



## NOTICE OF MEETING

### FIDELITY CHINA FUND

19 April 2024

#### Notice of Meeting

This notice is issued by FIL Responsible Entity (Australia) Limited (ABN 33 148 059 009 AFSL No. 409340) (**FREAL** or **Responsible Entity**) as the responsible entity of the Fidelity China Fund (ARSN 116 072 649) (**Fund**).

A meeting of unit holders of the Fund (**Unit Holders**) will be held at:

**Time:** 11.15am

**Date:** 14 May 2024

**Place:** Level 17, 60 Martin Place, Sydney 2000

(the **Meeting**).

#### Business

The business of the Meeting will be to consider, and if thought fit, to pass the following resolution of Unit Holders (**Resolution**) as a special resolution of the Unit Holders:

#### *Resolution – Amendments to Constitution of the Fund*

*"Resolved that:*

- (a) The Constitution of the Fund be modified in accordance with the provisions of the Supplemental Deed tabled at the Meeting and signed or initialled by the Chair of the Meeting.*
- (b) FIL Responsible Entity (Australia) Limited (ABN 33 148 059 009) as the responsible entity of the Fund be authorised to execute and lodge the Supplemental Deed with the Australian Securities and Investments Commission.*
- (c) Each director and/or company secretary or duly authorised attorney of FIL Responsible Entity (Australia) Limited (ABN 33 148 059 009) be authorised to do all things which it reasonably considers necessary, desirable or incidental to give effect to the above resolutions."*

Further details on the rationale and effect of the Resolution are set out in the Explanatory Memorandum accompanying this Notice of Meeting.

The Resolution will be passed if at least 75% of the votes cast by Unit Holders entitled to vote on the Resolution are cast in favour of it.

The Board recommends that you vote in favour of the Resolution.

## Proxies

You have the right to appoint a proxy for the purposes of voting on this Resolution and the proxy does not need to be a Unit Holder. If you appoint two proxies, you may specify the proportion or number of votes each proxy is appointed to exercise.

If you wish to appoint a proxy, the completed Proxy Form (and if relevant, the authority under which the Proxy Form was signed or a certified copy of such authority) must be received by us no later than 48 hours before the meeting for your proxy appointment to be valid.

Proxy forms and any relevant signing authorities received by us after this time will not be accepted.

Please refer to the attached Proxy Form and the Notes on the Notice of Meeting below for further information regarding proxy appointments.

The Explanatory Memorandum, Proxy Form and Notes on the Notice of Meeting comprise part of this Notice of Meeting. We recommend that you read the Explanatory Memorandum carefully before voting on the Resolution.

BY ORDER OF THE BOARD OF FIL RESPONSIBLE ENTITY (AUSTRALIA) LIMITED

*L. Hanson*

Lawrence Hanson  
Managing Director, Australia  
FIL Responsible Entity (Australia) Limited  
in its capacity as the responsible entity of the Fund

## NOTES ON THE NOTICE OF MEETING

### 1. **Quorum**

The Meeting must satisfy the quorum requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**) and the constitution of the Fund (**Constitution**).

The quorum under the Corporations Act and the Constitution is at least two Unit Holders. The quorum must be present for the duration of the Meeting. The Constitution specifies that a Unit Holder is counted towards the quorum even though the Unit Holder may not be entitled to vote on the Resolution at the Meeting.

This Notice of Meeting is also a notice that if the quorum required under the Corporations Act and the Constitution is not met within 30 minutes after the time notified for the commencement of the Meeting, the Meeting will be adjourned to such other date, time and place as the Chairperson directs.

### 2. **Voting requirements**

For the Resolution to be implemented, the Resolution must be validly passed as a special resolution. The Resolution will be validly passed as a special resolution if at least 75% of the total votes cast on the Resolution are cast in favour of the Resolution by the Unit Holders entitled to vote.

### 3. **Entitlement to vote**

In the absence of any special circumstances, the register of Unit Holders as at 5.00pm (Sydney time) on 13 May 2024 will be taken as evidence of those Unit Holders entitled to vote.

If FREAL, as responsible entity of the Fund, or its associates (as defined under the Corporations Act) have an interest in the Resolution other than as a Unit Holder, FREAL and its associates may not vote on the Resolution.

### 4. **How to vote**

As the Meeting requires the Unit Holders to vote on the Resolution as a special resolution, the Resolution must be decided on a poll under section 253J of the Corporations Act. The Chairperson's declaration of the validity of any vote and the result of voting will be conclusive.

Each Unit Holder has one vote for each dollar of the value of the total interests they have in the Fund. The value of an interest in the Fund will be the amount that would be paid on a withdrawal of that interest as at 5.00pm (Sydney time) on 13 May 2024.

Unit Holders entitled to participate and vote at the Meeting may vote:

- (a) in person at the Meeting;
- (b) by appointing a proxy to participate in the Meeting and to vote on their behalf in accordance with paragraph 5 of these Notes on the Notice of Meeting;
- (c) by appointing an attorney to participate in the Meeting and to vote on their behalf in accordance with paragraph 6 of these Notes on the Notice of Meeting; or

- (d) by appointing a corporate representative to participate in the Meeting and to vote on their behalf in accordance with paragraph 7 of these Notes on the Notice of Meeting.

## 5. **Voting by proxy**

You have the right to appoint a proxy to attend and vote for you even if you are present at the Meeting. They do not need to be another Unit Holder. The Chairperson may act as your proxy if you wish.

You may appoint two proxies. If you choose to appoint two proxies, you will need to specify what proportion or number of votes each proxy is appointed to exercise for you. If your proxy appointments do not specify the proportion of voting rights that each proxy may exercise, each proxy may exercise half of your votes. Fractions of votes will be disregarded. FREAL encourages Unit Holders to submit a proxy vote ahead of the Meeting.

If the Chairperson is nominated as your proxy (or so acts because no other person is nominated or your named proxy does not attend the Meeting) and you do not direct the Chairperson exactly how to vote in your Proxy Form, the Chairperson intends to vote in favour of the Resolution at the Meeting.

The Proxy Form must be completed, signed and received by FREAL (if relevant, with a certified copy of the power of attorney under which the Proxy Form was signed) via the following channels:

**Online:** Lodge the proxy appointment online through <https://investorcentre.linkgroup.com/voting/fil>

**Post:** Link Market Services Limited  
Reply Paid 1519  
SYDNEY SOUTH NSW 1234

**Fax:** +61 2 9287 0309

**Hand delivery:** delivering it to Link Market Services Limited\*  
Parramatta Square  
Level 22, Tower 6  
10 Darcy Street  
Parramatta NSW 2150

or

Level 12  
680 George Street  
Sydney NSW 2000

\*During business hours Monday to Friday (9:00am - 5:00pm)

at least **48 hours** before the time of the Meeting for the proxy appointment to be effective.

6. **Voting by attorney**

You may appoint an attorney to participate and vote at the Meeting on your behalf. Such appointment must be made by a duly executed power of attorney, which must be received by the Fund's unit registry by at least **48 hours** before the time of the Meeting, unless it has been previously provided to the Fund's unit registry.

7. **Corporations**

Corporations wishing to vote at the Meeting, other than by proxy, must appoint a representative who must provide a duly executed document properly authorising their appointment under section 253B of the Corporations Act, including any authority under which it is signed.

Appointment forms may be obtained from:

<https://www.linkmarketservices.com.au/corporate/resources/forms.html>

8. **Attending the Meeting**

If you wish to attend the Meeting, please arrive at least 30 minutes before the starting time so that we can register your attendance, check the number of votes you are entitled to and issue you with voting papers. Please bring the Proxy Form with you to assist in the registration process.

9. **Chairperson**

FREAL will appoint Lisa Simmons to chair the Meeting. Lisa Simmons is a Partner of Ashurst.

FREAL will appoint another similarly qualified person to chair the Meeting if Lisa Simmons becomes unavailable to chair the Meeting.

10. **Defined terms**

Terms defined in the Explanatory Memorandum accompanying this Notice of Meeting have the same meaning in this Notice of Meeting, unless the context otherwise requires. Other terms have the meaning given to them by the current PDS for the Fund which is available at <https://www.fidelity.com.au/funds/fidelity-china-fund/related-documents/product-disclosure-statement/>

11. **Important information**

To enable you to make an informed decision on the Resolution, please carefully read the Explanatory Memorandum.

If you have any questions, please contact:

Client Services

Phone: 1800 044 922

Email: [auclientservices@fil.com](mailto:auclientservices@fil.com)

## EXPLANATORY MEMORANDUM

### FIDELITY CHINA FUND

#### Purpose

This Explanatory Memorandum is issued by FIL Responsible Entity (Australia) Limited (ABN 33 148 059 009 AFSL No. 409340) (**FREAL** or **Responsible Entity**) as the responsible entity of the Fidelity China Fund (116 072 649) (**Fund**).

The purpose of this Explanatory Memorandum is to provide unit holders (**Unit Holders**) of the Fund with information about the resolution set out in the Notice of Meeting (**Resolution**). It is intended to help Unit Holders decide how to vote on the Resolution to be put forward at the meeting of Unit Holders on 14 May 2024 (**Meeting**).

The purpose of the Meeting is to seek the approval of Unit Holders by way of special resolution to amend the constitution of the Fund (**Constitution**) to:

- facilitate the establishment and operation of a class of units in the Fund to be quoted on the Australian Securities Exchange (**ASX**) or Cboe Australia Exchange (**Cboe**) (each, an **Exchange**) as an actively managed exchange traded fund (**Active ETF**) (**Quoted Class**);
- incorporate necessary class mechanics into certain provisions to permit multiple classes of units to be issued;
- include provisions that apply different application and redemption procedures for the Quoted Class and authorise the Responsible Entity to determine that, in respect of units in the Quoted Class, different application and redemption procedures apply in respect of certain persons (such as authorised participants) or certain units in the Quoted Class; and
- include provisions that enable the Responsible Entity to adopt an external market making model for the Quoted Class. An external market making model allows the Responsible Entity to engage a third party or third parties to provide market liquidity in the Quoted Class during the trading day.

Further information on the proposed amendments to the Constitution as set out in the Resolution (**Proposed Amendments**) is provided below.

The *Corporations Act 2001* (Cth) (**Corporations Act**) and the Constitution require the Proposed Amendments to be approved by way of special resolution at a meeting of Unit Holders.

#### Background to the Proposed Amendments

The Fund currently operates with one class of units on issue that is not quoted on any securities exchange (**Unquoted Class**). FREAL proposes to introduce a Quoted Class of units in the Fund, which will be admitted to trading status and quoted on an Exchange as an Active ETF.

Unit Holders acquiring units in the Quoted Class would be able to trade those units on the Exchange at the market price at the time of trading. FREAL considers that the introduction of the Quoted Class of units in the Fund will provide existing and future Unit Holders with greater flexibility and choice in how they can access investments in the Fund.

For the avoidance of doubt, FREAL is not proposing to have the Unquoted Class in the Fund admitted to trading status and quoted on any Exchange. Existing units in the Unquoted Class will not be converted to the Quoted Class and would remain a separate class of units in the Fund. FREAL does not anticipate that the introduction of the Quoted Class of units in the Fund on an Exchange will impact or change the investment objective, investment approach, fees and costs or access to redemptions of the Unquoted Class of units in the Fund.

Investment funds in both the Quoted Class and Unquoted Class will be pooled together to buy assets for the Fund and pursue the Fund's investment strategy. The Fund will not employ different investment strategies for the Quoted Class and Unquoted Class.

However, there will be differences in how investors can access units in the Quoted Class and units in the Unquoted Class. These differences are outlined in the table below.

	<b>Quoted Class</b>	<b>Unquoted Class</b>
<b>Acquisition and disposal of units in the Fund</b>	Investors may buy and sell units in the Quoted Class on an Exchange through a stockbroker, in the same manner as other listed securities on the relevant Exchange.	Investors may apply for and redeem units in the Unquoted Class directly with the Responsible Entity. This existing process is outlined in the Product Disclosure Statement for the Unquoted Class.
<b>Application price and redemption amount</b>	Investors will buy and sell units in the Quoted Class during each Exchange's trading day at the prevailing market price at the time of the transaction.  Investors may incur brokerage or other transaction costs when they buy or sell units on an Exchange.	Investors will buy units at the application price and sell units at the redemption price, each calculated as NAV plus/minus a buy/sell spread.  The application / redemption price to be applied to the relevant transaction will not be known until after the application or redemption request has been made.
<b>Minimum investment amount</b>	There is no required minimum initial investment amount, subject to any requirements imposed by the investor's stockbroker or securities trading platform.	The minimum initial investment amount in the Fund is \$25,000, unless otherwise determined by the Responsible Entity.
<b>Cooling-off rights</b>	Cooling-off rights do not apply.	Cooling-off rights apply if the investor is a retail client under the Corporations Act.  Cooling-off rights do not apply to indirect investors investing through an investor platform, subject to the terms of the investor's offer document.
<b>Access to</b>	Investors can access Unit Holder	Investors can access Unit Holder information via the

	Quoted Class	Unquoted Class
<b>unitholding information</b>	information via the online Investor Centre.	Responsible Entity's online secure website, hosted by Link.

Subject to obtaining the approval of Unit Holders and the relevant Exchange, if the Quoted Class were to be admitted to trading status and quoted on such Exchange, FREAL intends to appoint external market maker(s) to provide liquidity to investors in the Quoted Class. The external market maker(s) would act as the buyer and seller of units in the Quoted Class on the Exchange. This will ensure that sufficient liquidity will be maintained for units in the Quoted Class.

### Proposed Amendments

The current provisions of the Constitution do not include specific operational mechanisms that enable FREAL, as responsible entity of the Fund, to efficiently operate a multi-class fund structure or offer and operate a Quoted Class as an Active ETF on a securities exchange.

In particular, the current provisions of the Constitution do not:

- facilitate the establishment and operation of the Quoted Class of units;
- allow the Responsible Entity to apply differential pricing to classes of units, which may arise from discrepancies in the unit pricing of Quoted Class and Unquoted Class units over time, for example, due to the timing of distribution reinvestments;
- accommodate different application and redemption procedures applying in respect of certain persons (such as authorised participants) or certain units in the Quoted Class; and
- accommodate for an external market making model. An external market making model allows the Responsible Entity to engage a third party or third parties to maintain bid and offer prices around the net asset value in the Quoted Class (as opposed to the Responsible Entity performing this function).

FREAL proposes to make the following material amendments to the Constitution:

Existing Provision	Proposed Amendment
<b>(a) Introduction of multi-class mechanics</b>	
The Constitution currently permits the Responsible Entity to create and issue different classes of units with different rights, obligations and restrictions attaching to each class of units as it determines. However, it does not include all necessary provisions that	The Proposed Amendments allow the Responsible Entity to determine that certain variables and matters, including without limitation assets, cash, liabilities, fees, income or expenses, are properly attributable or referable to a class of units. This enables the Responsible Entity to apply different application and redemption prices, income and capital distribution entitlements and entitlements on winding up to different classes.  The Proposed Amendments also qualify certain provisions in the



Existing Provision	Proposed Amendment
<p>enable the Responsible Entity to efficiently operate a multi-class fund structure.</p>	<p>Constitution as being subject to the rights, obligations and restrictions applying to any particular unit or class of units and clarify that certain provisions operate on a class basis, including matters in relation to applications, redemptions, application and redemption pricing, valuations, income, capital and distributions and rights to proceeds on Fund wind up.</p> <p>The Responsible Entity may determine that the proceeds payable to a Unit Holder in respect of the termination of a class of units shall be applied on behalf of such Unit Holder to subscribe for units in a different class.</p>
<p><b>(b) Reclassification and designation of units</b></p>	
<p>The Constitution permits the Responsible Entity to consolidate or split units as well as reclassify units from one class to another class.</p>	<p>The Proposed Amendments include additional clarification that in relation to the reclassification of units applies as between Quoted Classes and other classes.</p> <p>If a Quoted Class is established, the Responsible Entity will classify existing units in the Fund as a separate unquoted class of units and will not convert existing units into units in the Quoted Class.</p>
<p><b>(c) Additional powers in relation to quotation and listing</b></p>	
<p>The Constitution grants broad powers to the Responsible Entity to operate the Fund.</p>	<p>In addition to the Responsible Entity's broad powers to operate the Fund, the Proposed Amendments will grant additional specific powers to the Responsible Entity, including the ability to determine that the Fund or a class of units in the Fund is to be listed or quoted and powers to implement and effect such listing or quotation.</p> <p>The Proposed Amendments do not limit the Responsible Entity's existing broad general powers.</p>
<p><b>(d) Application and redemption procedures</b></p>	
<p>The Constitution currently does not provide for different application and redemption procedures applying to certain persons, classes of units or units.</p>	<p>The Proposed Amendments incorporate additional provisions to facilitate the application of different application and redemption procedures to certain persons in relation to units in the Quoted Class (such as authorised participants). Authorised participants generally will include external market makers appointed by the Responsible Entity and other trading participants of an Exchange that the Responsible Entity authorises to apply for and redeem units in the Quoted Class.</p> <p>These include provisions:</p>

Existing Provision	Proposed Amendment
	<ul style="list-style-type: none"> <li>• permitting the Responsible Entity to restrict the issue or redemption of units in the Quoted Class to certain persons, such as authorised participants;</li> <li>• permitting the Responsible Entity to issue units in the Quoted Class before receiving the application money, to determine the application price for such units as at the time the units are issued and to require the applicant to provide collateral to the Responsible Entity (or increase that application price by a buffer amount) in respect of such units if the application price consideration has not been provided;</li> <li>• permitting the Responsible Entity to pay redemption proceeds in satisfaction of a redemption request for units in the Quoted Class before receiving or redeeming the relevant units and to require the redeeming Unit Holder to provide collateral to the Responsible Entity (or decrease the redemption amount by a buffer) in respect of such units if the redemption price consideration has been paid but the units in the Quoted Class have not been delivered;</li> <li>• permitting the Responsible Entity to develop guidelines relating to the procedures for the application for, or redemption of, units in the Quoted Class. Any such guidelines are binding on Unit Holders seeking to apply for, or redeem, units in the Quoted Class unless the Responsible Entity determines otherwise;</li> <li>• permitting the Responsible Entity at its discretion to cancel the issue or redemption of units in the Quoted Class if the application money is not paid or if the redeemed units are not delivered up by the due date;</li> <li>• introducing indemnities from applicants and redeeming Unit Holders to the Responsible Entity and the Fund in certain circumstances related to the Quoted Class, including for losses caused by their settlement delay;</li> <li>• providing for the payment of the application money or redemption proceeds for units in the Quoted Class that are issued or redeemed in specie;</li> <li>• providing for units in the Quoted Class to be issued at a different time from the time that would otherwise apply under the Constitution where this is required or contemplated by the CHES rules or the operating rules of the relevant Exchange; and</li> <li>• permitting all Unit Holders to submit a redemption request in respect of the Quoted Class where such units have been</li> </ul>

Existing Provision	Proposed Amendment
	<p>suspended from trading for more than five consecutive trading days, except where the Fund is terminated or not liquid or redemptions have been suspended pursuant to the Constitution.</p> <p>The Proposed Amendments also permit the Responsible Entity to suspend redemptions in a Quoted Class for up to 180 days where market conditions are such that facilitating redemptions is difficult, not desirable or impossible, or where the redemption of Quoted Class units is not in the interests of Unit Holders as a whole, is materially adverse to Unit Holders as a whole or is not fair to the remaining Unit Holders.</p> <p>A Unit Holder may submit a redemption request to the Responsible Entity in respect of a redemption for Units of a Quoted Class if Quoted Units are suspended from Quotation for more than five consecutive trading days, except where:</p> <ul style="list-style-type: none"> <li>(A) the Fund is being wound up;</li> <li>(B) the Fund is not Liquid; or</li> <li>(C) the Responsible Entity has suspended the redemption of Units pursuant to the Constitution.</li> </ul> <p>FREAL does not intend to change the application and redemption procedures applicable to the existing units in the Unquoted Class.</p>
<b>(e) New application and redemption fees for the Quoted Class</b>	
<p>The Constitution currently permits the Responsible Entity to charge an entry fee and an exit fee for units on issue.</p>	<p>The Proposed Amendments allow the Responsible Entity to apply an additional cost in relation to processing applications and redemptions. This cost is not a buy/sell spread, is payable by the Authorised Participant, must not exceed \$10,000 per application or redemption and is applicable to primary market applications and redemptions of units in the Quoted Class by the Authorised Participants only. If charged, such cost will be payable for the benefit of the Fund.</p> <p>The Proposed Amendments also allow the Responsible Entity to charge an additional entry fee or exit fee applicable to units in the Quoted Class.</p> <p>The additional cost will not apply to existing units in the Unquoted Class.</p>
<b>(f) Transfers</b>	
<p>The Constitution permits Unit Holders</p>	<p>The Proposed Amendments provide for specific transfer arrangements</p>

Existing Provision	Proposed Amendment
<p>to transfer units. The transfer is not effective until recorded in the Unit Holders' register and the Responsible Entity may refuse to record the transfer in the Unit Holders' register in its discretion.</p>	<p>applicable to units in the Quoted Class and incorporate restrictions on transfers and permit the Responsible Entity to impose certain restrictions in relation to the transfer of units in the Quoted Class, including for example the imposition of a holding lock. These provisions are standard for the operation of an Active ETF.</p> <p>The Proposed Amendments also restrict the Responsible Entity's ability to prevent, delay or interfere with a proper transfer in accordance with the Settlement Rules or the registration of a paper-based transfer while the units in the class participate in a Settlement Facility.</p>
<p><b>(g) Compliance with operating rules, listing rules and settlement rules</b></p>	
<p>The Constitution currently does not make reference to compliance with the operating rules, listing rules and settlement rules of any Exchange.</p>	<p>The Proposed Amendments introduce obligations on the Responsible Entity to, while units are quoted on an Exchange, comply with the operating rules of the relevant Exchange, the conditions and restrictions of any applicable ASIC relief and the ASX listing rules applicable to the Quoted Class. The Proposed Amendments include deeming provisions to modify the effect of the Constitution in certain circumstances.</p> <p>The Proposed Amendments also provide that:</p> <ul style="list-style-type: none"> <li>• while the Fund or a class of units in the Fund is quoted, the Responsible Entity must comply with the operating rules of the relevant Exchange in relation to the issue and dispatch of holding statements, the transfer and transmission of units and the establishment and maintenance of a register of holders of units in the Quoted Class;</li> <li>• the Fund or the Quoted Class must comply with the settlement rules if any of the units are CHESS approved securities. In particular, the Fund or a Quoted Class must comply with the requirements of the settlement rules regarding the maintenance of registers, the issuing of holding statements and transfers in relation to its CHESS approved securities;</li> <li>• whilst units are quoted or the Fund is admitted to the official list, each Unit Holder of the Quoted Class must, in relation to the Quoted Class, comply with the operating rules of the relevant Exchange to the extent applicable.</li> </ul>
<p><b>(h) Administrative and incidental amendments</b></p>	

Existing Provision	Proposed Amendment
Various.	<p>The Proposed Amendments introduce certain other incidental amendments in connection with and to facilitate the Proposed Amendments.</p> <p>These include changes to more closely align the Constitution with the constitutions of other funds in relation to which FREAL is the responsible entity.</p>

The full text of the Proposed Amendments to the Constitution is annexed to the Supplemental Deed tabled at the Meeting. In addition, Unit Holders can access the full text of the Proposed Amendments by contacting FREAL at [auclientservices@fil.com](mailto:auclientservices@fil.com).

### Key benefits, risks and disadvantages

#### Potential benefits

- **No material impact on existing investments in the Fund:** FREAL does not anticipate that the Proposed Amendments or the introduction of the Quoted Class will impact or change the investment objective, investment approach, fees and costs or rights to redemption of the existing units in the Unquoted Class of the Fund. The existing units in the Unquoted Class will not be converted to units in the Quoted Class and there will be no change to the investment experience or the application or redemption procedures applicable to units in the Unquoted Class. Any costs and expenses associated with the establishment and operation of the Quoted Class will be borne by the Responsible Entity.
- **Increased transparency of Fund information:** Unit Holders of the Unquoted Class will have access to additional disclosures the Responsible Entity is required to provide about the Fund to Unit Holders and the market while the Quoted Class is admitted to trading status and quoted on an Exchange. Information disclosed in relation to investments in the Quoted Class will be equally applicable to investments in the Unquoted Class as the Fund will adopt a single investment strategy and asset pool.
- **Increased flexibility for accessing investments in the Fund:** Existing Unit Holders will have the option to access the Fund through both the Quoted Class and the Unquoted Class, which adopt the same investment strategy and asset pool. Benefits in accessing the Fund via the Quoted Class includes faster transaction times, (intra-day) price transparency and ability to transact in units during Exchange trading hours, lower minimum initial investment amounts and access to automated electronic transaction processes via the CHESSE settlement system when acquiring or disposing of units in the Quoted Class. Investors wishing to access the Quoted Class will need to transact on the ASX through their broker.

#### Potential risks and disadvantages

- **Class risk:** Separate classes of the Fund are not separate legal entities and the assets referable to each class would not be segregated. All of the assets of the Fund would be available to meet all of its liabilities, regardless of the class to which such assets or liabilities are allocated or attributable. Accordingly, there would be the potential for existing Unit Holders in the Unquoted Class to be affected by liabilities of the

Quoted Class (and vice versa). In the event of insolvency, the assets of the Unquoted Class could be made available to creditors of the Quoted Class (and vice versa). As the Fund is not geared and the investment strategy of both the Quoted Class and Unquoted Class are the same, Fidelity does not consider this to be a significant risk.

- **Settlement risk:** The Proposed Amendments would permit the Responsible Entity to issue units in the Quoted Class to external market makers and other authorised participants before receiving the application money for those units and redeem units in the Quoted Class before the units are delivered up for redemption. This is a necessary feature of an Active ETF given that CHES settlement of trades on an Exchange generally occurs two business days after a trade is entered into. If an authorised participant does not pay the application money or deliver up the redeemed units by the due date, the Fund may suffer loss if it entered into transactions in anticipation of the payment or delivery up of units occurring and needs to reverse those trades or enter into offsetting transactions. Fidelity may rely on contractual indemnities or seek to recover losses in contractual arrangements with authorised participants and service providers.

#### **Board recommendation**

The Board considers the Proposed Amendments are in the best interests of Unit Holders and unanimously recommends that Unit Holders vote in favour of the Resolution.

#### **What will happen if Unit Holders do not approve the Resolution?**

If the Resolution is not approved, the proposed amendments to the Constitution will not be made. This means the Constitution will not be amended and the current provisions of the Constitution will continue to apply. FREAL will not establish, offer or operate the Quoted Class as an Active ETF listed on any Exchange.

If the result of the Resolution is immediately available, the Chair will announce the result at the Meeting. If the result of the Resolution is not immediately available, FREAL will notify Unit Holders by uploading a notice of the results to the following webpage: <https://www.fidelity.com.au/funds/continuous-disclosure1/>

#### **What will happen if the Unit Holders approve the Resolution?**

If the Resolution is approved, it will be binding on all Unit Holders including any Unit Holder who voted against, or did not vote on, the Resolution.

FREAL will notify Unit Holders by uploading a notice of the results to the following webpage: <https://www.fidelity.com.au/funds/continuous-disclosure1/>

As soon as practicable after the Meeting, FREAL will lodge the Supplemental Deed with the Australian Securities and Investments Commission (**ASIC**) to amend the Constitution to incorporate the Proposed Amendments. The Proposed Amendments to the Constitution will take effect on lodgement with ASIC. Operationally, the provisions of the Constitution that apply to the Quoted Class or while the Fund is quoted will only apply once the Quoted Class is admitted to trading status and quoted on the relevant Exchange.

FREAL will continue exploring the option of issuing a Quoted Class of units and operating it as an Active ETF listed on an Exchange, and will notify Unit Holders prior to issuing and launching the Quoted Class.

## **Costs associated with holding the Meeting and implementing the Resolution**

Any costs incurred as a result of holding the Meeting and amending the Constitution in accordance with the Resolution will be paid by FREAL and not out of the assets of the Fund.

### **What you need to do**

- Read the Notice of Meeting and Explanatory Memorandum.
- If you have any questions about the Notice of Meeting or Explanatory Memorandum or would like more information about the Fund, contact FREAL on 1800 044 922 between 9am - 5pm (Sydney time) on a business day or via email [auclientservices@fil.com](mailto:auclientservices@fil.com).
- Vote on the Resolution by attending the Meeting or completing the Proxy Form.

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