

# **iShares MSCI India**

**a sub-fund of the iShares Southeast Asia Trust**

**a Singapore unit trust authorised under  
Section 286 of the Securities and Futures Act, Chapter 289 of Singapore**

## **THIRD SUPPLEMENTARY PROSPECTUS**

**31 January 2011**

A copy of this Third Supplementary Prospectus has been lodged under Section 298 of the Securities and Futures Act, Chapter 289 of Singapore, with the Monetary Authority of Singapore (the "**Authority**"), who takes no responsibility for its contents.

This Third Supplementary Prospectus is supplemental to the prospectus relating to the iShares MSCI India registered by the Authority on 27 May 2010 as replaced by a replacement prospectus dated 24 June 2010 and supplemented by a supplementary prospectus dated 19 August 2010 and a second supplementary prospectus dated 1 September 2010 (the "**Prospectus**").

Capitalised terms in this Third Supplementary Prospectus that are not defined shall have the same meaning and construction ascribed to them in the Prospectus. This Third Supplementary Prospectus should be read together and construed in conjunction with the Prospectus.

### Change of Address of Registrar

The address of the Registrar of iShares MSCI India will be changed from "60 Alexandra Terrace, #10-12/13 The Comtech, Singapore 118502" to "20 Pasir Panjang Road, (East Lobby) #12-21, Mapletree Business City, Singapore 117439".

In this connection, the place where the Register can be inspected as set out in the second paragraph under the heading "Registrar" in Section 1 of the Prospectus shall be changed from "60 Alexandra Terrace, #10-12/13 The Comtech, Singapore 118502" to "20 Pasir Panjang Road, (East Lobby) #12-21, Mapletree Business City, Singapore 117439".

### Change in Telephone Number of Manager

The telephone number of the Manager of iShares MSCI India will be changed from "+65 6411 3000" to "+65 6411 3388".

In this connection, the telephone number which investors may use to call the Manager as set out under the heading "Queries and Complaints" in Section 1 of the Prospectus shall be changed from "+65 6411 3000" to "+65 6411 3388".

**iShares MSCI India  
Third Supplementary Prospectus  
Required pursuant to the Securities and Futures Act, Chapter 289 of Singapore**

**Board of Directors of BlackRock (Singapore) Limited**

Signed:

Signed:

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Rohit Bhagat

Director

*(signed by Alasdair Charles Riach for and  
on behalf of Rohit Bhagat)*

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Alasdair Charles Riach

Director

Signed:

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Michael Timothy Marquardt

Director

*(signed by Alasdair Charles Riach for and  
on behalf of Michael Timothy Marquardt)*

# iShares MSCI India

a sub-fund of the iShares Southeast Asia Trust

a Singapore unit trust authorised under  
Section 286 of the Securities and Futures Act, Chapter 289 of Singapore

## SECOND SUPPLEMENTARY PROSPECTUS

1 September 2010

A copy of this Second Supplementary Prospectus has been lodged under Section 298 of the Securities and Futures Act, Chapter 289 of Singapore, with the Monetary Authority of Singapore (the “**Authority**”), who takes no responsibility for its contents.

This Second Supplementary Prospectus is supplemental to the prospectus relating to the iShares MSCI India registered by the Authority on 27 May 2010 as replaced by a replacement prospectus dated 24 June 2010 and supplemented by a supplementary prospectus dated 19 August 2010 (the “**Prospectus**”).

Capitalised terms in this Second Supplementary Prospectus that are not defined shall have the same meaning and construction ascribed to them in the Prospectus. This Second Supplementary Prospectus should be read together and construed in conjunction with the Prospectus.

### Change of Name of Manager

With effect from 1 September 2010, the name of the Manager of iShares MSCI India will be changed from “BlackRock Asset Management Southeast Asia Limited” to “BlackRock (Singapore) Limited”.

In this connection, with effect from 1 September 2010 every reference to “BlackRock Asset Management Southeast Asia Limited” appearing in the Prospectus shall accordingly be replaced with “BlackRock (Singapore) Limited”.

**iShares MSCI India  
Second Supplementary Prospectus  
Required pursuant to the Securities and Futures Act, Chapter 289 of Singapore**

**Board of Directors of BlackRock (Singapore) Limited  
(formerly known as BlackRock Asset Management Southeast Asia Limited)**

Signed:

Signed:

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Rohit Bhagat  
Director  
*(signed by Alasdair Charles Riach for and  
on behalf of Rohit Bhagat)*

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Alasdair Charles Riach  
Director

Signed:

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Michael Timothy Marquardt  
Director  
*(signed by Alasdair Charles Riach for and  
on behalf of Michael Timothy Marquardt)*

# **iShares MSCI India**

a sub-fund of the iShares Southeast Asia Trust

a Singapore unit trust authorised under  
Section 286 of the Securities and Futures Act, Chapter 289 of Singapore

## **SUPPLEMENTARY PROSPECTUS**

**19 August 2010**

A copy of this Supplementary Prospectus has been lodged under Section 298 of the Securities and Futures Act, Chapter 289 of Singapore, with the Monetary Authority of Singapore (the “**Authority**”), who takes no responsibility for its contents.

This Supplementary Prospectus is supplemental to the prospectus relating to the iShares MSCI India registered by the Authority on 27 May 2010 as replaced by a replacement prospectus dated 24 June 2010 (the “**Prospectus**”).

Capitalised terms in this Supplementary Prospectus that are not defined shall have the same meaning and construction ascribed to them in the Prospectus. This Supplementary Prospectus should be read together and construed in conjunction with the Prospectus.

### Board of directors of Mauritius subsidiary

The purpose of this Supplementary Prospectus is to clarify that the board of directors of the Mauritius subsidiary, the iShares MSCI India Mauritius Company, comprise of the following directors:

Hilary Glynn Bodin  
Kapil Dev Joory  
Couldip Basanta Lala  
Eleanor Seet Oon Hui  
Alasdair Charles Riach.

In this connection, Appendix V of the Prospectus shall forthwith be amended by replacing the paragraph headed “Michael Timothy Marquardt” under the “Directors of the Mauritius subsidiary” section with the following paragraph:

“Eleanor Seet Oon Hui

Ms. Seet is Director of iShares Sales and responsible for the distribution of iShares through Private Wealth intermediaries in the Asia ex Japan region, based in Singapore. Prior to BlackRock, she spent 12 years with AllianceBernstein in Singapore. Most recently as Director of Southeast Asia, she was responsible for the overall strategy and execution of AllianceBernstein’s product offerings in the Southeast Asia region via intermediaries. Ms. Seet holds NASD certification in Series 6 and graduated with a Bachelor of Economics from the University of New South Wales, Sydney.”.

**iShares MSCI India  
Supplementary Prospectus  
Required pursuant to the Securities and Futures Act, Chapter 289 of Singapore**

**Board of Directors of BlackRock Asset Management Southeast Asia Limited**

Signed:

Signed:

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Rohit Bhagat

Director

*(signed by Alasdair Charles Riach for and  
on behalf of Rohit Bhagat)*

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Alasdair Charles Riach

Director

Signed:

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Michael Timothy Marquardt

Director

*(signed by Alasdair Charles Riach for and  
on behalf of Michael Timothy Marquardt)*

IMPORTANT: If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

Application was made to the Singapore Exchange Securities Trading Limited ("SGX-ST") on 20 April 2006 for permission to list and deal in and for quotation of all the Units of the iShares MSCI India which may be issued from time to time. Such permission has been granted by SGX-ST and the iShares MSCI India has been admitted to the Official List of the SGX-ST. SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus and admission to the Official List is not to be taken as an indication of the merits of the iShares MSCI India or its Units.

This Prospectus replaces the original iShares MSCI India prospectus registered by the Monetary Authority of Singapore (the "Authority") on 27 May 2010 and is a replacement prospectus lodged with the Authority on 24 June 2010 pursuant to Section 298 of the Securities and Futures Act, Chapter 289 of Singapore.

# iSHARES MSCI INDIA

**a sub-fund of the iShares Southeast Asia Trust  
a Singapore unit trust authorised under  
Section 286 of the Securities and Futures Act, Chapter 289 of Singapore**

## PROSPECTUS

**Managed by  
BlackRock Asset Management Southeast Asia Limited  
24 June 2010**





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# PRELIMINARY

The iShares MSCI India is subject to counterparty risk associated with each IAP Issuer and may suffer losses potentially equal to the full value of the IAPs issued by a IAP Issuer if such IAP Issuer fails to perform its obligations under the IAPs. Any loss would result in a reduction in the net asset value of the iShares MSCI India and impair the ability of the iShares MSCI India to achieve its investment objective to track the relevant index. In the event of any default by an IAP Issuer dealing may be suspended and the iShares MSCI India may not continue to trade.

It is possible that the iShares MSCI India may suffer greater tracking error than typical exchange traded index funds due to amongst other things foreign ownership restrictions on certain constituent stocks, the fees payable by the iShares MSCI India including IAP commissions and the adoption of a Representative Sampling Strategy. Investor's attention is drawn to the discussion in this regard under "Investment Strategy" on pages 32 to 33.

This Prospectus has been prepared in connection with the offer in Singapore of units in the iShares MSCI India ("Units"), which is a sub-fund of the iShares Southeast Asia Trust (the "Trust"), an umbrella unit trust established under Singapore law by a trust deed dated 31 May 2006 between the Manager and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") (as amended from time to time).

The directors of the Manager accept full responsibility for the accuracy of information contained herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no material facts the omission of which would make any statements in this Prospectus misleading.

The collective investment scheme offered in this Prospectus, the iShares MSCI India, is an authorised scheme under the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"). A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "**Authority**"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the investment merits of the iShares MSCI India.

Applicants for Units should consult their financial advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable them to acquire Units and as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and should inform themselves of, and observe all such laws and regulations in any relevant jurisdiction that may be applicable to them.

The Units of the iShares MSCI India are listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and traded on SGX-ST at market prices throughout the trading day. Market prices for Units may, however, be different from their net asset value. Listing for quotation of the Units on the SGX-ST does not guarantee a liquid market for the Units.

Investors should note that Units may not be acquired by, or for the account of, Non-Resident Indians and Persons Residents in India (as defined below).

Units of the iShares MSCI India may be offered in jurisdictions other than Singapore pursuant to and in accordance with the relevant private placement exemptions of such jurisdictions and shall not, unless otherwise provided, be publicly offered in such jurisdictions. This Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Units may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An ERISA Plan is defined as (i) any retirement plan subject to Title I of the United States Employee Retirement Income Securities Act of 1974, as amended; or, (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended.

Investors should note that any amendment or supplement to, or replacement of, this Prospectus will be posted on the website ([www.iShares.com.sg](http://www.iShares.com.sg)).

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# DIRECTORY

## iShares MSCI India

### Directors of the Manager

Alasdair Charles Riach  
Rohit Bhagat  
Michael Timothy Marquardt

### Manager

BlackRock Asset Management Southeast Asia Limited  
#18-01, Twenty Anson  
20 Anson Road,  
Singapore 079912.  
Company Registration No. 200010143N

### Trustee, Custodian and Registrar

HSBC Institutional Trust Services (Singapore) Limited  
21 Collyer Quay  
#14-01 HSBC Building  
Singapore 049320  
Company Registration No. 194900022R

### Sub-Manager

BlackRock Asset Management North Asia Limited  
Suite 2503-05, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

### Auditors

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

# SECTION 1 – GENERAL INFORMATION RELATING TO THE TRUST

*This Prospectus provides the information you need to make an informed decision about investing in the iShares MSCI India. It contains important facts about the Trust as a whole and the iShares MSCI India. Section 1 of this Prospectus includes general information concerning the Trust and its Index Funds, including the iShares MSCI India. Section 2 includes specific information relevant to the iShares MSCI India only.*

## The Trust

The Trust is a Singapore-constituted umbrella unit trust created by a trust deed dated 31 May 2006 made under Singapore law between Barclays Global Investors Southeast Asia Limited (now known as BlackRock Asset Management Southeast Asia Limited) as Manager and HSBC Institutional Trust Services (Singapore) Limited as Trustee (the “**Principal Deed**”). The Principal Deed has been amended by a supplemental deed dated 15 June 2006 and an amending and restating deed dated 24 June 2010 each made between the Manager and the Trustee (as amended, the “**Trust Deed**”).

The Trustee shall establish a separate pool of assets within the Trust for each Index Fund (each such separate pool of assets constituting a sub-fund). The assets of each Index Fund shall at all times belong to that Index Fund and be segregated from the other Index Funds, and shall not be used to discharge the liabilities of or claims against any other Index Fund. The iShares MSCI India is the first Index Fund established under the Trust. The Manager reserves the right to establish additional Index Funds in the future.

Investors should note that the Index Funds differ from a typical unit trust offered in Singapore. The Units of each Index Fund are listed on the SGX-ST and trade like any other equity security listed on the SGX-ST. Only Participating Dealers may purchase or redeem Units directly from an Index Fund at NAV. All other investors may only purchase and sell Units in each Index Fund on the SGX-ST.

## Registration and Expiry Date

This Prospectus replaces the original iShares MSCI India prospectus registered by the Authority on 27 May 2010, and is a replacement prospectus lodged with the Authority on 24 June 2010 pursuant to Section 298 of the Securities and Futures Act. This Prospectus shall be valid for a period of 12 months after the date of registration (up to and including 26 May 2011) and shall expire on 27 May 2011.

## Investment Objective of the Index Funds

The investment objective of each Index Fund is to provide investment results that, before expenses, closely correspond to the performance of the Underlying Index relevant to the Index Fund by investing all, or substantially all, of the assets of such Index Fund (directly or indirectly) in shares comprising such Underlying Index in substantially the same weightings as constituted in the Underlying Index.

An index is a group of stocks which an Index Provider selects as representative of a market, market segment or specific industry sector. The Index Provider determines the relative weightings of the stocks in the index and publishes information regarding the market value of the index.

## Investment Policies of the Index Funds

### Indexing Investment Approach

Index Funds are not managed according to traditional methods of “active” investment management, which involve the buying and selling of Securities based on the fund manager’s economic, financial and market analysis and investment judgment. Unlike an actively managed investment fund an Index Fund does not attempt to “beat” the market or its Underlying Index. Instead, the Manager, using a “passive” or indexing investment approach, attempts to deliver an investment performance

which closely corresponds, before expenses, to the performance of the Underlying Index relevant to the Index Fund. The Manager will do so either by a Replication Strategy or by a Representative Sampling Strategy as described under “Principal Investment Strategies”.

The use of an indexing investment approach may eliminate some of the risks of active management such as poor stock selection. An indexing investment approach may also help increase after-cost performance by keeping portfolio turnover low in comparison to actively managed investment funds.

The Trust offers investors a convenient way to obtain index-based exposure to the stock markets of a specific country or region. However, movements in the prices of Units may be volatile. Therefore, if you purchase Units, you should be able to tolerate sudden, or even drastic, changes in the value of your investment. The Manager cannot assure that any Index Fund will achieve its investment objective.

The Manager seeks to achieve the objective of each Index Fund primarily by investing (directly or indirectly) in shares comprised in the relevant Underlying Index. Each Index Fund operates as an index fund and will not be actively managed; as such, adverse performance of a Security from an Index Fund’s portfolio will ordinarily not result in the elimination of the Security from an Index Fund’s portfolio. For different reasons, an Index Fund may not invest in all of the stocks of its Underlying Index. Some Index Funds may even invest in stocks that are not in their Underlying Indices.

### **Investment of Assets**

Each Index Fund has a policy to remain as fully invested as practicable in a pool of equity securities. Each Index Fund will normally have at least 95 per cent of its total assets invested (directly or indirectly) in shares comprised in the Underlying Index, based on one of the principal investment strategies described below, except, in limited circumstances, to help meet Redemption Applications. To manage corporate actions and index changes in smaller markets, some Index Funds will at all times have at least 80 per cent of their total assets invested (directly or indirectly) in shares comprised in the Underlying index, based on one of the principal investment strategies, and at least half of the remaining 20 per cent of their total assets invested in such stocks or in stocks included in the relevant market, but not in the relevant Underlying Index.

An index Fund may also invest in other investments including money market instruments or funds that invest exclusively in money market instruments, in repurchase agreements, in stocks that are in the relevant market but not the Index Fund’s Underlying Index (as indicated above), and/or in combinations of stock index futures contracts, options on futures contracts, stock index options, stock index swaps, cash, local currency and forward currency exchange contracts and cash and cash equivalents that the Manager believes will help the Index Fund achieve its investment objective.

The Manager may attempt to reduce tracking error by using futures contracts whose behaviour is expected to represent the market performance of an Index Fund’s Underlying Index. The Manager will not use these instruments to leverage, or borrow against, an Index Fund’s securities holdings or for speculative purposes. In some cases, the use of these special investment techniques can adversely affect the performance of an Index Fund.

The Manager may, in the future, invest an Index Fund in Securities contracts and investments other than those listed herein, provided they are consistent with the Index Fund’s investment objective and do not violate any investment restrictions or policies.

## **Principal Investment Strategies of the Index Funds**

### **Representative Sampling Strategy**

“Representative Sampling” involves a representative sample of the Securities in its Underlying Index, selected by the Manager using quantitative analytical models in a technique known as “portfolio sampling”. Under this technique, each stock is considered for inclusion in an Index Fund based on its contribution to certain capitalisation, industry and fundamental investment characteristics. The Manager seeks to construct the portfolio of an Index Fund so that, in the aggregate, its capitalisation, industry and fundamental investment characteristics perform like those of its Underlying Index. Over time, the

Manager may alter (or “rebalance”) the portfolio composition of an Index Fund to reflect changes in the characteristics of its Underlying Index or to bring the performance and characteristics of an Index Fund more in line with that of its Underlying Index. The Manager will review each Index Fund regularly and will adjust the Index Fund’s portfolio, when necessary, to conform to changes in the composition of the Underlying Index. Rebalancing may also be required for tax purposes. These rebalancings will require an Index Fund to incur transaction costs and other expenses.

### **Replication Strategy**

“Replication” involves investing in substantially all the Securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these stocks have in the Underlying Index. The Manager reserves the right to invest in all of the Index Fund’s Underlying Index, and may do so on a regular basis for an Index Fund with an Underlying Index comprised of relatively few stocks.

Investors should note that the Manager may switch between the above strategies, without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the relevant Index Fund by tracking the relevant Underlying Index as closely as possible for the benefit of investors.

## **Investment and Borrowing Restrictions of the Index Funds**

### **Investment Restrictions**

Each Index Fund that is a Non-Specialised Fund is subject to the Non-Specialised Funds Investment Guidelines (save to the extent waived, exempted or varied by the Authority, as discussed in Section 2), which Guidelines may be amended from time to time by the Authority.

The Non-Specialised Funds Investment Guidelines in force as at the date of this Prospectus are summarised below:–

### ***Unlisted Securities***

- (a) Investments in unlisted securities including unlisted derivatives should not exceed 10 per cent of the deposited property of a Non-Specialised Fund. This 10 per cent limit does not apply to shares offered through an initial public offering which have been approved for listing and unlisted debt securities that are traded on an organised over-the-counter market which is of good repute and open to the public.
- (b) Up to an additional 10 per cent of the deposited property of a Non-Specialised Fund may be invested in unlisted debt securities which are of investment grade (i.e. rated at least BBB by Fitch Inc., Baa by Moody’s or BBB by Standard and Poor’s including such sub-categories and gradations therein) but for which there is no ready secondary market.

### ***Single Issuer and Group Limits***

- (c) Investments in securities issued by a single issuer should not exceed 10 per cent of the deposited property of a Non-Specialised Fund (“**single issuer limit**”). Further, investments in securities issued by a group of companies (a group of companies is defined as a company, its subsidiaries, fellow subsidiaries and its holding company) should not exceed 20 per cent of the deposited property of a Non-Specialised Fund (“**single group limit**”).
- (d) Notwithstanding the “single issuer limit” and “single group limit” set out in paragraph (c), investments in any security that is a component of a Non-Specialised Fund’s reference benchmark may be up to the benchmark weighting of the issuer, with an additional absolute overweight allowance of two percentage points above the benchmark weight. The reference benchmark should be one which is widely accepted and constructed by an independent party.
- (e) Investments in securities issued by and deposits placed with an issuer, as well as securities of that same issuer which have been lent, should be aggregated in computing the single issuer and group limits. If a Non-Specialised Fund holds as collateral securities issued by the aforementioned issuer, these should also be included in computing the Non-Specialised Fund’s exposure to that issuer.



- (f) Exposure to the underlying of a financial derivative has to be included in the calculation of the single issuer and group limits.
- (g) The single issuer limit of 10 per cent in paragraph (c) may be raised to 35 per cent of the deposited property of a Non-Specialised Fund where:
- the issuer is, or the issue is guaranteed by, either a government, government agency, or supranational that has a minimum long-term issuer rating of BBB by Fitch Inc., Baa by Moody's or BBB by Standard and Poor's (including such sub-categories or gradations therein); and
  - except for a Non-Specialised Fund with a fixed maturity, not more than 20 per cent of the deposited property of a Non-Specialised Fund may be invested in any single issue of securities by the same issuer.
- (h) The single issuer limit in paragraphs (c) and (d) does not apply where:
- the issuer is, or the issue has the benefit of a guarantee from, either a government, government agency or supranational that has a minimum long-term issuer rating of AA by Fitch Inc, Aa by Moody's or AA by Standard & Poor's (including such sub-categories or gradations therein); and
  - except for a Non-Specialised Fund with a fixed maturity, not more than 20 per cent of the deposited property of a Non-Specialised Fund may be invested in any single issue of securities by the same issuer.
- (i) For the avoidance of doubt, the single issuer and group limits do not apply to placement of short-term deposits arising from:
- subscription monies received at any point in time pending the commencement of investment by the Non-Specialised Fund;
  - liquidation of investments pending reinvestment; or
  - liquidation of investments prior to the termination or maturity of a Non-Specialised Fund where the placing of these monies with various institutions would not be in the interests of Unitholders.
- (j) A Non-Specialised Fund may not hold more than 10 per cent of any single issue of securities by the same issuer.

### ***Securities Lending***

- (k) Up to 50 per cent of the deposited property of a Non-Specialised Fund may be lent provided adequate collateral, in the form of instruments consistent with the investment objective and character of the Non-Specialised Fund and with a remaining term to maturity of not more than 366 days, is taken. If cash received as collateral is invested, these should be invested in the form of instruments described above.
- (l) Irrevocable letters of credit and banker's guarantees are acceptable as collateral if the issuer has a credit rating of at least F-1 by Fitch Inc., Prime-1 by Moody's or A-1 by Standard & Poor's.
- (m) The 366-day maturity requirement in paragraph (h) does not apply to debt securities taken as collateral where:
- such debt securities are rated at least A by Fitch Inc., A by Moody's or A by Standard & Poor's (including such sub-categories and gradations therein); and
  - the securities lending transaction is conducted through an institution with a credit rating of at least A by Fitch Inc., A by Moody's or A by Standard & Poor's (including such sub-categories and gradations therein) and the institution

indemnifies the Non-Specialised Fund in the event of losses due to failure by the securities borrower to return the borrowed securities.

(n) In addition, securities lending is subject to the following conditions:

- the collateral is marked to market daily; and
- the Trustee or its representative takes delivery of the collateral immediately.

(o) Where a Non-Specialised Fund is also entitled at all times to immediately recall the securities lent without penalty, up to 100 per cent of the deposited property of the Non-Specialised Fund may be lent.

#### ***Financial Derivatives***

(p) A Non-Specialised Fund that makes use of financial derivatives should ensure that the risks related to such financial instruments are duly measured, monitored and managed.

(q) The exposure of a Non-Specialised Fund to financial derivatives should not exceed 100 per cent of the deposited property of the Non-Specialised Fund at any time. Such exposure should be calculated by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives. Other methods for calculating exposure may be allowed subject to prior consent from the Authority. In its application, the manager should describe the proposed method, the rationale for using the method and demonstrate that the method has taken into account the current value of the underlying assets, future market movements, counterparty risks and the time available to liquidate the positions.

#### ***Prohibited Investments and Activities***

(r) A Non-Specialised Fund should not invest in:

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

(s) A Non-Specialised Fund should not engage in:

- direct lending of monies or the granting of guarantees;
- underwriting; or
- short selling except where this arises from financial derivative transactions which are appropriately covered in accordance with paragraph (q).

#### ***Borrowings***

(t) A Non-Specialised Fund may borrow only for the purposes of meeting redemptions and short-term (not more than four weeks) bridging requirements. Aggregate borrowings for such purposes should not exceed 10 per cent of the deposited property of the Non-Specialised Fund at the time the borrowing is incurred.

#### ***Breach of Limits***

(u) The unlisted securities, single issuer and group, securities lending and borrowing limits in paragraphs (a) to (b), (c) to (j), (k) to (o) and (t) are applicable at the time the transactions are entered into. Where any of these limits is breached as a result of:

- the appreciation or depreciation of the deposited property of a Non-Specialised Fund;

- any redemption of Units or payments made from a Non-Specialised Fund;
- any changes in the total issued nominal amount of securities of a company arising for example from rights, bonuses or benefits which are capital in nature; or
- the reduction in the weight of a security in the benchmark being tracked by a Non-Specialised Fund,

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

### **Borrowing Policy**

Borrowing against the assets of any Index Fund is allowed up to a maximum of 10 per cent of its latest available Net Asset Value except that back-to-back loans will not be taken into account when determining whether or not such limit has been breached by any Index Fund. The Trustee may at the request of the Manager borrow for the account of any Index Fund any currency for the following purposes (subject to the borrowing restrictions in the Non-Specialised Funds Investment Guidelines):-

- facilitating the creation or redemption of Units or defraying operating expenses;
- enabling the Manager to acquire Securities for the account of any Index Fund;
- for any other proper purpose as may be agreed by the Manager and the Trustee.

The assets of an Index Fund may be charged or pledged to secure such borrowing for the account of that Index Fund.

### **Stock Lending**

The Trust Deed sets out certain restrictions under which the Trustee may, at the request of the Manager and subject to the securities lending restrictions in the Non-Specialised Funds Investment Guidelines, engage in stock lending in respect of any Securities held for the account of an Index Fund. Where any loan has been arranged through the Manager or the Trustee or a Connected Person of either of them, the relevant entity shall be entitled to retain for its own use and benefit any fee or benefit it receives on a commercial basis in connection with such arrangement.

The Trustee shall only arrange for any Securities comprised in an Index Fund to be loaned by the Trust if the Trustee is satisfied that the relevant counter parties are specialised banks, credit institutions or other financial institutions of sound financial standing and that any collateral is adequate and acceptable to the Trustee and the Manager including government stock, government treasury bills, banker's acceptances, sterling certificates of deposit, foreign currency certificates of deposit, bonds, equities, letters of credit and cash collateral. The maximum level of Securities available for lending shall be limited to 50 per cent of the latest available Net Asset Value of the relevant Index Fund or such lower percentage as may from time to time be determined by the Manager provided that where the lending counterparty is an affiliate of the Manager, such maximum level shall not exceed 50 per cent of the latest available Net Asset Value of the relevant Index Fund.

The Manager may from time to time formulate such other investment, borrowing and stock lending limitations and prohibitions as it may, in its sole discretion, think fit, to apply to an Index Fund, subject to the Non-Specialised Funds Investment Guidelines. Such limitations and prohibitions may be set out in the prospectus relating to the relevant Index Fund.

## Principal Risk Factors Common to the Index Funds

Each Index Fund is subject to the following principal risks. Additional risks associated with the iShares MSCI India are discussed under the section headed “Risk Factors relating to the iShares MSCI India” below. Some or all of the following risks may adversely affect an Index Fund’s Net Asset Value, yield, total return and/or its ability to achieve its investment objective. There can be no assurance that the investment objective of an Index Fund will be achieved. Prospective investors should carefully evaluate the merits and risks of an investment in a particular Index Fund in the context of their overall financial circumstances, knowledge and experience as an investor.

This does not purport to be an exhaustive list of the risk factors relating to an investment in an Index Fund.

### Investment Risks

- **Market Risk.** Past performance is not indicative of future performance. The Net Asset Value of an Index Fund will change with changes in the market value of the Securities it holds. The price of Units and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that an Index Fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of each Index Fund is based on the capital appreciation and income on the Securities it holds, less expenses incurred. Each Index Fund’s return may fluctuate in response to changes in such capital appreciation or income. Furthermore, each Index Fund may experience volatility and decline in a manner that broadly corresponds with its Underlying Index. Investors in an Index Fund are exposed to the same risks that investors who invest directly in the underlying Securities would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security that forms part of the Underlying Index). Investors should note that an Index Fund may not make distributions to investors.
- **Asset Class Risk.** Although the Manager is responsible for the continuous supervision of the investment portfolio of each Index Fund, the returns from the types of Securities in which an Index Fund invests may underperform returns from other securities markets or from investment in other assets. Different types of Securities tend to go through cycles of out-performance and underperformance when compared with other general securities markets.
- **Passive Investments.** The Index Funds are not actively managed. Accordingly, each Index Fund may be affected by a decline in world market segments relating to its Underlying Index. Each Index Fund invests in the Securities included in or reflecting its Underlying Index regardless of their investment merit, except to the extent of any Representative Sampling Strategy. The Manager does not attempt to select stocks individually or to take defensive positions in declining markets.
- **Management Risk.** Because an Index Fund may not fully replicate its Underlying Index and may hold non-index stocks, it is subject to management risk. This is the risk that the Manager’s strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise shareholders’ rights with respect to Securities comprising the Index Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the Index Fund being achieved. Investors should also note that in certain cases, none of the Manager, the Index Fund or the Unitholders has any voting rights with respect to Securities held by the Index Fund.
- **Tracking Error Risk.** The Net Asset Value of an Index Fund may not correlate exactly with its Underlying Index. Factors such as the fees and expenses of an Index Fund, imperfect correlation between an Index Fund’s assets and the Securities constituting its Underlying Index, inability to rebalance an Index Fund’s holdings of Securities in response to changes in the constituents of the Underlying Index, rounding of share prices, changes to the Underlying Indices and regulatory policies may affect the Manager’s ability to achieve close correlation with the Underlying Index of each Index Fund. Each Index Fund’s returns may therefore deviate from its Underlying Index.

- **Concentration.** If the Underlying Index of an Index Fund is concentrated in a particular stock, group of stocks, industry or group of industries, that Index Fund may be adversely affected by the performance of those stocks and be subject to price volatility. In addition, an Index Fund that is concentrated in a single stock, group of stocks, industry or group of industries may be more susceptible to any single economic, market, political or regulatory occurrence.
- **Futures, Options and Other Derivatives.** A derivative is a financial contract the value of which depends on, or is derived from, the value of an underlying asset such as a security or an index. Each Index Fund may invest in stock index future contracts and other derivatives. Compared to conventional securities, derivatives can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a Futures Contract may result in immediate and substantial loss (or gain) to the Index Fund. Thus an Index Fund's losses may be greater if it invests in derivatives than if it invests only in conventional Securities. In addition, many derivatives are not traded on exchanges. As a result, an Index Fund that engages in transactions involving derivatives is subject to the risk that its trade counterparty is unable or refuses to perform with respect to such contracts and as such may also expose the Index Fund to additional liquidity risks. This risk is also affected by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade. Any transfer of such over-the-counter derivatives will not take place through a clearing house which means if the counterparty to the derivative is involved in any Insolvency Event, the trade underlying the derivative will not be settled and as a result the relevant Index Fund may sustain financial loss.
- **Foreign Exchange Risk.** Many of an Index Fund's assets and Securities are not denominated in US dollars. A substantial portion of the revenue and income of an Index Fund may be received in currencies other than US dollars. Accordingly any fluctuation in the relevant exchange rates will affect the value of Securities as well as the Net Asset Value of the relevant Index Fund. Significant changes, including changes in liquidity, may occur in such markets within very short periods of time, often within minutes. An Index Fund may experience losses if the values of its currency forwards and futures positions were poorly correlated with its other investments or if it could not close out its positions because of an illiquid market. Some of the risks associated with foreign exchange transactions include but are not limited to:
  - exchange rate risk;
  - maturity gaps;
  - interest rate risk;
  - counterparty risk; and
  - potential interference by government intervention through regulation of local exchange markets, foreign investment or particular transactions in foreign currency.
- **Foreign Security Risk.** Each Index Fund invests entirely within or relates to the equity markets of a single country or region. These markets are subject to special risks associated with foreign investment including market fluctuations caused by factors affected by political and economic development. Investing in the Securities of non-domestic companies involves special risks and considerations not typically associated with investing in domestic companies. These include differences in accounting, auditing and financial reporting standards, the possibility of nationalisation of assets (in whole or in part), the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability which could affect local investments in foreign countries, and potential restrictions on the flow of international capital. Non-domestic companies may be subject to less governmental regulation than domestic companies. Moreover, individual foreign economies may differ favourably or unfavourably from the domestic economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions.
- **Emerging Market Risk.** Some overseas markets in which Index Funds may invest are considered to be emerging market countries. The economies of many emerging markets are still in the early stages of modern development and subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions that have a sudden and widespread effect. Also, many less developed market and emerging

market economies have a high degree of dependence on a small group of markets or even a single market that can render such economies more susceptible to the adverse impact of internal and external shocks.

Generally, investment in emerging markets are subject to a greater risk of loss than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, lack of regulation, greater risk of market shutdown and more governmental limitations on foreign investment policy than typically found in developed markets.

Economic Risk - economic instability in an emerging market may arise when such country is heavily dependent upon commodity prices and international trades. Economies in emerging market countries have been and may continue to be adversely affected by the economics of their trading partners, exchange controls, managed adjustments in relative currency values, trade barriers and other protectionist measures imposed or negotiated by the countries with which they trade. These economies may also suffer from debt burdens and high inflation rates. Some emerging market countries have experienced currency devaluations and some have experienced economic recessions causing a negative effect on their economies and securities markets.

Political and Social Risk – some governments in emerging market countries are authoritarian or have been installed or removed as a result of military coup and some have periodically used force to suppress civil dissent. Disparities of wealth, the pace and success of democratization and capital market development and ethnic, religious and racial disaffection, among other factors, have also led to social unrest, violence and/or labour unrest in some emerging market countries. Unanticipated political or social developments may result in sudden and significant investment losses. All of these factors can have a material impact on the Underlying Index and create a risk of higher price volatility which, in turn, can increase any tracking error.

Emerging market regions are also subject to special risks including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; higher volatility of the value of debt (particularly as impacted by interest rates); imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may not be fully developed which may expose an Index Fund to sub-custodial risk in circumstances whereby the custodian will have no liability; the risk of expropriation of assets and the risk of war.

- **Counterparty Risk.** Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the Trustee in relation to the sale and purchase of assets or Securities. Such institutions may also be issuers of the Securities in which an Index Fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of the Trust or a particular Index Fund. The Manager will use reasonable efforts to mitigate such risks. There can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the Trust. Furthermore, the Trust is permitted to borrow in order to carry out its functions under the Trust Deed. Borrowings may be secured by the Securities or other assets of the Trust that are pledged to counterparties as collateral.
- **Counterparty Risk of an exchange or clearing house.** If any exchange or a clearing house becomes bankrupt or insolvent, the Trust could experience a loss of funds deposited through its broker as margin with the exchange or clearing house, a loss of any profits on its open positions on the exchange, and the loss of unrealised profits on its closed positions on the exchange.
- **Counterparty Risk of the Custodian.** An Index Fund will be exposed to the credit risk of any custodian or any depository used by the custodian where cash is held by the custodian or other depositaries. In the event of the insolvency of the custodian or other depositaries, the Index Fund will be treated as a general creditor of the custodian or other depositaries

in relation to cash holdings of the Index Fund. The Index Fund's Securities are however maintained by the custodian or other depositaries in segregated accounts and would generally be protected in the event of insolvency of the custodian or other depositaries.

- **Securities Lending Risk.** The Manager may engage in a securities lending programme on behalf of an Index Fund. A default by a counterparty, or fall in the value of the collateral below that of the value of the Securities lent may result in a reduction in the value of the Index Fund.

#### **Market Trading Risks associated with an ETF**

- **Trading Risk.** While the creation/redemption feature of the Trust is designed to make it likely that Units will trade close to their Net Asset Value, disruptions to creations and redemptions (for example, as a result of imposition of capital controls by a foreign government) may result in trading prices that differ significantly from Net Asset Value. Also, there can be no assurance that an active trading market will exist for Units of an Index Fund on any securities exchange on which Units may trade.
- **Cost of trading Units.** Buying or selling Units involves various types of costs that apply to all Securities transactions. When trading Units through a broker investors will incur a brokerage commission or other charges imposed by the broker. In addition investors on the secondary market, will also incur the cost of the trading spread, being the difference **between** what investors are willing to pay for the Units (bid price) and the price they are willing to sell Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments.
- **Secondary market trading risk.** Units of an Index Fund may trade on the SGX-ST when the Index Fund does not accept orders to create or redeem Units. On such days, Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Index Fund accepts creation and redemption orders. Additionally, as foreign stock exchanges may be open on days when Units in an Index Fund are not priced, the value of the Securities in an Index Fund's portfolio may change on days when investors will not be able to purchase or sell an Index Fund's Units.
- **Dealing risk.** Following listing on the SGX-ST, it is likely that the Units will initially not be widely held. Accordingly any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. In order to address such dealing risk, one or more market makers have been appointed.
- **Trading in Units on the SGX-ST may be suspended.** Investors will not be able to purchase or sell Units on the SGX-ST during any period that the SGX-ST suspends trading in the Units. The SGX-ST may suspend the trading of Units whenever the SGX-ST determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Units will also be suspended in the event that the trading of Units on the SGX-ST is suspended.
- **Units may be delisted from the SGX-ST.** The SGX-ST imposes certain requirements for the continued listing of securities, including the Units, on the SGX-ST. Investors cannot be assured that an Index Fund will continue to meet the requirements necessary to maintain the listing of Units on the SGX-ST or that the SGX-ST will not change the listing requirements. An Index Fund may be terminated if its Units are delisted from the SGX-ST. Dealings of Units on the SGX-ST may not necessarily be suspended in the event that the creation and redemption of Units is temporarily suspended by the Manager in accordance with the terms of the Trust Deed. If the creation and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the Net Asset Value of the relevant Index Fund.
- **No trading market in the Units.** Although the Units are listed on the SGX-ST and one or more market makers have been appointed, investors should be aware that there may be no liquid trading market for the Units or such market maker(s)

may cease to fulfil that role. Further, there can be no assurance that Units will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SGX-ST which are based upon indices other than the Underlying Index.

- **Reliance on Market Makers.** Investors should note that liquidity in the market for the Units may be adversely affected if there is no market maker for an Index Fund. It is the Manager's intention that there will always be at least one market maker for the Units.
- **Creation and Redemption through Participating Dealers only.** Investors may only create or redeem Units through Participating Dealers who are under no obligation to agree to do so. Each Participating Dealer may, in its absolute discretion, refuse to accept a creation order from an investor and can charge such fees as it may determine. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SGX-ST are restricted or suspended, settlement or clearing of securities through the CDP is disrupted or the Underlying Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of an Index Fund or disposal of an Index Fund's Securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely through a Participating Dealer. Investors should also note that if an investor has been allowed to create Units through a Participating Dealer, such investor may only request a redemption of the Units through the same Participating Dealer and the relevant Participating Dealer may, in its absolute discretion, refuse to accept a redemption request from the investor.
- **An ETF is different from a typical unit trust offered to the public in Singapore. An Index Fund** is not like a typical unit trust offered to the public in Singapore. Units may only be created and redeemed in Application Unit sizes by Participating Dealers and Units may not be subscribed for, or redeemed, by retail investors. For so long as the Units are listed for quotation on the SGX-ST, retail investors shall have no right to request the Manager to redeem or purchase their Units. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SGX-ST are restricted or suspended, settlement or clearing of securities in CDP is disrupted or the Underlying Index is not compiled or published. Investors may generally only realise the value of their Units by selling their Units on the SGX-ST. These features are not usually present in a typical unit trust offered to the public in Singapore, where units can generally be purchased and redeemed directly by the retail public.
- **Operating cost.** There is no assurance that an Index Fund will achieve its investment objective. The level of fees and expenses payable by an Index Fund will generally fluctuate in relation to its Net Asset Value. Although the amounts of certain ordinary expenses of an Index Fund can be estimated, the growth rate of an Index Fund, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of an Index Fund or the actual level of its expenses.

#### Legal and regulatory risks

- **Right of the Authority to withdraw authorisation.** Each Index Fund seeks to provide investment results that, before expenses, closely correspond with the performance of the Underlying Index. Each Index Fund has been authorised as a collective investment scheme by the Authority pursuant to Section 286 of the Securities and Futures Act. The Authority however reserves the right to withdraw the authorisation of an Index Fund or impose such conditions it considers appropriate. The Authority may withdraw authorisation if an Underlying Index is no longer considered acceptable to the Authority. In addition, any authorisation granted by the Authority may be subject to certain waivers which may be withdrawn or varied by the Authority. If as a result of such withdrawal or variation of waivers it becomes illegal, impractical or inadvisable to continue an Index Fund, the Manager will seek to terminate the relevant Index Fund.
- **Legal and Regulatory Risk.** Each Index Fund must comply with regulatory constraints or changes in the laws affecting it or its investment restrictions, which might require a change in the investment policy and objectives followed by an



Index Fund. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the performance of the Underlying Index and as a result the performance of an Index Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for any Index Fund. In the worst case scenario, a Unitholder may lose all its investments in the Index Fund.

- **Taxation in overseas jurisdictions.** The Index Funds will make investments in a number of different jurisdictions. Interest, dividend and other income realised by an Index Fund from sources in these jurisdictions, and capital gains realised on the sale of assets may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced and/or in which the issuer is located and/or in which the permanent establishment is located.
- **Taxation.** Investing in an Index Fund may have tax implications for a Unitholder depending on the particular circumstances of each Unitholder. Prospective investors are strongly urged to consult their own tax advisers and counsel with respect to the possible tax consequences to them of an investment in the Units. Such tax consequences may differ in respect of different investors.

### Risk Factors Relating to an Underlying Index

- **An Underlying Index is subject to fluctuations.** The performance of the Units of an Index Fund should, before expenses, correspond closely with the performance of its Underlying Index. If the Underlying Index experiences volatility or declines, the price of the Units will vary or decline accordingly.
- **Composition of and weightings in an Underlying Index may change.** The companies which comprise an Underlying Index are changed by the Index Provider from time to time. The price of the Units may rise or fall as a result of such changes. The composition of the Underlying Index may also change if one of the constituent companies were to delist its shares or if a new eligible company were to list its shares and be added to the Underlying Index. If this happens, the weighting or composition of the Securities owned by the relevant Index Fund would be changed as considered appropriate by the Manager in order to achieve the investment objective. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units.
- **Licence to use the Underlying Index may be terminated.** The Manager has the non-exclusive licence, to use an Underlying Index in connection with the operation, marketing and promotion of the relevant Index Fund. The licence may be terminated for reasons including a breach of the licence agreement or breach of any relevant law or rule. Further, the licence agreement will terminate if the Index Provider ceases to compile and publish the Underlying Index and does not make available a replaceable or substitute index which the Manager chooses to use. An Index Fund may be terminated if the licence agreement is terminated and the Manager is unable to identify or agree with any index provider terms for the use of a suitable replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index in respect of Securities. Any such replacement index will be notified to Unitholders, subject to the prior approval of the Authority. Accordingly prospective investors should note that the ability of the iShares MSCI India to track the Index depends on the continuation in force of the Index licence agreement in respect of the Index or a suitable replacement.

## Management and Administration

### Manager

The Manager is BlackRock Asset Management Southeast Asia Limited (the “**Manager**”). The Manager is part of the BlackRock group of companies, the ultimate holding company of which is BlackRock, Inc., which provides investment management services internationally for institutional, retail and private clients.

The Manager was incorporated in Singapore with limited liability on 2 December 2000 with its registered office at #18-01, Twenty Anson, 20 Anson Road, Singapore 079912. The issued and paid-up share capital of the Manager is S\$2,721,871.

The Manager holds a capital markets services licence in respect of fund management under the Securities Futures Act.

The Manager was established to provide fund management and advisory services for clients in the South East Asia region. The Manager does not currently manage any collective investment schemes or discretionary funds in Singapore apart from the iShares MSCI India.

Under the Trust Deed, the monies forming part of each Index Fund shall be invested, at the direction of the Manager, in accordance with the Trust Deed. The Manager is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of each Index Fund. The Manager will remain as the manager of the Trust until it retires or is removed or replaced in accordance with the provisions of the Trust Deed.

### **Directors of the Manager**

*Alasdair Charles Riach (see biography below).*

*Rohit Bhagat (see biography below)*

*Michael Timothy Marquardt (see biography below)*

**Alasdair Charles Riach**, of #18-01, Twenty Anson, 20 Anson Road, Singapore 079912, is head of BlackRock's business in Singapore and is a member of the Global Client Group. Mr. Riach is responsible for developing and maintaining institutional relationships with the firm's clients throughout the South East Asia Pacific region. Prior to moving to his current role in 2004, Mr. Riach was a member of the Global Client Group based in Edinburgh and was responsible for client service and business development within Europe. Before joining BlackRock in January 2000, Mr. Riach was a Client Relationship Executive at Scottish Widows Investment Management with responsibility for their Specialist Institutional Clients. Mr. Riach began his career as an Investment-Marketing Analyst with Scottish Equitable Asset Management and Scottish Equitable Plc. Mr. Riach earned a BA degree in English and Law, and an LLB honours degree from the University of Natal, South Africa, in 1992 and 1994, respectively. Mr. Riach currently is also a director of BlackRock Asset Management Southeast Asia Services Pte Limited, BlackRock Investment Management (Singapore) Limited, BlackRock Advisors Singapore Pte Limited and BlackRock (Singapore) Holdco Pte Limited.

**Rohit Bhagat**, of 11F York House, 15 Queen's Road, Central, Hong Kong is BlackRock's Chairman, Asia-Pacific with responsibility for all business activity in the region, which includes Japan, Australia, China/Hong Kong, Singapore, India, Korea, and Taiwan. Previously, Mr. Bhagat served as Global Chief Operating Officer of Barclays Global Investors (BGI), with oversight responsibility for the technology, operations, finance, corporate development, strategic planning, human resources, corporate marketing, legal, compliance, and risk functions for the firm. Before joining BGI, he was with The Boston Consulting Group (BCG), a premier management consulting firm, where he was a Senior Vice President based in San Francisco and ran the west coast Financial Services practice. While at BCG, Mr. Bhagat's responsibilities included leading assignments for clients in asset management, retail banking, wealth management, brokerage, and capital markets. He also launched and developed BCG's Indian practice. Prior to that, he was with Booz-Allen & Hamilton, a strategic management and technology consulting firm. Mr. Bhagat holds an MBA from the Kellogg Graduate School of Management, Northwestern University, an MS in Engineering from the University of Texas at Austin, and a Bachelor of Technology in Mechanical Engineering from the Indian Institute of Technology in New Delhi, India. Mr. Bhagat is also, or will soon be, a director of BlackRock Asset Management Southeast Asia Services Pte Limited, BlackRock Investment Management (Singapore) Limited, BlackRock Advisors Singapore Pte Limited, BlackRock (Singapore) Holdco Pte Limited, BlackRock (Hong Kong) Limited, BlackRock HK Holdco Limited, BlackRock Investment Management (Korea) Limited and BlackRock (Taiwan) Limited, iShares BSE SENSEX Mauritius Company and the Manager.

**Michael Timothy Marquardt**, of Suite 2503-5, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong is the Chief Operating Officer Asia ex-Japan for BlackRock. Mr. Marquardt joined BlackRock following the merger with Barclays Global Investors (BGI) in 2009. Mr. Marquardt joined BGI in 2000 where he began in San Francisco working first as a Global Risk Manager and then as a Senior Project Manager on strategic initiatives. In 2005 Mr. Marquardt moved to Japan as Chief Administrative Officer, later becoming Chief Operating Officer. Mr. Marquardt was responsible for BGI Japan's Operations, IT, Finance, HR, Risk, Legal and Compliance groups. Prior to working at BGI Mr. Marquardt was the Relationship Manager

and Private Banking analyst for American Express Bank located in London. Mr Marquardt holds an MBA with High Honors from Boston University, and a BA in Economics and History from Clark University. Mr. Marquardt currently is also, or soon will be, a director of BlackRock Asset Management Southeast Asia Services Pte Limited, BlackRock Investment Management (Singapore) Limited, BlackRock Advisors Singapore Pte Limited, BlackRock (Singapore) Holdco Pte Limited, BlackRock (Hong Kong) Limited, BlackRock HK Holdco Limited, BlackRock Investment Management (Korea) Limited and BlackRock (Taiwan) Limited, iShares BSE SENSEX Mauritius Company and the Manager.

### **Portfolio Manager of the Manager**

Clarence Chan, iShares Portfolio Manager, Asia ex-Japan. Mr Chan acts as a portfolio manager in the Singapore office of the Manager. Previously, Mr Chan was a portfolio manager at Exelion Capital Management, a global macro hedge fund, where he was responsible for equity portfolio management, asset allocation and hedging strategies. Prior to joining Exelion Capital Management, Mr Chan was an analyst at Morgan Stanley Investment Management, and Morgan Stanley Capital International Inc and also had experience working for the Monetary Authority of Singapore (MAS). Mr Chan received his Bachelor of Business Administration (BBA) from the National University of Singapore.

### **Sub-Manager**

The Manager has appointed the Hong Kong domiciled BlackRock Asset Management North Asia Limited (the “**Sub-Manager**”) as the sub-manager of the iShares MSCI India under a sub-management agreement entered into between the Manager and Sub-Manager (the “**Sub-Management Agreement**”). Under the Sub-Management Agreement, the Manager has discretion to delegate its investment management functions of the iShares MSCI India to the Sub-Manager. Notwithstanding any delegation of its investment management functions to the Sub-Manager, the Manager will remain responsible for the actions of the Sub-Manager.

The Sub-Manager is part of the BlackRock group of companies, the ultimate holding company of which is BlackRock, Inc., which provides investment management services internationally for institutional, retail and private clients. The Sub-Manager was incorporated in Hong Kong with limited liability on 10 August 1998 with its registered office at Suite 2503-05, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. The issued share capital of the Sub-Manager is HK\$3,000,000.

The Sub-Manager is licensed by the Securities and Futures Commission in Hong Kong for the regulated activities of advising on securities (Type 4), advising on corporate finance (Type 6) and asset management (Type 9) under the Securities and Futures Ordinance.

The Sub-Manager currently manages twelve ETFs in Hong Kong.

The Sub-Manager has acted as investment advisor to various fund management companies in China PRC, People’s Republic of China, Korea and Malaysia in relation to the launch and management of exchange-traded funds.

The Sub-Manager will remain as the sub-manager of the iShares MSCI India until the Sub-Management Agreement is terminated in accordance with its terms.

### **Directors of the Sub-Manager**

*Rohit Bhagat (see biography above);*

*Nicholas Michael Whateley Good (see biography below)*

*Michael Timothy Marquardt (see biography above); and*

*Peter William Swarbreck (see biography below).*

**Nicholas Michael Whateley Good**, of Suite 2503-5, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong is the head of iShares, Asia-Pacific. He is responsible for all aspects of the iShares business across the Asia-Pacific region including sales, marketing, business strategy, investments, operations and new product development in offices in Australia, Hong Kong, Japan and Singapore. Mr. Good joined BlackRock following the merger with Barclays Global Investors (BGI) in

2009. Mr. Good joined BGI in 2006 from the Boston Consulting Group, where he served as a lead client manager consulting in a number of industries, including finance. Mr. Good holds a BA and MA in biochemistry from Oxford University, UK. Mr Good is also, or soon will be, a director of BlackRock (Hong Kong) Ltd.

**Peter William Swarbreck**, of 11F York House, 15 Queen's Road Central Hong Kong is head of BlackRock's Retail business in Asia ex-Japan. Mr. Swarbreck joined BlackRock following the merger with Merrill Lynch Investment Managers (MLIM) in 2006. At MLIM, Mr. Swarbreck was head of fixed income business management for Europe, the Middle East, Africa, and Asia Pacific regions and responsible for the development of new fixed income products. Mr. Swarbreck joined Mercury Asset Management (which became a part of MLIM) in 1990, and held a variety of positions including business development and client relationship management. Prior to joining MLIM, Mr. Swarbreck worked in fixed income investment management for an international bank in the Middle East and was previously a fund manager at two leading fund management firms. Mr Swarbreck is also, or soon will be, a director of BlackRock (Hong Kong) Limited, and BlackRock HK Holdco Limited.

#### **Principal Portfolio Manager of Sub-Manager**

**Jane Leung**, of 16F Nexxus Tower 41 Connaught Road Central, Hong Kong is the Head of Asia Pacific Index Equity and is responsible for index equity portfolio management activities across the region, covering iShares and institutional products. Prior to this appointment in December 2009, she was senior director of Product for iShares Asia Ex-Japan. In that role, she was responsible for the product development, product management, and portfolio management functions in the region. Ms Leung previously was a senior portfolio manager on the US iShares Equity Portfolio Management team where she oversaw the management of US and non-US equity iShares. Upon joining Barclays Global Investors (BGI), she was a portfolio manager within the US Institutional Equity Portfolio Management team. Prior to joining BGI in July 2001, she worked as an active portfolio manager at Berger and Associates, LLC and as an analyst in investment banking at Donaldson, Lufkin, and Jenrette.

Ms Leung has over 13 years of investment management experience and received her BA in political science with an emphasis in international relations from the University of California, Los Angeles. She has frequently been quoted in publications such as the Wall Street Journal, Investors Business Daily, Dow Jones Newswires, CNBC, and Bloomberg and is a member of the index advisory committees of FTSE/Xinhua and China Securities Index.

#### **Trustee and Custodian**

HSBC Institutional Trust Services (Singapore) Limited (the "**Trustee**") is a company incorporated in Singapore and registered under the Trust Companies Act, Chapter 336 of Singapore. Its registered address is at 21 Collyer Quay #14-01 HSBC Building Singapore 049320. The Trustee does not have any material conflict of interest with its position as trustee of the Fund. HSBC Institutional Trust Services (Singapore) Limited is a member of the HSBC Group.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust. The Trustee may, however, appoint any person or persons to be custodian of such assets. The Trustee will remain as the trustee of the Trust until it retires or is removed or replaced in accordance with the provisions of the Trust Deed.

The Trustee is entitled to the fees set out below under the section headed "Charges and Expenses".

#### **Registrar**

The Registrar of iShares MSCI India is HSBC Institutional Trust Services (Singapore) Limited. The Registrar will charge a monthly fee in respect of the establishment and maintenance of the Register of the Unitholders of the iShares MSCI India.

The Register can be inspected at 60 Alexandra Terrace #10-12/13 The Comtech Singapore 118502 during normal business hours.

For so long as the Units are listed, quoted and traded on the SGX-ST, the Manager shall appoint The Central Depository (Pte) Limited (Company Registration No.: 198003912M) (the "**CDP**") as the unit depository for the Fund, and all Units issued and available for trading will be represented by entries in the Register of Unitholders kept by the Registrar in the name of, and

deposited with, CDP as the registered Holder of such Units. The Registrar shall issue to CDP not less than ten (10) Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued.

#### **Auditors**

The auditors of the iShares MSCI India are PriceWaterhouseCoopers of 8 Cross Street, #17-00, PwC Building, Singapore 048424.

### **Brokerage Transactions**

Under normal conditions the policy of the Manager regarding purchases and sales of Securities is that primary consideration will be given to obtaining the most favourable prices and efficient execution of transactions. Consistent with this policy, when Securities transactions are effected on a stock exchange, the Manager's policy is to pay commissions which are considered fair and reasonable without necessarily determining that the lowest possible commissions are paid in all circumstances. The Manager believes that a requirement always to seek the lowest possible commission cost may impede effective portfolio management and preclude the Index Funds and the Manager from obtaining a high quality of brokerage and research services. In seeking to determine the reasonableness of brokerage commissions paid in any transaction, the Manager relies upon its experience and knowledge regarding commissions generally charged by various brokers and on its judgement in evaluating the brokerage and research services received from the broker effecting the transaction. Such determinations are necessarily subjective and imprecise and, as in most cases, an exact dollar value for those services is not ascertainable.

In seeking to implement the above policies, the Manager effects transactions with those brokers and dealers that the Manager believes provide the most favourable prices and are capable of providing efficient execution when appropriate. If the Manager believes such price and execution are obtainable from more than one broker or dealer, it may give consideration to placing portfolio transactions with those brokers and dealers who also furnish research and other services to the Trust or the Manager. Such services may include, but are not limited to, information as to the availability of Securities for purchase or sale, statistical information pertaining to corporate actions affecting stocks, including, but not limited to, stocks within the Underlying Index for any Index Fund.

The Manager, its directors and their associates (including the Sub-Manager) will not be entitled to receive any part of the brokerage charged to the Trust or any fees, allowances, benefits received on purchases charged to the Trust.

### **Soft Dollar Commissions/Arrangements**

The Manager (as well as any of its Connected Persons) will not receive or enter into any soft dollar commissions or arrangements in respect of the management of the Index Funds. The Manager (as well any of its Connected Persons) will not retain any cash rebates from any broker or dealer.

### **Determination of Net Asset Value**

The Net Asset Value of each Index Fund will be determined as at the close of trading on the Market in which the relevant Index Fund is invested or, in the case of an Index Fund investing in more than one Market, the official close of trading on the last relevant Market to close on each Dealing Day (or at such other time as the Manager and the Trustee determine) by valuing the assets of the relevant Index Fund and deducting the liabilities of the relevant Index Fund, in accordance with the terms of the Trust Deed.

The Trust Deed provides amongst other things that:–

- (i) except in the case of any interest in a mutual fund corporation or a unit trust to which paragraph (ii) applies, all calculations based on the value of investments quoted, listed, traded or dealt in on any securities market shall be made by reference to the price appearing to the Manager to be the official closing price or if unavailable, the last traded price

on the Market for such investments provided that the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the official closing prices or last traded prices (as the case may be);

- (ii) the value of each interest in any mutual fund corporation or unit trust shall be the last available net asset value per share or unit in such mutual fund corporation or unit trust;
- (iii) if no net asset value, official closing price, bid and offer prices or price quotations are available as provided in paragraph (ii) above, the value of the relevant investment shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager with the approval of the Trustee;
- (iv) the value of any investment which is not listed or ordinarily dealt in on a Market shall be based on its fair value (being the price that the Index Fund would reasonably expect to receive upon the current sale of the investment) made by a professional person approved by the Trustee as qualified to value such investments;
- (v) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the fair value thereof; and
- (vi) notwithstanding the foregoing, the Manager may adjust the value of any investment if, having regard to relevant circumstances, the Manager considers that such adjustment is required to reflect the fair value of the investment.

## **Suspension of Valuations and Dealings**

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

- (a) there exists any state of affairs prohibiting the normal disposal of the relevant Index Fund's investments; or
- (b) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Index Fund or the Net Asset Value per Unit of the relevant Index Fund, or when for any other reason the value of any security or other asset in the relevant Index Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any Securities held or contracted for the account of that Index Fund or it is not possible to do so without seriously prejudicing the interest of Unitholders of that Index Fund; or
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the Securities of that Index Fund or the subscription or realisation of Units of the relevant Index Fund is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or
- (e) the right to redeem Units of the relevant Index Fund is suspended.

The Manager may, at its discretion, at any time after giving notice to the Trustee and where practicable following consultation with the relevant Participating Dealers, suspend the right of Participating Dealers to require the redemption of Units of any Index Fund and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application during:

- (i) any period when a Market on which a Security (being a component of the Application Basket or being represented by an IAP in the Application Basket) has its primary listing, or the official clearing and settlement depository (if any) of such Market, is closed; or

- (ii) any period when dealings on a Market on which a Security (being a component of the Application Basket or being represented by an IAP in the Application Basket) has its primary listing are restricted or suspended; or
- (iii) any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depositary (if any) of such Market is disrupted; or
- (iv) the existence of any state of affairs as a result of which delivery or purchase of Securities or disposal of investments for the time being comprised in the relevant Index Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Index Fund; or
- (v) any period when the Underlying Index for the relevant Index Fund is not compiled or published; or
- (vi) any breakdown in the means normally employed in determining the Net Asset Value of the relevant Index Fund or the Net Asset Value per Unit of the relevant Index Fund or when for any other reason the Value of any Securities or other property for the time being comprised in the relevant Index Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (vii) any 48 hour period (or such longer period as may be agreed between the Manager and the Trustee) prior to the date of any meeting of Unitholders (or any adjourned meeting thereof);
- (viii) any period when the business operations of the Manager or the Trustee in relation to the operations of the Trust are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (ix) any period when the dealing of Units of the relevant Index Fund is suspended pursuant to any order or direction issued by the Authority.

In addition, the Manager will suspend the right to redeem Units when dealings in the Units on the SGX-ST are restricted or suspended.

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

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish an announcement on its website containing information about the suspension of the determination of the Net Asset Value and/or suspension of dealings. Such suspension will also be publicly announced on the SGXNET.

No Units will be created or issued during any period of suspension. The Manager may at any time by notice to the Trustee suspend the issue of Units of an Index Fund if, as a result of the investment of the proceeds of issue of such Units, the relevant Index Fund would breach a provision of the Non-Specialised Funds Investment Guidelines and the Authority has not agreed to waive that provision, and the relevant provisions relating to suspension of the right of Unitholders to redeem Units shall also apply in accordance with the provision of the Trust Deed.

## **Issue Price and Redemption Value**

The Issue Price of Units of an Index Fund, created and issued pursuant to a Creation Application, shall be the Net Asset Value of the relevant Index Fund divided by the total number of Units in issue for that Index Fund rounded to the nearest 2 decimal

places (or such other method of rounding as the Manager may determine from time to time with the approval of the Trustee). The Issue Price will be rounded to 4 decimal places from 1 July 2010.

The Redemption Value of Units of an Index Fund on a Dealing Day shall be the Net Asset Value of the relevant Index Fund divided by the total number of Units in issue for that Index Fund rounded to the nearest 2 decimal places (or such other method of rounding as may be determined by the Manager from time to time with the approval of the Trustee). The Redemption Value of Units will be rounded to 4 decimal places from 1 July 2010.

## Restrictions on Unitholders

The Manager has power to impose such restrictions as it may think necessary for the purpose of ensuring that no Units are acquired or held which would result in such holding being:-

- a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion, might result in the Trust or the relevant Index Fund being adversely affected which the Trust or the relevant Index Fund might not otherwise have suffered; or
- in the circumstances which, in the Manager's opinion, may result in the Trust or the relevant Index Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or the relevant Index Fund might not otherwise have incurred or suffered.

Upon notice that any Units are so held, the Manager may require such holders to redeem or transfer such Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Units in breach of any of the above restrictions is required either to redeem his Units in accordance with the Trust Deed or to transfer his Units to a person whose holding would be permissible under this Prospectus and the Trust Deed.

The Manager has, pursuant to its powers, imposed restrictions on Units in the iShares MSCI India being held by Non-Resident Indians and as otherwise required by Indian Law. The attention of investors is drawn to "Dealing by Retail Investors" on page 43.

## Transfer of Units

Units held by Unitholders may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the Register in respect of such Units. Units held by Unitholders are only transferable in multiples of Application Units.

For so long as the Units are listed on the SGX-ST, transfers of Units between depositors (i.e. direct account holders with the CDP and depository agents whose names are entered in CDP's register in respect of Units held by them) shall be effected electronically through the CDP making an appropriate entry in CDP's electronic register of the Units that have been transferred in accordance with CDP trading requirements, and the above paragraph will not apply to such transfers.

## Charges and Expenses

### Manager's Fee

Under the terms of the Trust Deed, the Manager may, on giving not less than one month's notice to the Trustee and the affected Unitholders, increase the rate of the management fee payable in respect of an Index Fund up to or towards the maximum rate of 2.0 per cent per annum of the Net Asset Value of the Index Fund accrued daily and calculated as at each Dealing Day and payable monthly in arrear.



Subject to the approval of the relevant authorities, the Manager may appoint sub-managers or investment advisers, on terms and conditions determined by the Manager, to provide sub-management services or investment advice in respect of any or all of the Index Funds. The Manager will be responsible for the fees of such appointed persons.

*Further details of the Manager's fee in respect of the iShares MSCI India are set out in Section 2 of this Prospectus.*

#### **Trustee's Fee**

The Trustee may increase the rate of trustee fees payable in respect of the relevant Index Fund (up to or towards the maximum rate of 1.0 per cent per annum set out in the Trust Deed) upon the Trustee giving not less than one month's notice to the Manager and affected Unitholders (whether on its own or through the Manager).

Subject to the agreement of fees between the Manager and the Trustee, the Trustee is entitled to receive and retain for its own absolute use and benefit all or any part of any Application Cancellation Fee, Extension Fee or Transaction Fee charged to a Participating Dealer.

The Trustee is also entitled to receive various transaction and processing fees in accordance with its normal scale of charges.

*Further details of the Trustee's fee in respect of the iShares MSCI India are set out in Section 2 of this Prospectus.*

#### **Registrar's Fee**

The Registrar may charge an annual fee and a transactional fee based on the number of Applications made by Participating Dealers in respect of any Index Fund.

In addition, the Registrar will be reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services such as the cost of postage and envelopes.

*Further details of the Registrar's fee in respect of the iShares MSCI India are set out in Section 2 of this Prospectus.*

#### **General Expenses**

The Trust will not be responsible for any promotional expenses incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Trust will not be paid (either in whole or in part) out of the Trust Fund.

The Trust will bear the costs of investing and realising the investments of the Index Funds.

Unless otherwise provided in Section 2 of this Prospectus, the Manager will bear the fees and expenses of the Sub-Manager and custodians of the assets of the Trust, valuation costs, all charges and expenses of the Trust's legal counsel and auditors, any disbursements or out-of-pocket expenses properly incurred on behalf of any Index Fund by any of its service providers, the expenses incurred in connection with the convening of meetings of Unitholders, printing and distributing annual and half-yearly reports, account and other circulars relating to the Trust or any Index Fund, the expenses of publishing Unit prices and all other operating costs relating to the administration of the Trust.

The cost of establishing the Trust, including the costs of seeking and obtaining the listing and all initial legal and printing costs and inception fees will be borne by the Trust. If subsequent Index Funds are launched and incur preliminary expenses which are specific to them, such expenses will either be allocated to the relevant Index Fund for whose account they were incurred or be paid by the Manager.

*The preliminary expenses incurred in respect of the iShares MSCI India are set out in Section 2.*

## Distribution Policy

The Manager may in its absolute discretion decide to distribute income to Unitholders at such times as it may determine in each financial year. The amount to be distributed to Unitholders will be derived from the net income of the relevant Index Fund.

On a distribution from an Index Fund the Trustee, in accordance with the instructions of the Manager, will allocate the amounts available for distribution between Unitholders and will pay such amounts to Unitholders.

Amounts to be distributed in respect of each Unit of an Index Fund shall be rounded to nearest unit (being the smallest denomination commonly in use) of the relevant Index Fund's currency of account. Any distribution payable to a Unitholder which remain unclaimed after a period of twelve months shall be accumulated by the Trustee in a special account (the "**Unclaimed Monies Account**") and, subject to the Trust Deed, the Trustee shall cause such sums which represent monies unclaimed by a Unitholder for more than six (6) years and interest, if any, earned thereon to be paid into court after deducting all fees, costs and expenses incurred in relation to such payment from the sum thereof provided that if the said sum is insufficient to meet all such fees, costs and expenses, the Trustee shall be entitled to have recourse to the deposited property of the Index Fund.

## Reports and Accounts

The financial year-end of the Trust is 31 December every year. Audited accounts and the annual report are to be prepared and sent to Unitholders within three months of each financial year-end (unless otherwise waived or permitted by the Authority). Semi-annual unaudited accounts and the semi-annual report are to be prepared and sent to Unitholders within two months of 30 June (unless otherwise waived or permitted by the Authority). The contents of the reports will comply with the requirements of the Code and the Listing Rules.

The Code currently requires accounts to be prepared in accordance with Recommended Accounting Practice 7: Reporting Framework for Unit Trusts issued by the Institute of Certified Public Accountants of Singapore ("**RAP 7**"). Investors should note that to the extent that any of the valuation principles used to determine an Index Fund's Net Asset Value per Unit at the Valuation Point with respect to each Dealing Day is or becomes inconsistent with RAP 7, the Index Fund's accounts may not necessarily be in line with the published Net Asset Value per Unit. In this case, a reconciliation note may be included in the accounts of the Index Fund to reconcile values arrived at by applying RAP 7 and the NAV per Unit of the Index Fund by applying the Index Fund's valuation principles.

## Trust Deed

The Trust was established under Singapore law by the Trust Deed made between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. In the event of any conflict between any of the provisions of this Prospectus and those of the Trust Deed or Participation Agreement, the provisions of the Trust Deed or Participation Agreement shall prevail. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed. All amendments to the Trust Deed will be announced on the SGXNET.

## Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of

the assets of any Index Fund or (ii) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error. In all other cases modifications require the sanction of an extraordinary resolution of the Unitholders affected.

The Manager shall give notice to Unitholders of any modification, alteration or addition to the Trust Deed, unless they are sanctioned by an extraordinary resolution of the Unitholders affected or in the opinion of the Trustee such modification, alteration or addition is not of material significance or is otherwise made to correct a manifest error.

## **Termination**

The Trust may be terminated by the Trustee if the Manager goes into liquidation or, if in the opinion of the Trustee, the Manager has ceased to carry on business or has, to the prejudice of the Unitholders of the Trust, failed to comply with any provision of the Trust Deed or, the Trustee is unable to find an acceptable person to replace the Manager who has been removed or, any law is passed which renders it illegal, impracticable or inadvisable in the opinion of the Trustee to continue the Trust or, if within a reasonable period of the Trustee notifying the Manager of its intention to retire, no new trustee has been appointed or if the Authority directs the termination of the Trust.

The Manager may terminate the Trust if, (A) after 3 years from 31 May 2006, the aggregate Net Asset Value of Units outstanding in the Trust or the relevant Index Funds, as the case may be, is less than US\$20 million; or (B) in the opinion of the Manager, it becomes illegal, impracticable or inadvisable to continue the Trust; or (C) following notice of its intention to resign as Manager, the Trustee is unable to find an acceptable replacement manager or the replacement is not approved by an Extraordinary Resolution; or (D) the Authority directs the termination of the Trust; or (E) if within a reasonable time and using commercially reasonable endeavours, the Manager shall be unable to find a person acceptable to the Authority to act as the new Trustee after deciding to remove the Trustee.

The Manager may terminate any Index Fund if the Net Asset Value of such Index Fund shall be less than US\$15 million on any date after a period of three years from its creation. In addition, the Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate any Index Fund if any law is passed which renders it illegal, impracticable or inadvisable in the opinion of the Manager to continue such Index Fund, its Underlying Index is no longer available for benchmarking, if the Units of such Index Fund are no longer listed on the SGX-ST or any other Recognised Stock Exchange, the Authority revokes or withdraws the authorisation of such Index Fund under the Securities and Futures Act or the Authority directs the termination of such Index Fund. Further, the Unitholders may at any time authorise termination of the Trust or any Index Fund by extraordinary resolution passed at a duly convened Unitholders' meeting.

Unless previously terminated as described above or under another provision in the Trust Deed, the Trust shall in any event terminate at the expiry of 80 years from the date of the Trust Deed.

In addition to the termination circumstances specified above the Manager may also terminate an index Fund if it ceases to have any Participating Dealer or the Manager is unable to implement its investment strategy.

Unless the Manager and the Trustee agree that another strategy is (1) possible, feasible as well as practicable, and (2) in the best interests of the Unitholders, the Units then in issue shall be compulsorily redeemed at Net Asset Value and the Index Fund terminated. In such event, the Manager will notify the Authority in advance and agree with the Authority appropriate methods of notification of Unitholders prior to such redemption and termination.

Any notification to Unitholders where the iShares MSCI India is to be terminated shall be given upon not less than three months' notice prior to termination (unless otherwise provided in the Trust Deed). Any such notice will also be published on the website [www.iShares.com.sg](http://www.iShares.com.sg).

Upon the Trust or any Index Fund being terminated, subject to authorisations or directions (if any) given to it by the Unitholders by extraordinary resolution:-

The Manager shall arrange the sale of all investments then comprised in the relevant Index Fund being terminated (or, in the case of the termination of the Trust, in all the Index Funds) and such sale shall be carried out and completed in such manner and within such period after the termination of the relevant Index Fund(s) as the Manager shall consider advisable. The Trustee shall from time to time distribute to the Unitholders in each Index Fund being terminated rateably in accordance with the number of Units held by them respectively all net cash proceeds derived from the realisation of the investments comprised in the relevant Sub-Fund and available for the purposes of such distribution except that in the event that circumstances exist as a result of which, in the sole opinion of the Manager notified to the Trustee, it is not reasonably practicable to realise all the investments comprised in the relevant Sub-Fund, the Trustee shall distribute to the Holders of Units in each Sub-Fund rateably in accordance with the number of Units held by them respectively the investments available in specie at a valuation determined by the Trustee (provided that no Holder will be required to accept the distribution to him of any assets in specie without his written consent), and subject to the following:

- All payments in respect of such distributions shall be made in accordance with the relevant provisions of the Trust Deed. Every such distribution shall be made only upon delivery to the Trustee of such form of request for payment as the Trustee shall in its absolute discretion require.
- The Trustee shall not be bound (except in the case of the final distribution) to distribute any of the monies for the time being comprised in each relevant Sub-Fund the amount of which is insufficient to pay one US Dollar in respect of each Unit.
- The Trustee shall be entitled to retain out of any monies comprised in the Trust Fund or any Index Fund such sum as it shall determine to be full provision for all costs, charges, expenses, claims, demands, actions and proceedings incurred, made or instituted against or apprehended by the Trustee in connection with or arising out of the Trust or the termination thereof or of any Index Fund and shall, out of the monies so retained, be indemnified and saved harmless against any such costs, charges, expenses, claims, demands, actions and proceedings.

## **Voting Rights**

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing one-tenth or more of the current Units in issue. These meetings may be used to modify the terms of the Trust Deed, including increasing the maximum fees payable to the service providers, to remove the Trustee or to terminate the Trust at any time. Such amendments to the Trust Deed must be passed by a 75 per cent majority of the votes cast. Unitholders will be given not less than 14 days' notice of such meeting.

The Manager, Trustee, the Sub-Manager and their respective Connected Persons are prohibited from voting their beneficially held Units at or be counted in the quorum for a meeting at which they have a material interest in the business to be contracted.

## **Removal of the Manager**

If any of the following events shall occur, namely:–

- if the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously notified in writing to the Trustee) or if a receiver is appointed over any of its assets or if a liquidator or judicial manager is appointed in respect of the Manager; or
- the Trustee shall form the opinion for good and sufficient reason and shall so state in writing to the Manager that a change of Manager is desirable and in the best interests of Holders as a whole; or

- the Unitholders by an extraordinary resolution duly passed at a meeting of Unitholders of all Index Fund (for which purpose Units held or deemed to be held by the Manager shall not be included) shall so decide on a change of Manager; or
- the Authority withdraws its approval of the Manager as manager of the Trust or directs the Trustee to remove the Manager,

the Trustee may, subject to the Listing Rules, by notice in writing to the Manager remove the Manager from office and (subject to the Trust Deed) upon service of such notice the Manager shall cease to be the manager of the Trust.

## **Liability and Indemnity of Manager and Trustee**

None of the Trustee, the Manager or the Registrar shall incur any liability in respect of any action taken or thing suffered by them in reliance upon any notice, resolution, direction, consent, certificate, affidavit, statement, certificate of stock, plan of reorganisation or other document of title, or other paper or document believed to be genuine and to have been passed, sealed or signed by the proper parties.

None of the Trustee, the Manager, the Registrar or their duly appointed agents shall be responsible for the authenticity of any signature on or any seal affixed to any endorsement on any certificate or to any transfer or form of application, request for realisation, endorsement or other document affecting the title to or transmission of Units (including signatures on such documents received by facsimile or electronic transmission) or be in any way liable for any forged or unauthorised signature on or seal affixed to such endorsement, transfer, form or other document or for acting on or giving effect to any such forged or unauthorised signature or seal or for exercising their discretion not to act on such instructions received by facsimile or electronic transmission, provided that the Trustee, the Manager, the Registrar or their duly appointed agents reasonably believed that such signature or seal was authentic.

Notwithstanding Clause 29.2 of the Trust Deed the Trustee and the Manager respectively may (but shall not be bound to) require that the signature of any Holder or joint Holder to any document required to be signed by him under or in connection with the Trust Deed or the Trust shall be verified by a banker or broker or other responsible person or otherwise authenticated to its or their reasonable satisfaction.

The Trustee and the Manager may accept as sufficient evidence of the value of any investment or the cost price or sale price thereof or of any market quotation a certificate by a person, firm or association qualified in the opinion of the Manager and Trustee to provide such a certificate.

The Trustee and the Manager may rely upon the established practice and rulings of any market and any committees and officials thereof on which any dealing in any investment is from time to time effected in determining what shall constitute a good delivery and any similar matters and such practice and rulings shall be conclusive and binding upon all persons under the Trust Deed.

None of the Trustee, the Manager or the Registrar shall be responsible for acting upon any resolution purporting to have been passed at any meeting of Unitholders in a particular Index Fund or (as the case may be) of all the Unitholders of the Trust, in respect whereof minutes shall have been made and signed even though it may be subsequently found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not binding upon all the Unitholders in that Index Fund, or (as the case may be) all the Unitholders of the Trust.

None of the Trustee, the Manager or the Registrar shall incur any liability to the Holders or any of them for doing or (as the case may be) failing to do any act or thing which by reason of any provision of any present or future law or regulation made pursuant thereto or of any decree, order or judgment of any court or by reason of any request, announcement or similar action (whether of binding legal effect or not) which may be taken or made by any person or body acting with or purporting

to exercise the authority of any government or regulatory authority (whether legally or otherwise) either they or either of them shall be directed or requested to do or perform or to forbear from doing or performing.

If the Manager, the Trustee or the Registrar is requested by any department of any government or administration to provide such department with any information regarding any one or more of the following, namely, the Trust Fund, any Index Fund, the Unitholders or any of them, the Trust's investments or the investments of any Index Fund, the income of the Trust Fund or of any Index Fund, or the provisions of the Trust Deed, and complies with such request, whether or not enforceable, none of the Trustee, the Manager or the Registrar shall incur any liability to the Holders or any of them or to any other person as a result of such compliance or in connection with such compliance.

If for any reason it becomes impossible or impracticable to carry out the provisions of the Trust Deed none of the Trustee, the Manager or the Registrar shall be under any liability therefor or thereby.

Any indemnity expressly given to the Trustee or to the Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law.

Nothing in any of the provisions of the Trust Deed shall in any case in which the Trustee or the Manager (as the case may be) have failed to show the degree of diligence and care required of them by the provisions of the Trust Deed, exempt them from or indemnify them against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of duty or trust of which they may be guilty in relation to their duties.

The Trustee shall not be under any liability on account of anything done or suffered by the Trustee in good faith in accordance with or in pursuance of any request, instruction or advice of the Manager. Whenever pursuant to any provision of the Trust Deed any certificate, notice, instruction or other communication is to be given by the Manager to the Trustee the Trustee may accept as sufficient evidence thereof a document signed or purporting to be signed on behalf of the Manager by any one person whose signature the Trustee is for the time being authorised by the Manager to accept.

The Trustee shall not be under any liability on account of anything done or suffered by the Trustee in good faith in accordance with or in pursuance of any application for or request for realisation of Units made by telex, fax or telephone and allowed by the Manager.

In the absence of fraud or negligence by the Manager or the Trustee respectively, they shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the provisions of the Trust Deed and in particular, but without prejudice to the generality of the foregoing, neither the Manager nor the Trustee shall, in ascertaining the value of any quoted Security, be under any liability by reason of the fact that a price reasonably believed to be the last traded price or midway between the latest available market dealing offered price and the latest available market dealing bid price for the time being may be found not to be such.

None of the Trustee, the Manager or the Registrar shall be under any liability except such liability as may be expressly imposed by the Trust Deed nor shall either of them (save as herein otherwise appears) be liable for any act or omission of the other of them.

Subject as herein provided the Trustee shall be entitled for the purpose of indemnity against any action, costs, claims, damages, expenses or demands (other than those arising out of any liability or obligation to the Holders imposed on the Trustee pursuant to the laws of Singapore to which it may be put as Trustee to have recourse to the assets of the relevant Index Fund in respect of which such action, costs, claims, damages, expenses or demands have been made or arose out of or, where such action, costs, claims, damages, expenses or demands relate to the Trust as a whole, the Trust Fund or any part thereof.

The Trustee shall not be responsible for verifying or checking any valuation of the Trust Fund or any Index Fund or any calculation of the prices at which Units are to be issued or realised except as specifically provided in the Trust Deed.

In no event shall the Trustee be bound to make any payment except out of the funds held by it for that purpose under the provisions of the Trust Deed.

For the avoidance of doubt, any reference to the Trustee herein shall be construed to mean the Trustee in its own capacity and, where appropriate, in its capacity as the Registrar of the Trust.

The Trustee shall be entitled, in the absence of manifest error, to rely upon the Register as conclusive evidence of the matters contained in the Register.

## **Conflicts of Interest**

The Manager, the Sub-Manager and the Trustee may from time to time act as trustee, administrator, registrar, secretary, manager, custodian, investment manager or investment adviser (as applicable) or other functions as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Trust or any Index Fund.

In addition, subject to the provisions of the Code relating to transactions with related parties:–

- the Manager, the Sub-Manager or any of their Connected Persons may enter into investments for the Trust as agent for the Trustee and may, with the consent of the Trustee, deal with the Trust as principal;
- the Trustee, the Manager, the Sub-Manager or the Registrar or any of their Connected Persons may have banking or other financial relationships with any company or party which is the issuer of securities, financial instruments or investment products held by the Trust;
- the Trustee, the Manager, the Sub-Manager or the Registrar or any of their Connected Persons may hold and deal in Units or in investments held by the Trust either for their own account or for the account of their customers; and
- the monies of the Trust may be deposited with the Manager, the Sub-Manager, the Trustee or any of their Connected Persons or invested in certificates of deposit or banking instruments issued by any of them.

It is, therefore, possible that any of the Trustee, the Manager, the Sub-Manager or the Registrar or their Connected Persons may, in the course of business, have potential conflicts of interest with the Trust or any Index Fund. Each will, at all times, have regard in such event to its obligations to the Trust and to Unitholders and will endeavour to ensure that such conflicts are resolved fairly and on an arm's length basis.

## **Inspection of Documents**

Copies of the following documents are available for inspection free of charge at the offices of the Manager during normal business hours and copies thereof may be obtained from the Manager at a cost of US\$30 per set of copy documents:–

- Trust Deed;
- CDP agreement;
- sample Participation Agreement; and
- the most recent annual report and accounts of the Trust and the most recent semi-annual report and unaudited accounts of the Trust (copies of which will also be available on the website [www.iShares.com.sg](http://www.iShares.com.sg)).

**Queries and Complaints**

Investors may call at the telephone number +65 6411 3000 to reach the Manager to raise any queries or make complaints.

**Anti-Money Laundering Regulations**

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee or the Trust is subject, the Manager, the Registrar or the Trustee may require a detailed verification of an investor's identity and the source of payment of any subscriptions. Depending on the circumstances of each application, a detailed verification might not be required where:

- the investor makes the payment from an account held in the investor's name at a recognised financial institution; or
- the application is made through a recognised intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised by the Trustee and the Manager as having sufficient anti-money laundering regulations.

*End of Section 1 – General Information Relating to the Trust*



## SECTION 2 – INFORMATION RELATING TO THE iSHARES MSCI INDIA

This section of the prospectus sets out specific information applicable to the iShares MSCI India, a sub-fund of the Trust constituted in Singapore on 31 May 2006. Prospective investors' attention is drawn to "**Risk Factors relating to the iShares MSCI India**", in particular "**Counterparty risk of the issuer of the IAPs**" on page 42 below.

For the purposes of this Section 2, a reference to the iShares MSCI India includes the Mauritius subsidiary (as described in "INFORMATION ABOUT THE MAURITIUS SUBSIDIARY" in Appendix IV).

### Key Information

The following table is a summary of key information in respect of the iShares MSCI India, and should be read in conjunction with the full text of this Section 2 of this Prospectus.

Instrument Type	Exchange Traded Fund ("ETF")
Tracked Index	MSCI India Index
Listing Date	15 June 2006
Exchange Listing	SGX-ST
Trading Board Lot Size	100 Units
Trading Currency	US dollars (US\$)
Dividend Payout	Currently no dividend distributions.
In-kind Creation/Redemption (only Participating Dealers)	Minimum 500,000 Units (or multiples thereof)
Manager	BlackRock Asset Management Southeast Asia Limited
Trustee	HSBC Institutional Trust Services (Singapore) Limited
Registrar	HSBC Institutional Trust Services (Singapore) Limited
Web Site	www.iShares.com.sg

### Exchange Clearance and Settlement

The Units are listed, quoted and traded on SGX-ST. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 100 Units.

The Units are cleared and settled under the electronic book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the Securities Accounts maintained by such accountholders with CDP.

### Clearance and Settlement under the Depository System

The Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Unitholders in respect of the

number of Units credited to their respective Securities Accounts. Investors should note that as long as the Units are listed on the SGX-ST, Units may not be withdrawn from the depository register kept by CDP.

Transactions in the Units under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Units sold and the buyer's Securities Account being credited with the number of Units acquired and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and a transfer fee payable to CDP (investors should refer to the CDP's website at <http://cdp.com.sg> for the latest applicable transfer fee). All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the SGX-ST will be implemented.

Dealings in the Units will be carried out in US dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "**ready**" basis on the SGX-ST generally takes place on the third Business Day following the transaction date. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

#### **Clearing Fees**

A clearing fee for the trading of Units on the SGX-ST is currently payable at the rate of 0.04 per cent of the transaction value, subject to a maximum of S\$600 per transaction. The clearing fee, instrument of transfer, deposit fee and unit withdrawal fee may be subject to GST (currently 7.0 per cent.)

## **Investment Objective and Strategy of the iShares MSCI India**

### **Investment Objective**

The iShares MSCI India seeks to track the performance of the Index in US dollar terms.

The investment objective of the iShares MSCI India will be adhered to for at least 3 years following the first registration of this Prospectus, unless otherwise agreed by the Unitholders of the iShares MSCI India by a special resolution in general meeting.

### **Investment Strategy**

The iShares MSCI India will invest into the Indian market through a wholly owned subsidiary incorporated in Mauritius (the "Mauritius subsidiary"). The Mauritius subsidiary may invest in both Indian Securities and India Access Products ("IAPs") being derivative instruments linked to Indian Securities issued by third parties. An IAP represents only an obligation of the IAP Issuer to provide the economic performance of the underlying Indian Security. Further information about IAPs is set out in Appendix IV.

The Manager seeks to manage the exposure of the iShares MSCI India to each IAP Issuer to a target level of 20-25% of the Net Asset Value, subject to market conditions and insofar as it is reasonably practicable. The Manager may from time to time, in consultation with the Trustee, seek to implement measures to reduce the exposure to an IAP Issuer to the target level over a reasonable period of time. Such measures may include ceasing additional creation activity involving the affected IAP Issuer, the orderly disposal of relevant IAPs and transition to physical holdings. There can be no assurance that the Manager can implement measures to achieve the target level for each IAP Issuer in an orderly and timely way. At various times, the target level for one or more IAP Issuers may not be achievable.

The Manager intends to pursue a Representative Sampling Strategy to achieve the iShares MSCI India's investment objective by investing in Indian Securities and IAPs via the Mauritius subsidiary. As such, the Manager may overweight the holdings of IAPs of the iShares MSCI India relative to the respective weightings of the underlying Securities in the Index. For example such overweighting of holdings may occur if the Manager considers certain Securities in the Index should be excluded in view of the comparative illiquidity and possible settlement difficulties which may be experienced with such Securities. In addition, it may occur because no single FII may hold more than 10 per cent of the total issued capital of an Indian company and the aggregate FII holding in an Indian company may not exceed 24 per cent of the total issued equity capital of the company and/or resulting from any change in the applicable laws and regulations affecting the investment capacity of the FII. In pursuing a Representative Sampling Strategy, the Manager will select underlying Securities, based on their contribution to certain capitalisation, industry and fundamental investment characteristics.

As a result, the iShares MSCI India may not from time to time have exposure to all of the constituent companies of the Index. The basis for adopting any Representative Sampling Strategy is so that the iShares MSCI India can meet its investment objective, which is to provide investment results that closely correspond with the performance of the Index. However a Representative Sampling Strategy entails certain additional risks, in particular a possible increased tracking error at the time of the switch.

Tracking error is where the performance of iShares MSCI India diverges from the performance of the Index. The possible sources of tracking errors by the iShares MSCI India include the fees payable, payment of the IAP Commission (and other transaction costs involved in buying and selling IAPs), foreign ownership limits, the possible imposition of Indian taxes on FIIs increasing the transaction costs of the IAPs, as well as the risk that IAPs may not be able to be settled for all issues within "T+3" causing rebalancing of the IAPs held by the iShares MSCI India to lag changes to the weightings of the Index and Representative Sampling Strategy. In this regard the attention of prospective investor is drawn to "Fees Payable" on pages 47 to 48 and "Risk Factors relating to the iShares MSCI India" on pages 42 to 46.

The Index is calculated on an ex-dividend basis i.e. the price of the Index does not take into account the return from dividend payments of the constituent stocks of the Index. As a result the iShares MSCI India may outperform the Index by receiving amounts which are equivalent to dividends on the underlying securities under the IAPs. The synthetic dividends paid by the IAPs will be used to fund the operating costs of the iShares MSCI India.

## **Further Information about the iShares MSCI India**

### **Online publication of dealing prices**

The Net Asset Value per Unit of the iShares MSCI India will be published on the website [www.iShares.com.sg](http://www.iShares.com.sg) at the end of each Business Day.

### **Real Time Index Information**

In addition, the real time Index level (Ticker: MXIN) is published on Bloomberg, updated throughout the day.

### **Information on the Internet**

The Manager will publish information with respect to the iShares MSCI India in English on the website [www.iShares.com.sg](http://www.iShares.com.sg) including:

- this Prospectus (as revised from time to time);
- the latest available annual and semi-annual financial reports of the iShares MSCI India;
- any public announcements made by the iShares MSCI India, including information with regard to the Index, notices of the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading;

- monthly holdings, the closing Net Asset Value and Net Asset Value per Unit and daily fund performance information and useful Internet links; and
- lists of Participating Dealers and IAP Issuers including the relative exposure to each IAP Issuer.

Material information on the underlying stocks of the Index will be available on one or more of the following websites: the Index Provider at [www.msci.com](http://www.msci.com), the Bombay Stock Exchange at [www.bseindia.com](http://www.bseindia.com), the National Stock Exchange at [www.nseindia.com](http://www.nseindia.com) and SEBI at [www.sebi.gov.in](http://www.sebi.gov.in).

## **Index and Indian Share Market**

### **Index**

The Index (USD) is a free-float adjusted market capitalization weighted index that is designed to track the equity market performance of Indian securities listed on the National Stock Exchange and the Bombay Stock Exchange. The Index is a total return index denominated in US dollar which takes into account both price performance and income from dividend payments. The Index is constructed based on the MSCI Global Investable Market Indices Methodology (as described in Appendix II below) targeting a free float-market capitalization coverage of 85%.

The National Stock Exchange was established at the behest of the Government of India in November 1992. The capital markets segment commenced operations in November 1994. Trades executed on the National Stock Exchange are cleared and settled by a clearing corporation, the National Securities Clearing Corporation Limited, which acts as counterparty and guarantees settlement.

The Bombay Stock Exchange is the oldest stock exchange in Asia. Popularly known as the “BSE”, it was established as “The Native Share & Stock Brokers Association” in 1875. It is the first stock exchange in India to obtain permanent recognition in 1956 from the Government in India under the Securities Contracts (Regulation) Act, 1956.

### **Index Provider**

The Index Provider is MSCI. The Manager has the non-exclusive right to use the Index in connection with the iShares MSCI India. MSCI is independent of the Manager. MSCI’s sole purpose is to facilitate the creation of real time indices for the India market. The MSCI indices, including the Index, are used as performance benchmarks and as the basis for derivative trading as well as index tracking funds such as the iShares MSCI India.

### **Index Construction**

Securities eligible for inclusion in the Index include equity securities issued by companies incorporated in India. The Securities are mainly traded on the National Stock Exchange (NSE). However, in cases where such prices are not available due to the delisting from the NSE, official closing prices from the Bombay Stock Exchange may be used.

The weighting of a company in the Index is intended to be a reflection of the current importance of that company in the market as a whole. Stocks are selected and weighted according to market capitalisation according to the same consistent methodology that is applied to all MSCI Global Investable Market indices. The reason for a company being heavily weighted reflects the fact that it has a relatively larger market capitalisation than other, smaller, constituents in the Index. The constituents of the Index are frequently reviewed to ensure that the Index continues to reflect the state and structure of the underlying market it measures. Please see Appendix I for a list of all of the 60 constituent stocks in the Index as at 30 April 2010 and Appendix II for a description of the MSCI Global Investable Market Indices Methodology.

### **Calculation Times**

The Index opens at 9:55 am (Mumbai time) (12:25 pm (Singapore time)) and closes at 3:30 pm (Mumbai time) (6:00 pm (Singapore time)) each day on which the National Stock Exchange is open. The Index is calculated and is updated continuously

until the market closes. The Index is published as end of day values in US dollars and Rupees. The composition of the Index is reviewed quarterly every February, May, August and November.

### Exchange's and Index's Times

The table below sets out the various commencement and closing times of the relevant exchanges and the Index:

	Trading of the iShares MSCI India on the SGX-ST	National Stock Exchange	Index
Commencement time (Morning)	9:00 am (Singapore time)	12:25 pm (Singapore time)	12:25 pm (Singapore time)
Closing time (Afternoon)	5:00 pm (Singapore time)	6:00 pm (Singapore time)	6:00 pm (Singapore time)

For the purposes of the creation or redemption of Units by a Participating Dealer on any Dealing Day, the Valuation Point will be as at the close of the National Stock Exchange at 6.00 pm (Singapore time). Because the National Stock Exchange operates in a different time zone to SGX-ST, the National Stock Exchange will be open after the SGX-ST is closed for trading. The attention of investors is drawn to the fact that Unitholders will not be able to trade Units after the SGX-ST is closed even if the value of the Securities comprising the Index changes before the National Stock Exchange closes on that day.

### Investment Restrictions

The investment restrictions set out on pages 6 to 9 apply to the iShares MSCI India, subject to the following:-

- The iShares MSCI India will invest in the Indian market through the Mauritius subsidiary (which will hold IAPs and/or Indian Securities). Consequently the Manager has applied for and been granted waivers from paragraphs 1 and 2 of Appendix 1 of the Code in relation to the unlisted securities and single issuer and group limits to allow iShares MSCI India to invest substantially all of its assets in the securities of the Mauritius subsidiary; subject to the following:
  - (a) the Mauritius subsidiary will comply with paragraph 2.2 of Appendix 1 of the Code;
  - (b) the Manager will seek to manage the exposure of the iShares MSCI India to each IAP Issuer to a target level of 20-25% of the Net Asset Value, subject to market conditions and insofar as it is reasonably practicable.

The underlying investments of the Mauritius subsidiary, together with the direct investments made by the iShares MSCI India, will in aggregate comply with the iShares MSCI India's applicable investment restrictions (as modified by (b) above and the additional waiver below).

A Non-Specialised Fund tracking an index which is authorised under the Securities and Futures Act is usually restricted by paragraph 2.1 of Appendix 1 to the Code from making investments which would result in the value of that Non-Specialised Fund's holdings of the securities of any single issuer or group exceeding the higher of 10 per cent and 20 per cent respectively or the benchmark weighting of that issuer of the deposited property of that Non-Specialised Fund, with an additional absolute overweight allowance of 2 percentage points above the benchmark weight. Given the investment objective of the iShares MSCI India is to track the Index and given that the iShares MSCI India may do so by investing in IAPs issued by one or a few counterparties, the Manager has applied for, and has been granted, on behalf of the iShares MSCI India a waiver from paragraph 2.1 of Appendix 1 to the Code to (i) allow the iShares MSCI India to hold IAPs which may all be issued by the same issuer and, (ii) in respect of underlying Securities, to allow the iShares MSCI India to hold IAPs exceeding the benchmark weighting of the issuer for the purposes of its representative sampling strategy, subject to certain conditions.

- The iShares MSCI India may overweight its holdings of IAPs relative to the respective weightings of the constituent companies in the Index IAPs on condition that the maximum extra weighting in any IAP representing any underlying Share will not exceed 2 per cent.

## Operation of the iShares MSCI India

### Investment in the iShares MSCI India

There are two types of investors in the iShares MSCI India, and two corresponding methods of investment in Units and realisation of investment in Units. The first type of investor is a Participating Dealer. Only a Participating Dealer can create and redeem Units directly with the iShares MSCI India.

The second type of investor is any person, other than a Participating Dealer, who buys and sells the Units on the SGX-ST.

### Market Makers

A market maker is a broker or a dealer registered by the SGX-ST as a designated market maker to act as such by making a market for the Units in the secondary market on the SGX-ST. A market maker's obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for Units on the SGX-ST. Market makers accordingly facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SGX-ST. The Manager anticipates at least one market maker will maintain a market for Units in the iShares MSCI India to facilitate efficient trading.

A list of market makers for the iShares MSCI India is available on the SGXNET.

### Index Rebalancing

The constituent Shares and their respective weightings within the Index will change from time to time. In order for the iShares MSCI India to achieve its investment objective of tracking the Index, it will accordingly be necessary for the Manager to rebalance the iShares MSCI India's holdings of IAPs corresponding to the underlying Shares comprised in the Index. The Manager will take public information announced by the Index Provider and rebalance the holdings of IAPs accordingly.

### Roles of the Participating Dealer, FII and IAP Issuer

#### *Participating Dealer*

The role of the Participating Dealer is to create and redeem Units in the iShares MSCI India from time to time. A Participating Dealer has no obligation to create or redeem Units. The Manager shall instruct the Trustee to effect for the account of the Trust, the creation of Units in Application Unit size in exchange for either Securities or cash or a combination of both in accordance with the Operating Guidelines and the Trust Deed. In its absolute discretion, the Participating Dealer may also create Units on behalf of its clients from time to time.

A list of the current Participating Dealer(s) is available at [www.iShares.com.sg](http://www.iShares.com.sg). Any change to the list of Participating Dealer(s) will be announced on SGXNET.

The Manager may from time to time appoint one or more additional Participating Dealers.

The criteria for the eligibility and selection of any such additional Participating Dealers by the Manager is as follows: (i) the Participating Dealer must hold a capital markets services licence for dealing in securities under the Securities and Futures Act or be exempt from such licensing; (ii) the Participating Dealer must be a FII or belong to a FII group; (iii) the Participating Dealer (or a Connected Person of the Participating Dealer) must undertake to buy and sell IAPs as envisaged by this Prospectus on an ongoing basis; and (iv) the Participating Dealer must be acceptable to the Trustee. With regard to (ii) above, a FII group means group of companies of which a member is a FII – please see Appendix III for a description of the FII regime.

**FII**

The role of the FII is to buy and sell the underlying Shares to which the IAPs are linked. The FII buys and sells the underlying Shares in order to hedge the obligations of the IAP Issuer relating to IAPs that are bought or sold by the iShares MSCI India.

Please see Appendix III for a description of the FII regime.

**IAP Issuer**

The role of the IAP Issuer is to issue the IAPs relating to the underlying Indian Securities. The IAPs may be issued to the Participating Dealer (or a Connected Person of the Participating Dealer).

Where the FII will not itself act as the issuer of the IAPs, the eligibility and selection of the Participating Dealer will also depend on the credit worthiness and financial standing of the issuer of the IAPs. The issuer of the IAPs must:

- (a) be a member of a FII group (if it is not itself a FII),
- (b) be a substantial financial institution (an institution with a minimum paid up capital of the equivalent of US\$500 million) with a credit rating in respect of senior debt of at least A– by Standard & Poor’s (or equivalent rating given by Moody’s or by Fitch). In the event the Issuer’s obligations to the iShares MSCI India is guaranteed by a guarantor (the “Guarantor”), the Guarantor (but not the issuer of the IAPs) must fulfil the requirements set out in this paragraph (b), and
- (c) remain a member of the FII group (if it is not itself a FII) in order for the iShares MSCI India to acquire further IAPs from that issuer.

For the purposes of (a) and (c) above, “FII group” means a corporate group in which the IAP Issuer is either an FII or is an affiliate of an FII.

The Manager shall monitor an IAP Issuer’s ongoing compliance with (a) to (c) above on a quarterly basis and should the IAP cease to comply the Manager shall immediately notify the Authority. In the event that (1) the IAP Issuer ceases to be a wholly owned subsidiary of the FII or the FII ceases to be a wholly owned subsidiary of the IAP Issuer and either (i) or (ii) above do not apply, and/or (2) the credit rating of the IAP Issuer or the Guarantor (as the case may be) in respect of senior debt falls below A– by Standard & Poor’s (or an equivalent rating given by Moody’s or by Fitch), and where the iShares MSCI India has more than one Participating Dealer, then the Manager will notify Unitholders (and the Authority) and will no longer permit creations by the Participating Dealer which is a Connected Person of the relevant IAP Issuer unless (subject to the Authority’s approval) additional credit support is provided as the Manager considers appropriate, until such time as the credit rating returns to the minimum acceptable credit rating. In the situation where the iShares MSCI India has only one Participating Dealer, however, the Manager may convene a meeting of Unitholders in the iShares MSCI India to put a resolution of Unitholders to terminate the iShares MSCI India. Where the resolution is passed by a 75 per cent majority of the votes cast by Unitholders, the iShares MSCI India will be terminated.

A list of current Participating Dealers and IAP Issuers together with the relative exposure of the iShares MSCI India (via the Mauritius subsidiary) to each IAP Issuer is available at [www.ishares.com.sg](http://www.ishares.com.sg).

**Distribution Policy**

The Manager currently does not intend to make any distributions of the income of the iShares MSCI India to Unitholders.

**No Certificates**

Certificates will not be issued in respect of Units in the iShares MSCI India. Units will be deposited, cleared and settled by the CDP, and held in book-entry form. CDP is the registered owner (i.e. the sole Holder of record) of all outstanding Units

deposited with the CDP and is therefore recognised as the legal owner of such Units. Investors owning Units are beneficial owners as shown on the records of CDP or the Participating Dealers (as the case may be).

## Dealing on the SGX-ST

### Purchasing and Selling Units on the SGX-ST

Investors other than Participating Dealers cannot create Units directly from the iShares MSCI India.

However, as the iShares MSCI India is listed on SGX-ST, investors can place an order to buy Units during the trading day through a broker on the SGX-ST as one would in the case of a share listed on the SGX-ST, at any time after dealings in the Units commence. The trading price of Units of the iShares MSCI India may differ from the Net Asset Value per Unit and there can be no assurance that a liquid secondary market will exist for the Units.

Units may not be acquired by, transferred to or held for or on the account of and/or for the benefit of a person who is a Non-Resident Indian or a Person Resident in India (each term as described in Appendix III).

Investors may place an order with a broker to sell their Units on the SGX-ST at any time during the trading day. To sell Units – or to buy new ones – a retail investor will need to use an intermediary such as a stockbroker or any of the share dealing services offered by banks or other financial advisers.

Brokerage and other fees may be payable when selling (and purchasing) Units. Please see the section headed “Fees Payable on Dealing in Units on the SGX-ST” below.

## Creation and Redemption by Participating Dealers

### Continuous Offering of Units

Units in the iShares MSCI India are continuously offered to Participating Dealers who may apply in multiples of an Application Unit on any Dealing Day on their own account or for the account of their clients in accordance with the Operating Guidelines. The Dealing Deadline is 4.00 pm (Singapore time) for in-specie Creation and Redemption Applications and 2.15 pm for cash Creation and Redemption Applications. All dealing requests are dealt with at the same Net Asset Value at the same Valuation Point, i.e. the close of the National Stock Exchange (6:00 pm Singapore time) (or such other time as may be determined by the Manager from time to time with the approval of the Trustee).

### Application Unit

Units in the iShares MSCI India are offered and issued at their Net Asset Value only in aggregations of a specified number of Units (each, an “**Application Unit**”) which is currently 500,000 Units (or whole multiples thereof). Any change to the Application Unit size will be announced on the SGXNET. Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof will not be accepted.

### Procedures for Creation of Application Unit Size

Only Participating Dealers may apply for Units. The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in the iShares MSCI India in Application Unit size in exchange for Securities comprised in the Application Basket or cash or a combination of both at the discretion of the Participating Dealer plus any Duties and Charges payable in accordance with the Operating Guidelines. Where the aggregate value of the Securities delivered by a Participating Dealer exceeds the Net Asset Value of the Application Unit, the iShares MSCI India will pay the Participating Dealer a cash amount equal to the difference. In the event that the iShares MSCI India has insufficient cash to pay such amount, the Manager may effect sales of the Deposited Property of the iShares MSCI India, or may borrow moneys to provide the cash required. The Manager shall have the right to reject or suspend a Creation Application if (i) in the opinion of the Manager, acceptance of any Security would have certain adverse tax consequences for the iShares MSCI India; (ii) the Manager reasonably believes that the acceptance of any Security would be unlawful; (iii) the acceptance of any Security would otherwise, in the opinion of the Manager, have an adverse effect on the iShares MSCI India; (iv) circumstances outside the control of the Manager



make it for all practicable purposes impossible to process Creation Applications, (v) the Manager has suspended the rights of Participating Dealers pursuant to the Trust Deed; or (vi) an Insolvency Event occurs in respect of the Participating Dealer.

Once the Units are created, the Manager shall effect, for the account of the Trust, the issue of Units to a Participating Dealer in accordance with the Operating Guidelines.

Units are denominated in US dollars and no fractions of a Unit shall be created or issued by the Trustee.

A Creation Application for the creation and issue of Units shall only be made or accepted (as the case may be) on a Dealing Day, shall only be in respect of Units constituting an Application Unit size or whole multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participation Agreement.

The Issue Price of Units shall be based on forward pricing which means that the Issue Price of the Units shall not be ascertainable at the time of application for Units.

A Creation Application received (or deemed received) and accepted in accordance with the Operating Guidelines on a Dealing Day shall be issued at that Dealing Day's Issue Price but, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on Settlement Day or the Dealing Day immediately following Settlement Day if the settlement period is extended.

The Issue Price per Unit of the iShares MSCI India shall be the Net Asset Value of the iShares MSCI India as at the Valuation Point of the relevant Dealing Day divided by the total number of Units of the iShares MSCI India rounded to the nearest 2 decimal places (or such other method of rounding as may be determined by the Manager from time to time with the approval of the Trustee). The Issue Price per Unit will be rounded to 4 decimal places from 1 July 2010.

If a Creation Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The Dealing Deadline for the iShares MSCI India is 4.00 pm (Singapore time) for in-specie Creation Applications and 2.15 pm for cash Creation Applications.

For every successful application for Units, the Participating Dealer will be sent a confirmation detailing the number of Units allotted within 7 Business Days of the receipt of the application by the Registrar. All Units created through subscription of Units through the Participating Dealer will be entered on the records of CDP in the name of the Participating Dealer or its nominee.

No Units shall be issued to any Participating Dealer unless the application is in a form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager in accordance with the Operating Guidelines.

The Manager may charge a Transaction Fee in respect of Creation Applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the iShares MSCI India). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units (and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Creation Application(s)) for the benefit of the Trustee.

Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid from the Deposited Property.

The Trustee shall be entitled to refuse to enter (or allow to be entered) Units in the register if at any time the Trustee is of the opinion that the provisions, in regard to the issue of Units, are being infringed.

### **Cancellation of Creation Application of Units in the iShares MSCI India**

The Trustee shall cancel a Creation Application of Units in the iShares MSCI India if it has not received good title to all Securities and or cash (including Duties and Charges) relating to the Creation Application by or on the relevant Settlement Day provided that the Manager may at its discretion, with the approval of the Trustee, (a) extend the settlement period (either for the Creation Application as a whole or for a particular Security) on such terms and conditions (including as to the payment of an Extension Fee) as the Manager may determine or (b) partially settle the Creation Application to the extent to which the Securities and or cash have been vested in or paid to the Trustee, on such terms and conditions as the Manager may determine including terms as to any extension of the settlement period.

Upon the cancellation of any Creation Application as provided for above or if a Participating Dealer otherwise withdraws a Creation Application other than in the circumstances contemplated in the Trust Deed, any Security and/or cash received by or on behalf of the Trustee in connection with a Creation Application shall be redelivered to the Participating Dealer (without interest) and the relevant Units shall be deemed for all purposes never to have been created and the applicant therefor shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- the Manager may charge the Participating Dealer for the account of the Trustee an Application Cancellation Fee;
- the Manager may at its discretion require the Participating Dealer to pay to the Trustee for the account of the relevant Index Fund in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application;
- the Trustee shall be entitled to the Transaction Fee payable in respect of a Creation Application; and
- no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

### **Procedures for Redemption of Application Unit Size**

Only Participating Dealers may apply to redeem Units. The Manager shall have the exclusive right, at any time and from time to time following a Redemption Application made by a Participating Dealer in accordance with the Operating Guidelines, by notice in writing to the Trustee to effect a reduction of the Trust Fund on the relevant Settlement Day by requiring the Trustee to cancel the number of Units specified in such notice.

A Redemption Application shall only be made or accepted (as the case may be) on a Dealing Day and shall only be in respect of Units constituting an Application Unit size or whole multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participation Agreement. There is no minimum holding requirement.

The Redemption Value shall be based on forward pricing which means that the Redemption Price of the Units shall not be ascertainable at the time of application to redeem Units.

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit in the iShares MSCI India as at the Valuation Point of the relevant Dealing Day rounded to the nearest 2 decimal places (or such other method of rounding as the Manager may from time to time determine with the approval of the Trustee). The Redemption Value of Units will be rounded to 4 decimal places from 1 July 2010.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received. The Dealing Deadline for the iShares MSCI India is 4.00 pm (Singapore time) for in-specie Redemption Applications and 2.15 pm for cash Redemption Applications.

The Manager shall, on receipt of an effective Redemption Application for the iShares MSCI India from a Participating Dealer, effect the redemption of the relevant Units and upon receipt of the Units to be redeemed shall require the Trustee to transfer to the Participating Dealer Securities and/or cash in accordance with the Operating Guidelines.

To be effective, a Redemption Application must:

- be given by a Participating Dealer in accordance with a Participation Agreement;
- specify the number of Application Units which is the subject of the Redemption Application; and
- include the certifications required in the Operating Guidelines in respect of redemptions of Units, together with such certifications and opinions of counsel as the Trustee and the Manager may consider necessary to ensure compliance with applicable securities and other laws in relation to the redemption of Units which are the subject of the Redemption Application.

A Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager.

The Manager may deduct from and set off against any cash payable to a Participating Dealer on the redemption of Units such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and the Transaction Fee. To the extent that the cash is insufficient to pay such Duties and Charges and the Transaction Fee payable on such redemption the Participating Dealer shall promptly pay the shortfall in the currency of account for the iShares MSCI India to or to the order of the Trustee. The Trustee shall not be obliged to deliver (and shall have a general lien over) any Securities to be transferred in respect of the relevant Redemption Application until the Units to be redeemed are received to the order of the Trustee and such shortfall and any cash, Transaction Fee and Extension Fee payable by the Participating Dealer is paid in full in cleared funds to or to the order of the Trustee.

Unless specifically requested to do so by the Participating Dealer concerned, not later than one month after the relevant Dealing Day, the Trustee shall be under no obligation to check the calculation of the Redemption Value in connection with any redemption or cancellation of Units but shall be entitled at any time before the audited accounts of the Trust, covering the relevant Dealing Day, have been prepared, to require the Manager to justify its calculation of the Redemption Value.

Any transfer of Securities or payment of cash in respect of a Redemption Application shall be transferred and/or paid on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and, where any amount is to be paid by telegraphic transfer to a bank account in Singapore or New York State, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received in accordance with the Operating Guidelines and provided further that the Trustee shall have received (unless otherwise provided in the Operating Guidelines) the Units to be cancelled and the full amount of any cash payable by the Participating Dealer and any Duties and Charges and the Transaction Fee payable have been deducted or otherwise paid in full.

Provided that on the relevant Settlement Day in relation to an effective Redemption Application:–

- the Units, which are the subject of the Redemption Application, shall be redeemed and cancelled; and
- the Trust Fund shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Dealing Day on which the Redemption Application was received,

the Trustee shall transfer the Securities and/or cash relevant to the Redemption Application out of the Deposited Property of the Index Fund to the Participating Dealer.

No Security or cash shall be transferred or paid in respect of any Redemption Application unless Units, which are the subject of the Redemption Application, have been delivered to the Manager for redemption by such time on the Settlement Day as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally. In the event that Units, which are the subject of a Redemption Application, are not delivered to the Manager for redemption in accordance with the foregoing:

- the Redemption Application shall be deemed never to have been made except that the Transaction Fee in respect of such application shall remain due and payable and once paid, shall be retained by the Trustee;
- the Manager may charge the Participating Dealer for the account of the Trustee an Application Cancellation Fee;
- the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the iShares MSCI India, in respect of each Unit Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if a Participating Dealer had, on the final day permitted for delivery of Units which are the subject of the Redemption Application, made a Creation Application plus such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the iShares MSCI India as a result of any such cancellation; and
- no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

The Manager, with approval of the Trustee, may at its discretion extend the settlement period such extension to be on such terms and conditions (including as to the payment of an Extension Fee) as the Manager may determine but, in any event, not later than one month from the receipt of an effective Redemption Application.

The Manager may charge a Transaction Fee in respect of Redemption Applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the iShares MSCI India). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Redemption Application(s)).

#### **Directed Cash Dealing**

Where a Participating Dealer subscribes or redeems in cash, the Manager may at its sole discretion (but shall not be obliged to) transact with a broker/dealer nominated by the Participating Dealer. Should the nominated broker/dealer default on, or change the terms for, any part of the transaction, the Participating Dealer shall bear all the associated risks and costs. In such circumstances the Manager has the right to transact with another broker/dealer and amend the terms of the Creation or Redemption Application to take into account the default and the changes to the terms.

### **Risk Factors relating to the iShares MSCI India**

*In addition to the principal risk factors common to all Index Funds set out above, investors should also note the following additional risk factors associated with investing in the iShares MSCI India. The following statements are intended to be summaries of some of those risks. They are by no means exhaustive and they do not offer advice on the suitability of investing in the iShares MSCI India. Investors should carefully consider the risk factors described below together with all of the other information included in this Prospectus before deciding whether to invest in Units of the iShares MSCI India.*

#### **General Risk Factors**

##### ***Counterparty risk of issuer of the IAPs***

The iShares MSCI India may buy and sell IAPs as well as Indian Securities. The IAPs constitute direct, general and unsecured contractual obligations of the issuer of the IAPs. The IAPs do not provide the iShares MSCI India (or the Mauritius subsidiary) with any legal or equitable interest of any type in the underlying Indian Securities. Accordingly each underlying Security is

merely represented by an IAP designed to replicate the economic benefit of holding that Security. Depending on the number of Participating Dealer(s) appointed, the iShares MSCI India's IAPs may be issued by only one IAP Issuer or by only a few IAP Issuers, and the iShares MSCI India has been exempted by the Authority from the single issuer and single group issuer limits under Appendix 1 of the Code (see page 6 for a summary of the single issuer and single group limits). The value of the iShares MSCI India's assets may therefore depend entirely on the credit risk of a single or a few counterparties as the issuer(s) of the IAPs held by the iShares MSCI India. Investors should note that the number of financial instruments (including IAPs) issued by any IAP Issuer may be substantial.

The iShares MSCI India is subject to counterparty risk associated with each IAP Issuer and may suffer losses potentially equal to the full value of the IAPs issued by such IAP Issuer if such IAP Issuer fails to perform its obligations under the IAPs. Any loss would result in a reduction in the Net Asset Value of the iShares MSCI India and impair the ability of the iShares MSCI India to achieve its investment objective to track the Index. In the event of any default by a IAP Issuer, dealing may be suspended and the iShares MSCI India may not continue to trade.

#### ***Participating Dealers connected to Issuers of the IAPs***

Investors should note that the IAPs are issued by Connected Persons of the Participating Dealers. In addition members of the same groups of companies as the Participating Dealers act as the calculation agents of the IAPs and/or the entities who will buy and sell the IAPs to the iShares MSCI India. Although the valuation methodology for the issue and settlement price of the IAPs is prescribed under their terms, the possibility of conflicts of interest arising cannot be wholly eliminated. If any conflicts of interest arise the Manager will seek to ensure that Unitholders are treated fairly.

#### ***Disruption of creation and redemption***

IAPs will only be bought from, or sold to, the iShares MSCI India from time to time where the corresponding Shares may be sold or purchased by the FII on the National Stock Exchange. Given that this market may be considered volatile and unstable (with the risk of suspension of a particular stock), the creation and redemption of Units may also be disrupted. A Participating Dealer is unlikely to redeem or create Units if it considers that the underlying Shares may not be dealt.

#### ***Liquidation of IAPs***

Although the IAPs to be held by the iShares MSCI India are listed, the IAPs have no active secondary market. In addition, the Manager may have to agree with each FII that, in any event, the Manager will not sell any IAP to Non-Resident Indians, Persons Resident in India, Persons of Indian Origin and Overseas Corporate Bodies (please see definitions in Appendix III on pages 73 to 74). Accordingly the iShares MSCI India will rely entirely on a Connected Person of the Participating Dealer or the Participating Dealer to liquidate its holdings of the IAPs from time to time.

#### ***Participating Dealers will only deal in their own IAPs***

IAPs are issued by a Connected Person of each Participating Dealer to the iShares MSCI India to reflect a holding (by the FII which is also a Connected Person of the Participating Dealer) of the relevant Shares. Investors should note that where the iShares MSCI India has more than one Participating Dealer, the iShares MSCI India will not be able to sell an IAP to any Participating Dealers (or its Connected Person) other than the Participating Dealer (or its Connected Person) which issued the relevant IAP. As such each Participating Dealer may only redeem Units up to a ceiling of the number of Units created by that Participating Dealer. This arrangement may cause additional administration and so incur additional expenses to be borne by the iShares MSCI India.

#### ***Tracking error due to IAP structure***

The tracking error of the iShares MSCI India may be increased by the overall costs of maintaining the IAPs. Such costs include the IAP Commission and the IAP maintenance charge (please see under "IAP Commission" below) as well as the spread and foreign exchange costs to the iShares MSCI India from investing in the IAPs. As a result of such costs the value of the IAPs represented by a Unit may differ from the price of the Shares to which such IAPs are linked, leading to an increased tracking error, although the Manager does not believe that this will be significant.

***FII tax risk***

Under the terms of the IAPs, any tax levied on and payable by the FII in India would be passed on to and borne by the iShares MSCI India if (i) the iShares MSCI India settles the IAP, (ii) when the IAPs settle at expiry or (iii) when distributions are made by the IAP Issuer to the iShares MSCI India. In addition when the Manager sells a IAP, the sale price would take account of the FII's tax liability. In such circumstance the value of IAPs held by the iShares MSCI India may be reduced against the value of the underlying Shares to which the IAPs are linked because, ultimately, the Indian tax liability, if any, will always be borne by the iShares MSCI India.

***FII investment restrictions***

Investors should note that the relevant Indian laws and regulations may limit the ability of the FII to acquire Securities in certain Indian issuers from time to time. In such case, this may accordingly restrict the issuance, and therefore the purchase, of Units of the iShares MSCI India. This may occur in a number of circumstances, such as (i) where the aggregate FII holding in any Indian company exceeds 24 per cent or the relevant sectoral cap as prescribed by the Government of India; and/or (ii) where a single FII (or its sub-accounts) holds 10 per cent of the issued equity capital of an Indian company; and/or (iii) where a change in the applicable laws and regulations affecting the investment capacity of the FII. In the event that these limits are exceeded the relevant FIIs will be required to dispose of the Shares in order to comply with the relevant requirements and each FII may dispose of the relevant Shares on a "last in first out" basis. As a consequence, in such circumstances, the Manager may need to adopt a more Representative Sampling Strategy in order to achieve the iShares MSCI India's investment objective. This may cause increased tracking error in general.

***Foreign exchange risk***

The Manager does not intend to hedge the foreign currency exposure of the iShares MSCI India. The iShares MSCI India is denominated in US dollars whilst the underlying Shares represented by the IAPs are denominated in Rupees. Accordingly the ability of the iShares MSCI India to track the Index is in part subject to foreign exchange fluctuations as between the US dollar and the Rupee. Although the IAP Issuer of the IAPs is not the FII, the terms of the IAPs require the payment of the US dollar equivalent of the Rupees distributions and dividends received by the FII. Accordingly the iShares MSCI India is exposed to foreign exchange risk and fluctuations in value between the US dollar and the Rupee and investors of the iShares MSCI India will be exposed to such exchange rate risks. Notwithstanding the foregoing, investors should note that the FII is not required, by virtue of the issuance of the IAPs, to remit or repatriate US dollars out of India. In addition the iShares MSCI India will buy and sell the IAPs in US dollars. Accordingly Indian foreign exchange restrictions will not impact the purchase and sale of the IAPs by the iShares MSCI India or the payment of distributions in US dollars by the IAP Issuer to the iShares MSCI India.

***Euroclear/Clearstream settlement cycle of IAPs***

The IAPs are cleared and settled in Euroclear and Clearstream (which is normally achieved on a "T + 3" basis). Although small, there is a risk that the Participating Dealers may not always be able to do this for all new issues to the iShares MSCI India of the IAPs when the Manager needs to rebalance the iShares MSCI India's holding of IAPs.

**Risk Factors Relating to India*****Indian Exchange Controls***

The operation of the FII's bank account in India is subject to regulation by the Reserve Bank of India ("RBI") under India's Foreign Exchange Management Act 1999 ("FEMA") and Regulations under the FEMA ("FEMA Regulations"). A designated bank, namely any bank in India which has been authorised by RBI to act as a banker to FIIs, is authorised to convert currency and repatriate capital and income on behalf of the FII. There can be no assurance that the Indian Government will not, in future, impose restrictions on foreign exchange. The repatriation of capital may be hampered by changes in Indian regulations concerning exchange controls or political circumstances. Any amendments to the FEMA Regulations may impact adversely on the iShares MSCI India's performance.

***Corporate Disclosure, Accounting and Regulatory Standards***

Indian disclosure and regulatory standards are in many respects less stringent than standards in certain OECD (Organisation for Economic Co-operation and Development) countries. There may be less publicly available information about Indian companies than is regularly published by or about companies in such other countries. The difficulty in obtaining such information may

mean that the FII experiences difficulties in obtaining reliable information regarding any corporate actions and dividends of companies in which the iShares MSCI India has indirectly invested. Indian accounting standards and requirements also differ in significant respects from those applicable to companies in many OECD countries.

#### ***Economic, Political and Taxation Considerations***

The iShares MSCI India, the market price and liquidity of the shares may be affected generally by exchange rates and controls, interest rates, changes in Indian governmental policy, taxation, social and religious instability and other political, economic or other developments in or affecting India.

#### ***Clearing, Settlement and Registration Systems***

Although the Indian primary and secondary equity markets have grown rapidly over the last few years and the clearing, settlement and registration systems available to effect trades on the Indian stock markets have significantly improved with mandatory dematerialization of shares, these processes may still not be on a par with those in more mature markets. Problems of settlement in India may impact on the Net Asset Value and the liquidity of the iShares MSCI India.

#### ***Fraudulent Practices***

The Securities and Exchange Board of India was created under the resolution of the Government of India in April 1992, and performs the function of “promoting the development of and regulation of the Indian securities market, the protection of the interest of shareholders as well as matters connected therewith and incidental thereto”. The Securities and Exchange Board of India Act of 1992 has entrusted the SEBI with much wider powers and duties, which inter alia, include prohibition of fraudulent and unfair trade practices relating to the stock markets including insider trading and regulation of substantial acquisitions of shares and takeovers of companies. The Indian stock exchanges have been subject to broker defaults, failed trades and settlement delays in the past and such events may have adverse impact on the Net Asset Value of the iShares MSCI India. In addition, in the event of occurrence of any of the above events, or in the event of SEBI having reasonable ground to believe that the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market, SEBI can impose restrictions on trading in certain securities, limitations on price movements and margin requirements, which could adversely impact the liquidity of the iShares MSCI India.

#### ***Limited Liquidity***

A disproportionately large percentage of market capitalisation and trading value in the Indian stock exchanges is represented by a relatively small number of issues. There is a lower level of regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants as compared to certain OECD markets. It may, therefore, be difficult to invest the iShares MSCI India’s assets so as to obtain a representative portfolio or to realise the iShares MSCI India’s investments at the places and times that it would wish to do so.

#### **Risk Factors Relating to Mauritius**

**The principal risk factors applicable to the iShares MSCI India will also be applicable to the Mauritius subsidiary.**

#### ***Mauritius Taxation and Exchange Control***

The Mauritius subsidiary is registered with the Financial Services Commission of Mauritius as a collective investment scheme. The Mauritius subsidiary holds a Category 1 Global Business Licence for the purpose of the Financial Services Act 2007 and will be liable to tax in Mauritius at the rate of 15% of its net income. However, the Mauritius subsidiary will be entitled to a deemed tax credit equivalent to the higher of the actual foreign tax suffered or 80% of the Mauritian tax on its foreign source income.

Currently, capital gains on sale of units/securities are exempt from tax in Mauritius. There is no withholding tax payable in Mauritius or in respect of payments of dividends to shareholders in respect of redemption or exchange of shares. The Mauritius subsidiary has obtained a tax residence certificate from the Mauritius Revenue Authority and such certification is determinative of its resident status for Double Tax Agreements (“DTA”) purposes. Accordingly the Mauritius subsidiary

qualifies as a resident of Mauritius for the purposes of all DTA. On this basis, the Mauritius subsidiary is entitled to certain relief from foreign tax subject to continuance of the current terms of such DTA.

The comments set out above regarding the incidence of taxation are based on the relevant law and practice (where applicable) as at the date of this Prospectus. However, neither the Mauritius subsidiary nor its advisers in any way warrant the tax imposition outlined above, which in any event is subject to changes in the relevant legislation and interpretation and application thereof.

All exchange control regulations have been suspended in Mauritius. In the event such regulations are re-introduced, it is expected that they will not apply to the Mauritius subsidiary since the Mauritius subsidiary qualifies as a Category 1 Global Business Company in Mauritius for the purposes of the Financial Services Act 2007. However there can be no assurance that controls will not affect the Mauritius subsidiary.

### ***Reliance on the DTA***

Mauritius has, as a tax planning jurisdiction focused on the development of its Global Business sector on the use of its growing networks of DTA Treaties. Mauritius has been used as a route for investment into emerging regions such as India and China. As at the date of this Prospectus, Mauritius has conducted 33 tax treaties and is currently awaiting on some 14 others.

Investors should note that no assurance can be given that the terms of the DTA will not be subject to re-negotiation in the future. Any change in the DTA could have a material adverse effect on the returns of the Mauritius subsidiary and as a result, the returns of the iShares MSCI India. There can be no assurance that the DTA will continue and will be in force and effect during the life of the Mauritius subsidiary. There can be no assurance that the Mauritius subsidiary will be able to obtain or maintain the benefit of the DTA.

### ***Insurance Risk***

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war that may be uninsurable or not economically insurable. Inflation, environmental considerations, and other factors, including terrorism or acts of war may result in the insurance proceeds being insufficient to repair or replace damaged or destroyed property. Under such circumstances, the insurance proceeds received might not be adequate to restore the Mauritius subsidiary's or an investee's economic position. Should an uninsured loss or a loss in excess of insured limits occur, the Mauritius subsidiary may lose capital invested in the affected investee as well as anticipated future revenue from that investee.

### ***Winding Up***

The winding up of the Mauritius subsidiary, including distributions, is subject to Mauritius laws.

### ***Other Risks***

Changes in laws, politics and government policies in Mauritius might also affect the environment where the Mauritius subsidiary is set up such that the advantages which it is enjoying right now could no longer be present.

## **Additional Conflicts of Interest**

In addition to the possible conflicts of interest disclosed on pages 29 and 30 of this Prospectus, it should be noted that, each Participating Dealer is a Connected Person of the issuer of the relevant IAPs which will comprise substantially all of the Deposited Property of the iShares MSCI India. Accordingly a Connected Person of each the Participating Dealer will be a counterparty of the iShares MSCI India. Where the iShares MSCI India buys and sells the IAPs, the person with whom it deals will be a Connected Person of the Participating Dealer. In addition, the FII's which will be Connected Persons of each Participating Dealer, may deal in Shares to which the IAPs are linked as agent on behalf of other clients and as principal from time to time. IAPs linked to Shares (which may, or may not, have similar terms to the IAPs held by the iShares MSCI India) may also be issued, settled, bought or sold in transactions with other clients from time to time.



## Fees Payable

There are 3 levels of fees and expenses applicable to investing in the iShares MSCI India as set out in the following table, current as at the date of the Prospectus.

Fees and expenses payable by Participating Dealers in respect of creation and redemption of Units (primary market)	Amount
Transaction Fee <sup>1</sup>	US\$1,875 per Application.
Daylight Settlement Fee <sup>2</sup>	US\$1,125 per Application.
Application Cancellation Fee <sup>2</sup>	US\$1,125 per Application.
Extension Fee <sup>2</sup>	US\$1,125 per Application.
Partial Delivery Request Fee <sup>2</sup>	US\$1,125 per Application.
Fees and expenses payable by investors on SGX-ST (secondary market)	Amount
Subscription/Redemption fee	Nil
Brokerage	Market rates. Investors will have to bear brokerage fees charged by their stockbrokers.
Clearing fee	Currently the clearing fee for trading Units on the SGX-ST is at the rate of 0.04 per cent of the transaction value, subject to a maximum of S\$600 per transaction, subject to GST (currently 7.0 per cent).
Fees and expenses payable by iShares MSCI India (see further disclosure below)	Amount
Management Fee <sup>3</sup>	Currently 0.99% p.a. of Net Asset Value; Maximum 2.0% p.a.
Trustee's Fee (borne by the Manager out of the Management Fee)	Currently up to 0.10% p.a. of the Net Asset Value subject to a monthly minimum of US\$2,500. Maximum 1% p.a.

**Fees and Expenses Payable by the iShares MSCI India.** The iShares MSCI India employs a single management fee structure, paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the "Management Fee"). Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, Trustee's fee, Sub-Manager's fees and expenses of the auditor, service agents, ordinary legal and out-of-pocket expenses incurred by the Trustee or Manager, and the costs and expenses of licensing the Index. The Management Fee also includes fees and expenses of the Mauritius subsidiary. The Management Fee does not include brokerage and transaction costs, IAP Commissions, or extraordinary items such as litigation expenses. The estimated total expense ratio is expected to be 1.39% p.a.

The iShares MSCI India will not be responsible for any promotional expenses including those incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the iShares MSCI India will not be paid (either in whole or in part) out of the iShares MSCI India.

<sup>1</sup> A Transaction Fee is payable by the Participating Dealer to the Manager for the benefit of the Trustee.

<sup>2</sup> Such fee is payable by the Participating Dealer for the account of the iShares MSCI India on each occasion the Manager grants the Participating Dealer's request for extended settlement in respect of a Creation or Redemption Application.

<sup>3</sup> Accrued daily and payable monthly in arrears.

**IAP Commission.** The FII charges a 0.295 per cent commission on each purchase and sale of each IAP acquired for the account of the iShares MSCI India, plus stamp duty (if any). The IAP Commission and Indian stamp duty are included in the purchase price per IAP and the sale price per IAP payable or receivable respectively by the iShares MSCI India and is accordingly an expense borne by the iShares MSCI India. When the iShares MSCI India buys an IAP, the relevant IAP price payable by the iShares MSCI India will equal the US dollar equivalent of the price in Rupees for the relevant Share, plus the additional IAP Commission and Indian stamp duty. When the iShares MSCI India sells an IAP, the relevant IAP price receivable by the iShares MSCI India will equal the US dollar equivalent of the price in Rupees for the relevant Share, less the IAP Commission of 0.295% and Indian stamp duty.

In addition to the IAP Commission, each IAP Issuer shall also be entitled to receive an IAP maintenance charge, payable by the iShares MSCI India equal to 0.30 per cent per annum of the daily mark to market value of the IAPs issued by the IAP Issuer up to US\$200 million and 0.20 per cent per annum of the daily mark to market value in excess of US\$200 million, payable at the end of each quarter based on the period's actual number of days. The net asset value of IAPs held by the iShares MSCI India shall be as determined by the Trustee at the close of business each day.

**Establishment costs.** The cost of establishing the iShares MSCI India and the Mauritius subsidiary including the preparation of this Prospectus, the costs of seeking and obtaining authorisation and listing and all initial legal and printing costs has been borne by the Manager.

**Increase in fees.** The fees payable to the Manager and the Trustee (which are included in the calculation of the Management Fee) may be increased on one month's notice to Unitholders, subject to the maximum rates set out in the Trust Deed.

## Performance and Benchmark of iShares MSCI India

The benchmark against which the performance of the iShares MSCI India should be measured is the MSCI India Index.

The past performance of the iShares MSCI India and the Index as of 31 March 2010 is as follows:

	Since Inception on 15 June 2006 (Average annual compounded return) (USD)	Return 1 Year (USD)	Return 3 Years (Average annual compounded return) (USD)
<b>iShares MSCI India</b>	18.06%	110.91%	8.62%
<b>Index</b>	20.08%	115.88%	10.44%

Notes:

1. The performance of the iShares MSCI India is calculated on a single pricing basis (NAV-NAV), inclusive of all transactions costs and based on the assumption that all dividends (if any) are reinvested (taking into account any charges payable upon reinvestment).
2. Investors should note that the past performance of the iShares MSCI India and the Index is not necessarily indicative of their future performance.
3. An investor cannot invest directly in an index and the index performance returns do not reflect management fees, transaction costs or other expenses, which would reduce performance returns.
4. Source: iShares MSCI India – BGI; Index – Bloomberg

The expense ratio<sup>3</sup> for the iShares MSCI India for the period from 1 January 2009 to 31 December 2009 is 1.01%.  
The turnover ratio<sup>4</sup> for the iShares MSCI India for the period from 1 January 2009 to 31 December 2009 is 13.69%.

*The information presented in Appendices I to V has been extracted from publicly available documents that have not been prepared or independently verified by the Manager, the Trustee or advisers in connection with the offering and listing of Units and none of them makes any representation as to or takes any responsibility for the accuracy or completeness of such Appendices.*

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<sup>3</sup> The expense ratio is calculated in accordance with the Investment Management Association of Singapore's guidelines ("IMAS Guidelines") on the disclosure of expense ratios and based on the latest audited accounts of iShares MSCI India. The following expenses as set out in the IMAS Guidelines are excluded from the calculation of the expense ratio:

- (a) brokerage and other transaction costs;
- (b) foreign exchange gains and losses of the iShares MSCI India, whether realised or unrealised;
- (c) tax deducted at source or arising from income received;
- (d) interest expense;
- (e) front end loads, back end loads and other costs arising on the purchase or sale of a foreign unit trust or mutual fund; and
- (e) dividends and other distributions paid to Unitholders.

The expense ratio is calculated in accordance with the Investment Management Association of Singapore's guidelines on the disclosure of expense ratios and based on the latest audited accounts of iShares MSCI India.

<sup>4</sup> The turnover ratio is calculated based on the lesser of purchases or sales of underlying investments of the iShares MSCI India expressed as a percentage of daily average Net Asset Value.

## Taxation

The discussion below is a summary of certain Singapore, Mauritius and India tax consequences of the purchase, ownership and disposition of units in the iShares MSCI India. The summary is of a general nature only and is based on the existing provisions of relevant tax law and the regulations thereunder, and practices in effect as at the date hereof, all of which are subject to change at any time and differing interpretations, either on a prospective or retroactive basis. The summary does not purport to be comprehensive and does not constitute legal or tax advice. In particular, it is not intended to constitute a complete analysis of all the tax considerations relating to a participation in the iShares MSCI India. Prospective investors should consult their own tax advisers concerning the tax consequences of an investment in the iShares MSCI India in light of their particular situation, including the tax consequences arising under the laws of any other tax jurisdiction, which may be applicable to their particular circumstances.

iShares MSCI India has been awarded the Designated Unit Trust (“DUT”) status by the Inland Revenue Authority of Singapore (“IRAS”) under Section 35(14) of the Income Tax Act, Chapter 134 (“SITA”). The key aspects relating to the taxation of a DUT are summarised below.

Singapore	
iShares MSCI India	<p>Income derived by a trust is generally taxable through its trustee. If the trust in question is a DUT, certain income does not form part of its taxable income. The items of income exempt at the trust level include the following, among others:</p> <ul style="list-style-type: none"> <li>(a) gains or profits derived from Singapore or elsewhere from the disposal of securities; and</li> <li>(b) dividends derived from outside Singapore and received in Singapore.</li> </ul> <p>Any income or gains that do not fall within the scope of the DUT scheme as explained above, or which are not otherwise exempt from tax, will be subject to tax at the trust level.</p> <p>No tax is withheld from distributions made by a DUT.</p>
Unitholders	<p><b>Distributions:</b> The tax treatment of distributions out of a DUT in the hands of Unitholders is as follows:</p> <ul style="list-style-type: none"> <li>(a) Any distribution received by an individual (whether resident or not) is exempt from taxation, except where that income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.</li> <li>(b) Any distribution received by a foreign investor which has been made out of items listed in (a) and (b) in the section on iShares MSCI India above is exempt from taxation. A foreign investor is: <ul style="list-style-type: none"> <li>(i) in relation to an individual, an individual who is not resident in Singapore;</li> <li>(ii) in relation to a company, a company which is not resident in Singapore and- <ul style="list-style-type: none"> <li>(A) in the case of a company with not more than 50 shareholders, all of its issued shares are beneficially owned, directly or indirectly, by persons who are not citizens of Singapore and not resident in Singapore; and</li> <li>(B) in the case of a company with more than 50 shareholders, not less than 80% of the total number of its issued shares is beneficially owned, directly or indirectly, by persons who are not citizens of Singapore and not resident in Singapore; and</li> </ul> </li> <li>(iii) in relation to a trust fund, a trust fund where at least 80% of the value of the fund is beneficially held, directly or indirectly, by foreign investors referred to above and, unless waived by the Minister or such person as he may appoint, where:- <ul style="list-style-type: none"> <li>(A) the fund is created outside Singapore; and</li> <li>(B) the trustees of the fund are neither citizens of Singapore nor resident in Singapore.</li> </ul> </li> </ul> </li> <li>(c) Distributions (made out of items listed in (a) and (b) in the section on iShares MSCI India above) to Unitholders, other than those described above, are subject to tax in the hands of those Unitholders.</li> <li>(d) Distributions from any income or gains that are subject to tax at the trust level will not be subject to tax in the hands of the Unitholders.</li> </ul>

	<p>The summarised tax position is as follows.</p> <table border="1" data-bbox="352 342 1430 736"> <thead> <tr> <th data-bbox="352 342 616 383">Unitholder</th> <th data-bbox="616 342 1209 383">Distribution out of:</th> <th data-bbox="1209 342 1430 383">Tax treatment</th> </tr> </thead> <tbody> <tr> <td data-bbox="352 383 616 501" rowspan="2">Individual</td> <td data-bbox="616 383 1209 461">Gains from disposal of securities and other income/ gains covered under the DUT scheme</td> <td data-bbox="1209 383 1430 461">Exempt</td> </tr> <tr> <td data-bbox="616 461 1209 501">Other income taxed at trust level</td> <td data-bbox="1209 461 1430 501">Exempt</td> </tr> <tr> <td data-bbox="352 501 616 620" rowspan="2">Foreign investor</td> <td data-bbox="616 501 1209 580">Gains from disposal of securities and other income/ gains covered under the DUT scheme</td> <td data-bbox="1209 501 1430 580">Exempt</td> </tr> <tr> <td data-bbox="616 580 1209 620">Other income taxed at trust level</td> <td data-bbox="1209 580 1430 620">Exempt</td> </tr> <tr> <td data-bbox="352 620 616 736" rowspan="2">Others (e.g. Singapore resident corporation)</td> <td data-bbox="616 620 1209 698">Gains from disposal of securities and other income/ gains covered under the DUT scheme</td> <td data-bbox="1209 620 1430 698">Taxable</td> </tr> <tr> <td data-bbox="616 698 1209 736">Other income taxed at trust level</td> <td data-bbox="1209 698 1430 736">Exempt</td> </tr> </tbody> </table> <p data-bbox="352 779 1441 844"><b>Disposal of units:</b> Gains on disposal of Units by a Unitholder should not be subject to Singapore taxation, unless:</p> <p data-bbox="352 853 1441 996">(a) the gains are derived in the course of a trade or business carried on in Singapore, or (b) the gains are derived in the course of a trade or business carried on outside Singapore and received (or deemed received) in Singapore by a Singapore-resident individual through a partnership in Singapore, or by a Unitholder other than an individual who is carrying on business in Singapore.</p>	Unitholder	Distribution out of:	Tax treatment	Individual	Gains from disposal of securities and other income/ gains covered under the DUT scheme	Exempt	Other income taxed at trust level	Exempt	Foreign investor	Gains from disposal of securities and other income/ gains covered under the DUT scheme	Exempt	Other income taxed at trust level	Exempt	Others (e.g. Singapore resident corporation)	Gains from disposal of securities and other income/ gains covered under the DUT scheme	Taxable	Other income taxed at trust level	Exempt
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	Other income taxed at trust level	Exempt																	
Mauritius subsidiary	<p data-bbox="352 1008 1441 1108"><b>Income tax:</b> Singapore income tax is imposed on income accruing in or derived from Singapore, and on foreign-sourced income received or deemed to have been received in Singapore, subject to certain exceptions.</p> <p data-bbox="352 1153 1441 1294"><b>Gains on disposal of investments:</b> Singapore does not impose tax on capital gains. However, gains from the disposal of investments may be construed to be of an income nature and subject to Singapore income tax. Generally, gains on disposal of investments are considered income on nature if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore.</p> <p data-bbox="352 1339 1441 1594">As the investment and divestment of assets of the Mauritius subsidiary are managed by the Manager, the Mauritius subsidiary may be construed to be carrying on activities of a trade or business in Singapore. Accordingly, the income derived by the Mauritius subsidiary may be considered income accruing in or derived from Singapore and subject to Singapore income tax, unless the income is exempted from tax pursuant to Section 13CA of the SITA and the Income Tax (Exemption of Income of Non-Residents Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010 (the “Regulations”) (the “Tax Exemption Scheme”).</p> <p data-bbox="352 1639 1441 1740"><b>Tax Exemption Scheme:</b> Under the Tax Exemption Scheme, “specified income” derived by a “prescribed person” from funds managed by a “fund manager” in Singapore in respect of “designated investments” will be exempt from tax in Singapore.</p> <p data-bbox="352 1785 1082 1818">“Specified income” is defined to include, among others, the following:</p> <p data-bbox="352 1827 1441 2036">(a) Interest and dividends derived from outside Singapore and received in Singapore in respect of “designated investments”; (b) Gains or profits realised from the sale of any “designated investments”; and (c) Income realised on or after 22 January 2009 from “designated investments” in forms other than through sale (including held to maturity, redemption, or where the realisation leads to a transfer of both economic and legal ownership of the designated investment concerned)<sup>4</sup>.</p>																		

<sup>4</sup> Based on the circular issued by the Monetary Authority of Singapore (MAS) dated 30 April 2009.

“Designated investments” is defined to include, among others, the following:

- (a) Stocks and shares denominated in any foreign currency of companies which are neither incorporated in nor resident in Singapore, excluding stocks and shares of companies incorporated in Malaysia which are listed on the Singapore Exchange or on the Kuala Lumpur Stock Exchange;
- (b) Securities (other than stocks and shares) denominated in any foreign currency (including bonds, notes, certificates of deposit and treasury bills) issued by foreign governments, foreign banks outside Singapore and companies which are neither incorporated in Singapore nor resident in Singapore;
- (c) Stocks, shares, bonds and other securities listed on the Singapore Exchange or on the Kuala Lumpur Stock Exchange and other stocks, shares, bonds and securities issued by companies which are incorporated in Singapore and resident in Singapore;
- (d) Interest rate or currency contracts on a forward basis, interest rate or currency options, interest rate or currency swaps, and swaps, forwards and option contracts relating to any designated investment or financial index, with specified counterparties;
- (e) Stocks and shares of unlisted companies (whether resident or non-resident in Singapore), denominated in any currency<sup>5</sup>.

A “fund manager” for the purposes of the Tax Exemption Scheme means a company holding a capital markets services licence under the Securities and Futures Act for fund management, or one that is exempted under that Act from holding such a licence. The Manager currently holds a capital markets services licence in respect of fund management under the Securities and Futures Act.

A fund, which is a company, will qualify as a “prescribed person” if it:

- (a) Is not resident in Singapore;
- (b) Does not have a permanent establishment in Singapore (other than a fund manager);
- (c) Does not carry on a business in Singapore;
- (d) At all times has less than 100% of the value of its issued securities<sup>6</sup> beneficially owned, directly or indirectly, by Singapore persons<sup>7</sup> collectively; and
- (e) Is not a company the income of which is derived from investments which have been transferred (other than by way of a sale on market terms and conditions) from a person carrying on a business in Singapore where the income derived by that person from those investments was not, or would not have been if not for their transfer, exempt from tax.

Although no assurances can be given, it is the intention of the Manager to carry on activities in a manner such that the Mauritius subsidiary meets the criteria of a “prescribed person”.

<sup>5</sup> Based on the circular issued by the MAS dated 30 April 2009.

<sup>6</sup> “Issued securities” (per section 13CA of the SITA), in relation to a company, means:

- (a) issued debentures of, or issued stocks or shares in, the company;
- (b) any right, option or derivative in respect of any such debentures, stocks or shares; or
- (c) such other securities of the company as may be prescribed.

The “value” of issued securities of a company (per section 13CA of the SITA) means:

- (a) in relation to issued securities of a company other than those prescribed under paragraph (c) of the definition of “issued securities” above, the value of those securities at the time of their issue by the company; or
- (b) in relation to issued securities of a company prescribed under paragraph (c) of the definition of “issued securities” above, the value of those securities at the prescribed time.

Other references to issued securities and the value of such securities in this tax disclosure have the same meaning as above.

<sup>7</sup> “Singapore persons” in relation to the definition of “prescribed person” in the Regulations, means a person who is a Singapore citizen, resident in Singapore or permanent establishment in Singapore, but does not include:

- (a) a company which is approved under section 13R of the SITA and beneficially owns directly, 100% of the total value of all issued securities of the prescribed person; or
- (b) a designated person.

A “designated person” means:

- (a) the Government of Singapore Investment Corporation Pte. Ltd.;

- (b) the MAS; or

- (c) any company which is wholly owned, directly or indirectly, by the Minister (in his capacity as a corporation established under the Minister for Finance (Incorporation) Act (Cap. 183)) and which is approved by the Minister or such person as he may appoint.

However, investors should note that under certain circumstances, they may be obliged to pay an amount to the IRAS if they do not meet certain conditions (i.e. where an investor is a “Non-Qualifying Relevant Owner”). Under the Regulations, where the issued securities is held by a trustee of a trust, the relevant owner (“Relevant Owner”) shall be the beneficiary of the trust administered by the trustee. In this regard, the Relevant Owners of the Mauritius subsidiary should be the Unitholders of iShares MSCI India. These conditions are discussed below. However, the discussion should not be regarded as tax advice and prospective investors should seek their own tax advice on this matter. An investor of a “prescribed person” will be a Non-Qualifying Relevant Owner if the investor:

- (a) Either alone or together with his associates (as defined in the Regulations), beneficially owns on the last day of the financial year of the “prescribed person” relating to the year of assessment (the “Relevant Day”) issued securities of the “prescribed person” the value of which is more than the “prescribed percentage” of the total value of all issued securities of the “prescribed person” on the Relevant Day. The “prescribed percentage” is 30% if the “prescribed person” has fewer than 10 Relevant Owners; and 50% if the “prescribed person” has at least 10 Relevant Owners; and
- (b) Does not fall within any of the following definitions:
  - An individual;
  - A bona fide entity not resident in Singapore who does not have a permanent establishment in Singapore (other than a fund manager) and does not carry on a business in Singapore;
  - A bona fide entity not resident in Singapore (excluding a permanent establishment in Singapore) who carries on an operation in Singapore through a permanent establishment in Singapore where the funds used by the entity to invest directly or indirectly in the “prescribed person” are not obtained from such operation; or
  - A designated person.

Non-Qualifying Relevant Owners will be required to pay a penalty to the IRAS. This amount is computed based on the percentage of the value of the issued securities of the “prescribed person” beneficially owned by the Non-Qualifying Relevant Owner as at the last day of the financial year of the “prescribed person”, multiplied by the income of the “prescribed person” as reflected in its audited accounts for that financial year (the “Non-Qualifying Relevant Owner Income”). The penalty to be paid to the IRAS will be the Non-Qualifying Relevant Owner Income multiplied by the corporate tax rate applicable in Singapore in respect of the financial year in question. The current corporate tax rate (as of the date of this Prospectus) is 17%. Non-Qualifying Relevant Owners are obliged to declare and pay their financial amount in their respective income tax returns for the relevant year of assessment.

To enable investors to determine the value of the issued securities they own in the Mauritius subsidiary (via iShares MSCI India), the Manager will issue an annual statement to each investor notifying such investor of the value of issued securities it owns in the Mauritius subsidiary.

**Distributions and prior payment of the penalty:** Investors such as Singapore resident non-individuals should note that distributions will be subject to normal tax rules, notwithstanding any prior payment of the penalty. Qualifying Relevant Owners will not be required to pay the penalty.

The Manager and iShares MSCI India reserve the right to request such information as the Manager and iShares MSCI India (as the case may be) in their absolute discretion may deem necessary in order to comply with the requirements under the Tax Exemption Scheme.

	<p>If it appears to the Manager that immediately prior to the financial year end of the Mauritius subsidiary, any investor may be potentially characterised as a Non-Qualifying Relevant Owner, the Manager may to the extent necessary to ensure that the investor will not be treated as a Non-Qualifying Relevant Owner require the investor to redeem or transfer such Units in iShares MSCI India.</p> <p><b>Reporting obligations:</b> To enable investors to determine their investment stakes in relation to the Mauritius subsidiary, in respect of any financial year, the Manager will issue an annual statement to each investor, showing:</p> <ul style="list-style-type: none"> <li>(a) the profit of the Mauritius subsidiary for that financial year as per the audited financial statement;</li> <li>(b) the total value of issued securities of the Mauritius subsidiary as of the last day of its financial year;</li> <li>(c) the total value of the issued securities of the Mauritius subsidiary held by the investor (via iShares MSCI India) as of the last day of its financial year; and</li> <li>(d) whether the Mauritius subsidiary has fewer than 10 investors as of the last day of its financial year.</li> </ul> <p>The Manager is required to submit a declaration to the IRAS if, for a particular financial year, there are Non-Qualifying Relevant Owners and furnish the IRAS with the details of such Non-Qualifying Relevant Owners. In this regard, investors should note that they are each responsible for the computation of the aggregate of the shareholding owned by them and their associates and may be required to disclose such computations to the Manager from time to time. A Non-Qualifying Relevant Owner will have to declare the penalty and provide this amount in its Singapore income tax return for the relevant year of assessment.</p>
<b>Mauritius</b>	
Mauritius subsidiary	<p>The Mauritius subsidiary holds a Global Business License (Category 1) from the FSC and will apply for a certificate of tax residence from the Mauritius Revenue Authority (the “MRA”) through the FSC. The MRA will generally issue a tax residence certificate (“TRC”) if the Mauritius subsidiary:</p> <ul style="list-style-type: none"> <li>• has at all times at least two directors ordinarily resident in Mauritius. The resident directors must be of appropriate caliber and able to exercise independence of mind and judgment;</li> <li>• maintains, at all times, its principal bank accounts in Mauritius;</li> <li>• keeps and maintains, at all times, its accounting records in Mauritius;</li> <li>• prepares its statutory financial statements and causes its financial statements to be audited in Mauritius;</li> <li>• provides for meetings of directors to include at least 2 directors from Mauritius.</li> </ul> <p>The TRC is currently renewed on an annual basis subject to an undertaking provided by two resident directors and the corporate secretary that the company complies with the provisions of the prevailing legislation governing global business (including regulations and rules made thereunder), in particular the statutory provisions as laid down in section 71(4) (b) of the Financial Services Act 2007 and adheres to the conditions attached to its Global Business License (Category 1).</p> <p>Further, there is no capital gains tax in Mauritius on disposal of assets other than immovable property situated in Mauritius. Accordingly, capital gains arising on sale of securities would not be taxable in Mauritius. Further, dividend distributions made by the Mauritius subsidiary would not be subject to any withholding tax.</p>



	<p>Under the current Mauritian tax regime, the Mauritius subsidiary will be charged income tax at the rate of 15 per cent on dividend income. However, the Mauritius subsidiary should be allowed a credit for foreign tax on its income which is not derived from Mauritius against the Mauritius tax computed by reference to that same income. The deemed foreign tax credit shall be presumed to be equal to 80 per cent of the Mauritius tax chargeable. This would reduce the Mauritius rate of tax effectively to 3 per cent. If the local tax in the foreign country has been charged at a rate greater than 15 per cent, the effective rate of tax may be reduced further in certain circumstances. As per the double tax avoidance agreement (“DTAA”) entered into between India and Mauritius (“Tax Treaty”), the Mauritius subsidiary would be entitled to claim underlying tax credit in respect of Dividend Distribution Tax (“DDT”) paid by the Indian company if the shareholding exceeds a certain threshold. The DDT paid in India is currently charged at a rate of 16.61 per cent and if the Mauritius subsidiary holds more than a 5 per cent stake in a company, it should not be liable to pay any tax in Mauritius in respect of its dividend income from such company.</p>
<b>India</b>	
Mauritius subsidiary	<p>The primary revenue streams for the Mauritius subsidiary during the term of its investments is expected to consist of:</p> <ul style="list-style-type: none"> <li>• gains from the sale/buy-back of shares of the Indian companies;</li> <li>• dividends declared by the Indian companies;</li> </ul> <p>Section 90(2) of the Income Tax Act, 1961 (the “Act”), <i>inter alia</i>, provides that where a non-resident is a tax resident of a country with which India has a DTAA, the provisions of the DTAA would apply to the extent the provisions of the DTAA are more beneficial than Indian domestic tax law.</p> <p>India has entered into a DTAA with Mauritius (“Tax Treaty”). In order for a Mauritius company to be eligible to claim benefits under the Tax Treaty, it must be a tax resident in Mauritius, i.e. it should hold a valid Tax Residency Certificate (“TRC”) issued by the Mauritius tax authorities on an annual basis.</p> <p>It is expected that the Mauritius subsidiary will receive a TRC. The tax implications for the Mauritius subsidiary could be significantly different if it has a permanent establishment (“PE”) in India. If a PE were created in India, then the Mauritius subsidiary would be taxed on its income that is attributable to such a PE.</p> <p>No assurance can be provided that the Indian tax authorities will not challenge the eligibility of the Mauritius subsidiary for benefits under the Tax Treaty, or seek to assert that the Fund has a PE in India. The discussion which follows describes certain Indian tax consequences for the Mauritius subsidiary, both, where the Mauritius subsidiary is eligible for benefits of the Tax Treaty, and where Tax Treaty benefits are not available.</p> <p><b>Gains on sale of Shares of the Indian Companies:</b>  <u>Taxation of the Mauritius subsidiary if Tax Treaty Benefits Are Available</u></p> <p>If the Mauritius subsidiary is eligible for benefits under the Tax Treaty, capital gains derived from sale / buy back of shares of the Indian companies would be taxable only in Mauritius. Currently, the Mauritius tax law does not tax capital gains. Accordingly, if gains derived by the Mauritius subsidiary from the sale of shares in the Indian companies are treated as capital gains, such gains would not be taxable either in Mauritius or in India.</p>

The issue of whether gains arising from the sale of shares in the Indian companies should be classified as “Capital Gains” or as “Business Income” has traditionally been the subject matter of litigation with the Indian tax authorities. In recent years, certain contradictory advance rulings with respect to FIs and private equity funds have given rise to additional uncertainty on this issue. In these rulings, it was held that the profits arising from the sale of portfolio investments in India would be treated as business income. In contrast, recently the Indian Authority for Advance Ruling has ruled in the case of certain investment funds registered as sub-accounts of foreign institutional investors that the profits arising on sale of portfolio investments in India represent capital gains, noting the intention of the legislator to allow such investors to make investments into the Indian capital market. Additionally, the Central Board of Direct Taxes has issued draft instructions for characterization of such gains and has issued a circular in this regard, which discussed the possibility of the gains being characterized either as business income or as capital gains.

If the gains realized by the Mauritius subsidiary on the sale of shares in Indian companies are treated as business income, such gains would be taxable in India only if the Mauritius subsidiary has a PE in India, at the rate of 42.23 per cent (inclusive of surcharge of 2.5 per cent and education cess of 3 per cent. Surcharge of 2.5 per cent is leviable only if the income of the Mauritius subsidiary exceeds Rs. Ten million)

#### Taxation of the Mauritius subsidiary if Tax Treaty Benefits Are Not Available

In the event that the Mauritius subsidiary is denied the benefits of the Tax Treaty for any reason, it would be subject to tax in India as per the provisions of the Act, as described below.

If the gains from the transfer or buy-back of shares in Indian companies are characterized as “capital gains” the gains will be treated for Indian tax purposes as “short-term capital gains” if the shares have been held for a period of twelve (12) months or less and “long-term capital gains” if held for more than twelve (12) months.

Long-term capital gains realized on the sale of shares of Indian companies listed on a recognized stock exchange in India are exempt from taxation in India, provided such transaction is subject to securities transaction tax (“STT”) as further discussed below. Further, long-term capital gains arising on sale of listed securities outside recognized stock exchange are subject to Indian tax at a rate of 10.56 per cent (including surcharge of 2.5 per cent and education cess of 3 per cent. Surcharge of 2.5 per cent is leviable only if the income of the Mauritius subsidiary exceeds Rs. Ten million). Long-term capital gains with respect to shares not listed on any recognized stock exchange are subject to Indian tax at a rate of 21.12 per cent (including surcharge of 2.5 per cent and education cess of 3 per cent. Surcharge of 2.5 per cent is leviable only if the income of the Mauritius subsidiary exceeds Rs. Ten million).

Short-term capital gains realized on the sale of shares of Indian companies listed on a recognized stock exchange in India are subject to tax at a rate of 15.84 per cent (including surcharge of 2.5 per cent and education cess of 3 per cent. Surcharge of 2.5 per cent is leviable only if the income of the Mauritius subsidiary exceeds Rs. Ten million), provided such transaction is subject to STT. Short-term capital gains on the sale of shares of Indian companies that are listed but not subject to STT, or which are not listed on any recognized stock exchange in India, are subject to tax at a rate of 42.23 per cent (including surcharge of 2.5 per cent and education cess of 3 per cent. Surcharge of 2.5 per cent is leviable only if the income of the Mauritius subsidiary exceeds Rs. Ten million).

**Securities transaction tax (STT):**

All transactions (excluding transactions in debt securities / debt oriented mutual funds) entered on a recognised stock exchange in India will be subject to a STT levied on the transaction value. In case of purchase/sale of equity shares and units of an equity oriented mutual fund which is settled by way of actual delivery or transfer of the equity share/unit, STT will be levied at the rate of 0.125 per cent on both the buyer and seller of the equity share/unit. For sale of equity shares and units of an equity oriented mutual fund settled otherwise than by way of actual delivery or transfer of the equity share/unit, STT will be levied at the rate of 0.025 per cent on the seller of the equity share/unit. Seller of an option / futures contract in securities would be subjected to a STT of 0.017 per cent. Further, in case the option in securities is exercised, the purchaser would be subject to a STT of 0.125 per cent. Sale of a unit of an equity oriented fund to the mutual fund would attract STT at the rate of 0.25 per cent on the seller. The STT can be claimed as an allowable deduction against business income calculated as per the provisions of the Act.

**Dividends:**

Under the current provisions of the Act, shareholders are not subject to Indian tax with respect to dividends declared or paid by an Indian company, regardless of whether or not the shareholder is a resident of India. Accordingly, the Mauritius subsidiary should not be subject to tax in India with respect to dividends received from the Indian companies. However, the Indian companies declaring, distributing or paying the dividend are required to pay a dividend distribution tax in India at a rate of 16.61 per cent (inclusive of surcharge and education cess).

# DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions have the meanings set out below.

“**Application**” means, in respect of the iShares MSCI India, an application by a Participating Dealer to the Registrar for the creation or redemption of Units, in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines and the terms of the Trust Deed.

“**Application Basket**” means, in respect of the iShares MSCI India, a portfolio of Securities determined by the Manager from time to time at the start of business on the relevant Dealing Day for the purpose of the creation and redemption of Units in an Application Unit size, notified on the relevant date by the Manager in accordance with the Operating Guidelines for Applications.

“**Application Basket Value**” means, in respect of the iShares MSCI India, the aggregate value of the Securities constituting the Application Basket at the Valuation Point on the relevant Dealing Day.

“**Application Cancellation Fee**” means the fee payable by a Participating Dealer in respect of a default, as set out in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

“**Application Unit**” means, in relation to each Index Fund, such number of Units or multiples thereof as specified in this Prospectus for the relevant Index Fund or such other multiple of Units from time to time determined by the Manager, approved by the Trustee and notified to Participating Dealers.

“**Authority**” means the Monetary Authority of Singapore or its successors.

“**Bombay Stock Exchange**” means The Bombay Stock Exchange Limited.

“**Business Day**” means a day (other than a Saturday) on which the SGX-ST is open for normal trading and on which the relevant Underlying Index is compiled and published (and in respect of the Index, a day on which the National Stock Exchange is open for normal trading), and on which banks in Singapore are open for general business (or such other day or days as may from time to time be determined by the Manager and Trustee).

“**Cancellation Compensation**” means an amount payable by a Participating Dealer in respect of a default, as set out in the Trust Deed and in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

“**Cash Component**” means the difference between the aggregate Net Asset Value of the Units comprising an Application Unit and the Application Basket Value.

“**CDP**” means The Central Depository (Pte) Limited, a wholly-owned subsidiary of SGX-ST.

“**Clearstream**” means Clearstream, Banking, société anonyme.

“**Code**” means the Code on Collective Investment Schemes issued by the Authority (as amended from time to time).

“**Collective Investment Scheme**” has the same meaning as in the Securities and Futures Act.

“**Companies Act**” means the Companies Act, Chapter 50 of Singapore.

“**Connected Person**” has the meaning ascribed to it under the Securities and Futures Act, and the Listing Rules, and in relation to any firm or corporation or company (as the case may be) means:

- (a) another firm or corporation in which the first mentioned firm or corporation has control of not less than twenty per cent of the voting power in that other firm or corporation; and
- (b) a director, chief executive officer or substantial shareholder or controlling shareholder of the company or any of its subsidiaries or an associate of any of them.

“**Creation Application**” means, in respect of the iShares MSCI India, an application by a Participating Dealer for the creation and issue of Units in an Application Unit size (or whole multiples thereof).

“**Dealing Day**” means each Business Day during the continuance of the Trust or an Index Fund, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee either generally or for a particular Index Fund.

“**Dealing Deadline**” in relation to any particular place and any particular Dealing Day, means such time on that Dealing Day as the Manager (with the approval of the Trustee) may from time to time determine either generally or for a particular Index Fund.

“**Deposited Property**” means, in respect of each Index Fund, all the assets (including cash) for the time being held or deemed to be held upon the trusts of the Trust Deed for the account of the relevant Index Fund excluding (i) the Income Property and (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed).

“**Duties and Charges**” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, any transaction or dealing and including, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of compensating or reimbursing the Trust or the relevant Index Fund for the difference between (a) the prices used when valuing the Securities of the Trust or the relevant Index Fund for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Trust or the relevant Index Fund with the amount of cash received by the Trust or the relevant Index Fund upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Trust or the relevant Index Fund in order to realise the amount of cash required to be paid out of the Trust or the relevant Index Fund upon such redemption of Units.

“**Euroclear**” means the Euroclear System, operated by Euroclear Bank S.A./N.V..

“**Extension Fee**” means any fee payable by a Participating Dealer in accordance with the Operating Guidelines because of the extension of any settlement period.

“**FII**” means a foreign institutional investor approved by SEBI under the SEBI (FII) Regulations to invest onshore in India in Indian securities.

“**Futures Contract**” means any futures contract which is traded on the Futures Exchange or a Recognised Futures Exchange.

“**Futures Exchange**” means the Singapore Exchange Derivatives Trading Limited (SGX-DT) or its successors.

“**GST**” means goods and services tax as provided for in the Goods and Services Tax Act, Chapter 117A of Singapore.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“**Hong Kong dollar**” or “**HK\$**” mean the lawful currency for the time being and from time to time of Hong Kong.

“**IAP**” means a US dollar denominated India access product being a Security (such as a warrant, note or participation certificate) linked to a Share with the characteristics described in this Prospectus.

“**IAP Commission**” means the commission payable by the iShares MSCI India as commission for purchasing or unwinding an IAP .

“**Income Property**” means, in respect of each Index Fund, (a) all interest, dividends and other sums deemed by the Manager, (after consulting the Auditors either on a general or case by case basis), to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the relevant Index Fund (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Trustee in respect of (a), (c) or (d) of this definition; (c) all Cash Component payments received or receivable by the Trustee for the account of the relevant Index Fund; and (d) all Cancellation Compensation received by the Trustee for the account of the relevant Index Fund, but excluding (i) the Deposited Property of the relevant Index Fund; (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed) for the account of the relevant Index Fund or previously distributed to Unitholders; (iii) gains for the account of the relevant Index Fund arising from the realisation of Securities; and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Trust from the Income Property of the relevant Index Fund.

“**Index**” means, in respect of the iShares MSCI India, the MSCI India Index.

“**Index Fund**” means a segregated pool of assets and liabilities established under the Trust.

“**Index Provider**” means, in respect of each Index Fund, the person responsible for compiling the Underlying Index against which the relevant Index Fund benchmarks its investments and who holds the right to licence the use of such Underlying Index to the relevant Index Fund.

“**India**” means the Republic of India.

“**Insolvency Event**”, occurs in relation to a person where (i) an order has been made or an effective resolution passed for the liquidation or bankruptcy of the person; (ii) a receiver or similar officer has been appointed in respect of the person or of any of the person’s assets or the person becomes subject to an administration order, (iii) the person enters into an arrangement with one or more of its creditors or is deemed to be unable to pay its debts, (iv) the person ceases or threatens to cease to carry on its business or substantially the whole of its business or makes or threatens to make any material alteration to the nature of its business, or (v) the Manager in good faith believes that any of the above is likely to occur.

“**iShares MSCI India**” means iShares MSCI India, the first Index Fund of the Trust.

“**Issue Price**” means, in respect of each Index Fund, the price at which Units in that Index Fund may be issued, determined in accordance with the Trust Deed.

“**Listing Rules**” means the listing rules for the time being applicable to the listing of an Index Fund as an investment fund on the SGX-ST (as amended from time to time).

“**Manager**” means BlackRock Asset Management Southeast Asia Limited or its successors.

“**Market**” means the following, in any part of the world:–

- (A) in relation to any Security: the SGX-ST or a Recognised Stock Exchange; and
- (B) in relation to any Futures Contract: the Futures Exchange or any Recognised Futures Exchange.

“**National Stock Exchange**” means The National Stock Exchange of India Limited.

“**Net Asset Value**” means the net asset value of an Index Fund or, as the context may require, of a Unit calculated pursuant to the Trust Deed.

“**Non-Resident Indian**” has the meaning set forth in Appendix III.

“**Non-Specialised Fund**” means an Index Fund that invests in equities and/or fixed income instruments and does not fall within the categories of specialised schemes of property funds, money market funds, hedge funds, futures and options funds or currency funds as set out in Appendices 2, 3, 4, 7 and 8 of the Code.

“**Non-Specialised Funds Investment Guidelines**” means the investment guidelines for Non-Specialised Funds issued by the Authority as Appendix 1 of the Code for the time being in force, and as the same may be amended from time to time by the Authority.

“**Operating Guidelines**” means, in relation to the iShares MSCI India, the guidelines for the creation and redemption set out in the Schedule to the Participation Agreement as may be amended from time to time by the Manager with the approval of the Trustee and following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the Units in the iShares MSCI India.

“**Participating Dealer**” means, in respect of the iShares MSCI India, any dealer which has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee and which itself or through a group company is an issuer of the IAPs .

“**Participation Agreement**” means, in respect of the iShares MSCI India, an agreement entered into between the Trustee, the Manager and a Participating Dealer setting out, (amongst other things), the arrangements in respect of the issue of Units and the redemption and cancellation of Units.

“**Person Resident in India**” has the meaning set forth in Appendix III;

“**Recognised Futures Exchange**” means an international futures exchange approved by the Trustee and the Manager.

“**Recognised Stock Exchange**” means an international stock exchange which is approved by the Trustee and the Manager.

“**Record Date**” means, in respect of the iShares MSCI India, the date or dates determined by the Manager as the date or dates for the purpose of determining the entitlement of Unitholders of iShares MSCI India to receive any distributions of income, which dates may be changed, or added to, as determined by the Manager with the approval of the Trustee.

“**Redemption Application**” means, in respect of the iShares MSCI India, an application by a Participating Dealer to the Registrar for the redemption of Units in Application Unit size (or whole multiples thereof).

“**Redemption Value**” means, in respect of a Unit of an Index Fund, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.

“**Register**” means, in respect of the iShares MSCI India, the register of Unitholders of the iShares MSCI India.

“**Registrar**” means, in respect of the iShares MSCI India, the Trustee or such other person as may from time to time be appointed by the Trustee to keep and maintain the register of Unitholders of the iShares MSCI India.

“**Registrar Fee**” means the fees, in respect of an Index Fund, which may be charged by the Registrar to the Manager, consisting of an annual fee and a transactional fee charged on each Dealing Day on each Application made by the Participating Dealer.

“**Rupees**” or “**Rs.**” means Indian Rupees, the lawful currency for the time being and from time to time of India.

“**SEBI**” means the Securities and Exchange Board of India.

“**SEBI (FII) Regulations**” means the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 of India, as amended from time to time.

“**Securities**” means any share, stock, debenture, loan stock, bond, security, commercial paper, acceptance, trade bill, treasury bill, instrument or note of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):-

- (A) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the Trust Deed);
- (B) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;
- (C) any instrument commonly known or recognised as a security;
- (D) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and
- (E) any bill of exchange and any promissory note.

“**Securities Account**” means a Securities account or sub-account maintained by a Depositor (as defined in Section 130A of the Companies Act) with the CDP.

“**Securities and Futures Act**” means the Securities and Futures Act, Chapter 289 of Singapore.

“**Settlement Day**” means the Business Day which is three Business Days after the relevant Dealing Day (or such later Business Day as is permitted in relation to such Dealing Day pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree and notify to the relevant Participating Dealers, either generally or for a particular Index Fund.

“**SGX-ST**” means the Singapore Exchange Securities Trading Limited or its successors.

“**Shares**” means shares or interests issued by companies listed on the National Stock Exchange.

“**Singapore dollar**” or “**S\$**” mean the lawful currency for the time being and from time to time of Singapore.



“**Transaction Fee**” means the fee in respect of an Index Fund which may at the discretion of the Manager be charged for the benefit of the Trustee to each Participating Dealer on each Dealing Day on each Application made by the relevant Participating Dealer, the maximum level of which shall be as determined by the Manager from time to time and, in respect of the iShares MSCI India, set out in this Prospectus.

“**Trust**” means the umbrella unit trust constituted by the Trust Deed and called iShares Southeast Asia Trust or such other name as the Trustee and the Manager may from time to time determine.

“**Trust Deed**” means the trust deed dated constituting the Trust dated 31 May 2006 between the Manager and the Trustee (as amended from time to time).

“**Trust Fund**” means all the property for the time being held or deemed to be held upon the trusts of the Trust Deed including all Deposited Property and Income Property and subject to the terms and provisions of the Trust Deed, except any amount for the time being standing to the credit of any Distribution Account (as defined in the Trust Deed).

“**Trustee**” means HSBC Institutional Trust Services (Singapore) Limited or its successors.

“**Underlying Index**” means, in respect of an Index Fund, the index against which the relevant Index Fund is benchmarked and in respect of the iShares MSCI India means the Index.

“**Unit**” means one undivided share in the Index Fund to which it relates.

“**Unitholder**” means a holder of Units in respect of an Index Fund of the Trust.

“**US dollar**” or “**US\$**” means the lawful currency for the time being and from time to time of the United States of America.

“**Valuation Point**” means, in respect of the iShares MSCI India, the official close of trading on the Market on which the Securities constituting the Index, are listed on each Dealing Day or such other time or times as determined by the Manager from time to time with the prior approval of the Trustee (and the Trustee shall determine if Unitholders should be informed of such changes) provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

*The information presented in Appendices I to VI has been extracted from publicly available documents that have not been prepared or independently verified by the Manager, the Trustee or advisers in connection with the offering and listing of Units and none of them makes any representation as to or takes any responsibility for the accuracy or completeness of such Appendices.*

## APPENDIX I – THE INDEX

As at, 30 April 2010, the 10 largest constituent stocks of the Index (all 60 of such constituents which are listed below in order of market capitalisation), represented 52.56 per cent of the total market capitalisation, based on total shares in issue, of the Index.

Rank	Constituent Name	Market Cap. (US\$ million)	% of Index
1	RELIANCE INDUSTRIES LTD ORD INR10.0	30,628.14	11.72
2	INFOSYS TECHNOLOGIES LTD ORD INR5.0	28,310.42	10.83
3	ICICI BANK LTD ORD INR10.0	16,733.50	6.40
4	HOUSING DEVELOPMENT FINANCE ORD INR10.0	13,397.71	5.13
5	HDFC BANK LIMITED ORD INR10.0	12,548.85	4.80
6	TATA CONSULTANCY SVS LTD ORD INR1.0	8,104.90	3.10
7	LARSEN & TOUBRO LIMITED ORD INR2.0	7,430.57	2.84
8	STERLITE INDUSTRIES INDIA LT ORD INR2.0	7,060.83	2.70
9	BHARAT HEAVY ELECTRICALS ORD INR10.0	6,600.57	2.52
10	ITC LTD ORD INR1.0	6,583.31	2.52
11	AXIS BANK LIMITED ORD INR10.0	6,336.17	2.42
12	JINDAL STEEL & POWER LTD ORD INR5.0	6,239.76	2.39
13	OIL & NATURAL GAS CORP LTD ORD INR10.0	6,103.02	2.33
14	HINDUSTAN UNILEVER LIMITED ORD INR1.0	4,716.50	1.80
15	WIPRO LTD ORD INR2.0	4,441.81	1.70
16	TATA MOTORS LTD ORD INR10.0	4,246.58	1.62
17	NTPC LIMITED ORD INR10.0	4,243.64	1.62
18	TATA STEEL LIMITED ORD INR10.0	3,960.70	1.52
19	HINDALCO INDUSTRIES LIMITED ORD INR10.0	3,849.72	1.47
20	GAIL INDIA LTD ORD INR10.0	3,681.04	1.41
21	HERO HONDA MOTORS LIMITED ORD INR2.0	3,448.89	1.32
22	MAHINDRA & MAHINDRA LIMITED ORD INR10.0	3,318.97	1.27
23	STATE BANK OF INDIA ORD INR10.0	3,292.76	1.26
24	SESA GOA LTD ORD INR10.0	3,173.67	1.21
25	JAIPRAKASH ASSOCIATES LTD ORD INR10.0	3,150.01	1.20
26	TATA POWER CO LTD ORD INR10.0	2,976.94	1.14
27	DR. REDDY'S LABORATORIES ORD INR5.0	2,875.23	1.10
28	DLF LIMITED ORD INR2.0	2,853.03	1.09
29	RELIANCE INFRASTRUCTURE LTD ORD INR10.0	2,599.19	0.99
30	SUN PHARMACEUTICAL INDUS ORD INR5.0	2,553.44	0.98
31	CIPLA LTD ORD INR10.0	2,546.53	0.97
32	INFRASTRUCTURE DEV FINANCE ORD INR10.0	2,490.79	0.95
33	UNITED SPIRITS LIMITED ORD INR10.0	2,314.19	0.89
34	UNITECH LIMITED ORD INR2.0	2,286.52	0.87
35	RELIANCE COMMUNICATIONS LTD ORD INR5.0	2,285.74	0.87
36	STEEL AUTHORITY OF INDIA ORD INR10.0	2,235.87	0.86
37	KOTAK MAHINDRA BANK LTD ORD INR10.0	2,138.55	0.82

Rank	Constituent Name	Market Cap. (US\$ million)	% of Index
38	JSW STEEL LIMITED ORD INR10.0	2,070.52	0.79
39	BAJAJ AUTO LIMITED ORD INR10.0	2,048.29	0.78
40	CAIRN INDIA LIMITED ORD INR10.0	2,024.72	0.77
41	MARUTI SUZUKI INDIA LTD ORD INR5.0	2,000.28	0.77
42	AMBUJA CEMENTS LIMITED ORD INR2.0	1,662.67	0.64
43	RELIANCE CAPITAL LIMITED ORD INR10.0	1,637.37	0.63
44	ZEE ENTERTAINMENT ENTERPRISE ORD INR1.0	1,494.57	0.57
45	HCL TECHNOLOGIES LTD ORD INR2.0	1,435.35	0.55
46	GMR INFRASTRUCTURE LTD ORD INR10.0	1,405.70	0.54
47	SIEMENS INDIA LIMITED ORD INR2.0	1,298.60	0.50
48	INDIABULLS REAL ESTATE LTD ORD NPV	1,228.63	0.47
49	GRASIM INDUSTRIES LTD ORD INR10.0	1,128.13	0.43
50	SATYAM COMPUTER SERVICES LTD ORD INR2.0	1,127.03	0.43
51	ACC LIMITED ORD INR10.0	1,072.33	0.41
52	RANBAXY LABORATORIES LTD ORD INR5.0	1,050.33	0.40
53	RELIANCE NATURAL RESOURCES L ORD INR5.0	1,030.83	0.39
54	BHARAT PETROLEUM CORP LTD ORD INR10.0	1,012.23	0.39
55	SUZLON ENERGY LIMITED ORD INR10.0	967.87	0.37
56	ABB LTD INDIA ORD INR2.0	908.47	0.35
57	IDEA CELLULAR LIMITED ORD INR10.0	854.69	0.33
58	UNITED PHOSPHORUS LTD ORD INR2.0	826.39	0.32
59	HOUSING DEVELOPMENT & INFRAS ORD INR10.0	737.02	0.28
60	ADITYA BIRLA NUVO LIMITED ORD INR10.0	635.03	0.24

Source: MSCI, Basketlink

Investors should note that, in tracking the Index, the Manager may adopt a Representative Sampling Strategy in lieu of a Replication Strategy. A Representative Sampling Strategy may be more appropriate in view of the comparative illiquidity and possible settlement difficulties which may be experienced with certain Shares comprised in the Index. This means that the iShares MSCI India may not hold all shares in all the constituent companies of the MSCI India Index. However, the Manager may swap between the strategies, without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the iShares MSCI India by tracking the Index as closely as possible for the benefit of investors.

## APPENDIX II – THE MSCI INDICES

This Appendix II is a summary of certain select provisions of MSCI’s Global Investable Market Indices (“GIMI”) methodology. This Appendix II does not contain, and is not intended to contain, every element of the GIMI methodology. It is provided for informational purposes only in order to highlight certain key elements of the methodology’s framework. For a complete understanding of the GIMI methodology, please refer to the full methodology book available on the website, [www.MSCIbarra.com](http://www.MSCIbarra.com).

### MSCI Global Investable Market Indices

The MSCI indices based on the GIMI methodology aim to provide:

- coverage of the relevant investable opportunity set with non-overlapping size and style segmentation.
- a strong emphasis on investability and replicability of the indices through the use of size and liquidity screens.
- size segmentation that aims to balance the objectives of global size integrity and country diversification.
- a balance between index stability and timely reflection of changes in the opportunity set.
- a complete and consistent index family, with Standard, Large Cap, Mid Cap, Small Cap, and Investable Market Indices.

Additionally, the GIMI methodology uses:

- a building block approach to permit the creation and calculation of meaningful composite indices.
- the Global Industry Classification Standard (GICS®) to create sector and industry indices.
- the MSCI Global Value and Growth Methodology to construct Value and Growth Indices.
- minimum free float requirements for eligibility and free float-adjusted capitalization weighting to appropriately reflect the size of each investment opportunity and facilitate the replicability of the Indices.
- timely and consistent treatment of corporate events and synchronized rebalancings, globally.

### Index Construction

The GIMI index construction process involves: (i) defining the equity universe, (ii) determining the market investable equity universe for each market, (iii) determining market capitalization size segments for each market, (iv) applying final size-segment investability requirements and (v) applying index continuity rules for the Standard Index (Large Cap + Mid Cap).

- (i) **Defining the Equity Universe.** MSCI begins with securities listed in countries included in the MSCI Global Investable Market Indices. Of these countries, currently 23 are classified as developed markets and 22 as emerging markets. All listed equity securities and listed securities that exhibit characteristics of equity securities, except mutual funds, ETFs, equity derivatives, limited partnerships and most investment trusts, are eligible for inclusion in the equity universe. Real estate investment trusts in some countries and certain income trusts in Canada are also eligible for inclusion. Each company and its securities are classified in only one country.

- (ii) **Determining the Market Investable Equity Universe for Each Market.** The equity universe in any market is derived by applying investability screens to individual companies and securities in the equity universe of that market. Some investability requirements are applied at the individual security level and some at the overall company level, represented by the aggregation of individual securities of the company. As a result, the inclusion or exclusion of one security does not imply the automatic inclusion or exclusion of other securities of the same company.
- (iii) **Determining Market Capitalization Size-Segments for Each Market.** In each market, MSCI creates an Investable Market Index, Standard Index, Large Cap Index, Mid Cap Index and Small Cap Index. The Standard Index is the aggregation of the Large Cap Index and the Mid Cap Index. The Investable Market Index is the aggregation of the Standard Index and the Small Cap Index. In order to create size components that can be meaningfully aggregated into composites, individual market size segments balance the following two objectives:
  1. achieving global size integrity by ensuring that companies of comparable and relevant sizes are included in a given size segment across all markets in a composite index.
  2. achieving consistent market coverage by ensuring that each market's size segment is represented in its proportional weight in the composite universe.
- (iv) **Applying Final Size-Segment Investability Requirements.** In order to enhance the replicability of Size-Segment Indices, additional size-segment investability requirements are set for the Investable Market and the Standard Indices. These investability requirements include minimum free float market capitalization, minimum liquidity and minimum foreign room.
- (v) **Applying Index Continuity Rules for the Standard Index.** In order to achieve index continuity, as well as provide some basic level of diversification within a market index, notwithstanding the effect of other index construction rules, a minimum number of five constituents will be maintained for a developed market Standard Index and a minimum number of three constituents will be maintained for an emerging market Standard Index.

### Weighting

All indices under the GIMI methodology are free-float weighted, i.e., companies are included in the indices at the value of their free public float, as measured by the Foreign Inclusion Factor multiplied by security price. In cases where other foreign investment restrictions exist that materially limit the ability of international investors to freely invest in a particular equity market, sector or security, a Limited Investability Factor (LIF) may also be applied to the free float to insure that the investability objectives of the indices can be achieved.

### Free Float / Foreign Inclusion Factor

MSCI defines the free float of a security as the proportion of shares outstanding that are deemed to be available for purchase in the public equity markets by international investors. A constituent's Foreign Inclusion Factor (FIF) is equal to its estimated free float rounded-up to the closest 5% for constituents with free float equal to or exceeding 15%. For example, a constituent security with a free float of 23.2% will be included in the index at 25% of its market capitalization. For securities with a free float of less than 15%, the estimated free float is adjusted to the nearest 1%.

### Regional Weights

Market capitalization weighting, combined with a consistent target of 99% of free float-adjusted market capitalization, aims to ensure that each country's weight in regional and international composite indices approximates its weight in the total universe of developing and emerging markets. A market is equivalent to a single country except for Europe, where all markets are aggregated into one single market for index construction purposes. Individual country indices of the European developed markets are derived from the constituents of the MSCI GIMI Europe Index.

## Prices

The prices used to calculate the MSCI indices are the official exchange closing prices or those figures accepted as such. MSCI reserves the right to use an alternative pricing source on any given day.

## Foreign Exchange Rates

MSCI currently uses the WM/Reuters Closing Spot Rates, taken at 4:00 p.m., London time. MSCI may monitor exchange rates independently and may, under exceptional circumstances, elect to use an alternative exchange rate if the WM Reuters rate is believed not to be representative for a given currency on a particular day.

## Index Maintenance

MSCI indices are maintained with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets. In maintaining the MSCI indices, emphasis is also placed on continuity, replicability and minimizing index turnover. Among other things, maintaining the MSCI indices involves making: additions to and deletions from the indices, changes in number of shares, and changes in FIFs as a result of updated free float estimates.

Index maintenance can be described by three broad categories of implementation of changes:

- (i) **Semi-Annual Index Reviews (SAIRs).** The objective of the SAIRs is to systematically reassess the various dimensions of the Equity Universe for all markets on a fixed semiannual timetable. An SAIR involves a comprehensive review of the Size Segment and Global Value and Growth Indices.

During each SAIR, the Equity Universe is updated and the Global Minimum Size Range is recalculated for each size segment. Then, the following index maintenance activities are undertaken for each market:

- Updating the Market Investable Equity Universe.
- Reassessing the Segment Number of Companies and the Market Size-Segment Cutoffs.
- Assigning companies to the size segments taking into account buffer zones.
- Assessing conformity with Final Size-Segment Investability Requirements.

- (ii) **Quarterly Index Reviews (QIRs).** QIRs are designed to ensure that the indices continue to be an accurate reflection of the evolving equity marketplace. This is achieved by a timely reflection of significant market driven changes that were not captured in the index at the time of their actual occurrence but are significant enough to be reflected before the next SAIR.

QIRs may result in additions or deletions due to migration to another Size Segment Index, and changes in FIFs and in number of shares. Only additions of significant new investable companies are considered, and only for the Standard Index. The buffer zones used to manage the migration of companies from one segment to another are wider than those used in the SAIR. The style classification is reviewed only for companies that are reassigned to a different size segment.

- (iii) **Ongoing event-related changes.** Ongoing event-related changes to the indices are the result of mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events. They can also result from capital reorganizations in the form of rights issues, bonus issues, public placements and other similar corporate actions that take place on a continuing basis. These changes generally are reflected in the indices at the time of the event.

The SAIR is carried out once every 6 months and implemented generally as of the close of the last business day of May and November. The implementation of changes resulting from a QIR generally occurs as of the close of the last business day of February and August. The results of the SAIR and QIR are generally announced at least ten business days in advance of implementation.

## **Market Reclassifications**

Potential changes in the status of countries (stand-alone, frontier, emerging, developed) follow their own separate timetables.

During an Annual Market Classification Review, MSCI analyzes and seeks feedback on those markets it has placed under review for potential market reclassification. Every June, MSCI communicates its conclusions from discussions with the investment community on the list of countries under review and announces the new list of countries, if any, under review for potential market reclassification in the upcoming cycle. Ample lead time is provided for implementation of changes in market classification into developed, emerging or frontier status.

## APPENDIX III – FII

### FII Regime

The FII invests under the SEBI (FII) Regulations currently prevailing in India. In September 1992, the Government of India issued guidelines which enable FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to make portfolio investments in all the securities traded on the primary and secondary markets in India. These guidelines were substituted by the SEBI (FII) Regulations in 1995.

An entity wishing to invest in India must register with the SEBI and must comply with the provisions of the SEBI (FII) Regulations and various circulars issued in relation to FIIs from time to time. After the initial processing is complete, SEBI writes to the RBI mentioning the eligibility of the applicant. RBI grants approval to the FII through its designated bank. Such approval enables the FII to open a bank account in India through which inward and outward remittance is routed under FEMA.

Under the SEBI (FII) Regulations, Non-Resident Indians (“NRIs”), Person Resident in India and an entity not regulated by an ‘appropriate foreign regulatory authority’ (“Non-Regulated Entities”) are not permitted to invest through a FII or a sub-account.

A FII’s registration is permanent unless the registration is suspended or cancelled by SEBI or surrendered by the FII. FIIs are also permitted to invest on behalf of their sub-accounts. In such cases, the sub-account would be required to be registered with the SEBI.

Under the SEBI (FII) Regulations, FIIs and their sub-accounts are permitted to invest only in the following:

- securities in the primary and secondary markets including shares, debentures and warrants of companies, unlisted, listed or to be listed on a recognized stock exchange in India;
- units of schemes floated by domestic mutual funds including Unit Trust of India, whether listed on a recognized stock exchange or not units of schemes floated by a collective investment scheme;
- treasury bills of the Government of India;
- dated government securities;
- derivatives traded on a recognized stock exchange in India;
- commercial paper;
- security receipts;
- such other instruments as may be declared by the Central Government to be securities; and
- rights or interests in securities;

Further, FIIs and sub-accounts are allowed to engage only in delivery based trading and are not presently allowed to short sell except in case of trading on a recognised stock exchange or in accordance with the framework specified by SEBI in this regard. FIIs are allowed to tender their shares in case of an open offer following the takeover bid by an acquirer as well as under an open offer by a company to buy-back its securities and even in delisting of securities. FIIs are also permitted to take forward cover on their equity and debt exposure to hedge against currency fluctuations. FIIs are permitted to carry on transactions in securities on the secondary market only through the stock brokers who are registered with the SEBI.



FII's who have issued ODIs based on underlying Indian securities such as participatory notes and any other equivalent instrument are required to make a monthly disclosure to SEBI as regards the details of the instrument as well as the ultimate investor in such instruments with an undertaking to the effect that the FII/sub-account, its associates and clients have not issued, subscribed or purchased any ODIs directly to or from Indian residents, NRIs during the 'statement period'.

### Ownership Restrictions

The ownership restrictions applicable to FII's' investments in Indian securities are as follows:

- The aggregate of all FII holdings together with sub-account holdings of all FII's, in any Indian company cannot exceed 24 per cent of the entire paid-up equity share capital of that company which limit can be further extended to the applicable foreign investment limit in a specific sector if the board of directors of such Indian company pass a resolution followed by the passing of a special resolution to be passed by the shareholders of a company. The ceiling for overall foreign investment is 74 per cent of the paid up capital in the case of private sector banks. Currently, barring a few sectors such as telecom services and banking, foreign investment up to 100 per cent is permitted in most sectors.
- No single FII/sub-account can hold more than 10 per cent of the issued capital of an Indian company.
- SEBI has vide its circular dated 16th October 2008 accorded flexibility to the FII's to allocate the investments across equity and debt and has relaxed the conditions in regulation 15(2) of SEBI (FII) Regulations which provided that the total investments in equity and equity related instruments (including fully convertible debentures, convertible portion of partially convertible debentures and tradable warrants) made by a FII in India, whether on his own account or on account of his sub-accounts, shall not be less than seventy per cent of the aggregate of all the investments of the FII in India, made on his own account and on account of his sub-accounts.

In August 2000, the RBI permitted all FII's to trade in exchange traded index future contracts on the Derivative Segment of the Bombay Stock Exchange Limited and the Futures and Options Segment of the National Stock Exchange of India Limited, provided the overall open interest of the FII would not exceed 100 per cent of the market value of the concerned FII's total investment. In December 2001, the SEBI permitted FII's to trade in all exchange traded derivative contracts and laid down the position limits for the trading of FII's and their sub-accounts.

Subsequently FII's have been permitted to trade in all the exchange traded derivative contracts subject to the position limits prescribed as follows:

- FII Position Limits in equity index derivative contracts

(i) FII Position limits in Index options contracts:

The FII position limit in all index options contracts on a particular underlying index shall be Rs. 5000 Million or 15 per cent of the total open interest of the market in index options, whichever is higher, per exchange.

This limit would be applicable on open positions in all options contracts on a particular underlying index.

(ii) FII Position limits in Index futures contracts:

The FII position limit in all Index futures contracts on a particular underlying index shall be Rs. 5000 Million or 15 per cent of the total open interest of the market in index futures, whichever is higher, per exchange.

This limit would be applicable on open positions in all futures contracts on a particular underlying index.

- (iii) In addition to the above, FIIs shall take exposure in equity index derivatives subject to the following limits:
  - (a) Short positions in index derivatives (short futures, long calls and short puts) not exceeding (in notional value) the FII's holding of stocks; and
  - (b) Long positions in index derivatives (long futures, long calls and short puts) not exceeding (in notional value) the FII's holding of cash, government securities, T-Bills and similar instruments.
- For stocks:
  - (i) in which the market wide position limit ("MWPL") is:
    - (a) Less than or equal to Rs. 2,500 million, the FII position limit in such stock shall be 20 percent of the MWPL.
    - (b) Greater than Rs. 2,500 million, the FII position limit in such stock shall be Rs. 500 million.
  - (ii) having applicable a MWPL of:
    - (a) Greater than or equal to Rs. 5,000 million, the combined futures and options position limit shall be 20 per cent of applicable MWPL or Rs. 3,000 million, whichever is lower and within which stock futures position cannot exceed 10 per cent of applicable MWPL or Rs. 1,500 million, whichever is lower.
    - (b) Less than Rs. 5,000 million, the combined futures and options position limit would be 20 per cent of applicable MWPL and futures position cannot exceed 20 per cent of applicable MWPL or Rs. 500 million whichever is lower.
- At the sub-account level: Each sub-account of a FII would have the following position limits: (i) a disclosure requirement for any person or persons acting in concert who together own 15 per cent or more of the open interest of all derivative contracts on a particular underlying index, (ii) the gross open position across all derivative contracts on a particular underlying stock of a sub-account of a FII should not exceed the higher of: (a) 1 per cent of the free float market capitalisation (in terms of number of shares) or (b) 5 per cent of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts) (iii) higher of Rs. 1000 million or 15% of total open interest in the market in exchange traded interest rate derivative contracts.

The position limits would be applicable on the combined position in all derivative contracts on an underlying stock at an exchange. FIIs are under an obligation to adhere to the position limits prescribed for FIIs and their sub-accounts, which may change from time to time. Any such change will obligate the FII to adhere to the new position limits, as opposed to the position limits set above. The FIIs are also required to comply with the procedure for trading, settlement and reporting as prescribed by the relevant derivative exchange, clearing house or clearing corporation, from time to time.

#### **Participatory notes and derivative instruments**

SEBI has issued disclosure norms regarding participatory notes or such other similar instruments issued in respect of underlying Indian securities. Accordingly, FIIs are to disclose on a monthly basis details regarding, *inter alia*, names and the locations of persons to whom the offshore instruments are issued; nature and type of investors; and quantity and value of the offshore instruments and the underlying Indian securities. In light of the above, if the FII issues any participatory notes, the details of such investors will have to be disclosed to SEBI by the FII. Further, FIIs and their sub-accounts are restricted from issuing participatory notes to entities / investors who are not regulated by an appropriate foreign regulatory authority in their home jurisdiction. In addition FIIs, their sub-accounts and their associates are effectively restricted from issuing participatory notes and other derivative instruments to Resident Indians, NRIs, and Non-Regulated Entities. As per Regulation 15A of the SEBI (FII) Regulations the entities who are regulated by an appropriate regulatory authority and eligible to hold participatory notes are as under:

- (i) any person that is regulated/supervised and licensed/registered by a foreign central bank;
- (ii) any person that is registered and regulated by a securities or futures regulator in any foreign country or state;
- (iii) any broad based fund or portfolio incorporated or established outside India or proprietary fund of a registered foreign institutional investor or university fund, endowment, foundation, charitable trust or charitable society whose investments are managed by a person covered by clauses (i), or (ii) above.

Sub-accounts are not permitted to issue participatory notes or such other similar instruments.

The IAP Issuer will be eligible to invest in participatory notes issued by other FIIs. However, as stated above, the FII issuing such participatory note shall be required to make monthly disclosures to SEBI as regards the beneficial owner of the underlying Indian securities and thus the identity of the IAP Issuer may be required to be disclosed to SEBI.

### **Exchange Controls**

Citigroup Global Markets Mauritius Private Limited has been authorised by the RBI to open a foreign currency denominated account and a special non-resident Rupee account in India. This authorisation is valid while the registration of the FII continues.

Income, net of withholding tax, if any, may be credited to the special non-resident Rupee account. Transfers from the special non-resident Rupee account to the foreign currency denominated account are permitted, subject to payment of taxes wherever applicable and obtaining of appropriate tax clearance certification. Transfers of sums between the foreign currency denominated account and the special non-resident Rupee account must be made at the market rates of exchange. Currency held in the foreign currency denominated account may be freely remitted outside India.

The FII is also permitted to enter into INR-foreign currency forward contracts or options to the extent of its exposure in Indian securities to hedge its exposure in Rupees.

***Please note that the above is based on the current provisions of the Indian laws, and the regulations thereunder, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. Any such changes could have different tax implications.***

The following terms used in this Prospectus shall have the following meanings:

**“Non-regulated Entity”** means an entity not regulated by an appropriate foreign regulatory authority as defined in Regulation 15A of SEBI (FII) Regulations.

### **Definitions Extracted from the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Deposit) Regulations, 2000 of the RBI:**

**“Non-resident Indian”** means a person resident outside India who is a citizen of India or is a Person of Indian Origin.

**“Person”** includes (a) an individual; (b) a Hindu undivided family; (c) a company; (d) a firm; (e) an association of persons or a body of individuals, whether incorporated or not; (f) every artificial juridical person, not falling within any of the preceding sub-clauses, and (g) any agency, office or branch owned or controlled by such person.

**“Person of Indian Origin”** means a citizen of any country other than Bangladesh or Pakistan, if:

- (a) he at any time held an Indian passport;
- (b) he or either of his parents or any of his grand- parents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or

(c) the person is a spouse of an Indian citizen or a person referred to in sub-clause (a) or (b).

**“Person Resident in India”** means:

- (a) a Person residing in India for more than one hundred and eighty two (182) days during the course of the preceding financial year but does not include:
- (i) a Person who has gone out of India or who stays outside India in either case:
    - (A) for or on taking up employment outside India; or
    - (B) for carrying on outside India a business or vocation outside India; or
    - (C) for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period; or
  - (ii) a Person who has come to or stays in India, in either case, otherwise than:
    - (A) for or on taking up employment in India; or
    - (B) for carrying on in India a business or vocation in India; or
    - (C) for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period; or
- (b) any Person or body corporate registered or incorporated in India; or
- (c) an office, branch or agency in India owned or controlled by a Person Resident Outside India; or
- (d) an office, branch or agency outside India owned or controlled by a person resident in India.

## APPENDIX IV – INDIA ACCESS PRODUCTS

The following information is a general description of the IAPs.

So long as the IAP Issuers honour their obligations under the IAPs held by the Mauritius subsidiary, the commercial terms of the IAPs should deliver substantially the same economic performance to the iShares MSCI India as holding the relevant underlying Indian Securities, before deduction of costs and expenses charged by the relevant IAP Issuer. Actual performance may vary, in practice, because the valuation of each IAP will be determined by a calculation agent appointed by the IAP Issuer. There can be no guarantee that one calculation agent, valuing an IAP issued by a particular IAP Issuer, will arrive at the same valuation as another calculation agent valuing an IAP issued by a different IAP Issuer notwithstanding that both IAPs are referenced against the same underlying Security.

### IAP Issuer

**The issuer of the IAPs must:**

- (a) be a member of a FII group (if it is not itself a FII),
- (b) be a substantial financial institution (an institution with a minimum paid up capital of the equivalent of US\$500 million) with a credit rating in respect of senior debt of at least A- by Standard & Poor's (or equivalent rating given by Moody's or by Fitch). In the event the Issuer's obligations to the iShares MSCI India is guaranteed by a guarantor (the "Guarantor"), the Guarantor (but not the issuer of the IAPs) must fulfil the requirements set out in this paragraph (b), and
- (c) remain a member of the FII group (if it is not itself a FII) in order for the iShares MSCI India to acquire further IAPs from that issuer.

For the purposes of (a) and (c) above, "FII group" means a corporate group in which the IAP Issuer is either an FII or is an affiliate of an FII.

The Manager shall monitor an IAP Issuer's ongoing compliance with the above criteria and should the IAP Issuer cease to comply the Manager shall immediately notify the Authority. In the event that the credit rating of the IAP Issuer or the Guarantor (as the case may be) in respect of senior debt falls below A- by Standard & Poor's (or an equivalent rating given by Moody's or by Fitch), then the Manager will notify Unitholders (and the Authority) and will no longer permit creations by the Participating Dealer which is a Connected Person of the relevant IAP Issuer unless (subject to the Authority's approval) additional credit support is provided as the Manager considers appropriate, until such time as the credit rating returns to the minimum acceptable credit rating. In the situation where the iShares MSCI India has only one Participating Dealer, however, the Manager may convene a meeting of Unitholders in the iShares MSCI India to put a resolution of Unitholders to terminate the iShares MSCI India. Where the resolution is passed by a 75 per cent majority of the votes cast by Unitholders, the iShares MSCI India will be terminated.

A list of the current IAP Issuers together with the exposure to the IAP Issuer is available at [www.ishares.com.hk](http://www.ishares.com.hk).

### Duration

The duration of each of the IAPs is agreed with the IAP Issuer. The IAP Issuers have agreed to use their best efforts to extend the duration of the IAPs for an additional term.

Notwithstanding the above, the obligations of an IAP Issuer to sell IAPs to the Mauritius subsidiary or to extend the duration of the IAPs or to issue further IAPs are subject to certain qualifications, including (a) the IAP maintaining its FII and or sub-account, (b) normal market conditions, (c) any material changes to rules relating to investment in Indian Securities such that the IAP Issuer is unable or unwilling to offer or issue further IAPs, (d) limits imposed on FIIs and sub-accounts in relation to the holding of Indian Securities, (e) any limits imposed by the Manager on the holding of IAPs, (f) it ceases to be economically viable for the IAP Issuer to issue IAPs, or (f) the IAP Issuer will incur materially increased costs in order to perform its obligations.

**Valuation**

The IAPs will usually be valued by a calculation agent, which is a Connected Person of the relevant IAP Issuer or the IAP Issuer itself. The calculation agent is appointed under the terms governing the IAPs. Under the terms of each IAP, the calculation agent determines the cash settlement amount of the IAP. The calculation agent will determine the value of the IAP in US dollars at the end of each Business Day provided normal market conditions exist.

Indicative prices for the IAPs are quoted continuously by the calculation agent during Indian market hours on a designated Bloomberg page provided normal market conditions exist. These prices allow a holder of an IAP to determine an indicative price in US dollars of that IAP.

The issue and settlement price of each IAP is calculated by reference to the Rupee price of the relevant underlying Indian Security (converted to US dollars) plus fees. The value of each IAP represents the US dollar equivalent of the official closing price of the relevant Indian Security, adjusted for transactions costs and the IAP Commission. A US dollar amount equal to any cash dividend paid on the underlying Security will be paid to the Mauritius subsidiary as the holder of the relevant IAPs. In the event of a stock dividend on the underlying Security, either additional IAPs will be distributed to the Mauritius subsidiary for zero consideration or a cash value will be paid. In the event of a rights issue on the underlying Security, the Mauritius subsidiary may be required to pay the equivalent of the subscription price and will receive additional IAPs or in certain circumstances a cash payment.

The Mauritius subsidiary is generally required to bear all taxes and expenses including depositary charges transaction or exercise charges which may be or would be (i) incurred in connection with the exercise or redemption of the IAPs and/or any payment and/or delivery in respect thereof, (ii) incurred by the IAP Issuer or its affiliate had such entity established unwound or varied any underlying related hedging arrangements in respect of the IAP; (iii) withheld by India (or any political subdivision of taxing authority thereof or therein); or (iv) payable in India by or on behalf of a foreign investor or its agent. Any such amounts are ordinarily built into the price of the IAPs.

In order to ensure that the net asset value of the Mauritius subsidiary reflects the proper value of the IAPs, the Trustee has agreed to conduct periodic independent valuations of selected IAPs following the methodology set out in the IAPs. In the event of any discrepancy as between the price of the IAP quoted by the calculation agent and the determination by the Trustee of the same, the Trustee will report such discrepancy to the Manager who will seek to reconcile the difference with the assistance of the relevant IAP Issuer.

**Settlement**

IAPs generally provide for automatic settlement upon expiry or redemption and exercise at any time before their expiry or redemption date. Settlement may presently only be made in cash although the IAPs provide for the possibility of physical settlement (in addition to cash settlement) in certain circumstances. The amount payable by the IAP Issuer at settlement is usually determined on the valuation date or in certain circumstances during the valuation period. In relation to certain IAPs, a notional exercise price per IAP is payable by the holder when exercised.

## APPENDIX V – INFORMATION ABOUT THE MAURITIUS SUBSIDIARY

The Mauritius subsidiary, iShares MSCI India Mauritius Company, is an open-ended company with variable share capital incorporated in Mauritius under the provisions of the Companies Act 2001 on 18 May 2009 as a private company with limited liability. The Mauritius subsidiary holds a Category 1 Global Business Licence issued by the FSC of Mauritius for the purpose of the Financial Services Act 2007 and has been authorised, pursuant to the Securities Act 2005 to operate as a collective investment scheme classified as an expert fund (“Expert Fund”) pursuant to Regulation 79 of the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008.

The Mauritius subsidiary shall not have any investors other than the iShares MSCI India which holds non-voting redeemable participating shares of the Mauritius subsidiary. BlackRock Asset Management Southeast Asia Limited which acts as the investment manager of the Mauritius subsidiary, holds voting non-redeemable non-participating management shares.

The Mauritius subsidiary is registered as a sub-account of the Manager which is registered as an FII allowing it to invest directly in Indian Securities. Though the FSC has issued a Category 1 Global Business Licence to the Mauritius subsidiary, it must be distinctly understood that in issuing this licence, the FSC does not vouch for the financial soundness of the Mauritius subsidiary, the correctness of any statement made or opinion expressed with regard to the Mauritius subsidiary in this Prospectus. Unitholders of the iShares MSCI India are not protected by any statutory compensation arrangements in Mauritius in the event of the Mauritius subsidiary’s failure.

The Mauritius subsidiary is not recognised under the Securities and Futures Act and is not available for direct investment by Singapore investors.

The Mauritius subsidiary is only available to “Expert Investors”. An expert investor is defined under the Securities (Collective Investment Schemes and Closed-End Funds) Regulations 2008 as:

1. an investor who makes an initial investment, for his own account, of no less than US\$100 000;
2. a sophisticated investor as defined in the Securities Act 2005, or any similarly defined investor in any other securities legislation.

Sophisticated investors for the purposes of the Securities Act 2005 includes the Government of Mauritius, statutory corporations, companies wholly owned by them, the government of a foreign country or agency of such government, banks, fund managers, insurance companies, investment dealers and adviser and any other person declared by the FSC to be a sophisticated investor.

The iShares MSCI India, as an investor in the Mauritius subsidiary, is not protected by any statutory compensation arrangements in Mauritius in the event of the Mauritius subsidiary’s failure.

### Directors of the Mauritius subsidiary

Hilary Glynn Bodin

Ms. Bodin is Director of iShares ETF Operations, Asia ex-Japan based in Hong Kong. Ms. Bodin previously worked as a consultant to Barclays Global Investors and Barclays Wealth Management in London and before that within the JPMorgan Chase group (formerly Flemings) for 15 years in various positions in technology and the asset management business. Ms. Bodin holds a philosophy degree from the University of Liverpool (BA, Hons) and is an Associate of the Chartered Institute of Bankers.

Kapil Dev Joory.

Mr. Joory is a Fellow of the Institute of Chartered Accountants in England and Wales and associate member of the Society of Trust and Estate Practitioners. After qualifying as a Chartered Accountant in 1974, Mr. Joory joined Pricewaterhouse, Paris working mainly on audit of multinationals operating in Northern and Western African countries followed by international tax

specialisation with Touche Ross, London (1975) and Arthur Young (1983). Mr. Joory was a Senior Tax Executive at Ernst & Young, London office until 1993. Mr. Joory has over twenty years of experience in international tax planning and business structuring covering international banking and financial services including Islamic banking, offshore fund structuring and administration, intellectual and real property planning, aircraft and ship leasing, franchising and retail operations. Mr. Joory is the Marketing and Tax Director of International Financial Services Limited which provides international tax, legal, fund structuring and offshore business services. Mr. Joory also serves as a director of numerous offshore funds and companies.

Couldip Basanta Lala.

Mr. Lala is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Lala has been a partner of one of the Big Four accounting firms all along his career a corporate affairs consultant and adviser. Whilst in audit practice, Mr. Lala has been leading audit assignments of World Bank financed projects in countries of East and West Africa. He was also Bursar of the University of Mauritius. Mr Lala is a founding Director of International Financial Services Limited where he has led and directed the production of the "IFS Guide to Mauritian Company Law". Mr. Lala is a past Chairman of the Stock Exchange Commission and has also been called upon by the government to serve on commissions and committees including currently as Chairman of the Financial Services Consultative Council Global Business Sub-Committee. Mr. Lala is also a director of SBI (Mauritius) Limited, a subsidiary of the State Bank of India and sits on numerous other boards, with diverse interests, ranging from financial institutions, investment funds, infomedia, tourism, to oil and general trade business.

Michael Timothy Marquardt

Mr. Marquardt is the Chief Operating Officer, Asia ex-Japan for BlackRock. Mr. Marquardt joined BlackRock following the merger with Barclays Global Investors (BGI) in 2009. Mr. Marquardt joined BGI in 2000 where he began in San Francisco working first as a Global Risk Manager and then as a Senior Project Manager on strategic initiatives. In 2005 Mr. Marquardt moved to Japan as Chief Administrative Officer, later becoming Chief Operating Officer. Mr. Marquardt was responsible for BGI Japan's Operations, IT, Finance, HR, Risk, Legal and Compliance groups. Prior to working at BGI, Mr. Marquardt was employed as Relationship Manager and Private Banking analyst for American Express Bank located in London. Mr Marquardt holds an MBA with High Honors from Boston University, a BA in Economics and History from Clark University.

Alasdair Charles Riach

Mr Riach is head of BlackRock's business in Singapore and is a member of the Global Client Group. Mr. Riach is responsible for developing and maintaining institutional relationships with the firm's clients throughout the South East Asia Pacific region. Prior to moving to his current role in 2004, Mr. Riach was a member of the Global Client Group based in Edinburgh and was responsible for client service and business development within Europe. Before joining BlackRock in January 2000, Mr. Riach was a Client Relationship Executive at Scottish Widows Investment Management with responsibility for their Specialist Institutional Clients. Mr. Riach began his career as an Investment-Marketing Analyst with Scottish Equitable Asset Management and Scottish Equitable Plc. Mr. Riach earned a BA degree in English and Law, and an LLB honours degree from the University of Natal, South Africa, in 1992 and 1994, respectively. Mr. Riach currently is also a director of BlackRock Asset Management Southeast Asia Services Pte Limited, BlackRock Investment Management (Singapore) Limited, BlackRock Advisors Singapore Pte Limited and BlackRock (Singapore) Holdco Pte Limited.

#### **Investment Manager of the Mauritius subsidiary**

BlackRock Asset Management Southeast Asia Limited (formerly Barclays Global Investors Southeast Asia Limited) has been authorised by the FSC to act as investment manager of the Mauritius subsidiary and has been appointed the investment manager pursuant to an investment management agreement dated 7 July 2009. Subject to the overall control and supervision of the Board of directors of the Mauritius subsidiary, the Investment Manager will perform such duties as are customarily performed by an investment manager of a collective investment scheme or as may be agreed from time to time between the Mauritius subsidiary and the Investment Manager. The Investment Manager shall not be liable for any loss to the Mauritius subsidiary howsoever arising except to the extent that such loss is due to the Investment Manager's negligence, wilful default or fraud. The Investment Manager will be paid by the Mauritius subsidiary at rates to be agreed under the Investment Manager Agreement.



### **Custodian of the Mauritius subsidiary**

HSBC Institutional Trust Services (Singapore) Limited has been appointed custodian of the Mauritius subsidiary pursuant to a custody agreement dated 7 July 2009. The Custodian agrees to use its best efforts and judgement and due care in performing its duties and obligations provided that, in the absence of negligence or breach of duty, neither the Custodian nor any of its directors, officers or agents shall be under any liability for any loss, expenses or consequence on account of anything done or suffered by them in good faith in the proper performance of its duties or as the result of instructions given or purported to be given by the Mauritius subsidiary /Investment Manager. The Custodian will be paid by the Mauritius subsidiary at rates to be agreed under the Custodian Agreement.

### **Administrator of the Mauritius subsidiary**

International Financial Services Limited (“IFS”), a company based in Mauritius has been appointed as the Administrator of the Mauritius subsidiary. IFS provide administration and other services to global business companies incorporated in Mauritius including international funds, like the Mauritius subsidiary. Established in 1994, IFS is a management company incorporated in Mauritius and licensed and regulated by the FSC.

IFS will provide secretarial, administrative and registrar services to the Mauritius subsidiary. These services include acting as corporate secretary and agent for service of process, keeping of books and records, managing corporate correspondence, attending to regulatory filings in Mauritius, maintaining lists of shareholders and attending to the general administration of the companies that have engaged the Administrator. The Mauritius subsidiary will compensate IFS pursuant to the terms of the administration agreement between the Mauritius subsidiary and IFS. The Mauritius subsidiary will also require IFS to monitor the anti-money laundering and other regulatory compliance programs of the Mauritius subsidiary and to that effect, IFS may carry out certain identification and source of funding verification from any investor submitting a completed subscription agreement. Pursuant to the terms of that subscription agreement, pending the provision of evidence satisfactory to IFS as to the identity of such prospective investor, the evidence of title in respect of shares may be retained by the Board at its sole and absolute discretion. If within a reasonable period of time following a request for verification of identity, IFS has not received evidence satisfactory to it as aforesaid, the Board may, in its sole and absolute discretion, refuse to allot the shares applied for.

IFS has delegated to HSBC Institutional Trust Services (Singapore) Limited (“Administrator’s Delegate”) functional responsibility for the accounting and valuation of the Mauritius subsidiary. All valuations will be performed by the Administrator’s Delegate and signed off by IFS for the benefit of the FSC. Except in respect of negligence, fraud or wilful default, the Administrator shall not be liable for the acts or omissions of the Administrator’s Delegate.

IFS has no responsibility with respect to the Mauritius subsidiary’s investment activities (or the monitoring thereof), the management of the Mauritius subsidiary or the accuracy or adequacy of this Prospectus, other than this section. IFS do not act as guarantor or offeror of the interests in the Mauritius subsidiary.

### **Administrator’s Delegate**

HSBC Institutional Trust Services (Singapore) Limited has been appointed Administrator’s Delegate pursuant to a delegation agreement between IFS, the Administrator’s Delegate and the Mauritius subsidiary dated 7 July 2009. The Administrator’s Delegate will undertake the accounting and valuation of the Mauritius subsidiary on behalf of IFS. The Administrator’s Delegate accepts liability for any loss the Mauritius subsidiary may sustain as a result of its fraud, negligence, wilful default or breach of contract. The Administrator’s Delegate is paid out of the assets of the Mauritius subsidiary.

### **Auditor of the Mauritius subsidiary**

The Mauritius subsidiary has appointed PricewaterhouseCoopers, Mauritius to act as its auditor.

## **APPENDIX VI – DISCLAIMER BY MSCI**

The iShares MSCI India is not sponsored, endorsed, sold or promoted by MSCI or any affiliate of MSCI. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index makes any representation or warranty, express or implied, to the Unitholders of the iShares MSCI India or any member of the public regarding the advisability of investing in funds generally or in the iShares MSCI India particularly or the ability of any MSCI index to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of the indices which are determined, composed and calculated by MSCI without regard to the iShares MSCI India or the Manager. MSCI has no obligation to take the needs of the Manager or the Unitholders of the iShares MSCI India into consideration in determining, composing or calculating any MSCI index. MSCI is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the iShares MSCI India to be issued or in the determination or calculation of the equation by which the iShares MSCI India is redeemable for cash. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index has any obligation or liability to Unitholders of the iShares MSCI India in connection with the administration, marketing or trading of the iShares MSCI India. No purchaser, seller or holder of Units of the iShares MSCI India or any other person or entity, should use or refer to MSCI's trade name, trademark or service mark rights to the designations Morgan Stanley Capital International, MSCI®, Morgan Stanley Capital International Perspective®, EAFE® or any other MSCI mark, to sponsor, endorse, market or promote the Units without first contacting MSCI to determine whether MSCI's permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI.

Although MSCI obtains information for inclusion in or for use in the calculation of the indices from sources which MSCI considers reliable, neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index guarantees the accuracy and/or the completeness of the indices or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index makes any warranty, express or implied, as to results to be obtained by the Manager, the Manager's customers and counterparties, Unitholders of the iShares MSCI India, or any other person or entity from the use of the indices or any data included therein in connection with the rights licensed hereunder or for any other use. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index shall have any liability for any errors, omissions or interruptions of or in connection with the indices or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index makes any express or implied warranties, and MSCI hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the indices or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in making or compiling any MSCI index have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

**iShares MSCI India Prospectus**

Required pursuant to the Securities and Futures Act, Chapter 289 of Singapore

Board of Directors of BlackRock Asset Management Southeast Asia Limited

Signed:

Signed:

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Rohit Bhagat  
Director  
(Signed by Alasdair Charles Riach for and on behalf of Rohit Bhagat)

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Alasdair Charles Riach  
Director

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Michael Timothy Marquardt  
Director  
(Signed by Alasdair Charles Riach for and on behalf of Michael Timothy Marquardt)

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