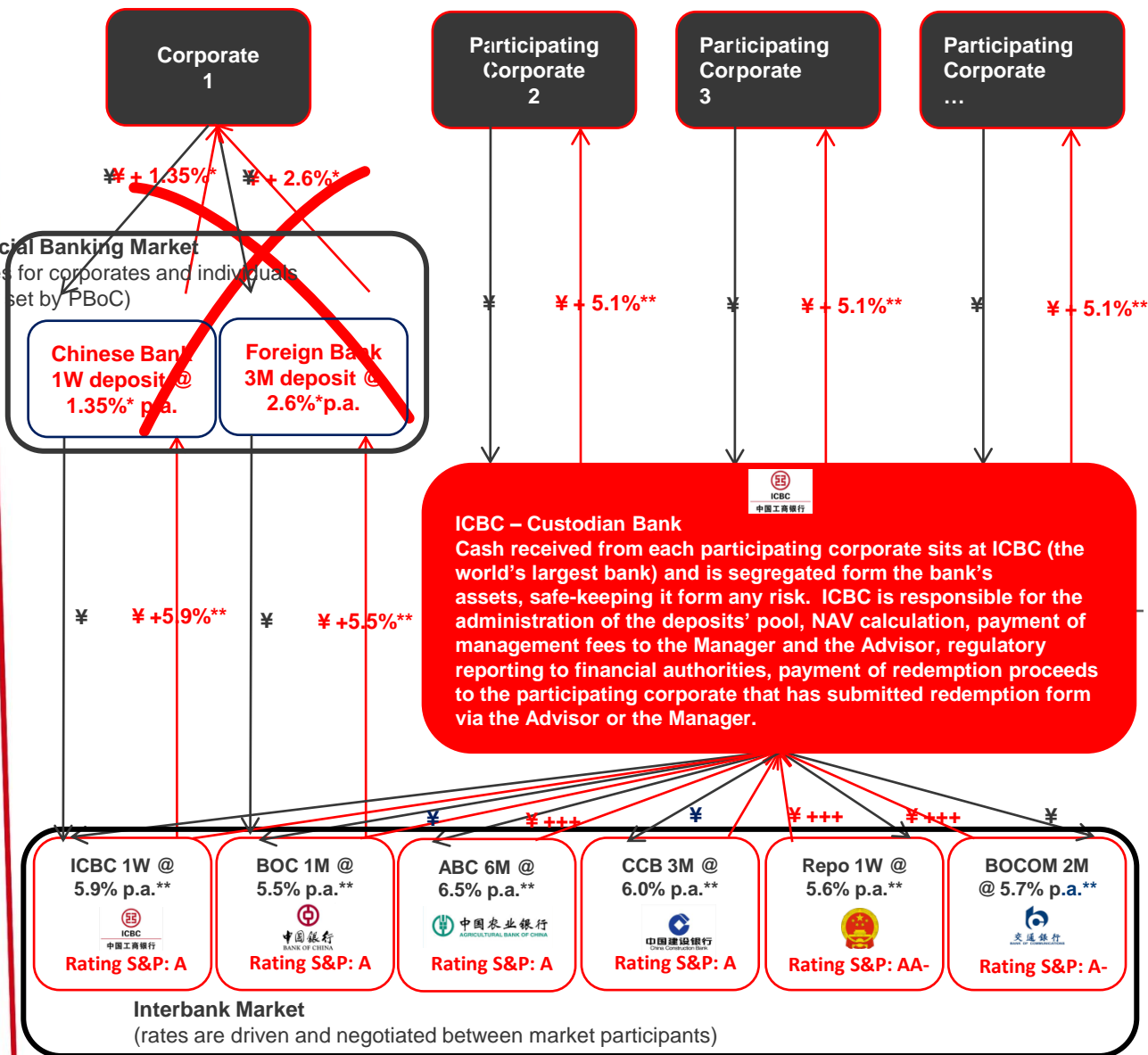
Money Market No. 1 – How It Works



In the past, corporates would resort to bank deposits and incur into:

- Limited number of banks they could work with and therefore highly concentrated counterparty risk
- Limited flexibility on their own liquidity (inefficient 3/6/12 months' lock-ups)
- Artificially low rates and penalties applicable to early deposit withdrawal

Commercial Banking Market
max rates for corporates and individuals
artificially set by PBoC



安中
AZ INVESTMENT MANAGEMENT
AZ IM instructs on the portfolio allocation based on rates negotiated in the interbank market and adhering to guidelines which are in line with those applied in US and EU

汇添富基金
China Universal, of the largest Chinese asset managers (SOE), executes the orders via the custodian bank ICBC



Money Market No. 1, on the other side:

- Is highly diversified over several counterparties and deposits with only the largest and safest Chinese banks
- Provides weekly liquidity
- Offers significantly improved returns from the interbank market....exactly where, due to the existence of two markets, banks are trading corporates' and individuals' cheap deposits with higher-yielding 'ones from other financial institutions

*



Note: * official 1W and 3M bank deposit rates ** for illustrative purposes, market driven deposit rates in interbank market

AZ RMB Opportunities (OFFSHORE CASH)

The RMB Opportunities fund is the largest UCITS IV fund in the world specializing in investments in the offshore RMB market.

INVESTMENT OBJECTIVE

The product seeks to provide stable return comprised of interest income and capital growth by investing principally in highly rated short-term RMB denominated fixed income products or bank deposits and offer superior risk adjusted returns while not sacrificing liquidity, providing investors a low-risk tool to access RMB appreciation while at the same time earning an attractive portfolio yield.

KEY INFORMATION

Domicile	Luxembourg, UCITS IV
Custodian Bank	BNP Paribas
Management Fees	0.75%
Inception Date	July 2011
Currency	EUR Hedged, EUR Open, USD, HKD, CNH
Min. Investment Amount	€ 250,000 (EUR Hedged and EUR Open classes) US\$ 250,000 (USD Class) HK\$ 2,500,000 (HKD Class) CNH 2,000,000 (Offshore RMB Class)
Liquidity	Daily , T+3

INVESTMENT PHILOSOPHY

CAPITAL PROTECTION

Mainly invest in certificate deposit (CD) issued by large banks and highly rated short term bonds.

LIQUIDITY MANAGEMENT

Invest in highly liquid securities and manage the duration of the portfolio to meet requirements of daily liquidity.

YIELD ENHANCEMENT

Take advantage of the portfolio size and economies of scale to earn above-market rates and gain priority access to investment products.

PORTFOLIO CHARACTERISTICS

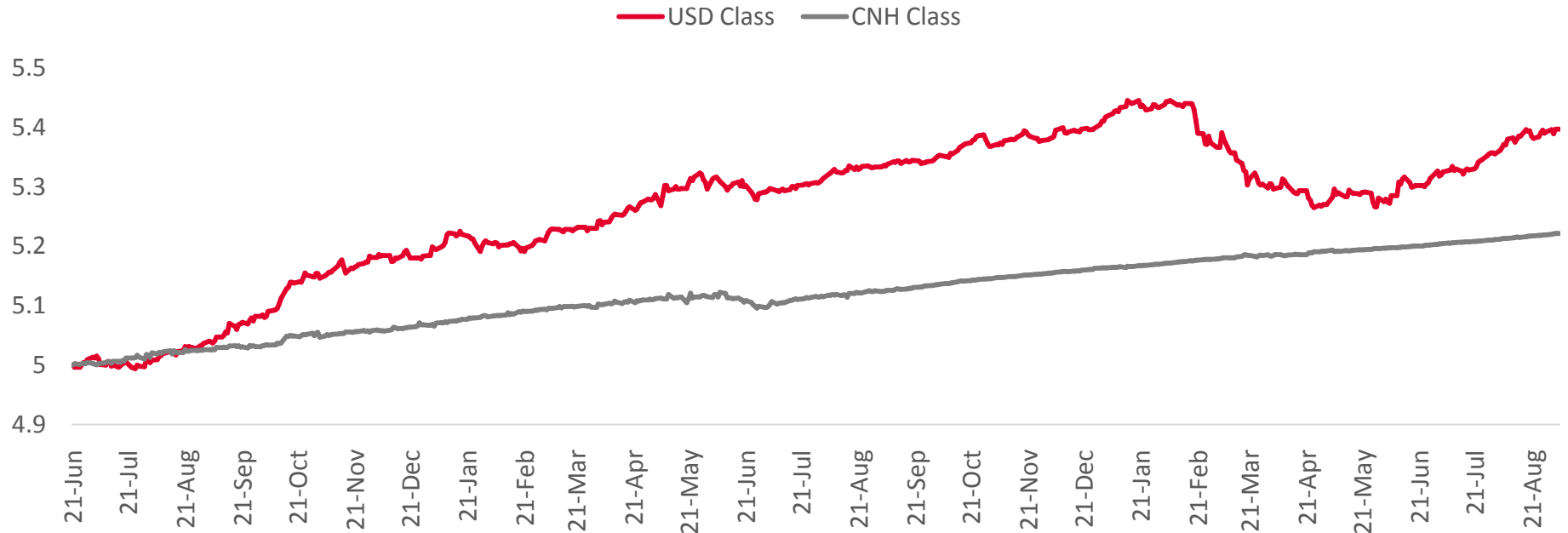
- Cash Plus strategy
- Conservative approach: 90%+ invested in bank deposits and certificates of deposit
- Current yield of 3.2% with a portfolio duration of 5 months
- Proven ability and track record to extract alpha from the interbank market and obtaining yields which are superior to market rates on the 1-12 month curve

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AZ RMB Opportunities

Performance Inception to July 2014



Monthly Performance

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	
USD Class	0.0%	0.5%	0.9%	1.4%	0.5%	0.1%	0.5%	0.0%	0.4%	0.9%	0.3%	-0.2%	0.4%	0.5%	0.2%	0.5%	0.2%	0.6%	0.4%	-1.1%	-1.4%	-0.5%	0.2%	0.8%	0.6%	0.65%	
CNH Class	0.3%	0.1%	0.1%	0.5%	0.1%	0.2%	0.3%	0.2%	0.1%	0.2%	0.1%	-0.4%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.17%

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