

HONG LEONG DANA DIVIDEN



Manager
HONG LEONG ASSET MANAGEMENT BHD
[199401033034 (318717-M)]

Trustee
CIMB ISLAMIC TRUSTEE BERHAD
[198801000556 (167913-M)]

This Prospectus for the **Hong Leong Dana Dividen** dated 11 November 2024.
This Fund is constituted on 18 September 2024.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 11.

RESPONSIBILITY STATEMENTS

This Prospectus has been reviewed and approved by the directors of Hong Leong Asset Management Bhd and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in this Prospectus false or misleading.

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia has authorised the Hong Leong Dana Dividen (“Fund”) and a copy of this Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Fund, and registration of this Prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the said Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Hong Leong Asset Management Bhd, responsible for the said Fund and takes no responsibility for the contents in this Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.

ADDITIONAL STATEMENTS

Investors should note that they may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to the Fund.

Hong Leong Dana Dividen has been certified as Shariah-compliant by the Shariah Adviser appointed for the Fund.

IF THE FUND DECLARES DISTRIBUTION OUT OF CAPITAL, THE CAPITAL OF THE FUND MAY BE ERODED IF THE DISTRIBUTION IS ACHIEVED BY FORGOING THE POTENTIAL FOR FUTURE CAPITAL GROWTH AND THIS CYCLE MAY CONTINUE UNTIL ALL CAPITAL IS DEPLETED.

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1. DEFINITIONS

Auditor	PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146). The appointed auditor for the Fund.
Base Currency	The base currency of the Fund, RM.
<i>baitulmal</i>	Refers to the treasury of a State Islamic Religious Council.
BIMBSEC	BIMB Securities Sdn Bhd [199401004484 (290163-X)].
BNM	Bank Negara Malaysia.
Bursa Malaysia	The stock exchange managed and operated by Bursa Malaysia Securities Berhad [200301033577 (635998-W)] and includes any changes to the name or the operator of the Malaysian stock exchange.
Business Day	<p>A day (other than Saturday, Sunday and public holidays) on which the Manager is open for business and Bursa Malaysia is open for trading.</p> <p>Note: The Manager may declare certain Business Days to be a non-Business Day for the Fund, if</p> <ul style="list-style-type: none">(a) the foreign markets in which at least 50% of the Fund's NAV is invested therein are closed for business;(b) one or more of the CIS in which the Fund is invested therein declare(s) certain business days as non-business days; or(c) it is not a business day of the Base Currency.
CITB or Trustee	CIMB Islamic Trustee Berhad [198801000556 (167913-M)].
CIS	Collective Investment Schemes.
CMSA	Capital Markets and Services Act 2007 and any amendments made thereto.
Cooling-Off Period	Grace period for investors to reconsider their investments. The Cooling-Off Period for the Fund is six (6) Business Days commencing from the date the Manager accepts the application to purchase Units.
Deed	The deed in respect of the Hong Leong Dana Dividen dated 18 September 2024 entered into between the Manager and the Trustee for the Unit holders of the Fund, including any supplementary deeds thereto.
Eligible Market	Means an exchange, government securities market or an OTC market:- <ul style="list-style-type: none">(i) that is regulated by a regulatory authority of that jurisdiction;(ii) that is open to the public or to a substantial number of market participants; and(iii) on which financial instruments are regularly traded.
EPF	Employees Provident Fund
EPF-MIS	EPF Members Investment Scheme
External Fund Manager or HLISAM	Hong Leong Islamic Asset Management Sdn Bhd [198501008000 (140445-U)].
FBM EMAS Shariah Index	FTSE Bursa Malaysia EMAS Shariah Index

FiMM	Federation of Investment Managers Malaysia.
financial institutions	<p>Means:</p> <p>(a) if the institution is in Malaysia-</p> <ul style="list-style-type: none"> (i) licensed bank; (ii) licensed investment bank; or (iii) licensed Islamic bank; or <p>(b) if the institution is outside Malaysia, any institution that is licensed, registered, approved or authorised by the relevant banking regulator to provide financial services.</p>
Forward Price	The Selling Price or Redemption Price calculated based on the NAV per Unit of the Fund at the next valuation point after an application to purchase or redeem Units is received by the Manager.
Guidelines	Guidelines on Unit Trust Funds issued by the SC including any amendments made thereto.
HLAM or the Manager	Hong Leong Asset Management Bhd [199401033034 (318717-M)].
HLDD or the Fund	Hong Leong Dana Dividen.
INID	Islamic negotiable instruments of deposits.
Investment Committee	The investment committee of the Fund who is responsible for formulating, implementing and monitoring the investment management policies of the Fund to achieve the investment objective of the Fund.
IOP	Refers to the initial offer period, during which Units will be sold at the initial offer price.
Islamic deposits	<p>Means a sum of money accepted or paid in accordance with Shariah-</p> <ul style="list-style-type: none"> (a) on terms under which it will be repaid in full, with or without any gains, return or any other consideration in money or money's worth, either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and person accepting it; or (b) under an arrangement, on terms whereby the proceeds under the arrangement to be paid to the person paying the sum of money shall not be less than such sum of money, <p>but excludes money paid <i>bona fide</i>-</p> <ul style="list-style-type: none"> (i) by way of an advance or a part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services are not in fact sold, hired or otherwise provided; (ii) by way of security for the performance of a contract or by way of security in respect of any loss which may result from the non-performance of a contract; (iii) without limiting paragraph (ii), by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise; and (iv) in such other circumstances, or to or by such other person, as set out in schedule 2 of the Islamic Financial Services Act 2013.

IUTA(s)	Institutional Unit Trust Adviser(s) which is a corporation registered with FiMM and authorised to market and distribute unit trust schemes of another party.
LPD	Refers to 6 August 2024 and is the latest practicable date whereby the information disclosed in this Prospectus shall remain relevant and current as at the date of issue of this Prospectus.
medium to long-term	Three (3) to five (5) years.
Net Asset Value (NAV)	The NAV is determined by deducting the value of all the Fund's liabilities from the value of all the Fund's assets, at a valuation point.
NAV per Unit	The NAV of the Fund divided by the number of UIC for the Fund at the same valuation point.
OTC	Over-the-counter.
Redemption Price	The price payable to an investor (before deducting the redemption charge, if any) for a Unit pursuant to a redemption request. The Redemption Price shall be the NAV per Unit of the Fund as at the next valuation point of the Fund after a redemption request is received and accepted by the Manager.
REIT	Real Estate Investment Trust
RM	Ringgit Malaysia.
SACSC	The Shariah Advisory Council of the SC.
SC	The Securities Commission Malaysia.
Selling Price	The price payable by an investor (before including the sales charge) for the purchase of a Unit pursuant to a request for purchase of Units. The Selling Price shall be the NAV per Unit of the Fund as at the next valuation point of the Fund after a request for purchase of Units is received and accepted by the Manager.
Shariah	Means Islamic law comprising the whole body of rulings pertaining to human conducts derived from sources of the Shariah namely the <i>Qur'an</i> (the holy book of Islam) and <i>Sunnah</i> (practices and explanations rendered by the Prophet Muhammad (<i>pbuh</i>)) and other sources of Shariah such as <i>Ijtihad</i> (intellectual reasoning) of Shariah scholars.
Shariah Adviser	Refers to BIMBSEC which includes its permitted assigns, and successors in title.
Shariah requirements	Mean the rulings, guidelines and resolutions made by the SACSC or the relevant Shariah Supervisory Boards or the advice given by the Shariah Adviser.
Shariah Supervisory Boards	Refer to independent supervisory or advisory bodies of specialized jurists in <i>Fiqh al-mua'malat</i> (Islamic commercial jurisprudence).

Single Pricing	It is a method when you purchase Units from the Manager and sell your Units back to the Manager at a single price, i.e. the NAV per Unit. The sales charge and the redemption charge (if any) would be calculated separately based on your invested amount/redemption proceeds.
Special Resolution	Means a resolution passed at a meeting of Unit holders duly convened in accordance with the Deed by a majority of not less than three-fourths (3/4) of the Unit holders present and voting at the meeting in person or by proxy. For the avoidance of doubt, “three-fourths (3/4) of the Unit holders present and voting” means three-fourths (3/4) of the votes cast by the Unit holders present and voting. For the purpose of terminating the Fund, “Special Resolution” means a resolution passed at a meeting of Unit holders duly convened in accordance with the Deed by a majority in number representing at least three-fourths (3/4) of the value of the Units held by the Unit holders present and voting at the meeting in person or by proxy.
sukuk	Refers to certificates of equal value which evidence undivided ownership or investment in the assets using Shariah principles and concepts endorsed by the SACSC and/or the relevant Shariah Supervisory Boards and/or the Shariah Adviser.
UIC	Units in circulation.
Unit(s)	Is an undivided share in the beneficial interest and/or rights in the Fund and a measurement of the interest and/or right of a Unit holder in the Fund and means a Unit of the Fund.
Unit holder(s), investor(s), applicant(s), you	Means the person for the time being who is registered pursuant to the Deed of the Fund as a holder of Units, including the persons jointly registered.

2. CORPORATE DIRECTORY

MANAGER

HONG LEONG ASSET MANAGEMENT BHD [199401033034 (318717-M)]

Registered office:

Level 30, Menara Hong Leong
No 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : +603-2080 9888
Fax : +603-2080 9801

Business address:

Level 18, Block B, Plaza Zurich
No. 12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel : +603-2081 8600
Fax : +603-2081 8500
Website : www.hlam.com.my
E-mail : inquiry@hlam.hongleong.com.my

TRUSTEE

CIMB ISLAMIC TRUSTEE BERHAD [198801000556 (167913-M)]

Registered address:

Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : +603-2261 8888
Fax : +603-2261 0099

Business address:

Level 21, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : +603-2261 8888
Fax : +603-2261 9894
Email : ss.corptrust@cimb.com
Website : www.cimb.com

SHARIAH ADVISER

BIMB SECURITIES SDN BHD [199401004484 (290163-X)]

Registered address:

32nd Floor, Menara Bank Islam
No. 22 Jalan Perak
50450 Kuala Lumpur
Tel : +603-2726 7814
Fax : +603-2088 8033

Business address:

Level 34, Menara Bank Islam
No 22, Jalan Perak
50450 Kuala Lumpur
Tel : +603-2613 1600
Fax : +603-2613 1799
Website : www.bimbsec.com.my
E-mail : shariah@bimbsec.com.my

EXTERNAL FUND MANAGER

HONG LEONG ISLAMIC ASSET MANAGEMENT SDN BHD [198501008000 (140445-U)]

Registered office:

Level 30, Menara Hong Leong
No 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : +603-2080 9888
Fax : +603-2080 9801

Business address:

Level 18, Block B, Plaza Zurich
No. 12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel : +603-2081 8600
Fax : +603-2081 8500
Website : www.hlam.com.my/hlisam
E-mail : inquiry@hlisam.hongleong.com.my

3. FUND INFORMATION

3.1 General information of the Fund

Fund name	Hong Leong Dana Dividen.
Base currency	Ringgit Malaysia.
Fund category	Equity (Shariah-compliant).
Fund type	Income and growth.
Launch date	11 November 2024
Initial offer price	RM0.5000 per Unit.
IOP	The IOP for the Fund will be twenty one (21) calendar days from the launch date of the Fund, i.e. commencing from 11 November 2024 to 1 December 2024.
Commencement date	Refers to the date on which the investments of the Fund are first made and is the date which falls on the next Business Day immediately after the expiry of the IOP.
External Fund Manager	HLISAM.

3.2 Investment Objective

The Fund seeks to achieve regular income and capital growth over the medium to long-term period.

Any material change to the investment objective of the Fund would require Unit holders' approval.

3.3 Investment Policy, Strategy and Asset Allocation

Investment Policy and Principal Strategy

To achieve the Fund's investment objective, the Fund shall invest primarily in Shariah-compliant equities and/or Shariah-compliant equity-related securities which have good dividend payout policies or the potential to have good dividend policies and higher dividends. Shariah-compliant equities and/or Shariah-compliant equity-related securities with good dividend payout policies are those that have been consistently paying high dividends (i.e. dividend yields at and/or above market average) over the last three (3) to five (5) years, and are able to sustain the dividend payments at least over the next one (1) year. At the same time, the Fund may also invest in sukuk with good credit quality and yield enhancement opportunities. Sukuk with good credit quality generally are investment-grade securities that have relatively low risk of a default. Although the Fund is actively managed according to its principal investment strategy, the frequency of its trading strategy will very much depend on market conditions and opportunities.

The Fund will invest a minimum 80% of its NAV in Shariah-compliant equities and/or Shariah-compliant equity-related securities, and the balance of its NAV will be invested in sukuk and Islamic liquid assets including Islamic money market instruments and Islamic deposits with Islamic financial institutions.

The Fund may also invest in Islamic CIS.

The asset allocation of the Fund will be reviewed periodically depending on the economic and stock market outlook. The Fund will hold sufficient cash for liquidity purposes.

The Manager combines a “top-down” asset and sector allocation analysis with a “bottom-up” Shariah-compliant stock selection process. Therefore, the Manager uses economic research to evaluate the impact of current macroeconomic factors to identify the potential sectors for the Fund’s investments. Macroeconomic factors such as gross domestic product (GDP), currency stability, monetary and fiscal policies, political developments and government regulations are also considered in assessing the Fund’s asset allocation strategy. For Shariah-compliant stock selection, the Manager adopts a rigorous and disciplined fundamental investment analysis where it focuses and selects its Shariah-compliant stock for investments.

In identifying such Shariah-compliant stocks for the Fund’s investment, the Manager will consider the company’s business model, management and financial health. The Fund’s investment process also involves assessing various valuation ratios such as the earnings growth, price to earnings ratios (PER), price to growth (PEG), price to net tangible assets (P/NTA) and dividend yield of a Shariah-compliant stock.

The Fund may invest up to 30% of its NAV in foreign markets.

The Fund may employ financial OTC Islamic derivatives instruments such as Islamic forward contracts, Islamic profit-rate swaps or Islamic cross currency swaps amongst others, to manage, minimize or mitigate inherent foreign currency-denominated risks or interest rates risks associated with the Fund’s investments. The use of Islamic derivatives is for currency hedging purposes only. For the purposes of the Fund’s use of Islamic derivatives for hedging, the global exposure relating to Islamic derivatives will be calculated using a commitment approach.

Commitment approach

The global exposure of the Fund to Islamic derivatives is calculated as the sum of the:

- absolute value of the exposure of each individual Islamic derivative not involved in netting or hedging arrangements;
- absolute value of the net exposure of each individual Islamic derivative after netting or hedging arrangement; and
- the values of cash collateral received pursuant to the reduction of exposure to counterparties of OTC Islamic derivatives.

Netting arrangements may be taken into account to reduce the Fund’s exposure to Islamic derivatives.

The Fund may net positions between:

- (a) derivatives on the same underlying constituents, even if the maturity dates are different; or
- (b) derivatives and the same corresponding underlying constituents, if those underlying constituents are Shariah-compliant transferable securities, Islamic money market instruments, or units or shares in Islamic CIS.

As part of its Islamic derivatives hedging arrangements, the hedging arrangement must:

- (a) not be aimed at generating a return;
- (b) result in an overall verifiable reduction of the risk in the Fund;
- (c) offset the general and specific risks linked to the underlying constituent being hedged;
- (d) relate to the asset class being hedged;
- (e) be able to meet its hedging objectives in all market conditions; and
- (f) the global exposure of the Islamic derivatives position must not exceed the NAV of the Fund at all times.

The exposure to a counterparty of an OTC Islamic derivatives must be measured based on the maximum potential loss that may be incurred by the Fund if the counterparty defaults and not on the basis of the notional value of the OTC Islamic derivatives and the total exposure to a single counterparty is calculated by summing the exposure arising from all OTC Islamic derivatives transactions entered into with the same counterparty.

The Fund will only invest in Islamic derivatives that are issued by counterparties with a strong credit rating. A Malaysian counterparty must have a credit rating of at least “AA3” by RAM Rating Services Berhad or

its equivalent rating by Malaysian Rating Corporation Berhad. Whereas, a foreign counterparty must have a credit rating of at least "A" as rated by S&P or its equivalent rating by another recognised global rating agency. The Manager will unwind the affected invested Islamic derivative or hold the Islamic derivatives to maturity if its period to maturity is less than six (6) months if the counterparty is downgraded below the abovementioned credit ratings.

Temporary defensive strategy

The Manager may take temporary defensive positions in attempting to respond to certain conditions which include but are not limited to adverse market, economic and political conditions, insufficient funds to form an efficient portfolio and periods of high fund redemptions. In such situations, the Manager may reduce its Shariah-compliant equity and/or Shariah-compliant equity-related securities exposure to below the above stated range by reallocating its investments into lower-risk assets such as sukuk, Islamic money market instruments and/or Islamic deposits.

If the Fund is eligible to be invested via the EPF-MIS, those investments will be subject to the EPF's requirements. Please note that the eligibility status of the Fund under EPF-MIS may change from time to time. Please refer to our website at www.hlam.com.my or www.kwsp.gov.my for the latest information.

3.4 General Risks of the Fund

Prospective investors should consider the following general risks of investing in the Fund in addition to the other information set out in this Prospectus:

- **Market risk**

Market risk refers to the potential losses that may arise from adverse changes in the market prices of the investments of the Fund. Prices of Shariah-compliant instruments that the Fund has invested in may fluctuate in response to market developments (such as adverse changes in government regulations and policies, economic developments, investor sentiment, inflation, interest rates and exchange rates), which would then affect the Fund's NAV per Unit.

- **Interest rate risk**

This risk refers to the effect of interest rate changes on the market value of the Fund's investments in sukuk. In the event of the rising interest rates, prices/valuation of sukuk tend to move inversely. Meanwhile, sukuk with longer maturities and lower profit rates are more sensitive to interest rate changes. This risk can be mitigated via the management of the duration structure of the sukuk portfolio by diversifying the investments in sukuk across different maturities (e.g. one year, three years and five years) and investing in short-term (e.g. less than three years) sukuk.

This risk refers to the effect of interest rate changes on the prices of the Fund's investments in Islamic money market instruments such as INID. Generally, interest rate movements are inversely correlated with prices of INID, i.e. when interest rate rise, prices of INID will fall and vice versa. The fluctuations in the prices of the INID may, in turn, have an impact on the Fund's NAV per Unit. This risk can be mitigated by holding the INID until their maturity due to lock in of price and yield.

The above interest rate is a general indicator that will have an impact on the management of the Fund. It does not in any way suggest that the Fund will invest in conventional financial instruments. All the investments carried out for the Fund are in accordance with Shariah requirements.

- **Non-compliance risk**

This is the risk where the Manager does not comply with the provisions as set out in the Deed; or the laws/guidelines that govern the Fund; or its internal procedures and policies. The non-compliance could be due to several factors such as a result of human errors and oversight system failures or fraudulent acts by the Manager. Any non-compliance may adversely affect the Fund's NAV per Unit, especially in situations where the Manager is forced to sell the investments of the Fund at unfavorable prices to resolve the non-compliance. The Manager has imposed stringent internal compliance controls to mitigate this risk.

- **Loan financing risk**

The risk occurs when Unit holders take a financing to finance their investment. The inherent risk of

investing with financing includes Unit holders being unable to service the financing payments. In the event Units are used as collateral, Unit holders may be required to top-up their existing instalments if the prices of Units fall below a certain level due to market conditions. Failing which, the Units may be sold at a lower NAV per Unit as compared to the NAV per Unit at the point of purchase towards settling the financing.

Islamic unit trust funds' investors are advised to seek for Islamic financing to finance their acquisition.

Please see unit trust loan financing risk disclosure statement in the account opening form (individual) section.

- **Inflation/Purchasing power risk**

This refers to the likelihood that a Unit holder's investments are not growing at a rate equal or greater than the inflation rate, thus resulting in the Unit holder's decreasing purchasing power.

- **Fund management risk**

The performance of the Fund is dependent on the experience, knowledge, expertise and investment strategies adopted by the personnel of the Manager. Lack of experience, knowledge and expertise, as well as poor execution of the investment strategy or general management of the Fund may jeopardise the Unit holders' capital and returns. In view of this, proper training and stringent selection of personnel to manage the Fund is crucial towards mitigating this risk.

- **Liquidity risk**

Liquidity risk comprises two broad risk types: Market Liquidity Risk and Funding Liquidity Risk. Market Liquidity Risk is defined as the ease with which a Shariah-compliant security can be sold at or near its fair value depending on the trading volume of that security in the market. If the Fund holds a large portfolio of Shariah-compliant securities that are less liquid, the Shariah-compliant securities may have to be sold at unfavourable prices and/or withdraw Islamic deposits placed with financial institutions prior to maturity which would expose the Fund to a higher degree of market liquidity risk. As such any premature withdrawal of Islamic deposits where profit income may be forfeited or forced sale of the Fund's investment to meet any shortfall will have adverse impact on the Fund's NAV per Unit and subsequently the value of Unit holders' investments in the Fund.

Funding Liquidity Risk is defined as the risk that the Fund will not be able to meet efficiently both the expected and unexpected current and future cash outflow. The risk primarily involves the Fund's inability to meet redemption requests without major distortion to the portfolio allocation.

To mitigate this risk, the Manager will employ prudent liquidity management such as cash flow and redemption monitoring to ensure that the Fund maintains reasonable levels of liquidity to meet any redemption request supplemented by a temporary defensive strategy should adverse conditions prevail. The Manager will apply Liquidity Risk Management tools inclusive of liquidity stress test to assess the Fund's viability to meet expected and unexpected redemptions under adverse scenarios. Additionally, the Manager will employ liquidity risk scoring. The liquidity risk scoring is part of the calculation of the risk profile of the Fund. It measures the liquidity profile of the investments and is able to trigger the Manager on the investments that have a worsened liquidity position.

The Manager may, in consultation with the Trustee, suspend dealing in Units under exceptional circumstances where there is sufficient reason to do so having regard to the interests of the Unit holders in an effort to further curtail the liquidity risk experienced by the Fund. Exceptional circumstances can be considered where the market value or fair value of a material portion of the Fund's assets cannot be determined.

- **Shariah non-compliance risk**

This refers to the risk of the Fund not conforming to Shariah Investment Guidelines due to investment in Shariah non-compliant instrument. In the event that the Manager is required to rectify any Shariah non-compliance by disposing the related instrument, any losses from disposal due to investment in Shariah non-compliant instrument will be borne by the Manager. In any circumstances, gain received from disposal shall be channeled to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser.

3.5 Specific Risks of the Fund

In addition, there are also specific risks associated with the investment portfolio of the Fund. The specific risks include but are not limited to the following:

- **Particular Shariah-compliant security risk**

The performance of each individual Shariah-compliant security that the Fund invests in will affect the price of Units. The performance of each Shariah-compliant security is dependent on factors which include but are not limited to the management quality of the particular company, its growth potential, changes in consumer tastes and preferences, and conditions specific to the industry of the Shariah-compliant security that the Fund has invested in. Valued collectively, the performance of individual Shariah-compliant securities will cause the Fund's NAV per Unit to rise or fall accordingly. The Fund's NAV per Unit is also dependent on the weightage of the individual Shariah-compliant securities within the Fund's portfolio. This risk is managed by adherence to a strict investment decision-making process which is applied in the security selection process and involves conducting primary and secondary research on factors relevant to each individual security issuer. For each Shariah-compliant security, emphasis will be on the company's industry and business outlook, management track record, financial health, earnings quality, growth potential and other financial valuations.

- **Reinvestment risk**

The risk is more prevalent during times of declining profit rates when the Fund has received its principal and profit earned from a maturing Islamic deposit and/or Islamic money market instruments. As a result, the Fund has to reinvest the above proceeds in new Islamic deposits or Islamic money market instruments offering a lower return than the previous Islamic deposits or Islamic money market instruments.

- **Single issuer risk**

The Fund may invest a greater portion of its assets in a single issuer, and as such, the Fund is susceptible to any adverse developments affecting the single issuer held in its portfolio. Any changes in the financial condition of the single issuer may cause fluctuations in the Fund's NAV. The Manager seeks to mitigate this risk by conducting fundamental research prior to its investments, where the Manager will conduct thorough analysis of the issuer's financial statements by assessing its potential earnings growth, cash flow sustainability, debt manageability as well as historical financial performance.

- **Dividend policy risk**

This risk is particular to the Fund as it will invest in dividend yielding Shariah-compliant stocks. As such, the Fund's NAV per Unit may be affected when there is a significant deterioration in an invested company's business or fundamentals, or if there is a change in management policy resulting in a reduction or removal of its dividend policy. This risk can be mitigated by investing mainly in companies with consistent historical records of paying dividends, operating in fairly stable industries and with strong cash flows.

- **Credit/default risk**

Credit risk relates to the creditworthiness of the issuer of the sukuk and the issuer's ability to make timely payments of profits and/or principal. If the issuer fails to meet its sukuk payment obligation in a timely manner, it will lead to a loss in principal and/or profit and result in a default on the payment of principal and/or profit accrued and cause a decline in the value of the defaulted sukuk and subsequently affect the Fund's NAV per Unit. The Fund's credit/default risk can be mitigated through a rigorous and disciplined credit research and analysis to ascertain the creditworthiness of the issuer of sukuk prior to the investments. In addition, the Manager may also mitigate this risk by diversifying its investments in sukuk across many issuers. The Manager reserves the right to deal with rating downgrade of an investment in the best interest of the Unit holders including to dispose the invested sukuk within a reasonable time frame if the downgrade is below the stipulated minimum rating.

- **Shariah status reclassification risk**

- (a) **Shariah-compliant equity and Shariah-compliant equity-related securities**

This risk refers to the risk that the currently held Shariah-compliant equities and Shariah-compliant equity-related securities in the portfolio of the Fund may be reclassified as Shariah non-compliant in the periodic review of the securities by the SACSC, the Shariah Adviser or the Shariah Supervisory Boards of relevant Islamic indices. If this occurs, the Manager will take the necessary steps to dispose of such securities.

Opportunity loss could occur due to the restriction on the Fund to retain the excess capital gains derived from the disposal of the reclassified Shariah non-compliant securities. In such an event, the Fund is required:

- (i) to dispose of such securities with immediate effect or within one (1) calendar month if the value of the securities exceeds or is equal to the investment cost on the reclassification effective date by the SACSC, the Shariah Adviser or the Shariah Supervisory Boards of relevant Islamic indices. The Fund is allowed to keep dividends received up to the reclassification effective date and capital gains from the disposal of the securities on the reclassification effective date. However, any dividends received and excess capital gains from the disposal of the Shariah non-compliant securities after the reclassification effective date should be channeled to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser;
 - (ii) to hold such securities if the value of the said securities is below the investment cost on the reclassification effective date until the total subsequent dividends received (if any) and the market price of the securities is equal to the cost of investment at which time disposal has to take place within one (1) calendar month, excess capital gains (if any) from the disposal of the securities should be channeled to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser; or
 - (iii) to dispose of such securities at a price lower than the investment cost which will result in a decrease in the Fund's value.

- (b) **Islamic fixed income instruments or Islamic money market instruments or Islamic deposits or Islamic CIS**

This risk refers to the risk of a possibility that the currently held Islamic fixed income instruments or Islamic money market instruments or Islamic deposits or Islamic CIS invested by the Fund may be declared as Shariah non-compliant by the relevant authority or the Shariah Adviser. If this occurs, the Manager will take the necessary steps to dispose of or withdraw such fixed income instruments or money market instruments or deposits or CIS.

Note: Please refer to section 3.13 for further details on cleansing process for the Fund.

- **Currency risk**

This risk is associated when the Fund has investments that are denominated in foreign currency. Any fluctuations in the currency exchange rates can affect the Fund's foreign investments when it is converted back to the Base Currency, and subsequently affect the Fund's NAV per Unit. Investors should be aware that if the currencies in which the investments are denominated depreciate against the Base Currency, this will have an adverse effect on the NAV of the Fund in the Base Currency and vice versa. Investors should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment. This risk may be mitigated through investing in a wide range of foreign currency denominated assets, thus reducing the risk of single currency exposure. Alternatively, hedging may be applied to mitigate the currency risk, where necessary. While currency hedging has the potential to mitigate adverse currency fluctuations, any potential gains from currency appreciation will be capped. Therefore, Unit holders will not benefit from any currency appreciation.

- **Country risk**

The foreign investments made by the Fund may be affected by changes in the economic, social and/or political conditions of the countries in which the investments are made. These changes may in turn, influence the growth and development of businesses and have an adverse impact on market sentiment. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the Fund in those affected countries. This in turn may cause the NAV of the Fund or prices of Units to fall. However, this risk may be mitigated by conducting thorough research on the respective markets, their economies, companies, politics and social conditions as well as minimising or omitting investments in such markets.

The Manager will ensure all necessary licenses/permits for investments are applied for in countries that require such licenses/permits. The Manager will seek to invest in other accessible markets if the Manager is unable to obtain the necessary licenses/permits in those countries, or that such licenses/permits to invest in are revoked or not renewed.

- **Hedging risk**

The Manager has the flexibility to hedge particularly the foreign currency exposure by using Islamic derivatives. Foreign currency hedging has the potential to mitigate adverse foreign currency fluctuations but may not completely eliminate all currency risk. Hedging involves costs which reduce investment performance of the Fund.

- **Counterparty risk**

The Fund's placements of Islamic deposits with financial institutions and/or investments in Islamic money market instruments are subject to the risk of the counterparty. Counterparty risk also refers to the possibility that the counterparty being unable to make timely payments of profit and/or principal payment on the maturity date. This may then lead to a default in the payment and/or profit and ultimately, affect the NAV per Unit of the Fund. To mitigate this risk, the Manager will ascertain the creditworthiness of the financial institutions/counterparties of the Islamic money market instruments and Islamic deposits through a rigorous and disciplined credit research and analysis prior to its investments.

- **Islamic collective investment scheme risk**

Investing in Islamic CIS may be more costly to the Fund than if the Fund had invested in the underlying investments directly as the Fund will indirectly be paying the fees and expenses of the Islamic CIS in addition to the Fund's direct fees and expenses. Investing in other Islamic CIS may be subject to the risk that (i) the valuations of the Fund may not reflect the true value of the underlying Islamic CIS at a specific time which could result in significant losses or inaccurate pricing for the Fund and/or (ii) the valuation may not be available as at the relevant valuation point for the Fund. The Fund's investments in Islamic CIS may subject the Fund to additional risks (such as risk associated with the investment manager of the Islamic CIS) than if the Fund would have invested directly in the underlying investments of the Islamic CIS. The risk associated with the investment manager of the Islamic CIS includes but are not limited to the risk of non-adherence to the investment objective, strategy and policies of the Islamic CIS, the risk of direct or indirect losses resulting from inadequate or failed operational and administrative processes and systems of the investment manager of the Islamic CIS, and the risk that the Islamic CIS may underperform due to poor investment decisions by the investment manager of the Islamic CIS as well as poor market conditions.

INVESTORS SHOULD TAKE NOTE THAT THE ABOVE LIST OF RISKS MAY NOT BE EXHAUSTIVE AND IF NECESSARY, THEY SHOULD CONSULT THEIR ADVISER(S) FOR A BETTER UNDERSTANDING OF THE RISKS.

3.6 Risk Management Strategies

The risk management strategies undertaken by the Manager include but are not limited to the following:

- Adhering to the Fund's investment objective, investment strategies and investment limits and restrictions as stated in this Prospectus, the Deed and/or the Guidelines;
- Monitoring and evaluating the market and economic conditions;
- Determining and monitoring effective diversification of Shariah-compliant securities across sectors and companies;
- Employing an active asset allocation strategy depending on the market conditions and rebalancing the portfolio should the need arise;
- Prudent liquidity management refers to the Manager's adherence to the mandate/asset allocation of the Fund whereby the Fund will hold sufficient cash for liquidity purposes and/or hold assets that are easily liquidated for meeting redemption requests. Prudent liquidity management includes continuous monitoring and regular reporting on among others liquidity stress testing, redemption shocks, investor concentration profiling and Islamic liquid assets ratio within the internal investment risk framework;
(Note: Please refer to Liquidity Risk under section 3.4 above for more details)
- Regular review of the Fund's performance; and
- Escalating and reporting investment matters to the Investment Committee.

3.7 Distribution Policy*

The Fund will declare distribution semi-annually, if any, in the form of additional Units to the Unit holders unless Unit holders opt for the distribution to be paid out.

The Manager's intention is to declare distributions out of the income and/or capital** of the Fund after deducting fees and expenses incurred by the Fund. Income distribution may be declared out of capital** if the Fund does not have sufficient net realised gains or net realised income from the current financial year. The rationale for providing for payment of distribution out of capital** is to allow for the ability to provide a stable and consistent level of distribution to Unit holders. Distribution out of capital** carries the risk of eroding the capital of the Fund and as a result the value of future returns may be diminished.

* *Income distributions (if any) are not guaranteed.*

** *Capital refers to unrealised income or unrealised gain.*

3.8 Performance Benchmark

The performance of the Fund is benchmarked against the FBM EMAS Shariah Index. The FBM EMAS Shariah Index can be readily obtained through Bursa Malaysia's website at www.bursamalaysia.com. The performance of the Fund against the benchmark is published in the Manager's monthly fund performance review publication and is available from the Manager's website at www.hlam.com.my.

The performance benchmark chosen is most appropriate as it is consistent with the characteristic of the Fund's portfolio to invest primarily in a portfolio of Shariah-compliant stocks which offer or have the potential to offer dividend yields. The risk profile of the Fund is different from the risk profile of the performance benchmark. The benchmark is used for reference purposes only.

3.9 Permitted Investments

The Fund may invest in any of the following investment, including but not limited to:

- a) Listed Shariah-compliant securities traded in or under the rules of Eligible Market;
- b) Unlisted Shariah-compliant securities including Shariah-compliant securities that are not listed or quoted on an exchange of an Eligible Market but have been approved by the relevant regulatory authority for such listing and quotation, and are offered directly to the Fund by the issuer;
Note: The Fund will not invest in digital assets.
- c) Listed sukuk traded under the rules of an Eligible Market;
- d) Unlisted sukuk traded in Eligible Market;
- e) Government investment issues, Islamic accepted bills, Bank Negara monetary notes-i, Cagamas sukuk and any other government-approved Islamic papers;
- f) Islamic money market instruments;
- g) Islamic deposits with Islamic financial institutions;
- h) Islamic derivatives for hedging purposes only; and
- i) Units/shares of Islamic CIS.

3.10 Investment Limits and Restrictions of the Fund

The Fund shall be subject to the following investment limits and restrictions:

Exposure Limits

Limits & Restrictions
The aggregate value of the Fund's investments in Shariah-compliant transferable securities that are not traded or dealt in or under the rules of an Eligible Market must not exceed 15% of the Fund's NAV, subject to a maximum limit of 10% of the Fund's NAV in a single issuer or single Islamic CIS.
The Fund will invest in Islamic money market instruments and placements of Islamic deposits with any financial institutions in Malaysia.
The Fund's investment in Islamic derivatives: <ul style="list-style-type: none">(a) is for foreign exchange hedging purpose only;(b) the Fund's global exposure from Islamic derivatives position must not exceed the Fund's NAV;(c) the Fund's exposure to the underlying assets must not exceed the investment limits and restrictions as stipulated in the Guidelines;(d) the counterparty of an OTC Islamic derivative must be a financial institution with a minimum long-term credit rating of investment grade (including gradation and subcategories); and(e) for OTC Islamic derivatives the maximum exposure of the Fund to the counterparty must not exceed 10% of the Fund's NAV.

Investment Spread Limits

Limits & Restrictions
The value of the Fund's investments in Shariah-compliant ordinary shares issued by any single issuer must not exceed 10% of the Fund's NAV.

Limits & Restrictions

The value of the Fund's investments in:

- (a) Shariah-compliant transferable securities; and
- (b) Islamic money market instruments,

issued by any single issuer must not exceed 15% of the Fund's NAV ("single issuer limit").

Notes:

- (i) In determining the single issuer limit, the value of the Fund's investments in Shariah-compliant transferable securities that are not traded or dealt in or under the rules of an Eligible Market and other Shariah-compliant securities issued by the same issuer must be included in the calculation.
- (ii) The single issuer limit may be raised to 35% of the Fund's NAV if the issuing entity is, or the issue is guaranteed by, either a foreign government, foreign government agency, foreign central bank or supranational, that has a minimum long-term credit rating of investment grade (including gradation and subcategories) by an international rating agency.
- (iii) Where the single issuer limit is increased to 35% of the Fund's NAV, the single issuer aggregate limit may be raised, subject to the group limit, not exceeding 35% of the Fund's NAV.

The value of the Fund's placement in Islamic deposits with any single financial institution must not exceed 20% of the Fund's NAV.

Note:

The single financial institution limit does not apply to placements of Islamic deposits arising from:

- (a) subscription monies received prior to the commencement of investment by the Fund;
- (b) liquidation of investments prior to the termination or maturity of the Fund, where the placement of Islamic deposits with various financial institutions would not be in the best interests of Unit holders; or
- (c) monies held for the settlement of redemption or other payment obligations, where the placement of Islamic deposits with various financial institutions would not be in the best interest of Unit holders.

The aggregate value of the Fund's investments in, or exposure to, a single issuer through:

- (a) Shariah-compliant transferable securities;
 - (b) Islamic money market instruments;
 - (c) Islamic deposits;
 - (d) underlying assets of Islamic derivatives; and
 - (e) counterparty exposure arising from the use of OTC Islamic derivatives,
- must not exceed 25% of the Fund's NAV ("single issuer aggregate limit").

Notes:

- (i) In determining the single issuer aggregate limit, the value of the Fund's investments in Shariah-compliant transferable securities that are not traded or dealt in or under the rules of an Eligible Market and other Shariah-compliant securities issued by the same issuer must be included in the calculation.
- (ii) Where the single issuer limit is increased to 35% of the Fund's NAV, the single issuer aggregate limit may be raised, subject to the group limit not exceeding 35% of the Fund's NAV.

The value of the Fund's investments in units or shares of an Islamic CIS must not exceed 20% of the Fund's NAV, provided the Islamic CIS complies with the requirements of the Guidelines.

The value of the Fund's investments in units or shares of an Islamic CIS that invests in real estate pursuant to the Guidelines must not exceed 15% of the Fund's NAV.

Limits & Restrictions

The value of the Fund's investments in Shariah-compliant transferable securities and Islamic money market instruments issued by any group of companies must not exceed 20% of the Fund's NAV ("group limit").

Note:

In determining the group limit, the value of the Fund's investments in Shariah-compliant transferable securities that are not traded or dealt in or under the rules of an Eligible Market and other Shariah-compliant securities issued by the issuer within the same group of companies must be included in the calculation.

Investment Concentration Limits

Limits & Restrictions

The Fund's investments in Shariah-compliant shares or Shariah-compliant securities equivalent to shares must not exceed 10% of the Shariah-compliant shares or Shariah-compliant securities equivalent to shares, as the case may be, issued by a single issuer.

The Fund's investments in sukuk must not exceed 20% of the sukuk issued by a single issuer.

Note:

This limit may be disregarded at the time of acquisition if at that time of acquisition the gross amount of sukuk in issue cannot be determined.

The Fund's investments in Islamic money market instruments must not exceed 10% of the Islamic money market instruments issued by any single issuer.

Note:

This limit does not apply to Islamic money market instruments that do not have a pre-determined issue size.

The Fund's investments in Islamic CIS must not exceed 25% of the units or shares in the Islamic CIS.

The above limits and restrictions must be complied with at all times based on the most up-to-date value of the Fund's assets. However, under the Guidelines, where the limit or restriction is breached as a result of any appreciation or depreciation in value of the Fund's investments; redemption of Units or payment made from the Fund; a change in capital of a corporation in which the Fund has invested in; or downgrade in or cessation of a credit rating, the Manager must rectify the breach as soon as practicable within three (3) months from the date of breach.

Such limits and restrictions, however, do not apply to Shariah-compliant securities or Shariah-compliant instruments that are issued or guaranteed by the Malaysian government or BNM.

3.11 Cross Trades

The Manager may undertake cross trades, i.e. sale and purchase transactions between funds or portfolios under the management of the Manager where the:

- a) sale and purchase decision are in the best interest of both funds or portfolios;
- b) transactions are executed through a dealer or a financial institution on an arm's length and fair value basis;
- c) reason for such transactions is documented before execution of the trades; and
- d) cross trades are identified to both funds or portfolios in their respective periodic transaction report or statement.

Cross trade between:

- a) employee of the Manager and the funds or portfolios; or
 - b) the Manager for its proprietary trading and its funds or portfolios;
- are prohibited.

3.12 Investor Profile

The Fund is suitable for investors who:

- prefer a regular income stream;
- are looking for a portfolio of investments that adhere to Shariah requirements; and
- are looking for investments with potential for medium to long-term capital appreciation.

3.13 Shariah Investment Guidelines and Zakat for the Fund

3.13.1 Shariah Investment Guidelines

The following guidelines are adopted by the Shariah Adviser in determining the Shariah status of the investments of the Fund:

3.13.1.1 Shariah Requirements for Investments and Operations of the Fund

- The Fund must at all times and all stages of its operation comply with Shariah requirements as resolved by the SACSC or in cases where no specific rulings are made by the SACSC, the decisions of the Shariah Adviser or the approved Shariah Supervisory Boards of relevant Islamic indices.
- The Fund must be established and operated by the Manager, and finally redeemed by the investors on the basis of contracts which are acceptable in Shariah. The banking facilities and short-term money market instruments used for the Fund have to be Shariah-compliant. Similarly, all other investment instruments including securities must be Shariah-compliant.
- For Shariah-compliant securities and Shariah-compliant equity-related securities listed on Bursa Malaysia, the Funds' investments must be strictly confined to those Shariah-compliant securities on the List of Shariah-Compliant Securities by the SACSC.
- For initial public offering, the Fund shall invest in securities that are classified as Shariah-compliant by the SACSC.
- For sukuk or Islamic deposits or Islamic money market instruments, they shall be based on the data readily available on BNM, the SC and the financial institutions' websites respectively.
- For investments in local unlisted Shariah-compliant equities and Shariah-compliant equity-related securities, the Shariah Adviser applies the screening methodology of the SACSC in its Shariah screening. As such, the Manager must submit to the Shariah Adviser the latest

information pertaining to the issuer's business activities, its complete financial statements and other related information to enable the Shariah Adviser to carry out the Shariah screening.

- For investments in Islamic CIS, the Manager must submit to the Shariah Adviser all pertinent information including the prospectuses, its structures, investment avenues, Shariah investment guidelines, Shariah contracts and Shariah pronouncements by the relevant Shariah advisers advising the Islamic CIS, for the Shariah Adviser to confirm the Shariah status of the said Islamic CIS.
- For investment in foreign equities and equity-related securities, the Fund is only allowed to invest in Shariah-compliant equities and Shariah-compliant equity-related securities which are on the approved list by the Shariah Adviser. In the event of reclassification of foreign Shariah-compliant equities and Shariah-compliant equity-related securities to be Shariah non-compliant, the Fund is to abide by the rules as laid down by the SACSC and by this Shariah Investment Guidelines. In the event that the Fund wishes to invest in foreign unlisted Shariah-compliant equities or Shariah-compliant equity-related securities not covered by the approved list by the Shariah Adviser, the Manager must submit to the Shariah Adviser the latest information pertaining to the issuer's business activities, its complete financial statements and other related information to enable the Shariah Adviser to carry out Shariah screening. The Shariah Adviser applies the screening methodology of the SACSC in this Shariah screening.
- As for investment in any foreign investment instrument, the Fund must submit to the Shariah Adviser all pertinent information including the memoranda and prospectuses, its structures, utilisation of the proceeds, Shariah contracts and Shariah pronouncements by the relevant Shariah advisers advising the instrument, for the Shariah Adviser to confirm the Shariah status of the instrument.
- The decision of the Shariah Adviser shall be final.
- To facilitate the purchase and sale of foreign Shariah-compliant equities and Shariah-compliant investment instruments, there may be a need to have cash placement in a conventional bank account outside Malaysia. In such circumstances, the conventional account should be non-interest bearing and the sole purpose is only to facilitate purchase and sale of foreign Shariah-compliant equities and Shariah-compliant investment instruments. In the event that such a non-interest bearing account is unavailable, all interests earned shall be cleansed and that shall be undertaken annually if not earlier.
- The Fund may only use derivatives for hedging purposes. Such derivatives must be Islamic derivatives. However, if Islamic derivatives are not available or are not commercially viable, the Fund may use conventional derivatives subject to prior approval from the Shariah Adviser being obtained.

3.13.1.2 Cleansing process for the Fund

(a) Wrong Investment

(i) Investment in Shariah non-compliant equity and Shariah non-compliant equity-related securities

This refers to Shariah non-compliant investment made by the Manager. The said investment shall be disposed of or withdrawn with immediate effect, if possible, or otherwise within one (1) calendar month of knowing the status of the investment. In the event that the investment resulted in any gain in the form of capital gain or dividend before or after the disposal or withdrawal of the investment, it has to be channeled to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser. The Fund has a right to retain only the investment cost. The Shariah Adviser advises that this cleansing process (namely, channeling of income from wrongful investment to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser) shall be carried out within one (1) calendar month upon confirmation by the Shariah Adviser. If the disposal or withdrawal of the investment resulted in losses to the Fund, the losses are to be borne by the Manager.

(ii) Investment in other Shariah non-compliant instruments (namely, fixed income instruments or deposits or money market instruments or CIS)

The said investment shall be disposed of or withdrawn with immediate effect, if possible, or otherwise within one (1) calendar month of knowing the status of the investment. In the event that the investment resulted in Shariah non-compliant income received before or after the disposal or withdrawal of the investment, it has to be channeled to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser. The Fund has a right to retain only the investment cost. The Shariah Adviser advises that this cleansing process (namely, channeling of income from wrongful investment to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser) shall be carried out within one (1) calendar month upon confirmation by the Shariah Adviser. If the disposal or withdrawal of the investment resulted in losses to the Fund, the losses are to be borne by the Manager.

(b) Reclassification of Shariah Status of the Fund's Investments

(i) Shariah-compliant equity securities and Shariah-compliant equity-related securities

Reclassification of Shariah status refers to securities which were earlier classified as Shariah-compliant securities but due to failure to meet the set benchmark criteria, are subsequently reclassified as Shariah non-compliant by the SACSC, the Shariah Adviser or the Shariah Supervisory Boards of relevant Islamic indices. If on the reclassification effective date, the value of the securities held exceeds or is equal to the investment cost, the Fund which holds such Shariah non-compliant securities must liquidate them. To determine the time frame to liquidate such securities, the Shariah Adviser advises that such securities should be disposed of within one (1) calendar month of reclassification.

Any dividends received up to the reclassification effective date and capital gains arising from the disposal of the said reclassified Shariah non-compliant securities made with respect to the closing price on the reclassification effective date can be kept by the Fund. However, any dividends received and excess capital gain derived from the disposal after the reclassification effective date at a market price that is higher than the closing price on the reclassification effective date shall be channeled to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser. The Shariah Adviser advises that this cleansing process should be carried out within one (1) calendar month upon confirmation by the Shariah Adviser.

The Fund is allowed to hold the Shariah non-compliant securities if the market price of the said securities is below the investment cost. It is also permissible for the Fund to keep the dividends received during the holding period until such time when the total amount of the dividends received and the market value of the Shariah non-compliant securities held equal the investment cost. At this stage, the Fund is advised to dispose of their holdings. In addition, during the holding period, the Fund is allowed to subscribe to:

- any issue of new securities by a company whose Shariah non-compliant securities are held by the Fund such as rights issues, bonus issues, special issues and warrants [excluding securities whose nature is Shariah non-compliant such as irredeemable convertible unsecured loan stock (ICULS)]; and
- securities of other companies offered by the company whose Shariah non-compliant securities are held by the Fund,

on conditions that the Fund expedites the disposal of the Shariah non-compliant securities. For securities of other companies [as stated in the second bullet above], they must be Shariah-compliant securities.

(ii) **Sukuk or Islamic deposits or Islamic money market instruments or Islamic CIS**

This refers to the instruments which were earlier classified as sukuk or Islamic deposits or Islamic money markets instruments or Islamic CIS but due to certain factors such as changes in the issuers' business direction and policy or failure to carry out proper Shariah contracts' transactions, which render the instruments Shariah non-compliant by the relevant authority or the Shariah Adviser. If this occurs, the Manager will take the necessary steps to dispose of or withdraw such bonds or deposits or money market instruments or CIS.

If on the reclassification effective date, the value of the Shariah non-compliant instruments held exceeds or is equal to the investment cost, the Fund which holds such Shariah non-compliant instruments must liquidate them. To determine the time frame to liquidate such instruments, the Shariah Adviser advises that such reclassified Shariah non-compliant instruments should be disposed of or withdrawn within one (1) calendar month of reclassification.

Any income received up to the reclassification effective date and capital gains arising from the disposal or withdrawal of the said reclassified Shariah non-compliant instruments made on the reclassification effective date can be kept by the Fund.

However, any income received and excess capital gain derived from the disposal or withdrawal after the reclassification effective date at a price that is higher than the price on the reclassification effective date shall be channeled to *baitulmal* and/or charitable bodies as advised by the Shariah Adviser. The Shariah Adviser advises that this cleansing process should be carried out within one (1) calendar month upon confirmation by the Shariah Adviser.

3.13.1.3 Maqasid Al-Shariah Aspirations and Principles

The Fund is designed in accordance with the following Aspirations and guiding Principles as outlined in the Maqasid Al-Shariah Guidance issued by the SC:

(a) **Aspiration 3: Clarity and Transparency**
Principle 8: Enhancing Disclosure and Documentation

The Fund ensures quality disclosure and documentation of information by providing comprehensive and accurate details regarding its investments in this Prospectus as well as the performance of the Fund through the periodic Fund's reports.

Through these channels, Unit holders are able to access insights into the Fund's performance, enabling them to make informed decision. This commitment to transparency also ensures a clear understanding of the Fund's trajectory and potential opportunities.

(b) **Aspiration 5: Fiduciary and Accountability**
Principle 11: Upholding Fiduciary Duty with Utmost Good Faith

The Manager shall exercise the degree of care and diligence in managing the Fund and effectively employ the resources to ensure that the Fund complies with the relevant SC's rules and regulations including the Shariah requirements.

With regard to the investments of the Fund, the Manager has a duty to carefully select and assess the Shariah-compliant investment instruments, conduct thorough due diligence particularly prior to the investment and monitor the performance of investments at all times to safeguard the interests of the Unit holders.

(c) **Aspiration 6: Accessibility and Inclusivity**
Principle 13: Broadening the Circulation of Wealth and Participation

Having a diversified portfolio of investments in Shariah-compliant equity asset classes

and Islamic fixed income instruments broadens the investment opportunities of the Fund and caters to investors who prefer a regular income stream.

This balanced approach not only helps in balancing risk and return but also encourages a broader base of investors to participate in investing into the Fund and eventually contributes to the circulation of wealth within the Islamic Capital Market ecosystem.

The Shariah Adviser confirms that the investment portfolio of the Fund comprises instruments which have been classified as Shariah-compliant by the SACSC, the Shariah Advisory Council of BNM or the approved Shariah Supervisory Boards of relevant Islamic indices. As for the instruments which have not been classified as Shariah-compliant by the SACSC, the Shariah Advisory Council of BNM or the approved Shariah Supervisory Boards of relevant Islamic indices, the Shariah status of the instruments has been reviewed and determined by the Shariah Adviser.

3.13.2 Zakat for the Fund

The Fund does not pay zakat on behalf of both the Muslim individuals and Islamic legal entities who are investors of the Fund. Thus, investors are advised to pay zakat on their own.

4. FEES, CHARGES AND EXPENSES

4.1 Charges Directly Incurred on Sale and Redemption of Units

4.1.1 Sales Charge[^]

A sales charge is a front-end fee incurred by a Unit holder when the Unit holder purchases Units of the Fund. The Manager uses the sales charge to pay marketing, advertising and distribution expenses of the Fund. The Manager imposes a sales charge of up to 6.00% of the Fund's NAV per Unit. Sales charge is rounded to the nearest two (2) decimal places.

Illustration on how sales charge is calculated:

Assuming an investor makes an investment of RM10,000.00 in the Fund on 6 August 2024 and that the NAV per Unit for the Fund at the end of the Business Day on 6 August 2024 is RM1.0000. If the sales charge is 6.00%, then the computation of the sales charge is as follows:

$$\begin{aligned}\text{Sales charge} &= \text{Sales charge} \times \text{amount invested} \\ &= 6.00\% \times \text{RM}10,000.00 \\ &= \text{RM}600.00\end{aligned}$$

4.1.2 Redemption Charge[^]

A redemption charge may be incurred by a Unit holder when the Unit holder redeems Units in the Fund. A redemption charge (if any) is levied upon the redemption proceeds and rounded to the nearest two (2) decimal places.

There is NO redemption charge imposed by the Manager for redemption of Units for this Fund.

Illustration on how redemption charge is calculated:

Assuming an investor wants to redeem 20,000 Units of his investment in the Fund on 6 August 2024 and the NAV per Unit for the Fund at the end of the Business Day on 6 August 2024 is RM1.0000. Since there is no redemption charge imposed by the Manager for the Fund, then the computation of the redemption charge is as follows:

$$\begin{aligned}\text{Redemption proceeds} &= \text{Units redeemed} \times \text{NAV per Unit} \\ &= 20,000 \text{ Units} \times \text{RM}1.0000 \\ &= \text{RM}20,000.00 \\ \\ \text{Redemption charge} &= \text{Redemption charge} \times \text{redemption proceeds} \\ &= 0\% \times \text{RM}20,000.00 \\ &= \text{RM}0.00 \\ \\ \text{Net redemption proceeds} &= \text{RM}20,000.00 - \text{RM}0.00 \\ &= \text{RM}20,000.00\end{aligned}$$

4.2 Fees Indirectly Incurred on Sale and Redemption of Units

4.2.1 Annual Management Fee[^]

The annual management fee is up to 2.00% per annum of the Fund's NAV calculated and accrued on a daily basis before deducting the Manager's fee and Trustee's fee for that day.

Illustration on how annual management fee is calculated:

Assuming the daily NAV at the valuation point for one particular valuation day is RM90,000,000.00, then the management fee for that particular valuation day is calculated as below:-

$$\frac{\text{RM90,000,000.00} \times 2.00\%}{365 \text{ days}^*} = \text{RM4,931.51 (daily)}$$

Therefore, total management fee for that particular valuation day will be:

$$= \text{RM4,931.51}$$

Notes:

^{*} In the event of a leap year, the annual management fee will be divided by 366 days.

The Manager will publish the current annual management fee being charged on the website at www.hlam.com.my.

4.2.2 Annual Trustee Fee[^]

The annual trustee fee is calculated and accrued on a daily basis based on the NAV of the Fund at the rate of up to 0.03% per annum of the Fund's NAV, subject to a minimum fee of RM10,000 per annum (excluding foreign custodian fees and charges).

Illustration on how annual trustee fee is calculated:

Assuming the daily NAV at the valuation point for one particular valuation day is RM90,000,000, then the trustee fee for that particular valuation day is calculated as below:-

$$\frac{\text{RM90,000,000.00} \times 0.03\%}{365 \text{ days}^*} = \text{RM73.97 (daily)}$$

Therefore, total trustee fee for that particular valuation day will be:

$$= \text{RM73.97}$$

Notes:

^{*} In the event of a leap year, the annual trustee fee will be divided by 366 days.

The Manager will publish the current annual trustee fee being charged on the website at www.hlam.com.my.

4.2.3 Switching Fee[^]

There is no switching fee imposed on switching of the Fund.

4.2.4 Transfer Fee[^]

A transfer fee may be imposed on Unit holders who transfer, either fully or partially, the Units registered in their names to other persons. However, the Manager has waived the transfer fee for this Fund. Please refer to section 5.8 for further details on transfer of Units.

4.3 Fund Expenses[^]

There are other fees involved in the administration of the Fund. The other fund expenses are custodian fee (for funds with foreign investments) (if any), brokerage fee (if any), the Auditor's fees and other relevant professional fees such as validation and regulatory reporting on common reporting standard, foreign account tax compliance act, distribution of statements of investment, semi-annual and annual reports, tax vouchers, distribution warrants and other notices to Unit holders as well as expenses that are directly related and necessary to the business of the Fund as set out in the Deed. The fund expenses shall be paid out of the Fund.

4.4 Rebates and Soft Commissions

The Manager, External Fund Manager, Trustee or Trustee's delegate will not retain any rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Fund. Accordingly, any rebate or shared commission will be directed to the account of the Fund.

Notwithstanding the aforesaid, the Manager or the External Fund Manager may retain goods and services by way of soft commissions provided always that (i) the goods and services bring direct benefit or advantage to the management of the Fund and may include research and advisory related services, (ii) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund and (iii) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager or External Fund Manager shall not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

Note:

^ All fees and charges and/or sum set out in this Prospectus payable to the Manager/Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time. The Manager/Trustee (where applicable) shall have the right to charge and recover from the Fund any applicable taxes and/or duties now or hereafter imposed by law or required to be paid in connection with the products or services provided by the Manager/Trustee (where applicable).

THERE ARE FEES AND CHARGES INVOLVED AND INVESTORS ARE ADVISED TO CONSIDER THE FEES AND CHARGES BEFORE INVESTING IN THE FUND.

5. TRANSACTION INFORMATION

5.1 Bases of Valuation of Investments

Listed Shariah-compliant equity and Shariah-compliant equity-related securities - Investments in listed Shariah-compliant equity and Shariah-compliant equity-related securities are marked to market based on the last done market price or such other basis as may be prescribed by the relevant laws from time to time including approved accounting standards. However, if:-

- (a) a valuation based on the market price does not represent the fair value of the Shariah-compliant equity and Shariah-compliant equity-related securities, for example during abnormal market conditions; or
- (b) no market price is available, including in the event of a suspension in the quotation of the Shariah-compliant equity and Shariah-compliant equity-related securities for a period exceeding fourteen (14) days, or such shorter period as agreed by the Trustee,

then the Shariah-compliant equity and Shariah-compliant equity-related securities would be valued at fair value, as determined in good faith by the Manager based on the methods or bases approved by the Trustee after appropriate technical consultation.

Unlisted Shariah-compliant equity and Shariah-compliant equity-related securities - Investments in unlisted Shariah-compliant equity and Shariah-compliant equity-related securities where an active "OTC" market exists will be stated at fair values based upon the average of price quotations received from at least two (2) independent brokers. Investments in unlisted Shariah-compliant equity and Shariah-compliant equity-related securities which do not trade actively in the "OTC" market or elsewhere during the reporting period will be stated at cost or at the latest trade price. It shall be valued at fair value, as determined in good faith by the Manager on methods or bases which have been verified by the Auditor and approved by the Trustee.

Listed & unlisted sukuk - Listed sukuk are valued at the closing market price quoted on Bursa Malaysia or relevant stock exchanges. Investments in unlisted sukuk denominated in RM are valued on daily basis using prices quoted by a bond pricing agency ("BPA") registered with the SC. Where the Manager is of the view that the price quoted by the BPA for a specific sukuk differs from the market price by more than twenty (20) basis points, the Manager may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price and keeps an audit trail of all decisions and basis for adopting the market yield. Market price for sukuk is derived from an average of market quotations obtained from the panel of three (3) Islamic financial institutions that are governed by the Islamic Financial Services Act 2013. Foreign unlisted sukuk are valued daily based on fair value by reference to average indicative yield quoted by at least three (3) independent and established institutions.

Listed Islamic collective investment schemes - Investments in listed Islamic CIS are marked to market on the last done price or such other basis as may be prescribed by the relevant laws from time to time including approved accounting standards.

Unlisted Islamic collective investment scheme – The valuation of each unit or share in any unlisted Islamic CIS will be based on the last published redemption price per unit or share of such Islamic CIS at the valuation point.

Islamic money market instruments - The value of any Islamic money market instruments will be performed on daily basis by reference to the value of such investment as provided by the financial institution that issues the investment. Investments in Islamic commercial papers are valued on a daily basis using the fair value prices quoted by a BPA registered with the SC.

Islamic deposits - The value of any Islamic deposits placed with financial institutions shall be determined each day by reference to their nominal values/principal sum and the accrued profit, if any, thereon for the relevant period.

Islamic derivatives – The valuation of Islamic derivatives is marked to market on a daily basis using valuation prices quoted by the counterparty of Islamic derivatives. The Manager will verify the reasonableness of the prices of the Islamic derivatives provided by the counterparty via an in-house verification procedure which is in place to ensure reasonable valuation of the Islamic derivatives. It shall be valued at fair value, as determined in good faith by the Manager on the methods or bases which have been verified by the Auditor and approved by the Trustee.

Suspended Shariah-compliant securities – Suspended Shariah-compliant securities are valued at their suspended price unless there is conclusive evidence to indicate they have gone below the suspended price. If there is a decline in value, the investments are written down to a recoverable or realisable amount in a manner agreed upon by the Manager and the Trustee. It shall be valued at fair value, as determined in good faith by the Manager on methods or bases which have been verified by the Auditor and approved by the Trustee.

5.2 Fund Valuation and Publication of Prices

The NAV per Unit is quoted on a Forward Price basis and can be obtained from the Manager's website at www.hlam.com.my.

The valuation of the Fund is conducted on each Business Day at the close of the Bursa Malaysia. However, for this Fund with investments in foreign markets with the underlying investments traded in the global markets, due to the time zone differences in these markets, the valuation can only be carried out after the close of all foreign markets but not later than 5.00 p.m. on the next Business Day in which the portfolio of the Fund is invested. The NAV per Unit of the Fund for a Business Day is available on our website after 8.00 p.m. on the following Business Day (T+1).

The following table illustrates the process flow of obtaining prices for the Fund.

Illustration	Event
6 August 2024	
During business hours	Unit holders purchase the Units of the Fund.
4.00 p.m.	Cut-off time for fund distributors to report sales to the Manager.
5.00 p.m.	Cut-off time for the Manager to report daily sales to the Trustee.
7 August 2024	
Before 5.00 p.m.	Valuation will be conducted when the closing prices of all the foreign markets that the Fund has invested in on 6 August 2024 is available.
Latest by 5.00 p.m.	The prices will be ready for dissemination.
7 August 2024	
Latest by 8.00 p.m.	Prices will be published in the website i.e. www.hlam.com.my .

If you would like to know the latest price of the Fund, please contact our Customer Experience personnel at +603-2081 8600 ext 18603/18604 or you may refer to our website www.hlam.com.my or Section 13 Directory of Sales Offices for our contact details.

5.3 Pricing Policy

The Manager adopts a Single Pricing policy to price Units in relation to the purchase and redemption of Units. Hence, the purchase and redemption of Units will be carried out at a single price (i.e. NAV per Unit). The sales charge and redemption charge (if any) will be calculated separately based on your investment or redemption amount.

5.4 Unit Pricing

The Selling Price and Redemption Price of the Fund is calculated based on the NAV per Unit at the next valuation point after the application to purchase or redeem Units is received by the Manager, i.e. Forward Price.

Determination of the NAV per Unit

The NAV per Unit of the Fund is determined on each Business Day by dividing the value of the Fund's assets less its liabilities, (i.e. NAV), by the number of UIC at the same valuation point and rounded to four (4) decimal places.

$$\text{NAV per Unit} = \frac{\text{Assets} - \text{Liabilities}}{\text{UIC}}$$

Illustration : Computation on NAV per Unit

The following illustration is based on the assumption that the Fund invests in Shariah-compliant equities, Islamic money market instruments, Islamic deposits and the balance are in the form of other Shariah-compliant assets. It is also assumed that the UIC are 100,000,000 Units.

Figures and examples are meant for illustration purposes only.

Assets	RM
Shariah-compliant equities	90,000,000
Islamic money market instruments and Islamic deposits	8,000,000
Other Shariah-compliant assets	5,000,000

	103,000,000
Less : Liabilities	(3,000,000)

NAV	100,000,000

NAV per Unit = NAV/UIC	
	= $\frac{100,000,000}{100,000,000}$
	= RM1.0000 (rounded to 4 decimal places)

5.5 Purchase of Units

(a) Calculation on sales charge and Units

The Selling Price of the Fund is calculated based on the NAV per Unit at the next valuation point after the application to purchase Units is received by the Manager on a Business Day, i.e. Forward Price. The sales charge levied upon the purchase of Units by Unit holders is up to 6.00% of the Fund's NAV per Unit.

Illustration: Calculation on sales charge and Units

Assuming the NAV per Unit at the end of the Business Day of 6 August 2024 is RM1.0000 and the sales charge is 6%, when an investor makes an investment of RM10,000.00 in HLDD, then the total amount to be paid by an investor is illustrated as follows:

Investment amount	=	RM10,000.00
Sales charge	=	Sales charge rate x amount invested
	=	6% x RM10,000.00
	=	RM600.00
Total amount to be paid by investor	=	Amount invested + sales charge
	=	RM10,000.00 + RM600.00
	=	RM10,600.00

Therefore, the number of Units credited to the above investor's investment account are (expressed in 2 decimal places):

$$\frac{\text{Amount invested}}{\text{NAV per Unit}} = \frac{\text{RM10,000.00}}{\text{RM1.0000}} = 10,000.00 \text{ Units}$$

(b) Minimum initial and additional investment

The minimum initial investment amount is RM1,000.00 or such other lower amount as the Manager may in its sole discretion allow. The minimum additional investment amount is RM100.00 or such other amount as the Manager may in its sole discretion allow.

There is no restriction on the frequency of investments into the Fund.

Note: Complimentary Takaful may be provided for Unit holder. For further information, please refer to the Manager's website at www.hlam.com.my.

(c) How to purchase Units of the Fund?

When you make an investment, you must forward the following documents to the Manager's head office, its branches or to any of its sales agents or participating IUTAs before their respective cut-off times:

1. Completed application of account opening form (if the investor is a new Unit holder);
2. Completed investment application form;
3. Investment amount; and
4. Relevant supporting documents such as:-
 - a photocopy of your identity card (for an individual applicant) or certified true copy of the certificate of incorporation;
 - form 24 or return for the allotment of shares under section 78 of the Companies Act 2016;
 - form 44 or notice under section 46 of the Companies Act 2016;
 - form 49 or notice under section 58 of the Companies Act 2016;
 - memorandum and articles of association or constitution or by-laws, relevant resolutions (for corporate applicants) and any other relevant documents.

5.6 Redemption of Units

(a) Calculation and payment of redemption proceeds

The Redemption Price of the Fund is calculated based on the NAV per Unit at the next valuation point after the request for redemption of the Units is received by the Manager on a Business Day, i.e. Forward Price. The Manager does not impose a redemption charge on the redemption of Units for the Fund.

Illustration : Calculation on net redemption proceeds

Assuming an investor intends to redeem 10,000 Units from the Fund and that the NAV per Unit is RM1.0000, then the redemption proceeds that the investor will receive is as follows:

Redemption proceeds	=	Units redeemed x NAV per Unit	
	=	10,000 Units x RM1.0000	
	=	RM10,000.00	
Redemption proceeds			RM 10,000.00
Less redemption charge			NIL

Net redemption proceeds to be paid to investor			RM 10,000.00

(b) Minimum redemption of Units

The minimum redemption of Units is 100 Units or such other lower amount as the Manager may in its sole discretion allow. The minimum requirement applies unless you are redeeming your entire investments holdings in the Fund.

Partial or full redemption can be made by completing a “Redemption and Cooling-Off Form” and by submitting it through your nearest Manager’s head office, its branches or sales agents. The Unit holder shall not be entitled to partially redeem his holdings in the Fund if it reduces the remaining account balance of the Fund to an amount which is lower than the Fund’s stipulated minimum account balance. In such circumstances, the Manager will automatically effect a full redemption on the entire account and inform the Unit holder thereafter. There is no restriction on the frequency of redemption of Units, subject to the minimum account balance. For further information, please refer to Section 5.9 – Minimum Account Balance.

In the case of where Units are in the names of more than one Unit holder, the mode of holding will be specified as “Joint Application” and redemption requests will have to be signed by all the joint holders. However, in the case where the mode of holdings is specified as “Either Applicant to Sign”, it is not necessary for all joint holders to make the redemption request and any person who is registered as a joint holder in the Fund will be allowed to make redemption requests for the Fund. In all cases, redemption proceeds will be paid only to the first-named joint holder in the Fund’s register (unless the Unit holder specifies otherwise in the “Redemption and Cooling-Off Form”). Payment cannot be made to bank accounts in the name of third parties.

(c) Payment of Redemption Proceeds

Redemption proceeds will be paid within seven (7) Business Days from the date the redemption request is received by the Manager.

(d) Suspension of Redemptions

Under exceptional circumstances, having exhausted all other liquidity risk management tools*, the Manager may in consultation with the Trustee and having considered the interests of the Unit holders, suspend the dealing in Units where there is good and sufficient reason to do so. Exceptional circumstances can be considered where the market value or fair value of a material portion of the Fund’s assets cannot be determined. The Manager will cease the suspension as soon as practicable after the

exceptional circumstances have ceased, and in any event, within twenty-one (21) days from the commencement of suspension.

During the suspension period, the redemption requests from the Unit holders will not be accepted and such redemption requests will only be processed on the next Business Day once the suspension is lifted.

The period of suspension may be extended if the Manager satisfies the Trustee that it is in the best interest of Unit holders for the dealing in Units to remain suspended, subject to a weekly review by the Trustee.

The Trustee may suspend the dealing in Units, if the Trustee, on its own accord, considers that exceptional circumstances have been triggered. In such a case, the Trustee must immediately call for a Unit holders' meeting to decide on the next course of action.

* Please refer to section 3.4. – General Risks – Liquidity risk for further details on liquidity risk management tools.

5.7 Fund Switching

Switching is a facility offered by the Manager to its existing Unit holders. This facility enables Unit holder to switch from units of one fund to units of other fund(s) managed by the Manager. Switching request is subject to a minimum amount of 1,000 Units or such other lower amount as the Manager may in its sole discretion allow.

- There is no switching fee imposed on any switching application within any of the fund(s) managed by the Manager.
- The Manager reserves the right to reject the switching request under the following conditions:
 - 1) If the net switched out proceeds does not meet the minimum initial investment amount or minimum additional investment amount of the fund that the Unit holder intends to switch into. In this event, Unit holder shall be given the option to either:-
 - a) remain invested in the fund that they were invested in; or
 - b) redeem the units in the fund that they intended to switch out.
 - 2) If deemed disruptive to fund management or contrary to the best interest of the fund and/or the Unit holders.
- If following the switching, the account of the Fund which the Unit holder has switched out from does not maintain a minimum account balance or such other lower amount as the Manager may in its sole discretion allow then full switching will be effected or the Manager reserves the right to reject the switching request. In the event this switching request is rejected, the Unit holder shall be given the option to either:
 - a) remain invested in the fund that they were invested in; or
 - b) redeem the entire holding of units in the fund that they intended to switch out.
- Switching from an Islamic fund to a conventional fund is discouraged especially for Muslim Unit holders.
- Switching application should be made before the cut-off time of 4.00 p.m. on any Business Day except for funds with cut-off time of 11.00 a.m. When switching application is received after the cut-off time, the switching application shall be deemed to have been received on the next Business Day.
- The Manager may at its absolute discretion waive or reduce the sales charge (if any) from time to time on the switching application. Alternatively, investor may negotiate with their preferred distributor for lower fees and charges, subject to the distributor's decision.

- The Manager reserves the right to vary the terms and conditions of the switching facility from time to time.

Please refer to the following table for a detailed switching illustration:-

Switching Illustration

Switch to Switch from	Intended Fund	
Current Fund	FUND WITH 0% SALES CHARGE	FUND WITH SALES CHARGE
FUND WITH 0% SALES CHARGE	<ul style="list-style-type: none"> • Reinvest into the intended fund(s) at net asset value per unit. 	<ul style="list-style-type: none"> • Reinvest into the intended fund(s) at net asset value per unit and the difference of the sales charge between the current fund and the intended fund(s).
FUND WITH SALES CHARGE	<ul style="list-style-type: none"> • Reinvest into the intended fund(s) at net asset value per unit. 	<ul style="list-style-type: none"> • Reinvest into the intended fund(s) at net asset value per unit and the difference of the sales charge between the current fund and the intended fund(s). • If a switch is made from a fund with higher sales charge into a fund with lower sales charge, NO sales charge will be imposed on the Unit holder.

Illustration : Calculation on switching of units

Assuming a unit holder switches 20,000 units of fund A (which imposes 0% sales charge) at the net asset value per unit of RM1.0000 and wishes to invest into HLDD (which imposes a sales charge of 6%) at the NAV per Unit of RM1.0200:

The computation of the net switching out amount from fund A is as follows:

Net switching out amount from fund A	=	Switching units x net asset value per unit
	=	20,000 x RM1.0000
	=	RM20,000.00
Difference in sales charge	=	Sales charge of HLDD - Sales charge of fund A
	=	6% - 0%
	=	6%
Amount invested in HLDD	=	$\frac{\text{Net switching amount of fund A}}{1 + \text{Difference in sales charge rate}}$
	=	$\frac{\text{RM20,000.00}}{(1 + 0.06)}$
	=	RM18,867.92

Therefore, the Units credited to the above Unit holder's investment account for HLDD are (expressed in 2 decimal places):

$\frac{\text{Amount invested in HLDD}}{\text{NAV per Unit of HLDD}}$	=	$\frac{\text{RM18,867.92}}{\text{RM1.0200}}$
	=	18,497.96 Units

5.8 Transfer of Units

A Unit holder (the transferor) may transfer Units held in the Fund to another person (the transferee) that satisfy the entry requirements of the Manager.

The transfer must be made in terms of Units and not in terms of RM. The minimum transfer amount is 1,000 Units or such other lower amount as the Manager may in its sole discretion allow. Where partial transfer of Units is made, the transferor must maintain and the transferee must meet the minimum holding* of Units. In the event the minimum holding* of Units is not met by either the transferor or transferee, the Manager reserve the right to reject any transfer request.

To effect a transfer, both the transferor and transferee are required to complete a "Transfer Form". Additionally, if the transferee is a new investor, the "Account Opening Form" must be completed.

*Please refer to section 5.9 – Minimum Account Balance for more information.

5.9 Minimum Account Balance

The minimum balance of Units that must be retained in a Unit holder's account is 1,000 Units or such other lower amount as the Manager may in its sole discretion allow. If the Units in the Unit holder's account fall below this minimum account balance due to transfer or switching, the Manager reserves the right to reject the transfer or switching request and will notify the Unit holder accordingly.

Where the Units in the Unit holder's account fall below the minimum account balance due to redemption, the Manager will effect a full redemption of Units in the account and inform the Unit holder thereafter.

5.10 How and Where Units Can Be Bought and Sold

For application or redemption of Units, the Unit holder is required to complete the relevant forms which are readily available from:

- Head office of HLAM;
- Branch offices of HLAM;
- Independent tied agents of HLAM, with registration cards issued by the FIMM; and/or
- Approved IUTAs (as and when appointed by the Manager).

Please refer to Section 13 – Directory of Sales Offices for further information.

5.11 Cooling-Off Right

The cooling-off right allows investors an opportunity to reverse an investment decision, which could have been unduly influenced by certain external elements or factors.

The Cooling-Off Period for the Fund is six (6) Business Days commencing from the date the Manager receives the application for purchase of Units.

A cooling-off right is only given to an individual investor who is investing in any of the Manager's funds for the first time. However, the following persons and/or institutions are not entitled to the cooling-off right (as stipulated under the Guidelines):-

- A staff of the Manager; and
- A person registered with a body approved by the SC to deal in unit trusts.

The refund for every Unit held by the investor pursuant to the exercise of a cooling-off right must be the sum of:

- a) if the original price of a Unit is higher than the price of a Unit at the point of exercise of the cooling-off right ("market price"), the market price at the point of cooling-off; or
- b) if the market price is higher than the original price, the original price at the point of cooling-off; and
- c) the sales charge per Unit originally imposed on the day the Units were purchased.

Payment will be made to the investor within seven (7) Business Days of receiving such notification. For investments made through cheque, the payment for the cooling-off will only be made to the investor after the cheque has been cleared.

5.12 Distribution Mode

In the event the Fund declares any distributions, Unit holders will receive distribution in the form of additional Units. The distribution amount will be reinvested based on the Fund's NAV per Unit computed at the close of the reinvestment date (i.e. the first Business Day following the date of declaration for distributions). There is no charge imposed on distribution reinvestments. Should a public holiday fall on the reinvestment date, reinvestment will be made on the following Business Day.

If a Unit holder opts for the distribution to be paid out, the said income distribution proceeds will be credited into their Malaysian bank account. In the absence of a registered bank account, the distribution (if any) will be re-invested.

5.13 Unclaimed Moneys

Any redemption proceeds payable to Unit holders which remain unclaimed after two (2) years from the date of payment or such other period as may be prescribed by the Unclaimed Moneys Act, 1965 will be surrendered to the Registrar of Unclaimed Moneys in accordance with the said Unclaimed Moneys Act, 1965.

5.14 Cut-Off Time for Purchase, Redemption, Switching and Cooling-Off Requests

The cut-off time for purchase, redemption, switching of Units, and cooling-off requests for the Fund shall be at 4.00 p.m. on every Business Day. Such requests that are received by the Manager after 4.00 p.m. will only be processed on the following Business Day. The Manager reserves the right to reject any application that is incomplete and/or not accompanied by the required documents.

Note: Our approved distributors may have an earlier cut-off time for purchase, redemption, switching of Units and cooling-off requests.

5.15 Incorrect Pricing

Subject to any relevant laws, if there is an error in the valuation and/or pricing of the NAV per Unit of the Fund, the Manager will take immediate remedial action to correct the error. Rectification shall, where necessary extend to the reimbursements of money as follows if the error is at or above the significant threshold of 0.5% of the NAV per Unit:

- (a) If there is an over valuation and/or pricing in relation to the purchase and creation of Units, the Fund shall reimburse the Unit holder in the form of Units;
- (b) If there is an over valuation and/or pricing in relation to the redemption of Units, the Manager shall reimburse the Fund;
- (c) If there is an under valuation and/or pricing in relation to the purchase and creation of Units, the Manager shall reimburse the Fund; and

- (d) If there is an under valuation and/or pricing in relation to the redemption of Units, the Fund shall reimburse the Unit holder or former Unit holder.

The Manager retains the discretion whether or not to reimburse if the error is below 0.5% of the NAV per Unit or where the total impact on an individual account is less than RM10.00 in absolute amount. This is because the reprocessing costs may be greater than the amount of the adjustment.

**INVESTORS ARE ADVISED NOT TO MAKE A PAYMENT IN CASH TO ANY
INDIVIDUAL AGENT WHEN PURCHASING UNITS OF THE FUND.**

Unit prices and distributions payable, if any, may go down as well as up.

6. THE MANAGEMENT COMPANY

6.1 The Manager

The Manager was incorporated as a private limited company under the Companies Act 1965 (now known as Companies Act 2016) on 5 October 1994 under the name of HLB Unit Trust Management Sdn Bhd. On 3 January 1995, it was converted into a public limited company. It was renamed to HLG Unit Trust Bhd on 15 July 2002 when it became a wholly-owned subsidiary of Hong Leong Capital Berhad (formerly known as HLG Capital Berhad) ("HLGCB"). The Manager acquired the business activities, assets and liabilities of HLG Asset Management Sdn Bhd, a related company on 1 June 2010.

6.1.1 The Board of Directors

Ms Lee Jim Leng (non-independent, non-executive/Chairman)

Mr Chue Kwok Yan (non-independent, Executive Director)

YBhg Dato' Abdul Majit bin Ahmad Khan (independent, non-executive)

YM Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin (independent, non-executive)

6.1.2 The Roles, Duties and Responsibilities of the Manager

The Manager is responsible for the daily sales, management and administration of the Fund in accordance with the provisions of the Deed, this Prospectus and the Manager's internal policies. In fulfilling its responsibility, the Manager undertakes, among others the following functions:

- Implementation of appropriate investment strategies to achieve the Fund's objective;
- Administering the Unit holders' transactions;
- Maintaining proper records and register for the Fund;
- Calculating the amount of income for cash distributions/Unit splits to the Unit holders; and
- Providing sales, marketing and customer experience support to Unit holders and fund distributors.

6.1.3 Material Litigation and Arbitration

As at LPD, there is no material litigation and arbitration, including those pending or threatened, and to our knowledge there are no facts likely to give rise to any proceedings which might materially affect the business or financial position of the Manager.

6.2 Profile of the Shariah Adviser

BIMBSEC has been appointed as the Shariah adviser for the Fund. BIMBSEC will provide Shariah advisory services on the management and operations of the Fund to ensure the operations of the Fund comply with Shariah requirements.

6.2.1 About BIMB Securities Sdn Bhd

BIMBSEC is a stockbroking subsidiary of Bank Islam Malaysia Berhad incorporated on 21 February 1994 and is licensed by the SC. The corporate mission of BIMBSEC is to be an active participant in a modern, innovative and dynamic Islamic capital market in Malaysia, catering for the needs of all investors, Muslims and non-Muslims, looking for Shariah-compliant investment products and services.

6.2.2 Experience in Shariah Advisory Services

BIMBSEC is registered with the SC to act as a Shariah adviser for Islamic products and services regulated by the SC, which include Islamic CIS. BIMBSEC is independent from the Manager and does not hold office as a member of the committee undertaking the oversight function of the Fund or any other funds managed and administered by the Manager. As at LPD, BIMBSEC is a Shariah adviser to one hundred and five (105) Islamic funds including two (2) Islamic REITs.

6.2.3 Roles and Responsibilities of BIMB Securities Sdn Bhd as the Shariah Adviser

As the Shariah adviser for the Fund, the role of BIMBSEC is to ensure that the investment operations and processes of the Fund are in compliance with Shariah requirements. BIMBSEC will review the Fund's investments on a monthly basis to ensure Shariah compliance and it also reviews the semi-annual and annual reports of the Fund.

Notwithstanding the role played by the Shariah Adviser, the ultimate responsibility for ensuring Shariah compliance of the Fund in all aspects of operations and processes rests solely with the Manager.

In line with the SC's Guidelines on Islamic Capital Market Products and Services, the roles of BIMBSEC as the Shariah adviser are:

- a. to advise on all Shariah aspects of the Fund and Fund's operations and processes such that they are in accordance with Shariah requirements;
- b. to provide Shariah expertise and guidance in all matters related to the Fund, particularly on the Fund's Deed and Prospectus, structure, investments and related operational matters;
- c. to ensure that the Fund is managed and operated in accordance with Shariah requirements;
- d. to review the Fund's compliance reports as provided by the Manager's compliance officer, and investment transaction reports provided or duly approved by the Trustee to ensure that the Fund's investments are in line with Shariah;
- e. to prepare a report to be included in the semi-annual and annual reports of the Fund stating the Shariah Adviser's opinion whether the Fund has been operated and managed in compliance with Shariah, including rulings, principles and concepts endorsed by the SACSC for the financial period concerned;
- f. to consult the SC where there is ambiguity or uncertainty as to an investment, instrument, system, procedure and/or process;
- g. to meet with the Manager on a quarterly basis (or as and when required by the Manager and/or the Shariah Adviser) for review of the Fund's operations and processes; and
- h. to apply *Ijtihad* (intellectual reasoning) to ensure all aspects relating to the Fund are in compliance with Shariah, in the absence of any rulings, principles and concepts endorsed by the SACSC.

6.2.4 Profiles of the Shariah Personnel

Ir. Dr. Muhamad Fuad bin Abdullah ("Dr. Muhamad Fuad")

Dr. Muhamad Fuad is the designated person in-charge of all Shariah matters in BIMBSEC.

He graduated with a Bachelor of Science Degree in Electrical Engineering in 1977 and a Master of Philosophy Degree in Electrical Engineering in 1982, both from the University of Southampton, England. He also obtained a Bachelor of Arts (Jayyid) Degree in Shariah from the University of Jordan in 1994 and a Doctor of Philosophy in Muslim Civilization from the University of Aberdeen, Scotland in 1996.

He is a registered individual Shariah adviser with the SC. He is the chairman of the Shariah Supervisory Council of Bank Islam Malaysia Berhad and the chairman of the Shariah Committee of AIA-Public Takaful

Berhad. He sits on the Shariah Advisory Committee of BIMBSEC.

He is also the non-executive chairman of Gagasan Nadi Cergas Berhad and a board member of Universiti Tun Abd Razak Sdn Bhd.

Nurul Aqila Sufiyah binti Lokman (“Nurul Aqila”)

Nurul Aqila joined BIMBSEC as the Shariah Executive in March 2020. She was later promoted as the Acting Head of Shariah Section effective 1 April 2023. She is also the Secretary of the Shariah Advisory Committee of BIMBSEC.

Nurul Aqila holds a Bachelor of Islamic Revealed Knowledge and Heritage in Fiqh and Usul al-Fiqh from the International Islamic University of Malaysia.

Currently, she is involved in providing Shariah inputs for the advisory, consultancy and research functions relating to the Islamic capital market products including Islamic CIS.

**FURTHER INFORMATION ON THE MANAGER, FUND
MANAGER AND SHARIAH ADVISER IS PROVIDED IN THE MANAGER’S WEBSITE
AT WWW.HLAM.COM.MY/FUND_HUB/INVESTMENT_COMMITTEE/.**

6.3 The External Fund Manager

6.3.1 Hong Leong Islamic Asset Management Sdn. Bhd.

Hong Leong Islamic Asset Management Sdn Bhd (“HLISAM”) was incorporated in Malaysia under the Companies Act 2016 [*formerly known as Company Act 1965*] on 29 May 1985 under the name of Hong Leong Fund Management Sdn Bhd (“HLFM”) which was licensed by the SC to undertake regulated activity for conventional fund management. Pursuant to the acquisition exercise within the Hong Leong Group on 28 June 2019, HLISAM became a wholly owned subsidiary of the Manager. In November 2019, HLISAM obtained the Islamic fund management license to conduct regulated activity of Islamic fund management.

As a subsidiary of the Manager who has more than twenty-five (25) years’ of established experience in the fund management industry, thereby contributing to HLISAM’s exponential growth in the Islamic fund management business and continuous grooming of talents within the organization. As a member of Hong Leong Group, HLISAM has the advantage of leveraging on the Group’s diversified businesses and expertise in banking and financial services, manufacturing and distribution, property development and investments, hospitality and leisure, and principal investments with regional and global presence in North and Southeast Asia, Western Europe and the UK, North America and Oceania.

Through a disciplined and systematic investment process, HLISAM aims to identify and invest in companies with inherent sustainable competitiveness and investment strategy that seeks to deliver consistent portfolio performance and generate superior value for the investors.

6.3.2 The Key Personnel of the External Fund Manager

Executive Director/Chief Executive Officer

Puan Noor Aini Shaik Awab holds a Diploma in Business Administration and Diploma in National Computer Studies, Singapore. She joined the Manager in April 2014 as Chief Operations Officer and was promoted to HLISAM as the Chief Executive Officer on 1 November 2019. She was appointed as a non-independent Executive Director of HLISAM on 23 June 2022. She started her career with Schroders Investment Management (Singapore) Limited; and bringing with her more than thirty (30) years of experience in fund management securities administration, unit trust operations, local and regional settlements. She had spearheaded the implementation and integration of various fund management

systems for both the Investment and the Operations teams. Puan Noor Aini holds a Unit Trust Consultant license and is a certified Islamic Financial Planner.

Head, Fund Management/Executive Director

Mr Ang Beng Kuan graduated with degree in Masters in Economics (MEc) from University Malaya. He joined HLAM in February 2021 as Head of Fixed Income overseeing the Fixed Income and Money Market investment management for the company. He was transferred to HLISAM on 1 September 2021, and was appointed as a non-Independent Executive Director of HLISAM on 6 September 2021.

Prior to this, he started his career in 2008 with EPF as money market, foreign exchange and derivatives dealer. Over the tenure, his role covers private debt investments, portfolio manager for emerging markets and investment strategist.

Mr Ang holds a Dealer's Representative License, Persatuan Forex Dealer's Representative Licence and Capital Markets Services Representative's License for the regulated activity of fund management from SC since 7 May 2021.

Fund Manager, Equity

En Razif Bin Rahim, holds a Bachelor Degree in Finance from UITM. He joined HLISAM in April 2021 as an equity fund manager. He began his career as a dual-licensed dealer and has more than ten (10) years' experience in the fund management industry. En Razif obtained his Capital Markets Services Representative's License from the SC since 16 November 2011.

En Razif is the designated fund manager for the Fund.

6.3.3 The Roles, Duties and Responsibilities of the External Fund Manager

The Manager has delegated the investment management function of the Fund to HLISAM. In fulfilling its responsibility, the External Fund Manager undertakes, among others the following functions:

- Implementation of appropriate investment process and strategies to achieve the respective Fund's objective;
- To exercise due care and vigilance in carrying out its function and duties and comply with guidelines issued by the relevant authorities from time to time;
- Maintaining proper records and register for the Fund;
- To report to the Manager on any periodic basis for oversight and monitoring purposes, including to discuss and review the performance of the Fund and its strategies; and
- Providing sales, marketing and customer experience support to the Manager.

6.3.4 Material Litigation and Arbitration

As at LPD, there is no material litigation and arbitration, including those pending or threatened, and to the External Fund Manager's knowledge, there are no facts likely to give rise to any proceedings which might materially affect the business or financial position of the External Fund Manager.

FURTHER INFORMATION ON THE EXTERNAL FUND MANAGER IS PROVIDED IN THE EXTERNAL FUND MANAGER'S WEBSITE AT WWW.HLAM.COM.MY/HLISAM/HOME.

7. THE TRUSTEE OF THE FUND

7.1 Profile of CIMB Islamic Trustee Berhad

CIMB Islamic Trustee Berhad (“CITB”) was incorporated on 19 January 1988 and registered as a trust company under the Trust Companies Act, 1949 and having its registered office at Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia. The Trustee is qualified to act as a trustee for CIS approved under the CMSA.

7.2 Experience in trustee business

CITB has been involved in unit trust industry as trustee since 1990. It acts as trustee to various unit trust funds, REITs, wholesale funds, private retirement schemes and exchange-traded funds.

7.3 Duties and Responsibilities of the Trustee

The Trustee’s functions, duties and responsibilities are set out in the Deed. The general functions, duties and responsibilities of the Trustee include, but are not limited to, the following:

- (a) Take into custody the investments of the Fund and hold the investments in trust for the Unit holders;
- (b) Ensure that the Manager, operates and administers the Fund in accordance with the provisions of the Deed, SC’s guidelines and acceptable business practice within the unit trust industry;
- (c) As soon as practicable, notify the SC of any irregularity or breach of the provisions of the Deed, SC’s guidelines and any other matters which in the Trustee’s opinion, may indicate that the interests of Unit holders are not served;
- (d) Exercise reasonable diligence in carrying out its functions and duties, actively monitoring the operations and management of the Fund by the Manager to safeguard the interests of Unit holders;
- (e) Maintain, or cause the Manager to maintain, proper accounting records and other records as are necessary to enable a complete and accurate view of the Fund to be formed and to ensure that the Fund is operated and managed in accordance with the Deed, this Prospectus, the SC’s guidelines and securities law; and
- (f) Require that the accounts be audited at least annually.

The Trustee has covenanted in the Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unit holders.

7.4 Material Litigation and Arbitration

As at LPD, CIMB Islamic Trustee Berhad is not engaged in any material litigation and arbitration, including those pending or threatened, and is not aware of any facts likely to give rise to any proceedings which might materially affect the business/financial position of the Trustee.

7.5 Delegate of the Trustee

CITB has delegated its custodian function to CIMB Islamic Bank Berhad (“CIMB Islamic Bank”). CIMB Islamic Bank’s ultimate holding company is CIMB Group Holdings Berhad, a listed company on Bursa Malaysia. CIMB Islamic Bank provides full-fledged custodial services, typically clearing, settlement and safekeeping of all types of investment assets and classes, to a cross section of investors and intermediaries client base, both locally and overseas.

For the local Ringgit Malaysia assets, they are held through its wholly owned nominee subsidiary “CIMB Islamic Nominees (Tempatan) Sdn Bhd”. For foreign non-Ringgit Malaysia assets, CIMB Islamic Bank appoints global custodian as its agent bank to clear, settle and safekeep on its behalf and to its order.

All investments are automatically registered in the name of the custodian to the order of the Trustee. CIMB Islamic Bank acts only in accordance with instructions from the Trustee.

8. SALIENT TERMS OF DEED

8.1 Right and Liabilities of Unit Holder

8.1.1 Unit holder's Rights

You should be entitled to receive distributions of income and/or capital (if any), participate in any increase in the value of the Units and to enjoy such other rights and privileges as are provided for in the Deed.

You shall be entitled to a Cooling-Off Period stated in this Prospectus. Please refer to section 5.11 for more information on the cooling-off right.

You will also receive the annual and semi-annual reports of the Fund.

You have the right to call for Unit holders' meetings and to vote for the removal of the Trustee or the Manager through a Special Resolution.

No Unit holder shall be entitled to require the transfer to him of any of the assets of the Fund or be entitled to interfere with or question the exercise by the Trustee, or the Manager on the Trustee's behalf, of the rights of the Trustee as the registered owner of such assets.

8.1.2 Unit holders' Liabilities

No Unit holder is liable for any amount in excess of the purchase price paid for the Units as determined in accordance with the Deed at the time the Units were purchased and any charges payable in relation thereto.

A Unit holder shall not be under any obligation to indemnify the Manager and/or the Trustee in the event that the liabilities incurred by the Manager and/or the Trustee in the name of or on behalf of the Fund pursuant to and/or in the performance of the provisions of the Deed exceed the value of the Fund's assets, and any right of indemnity of the Manager and/or the Trustee shall be limited to recourse to the Fund.

8.2 Maximum Fees and Charges Permitted by the Deed

Sales charge	Redemption charge	Annual management fee	Annual trustee fee
6.00% of the Fund's NAV per Unit.	3.00% of the Fund's NAV per Unit.	3.00% per annum of the Fund's NAV.	0.03% per annum of the Fund's NAV, subject to a minimum fee of RM10,000 per annum (excluding foreign custodian fees and charges).

8.3 Increase In Fees and Charges

Any increase of the fees and/or charges above the maximum stated in the Deed shall require Unit holders' approval.

A higher sales charge and/or redemption charge than disclosed in this Prospectus may only be imposed if:

- (a) the Manager has notified the Trustee in writing of and the effective date for the higher charge;
- (b) a supplemental prospectus or replacement prospectus in respect of the Fund setting out the higher charge is registered, lodged and issued; and

- (c) such time as may be prescribed by any relevant law has elapsed since the effective date of the supplemental prospectus or replacement prospectus.

The Manager may not charge an annual management fee at a rate higher than that disclosed in this Prospectus unless:

- The Manager has come to an agreement with the Trustee on the higher rate;
- The Manager has notified the Unit holders of the higher rate and the date on which such higher rate is to become effective; such time as may be prescribed by any relevant law shall have elapsed since the notice is sent;
- A supplemental prospectus or replacement prospectus stating the higher rate is registered, lodged and issued thereafter; and
- Such time as may be prescribed by any relevant law shall have elapsed since the date of the supplemental prospectus or replacement prospectus.

The Trustee may not charge an annual trustee fee at a rate higher than that disclosed in this Prospectus unless:

- The Manager has come to an agreement with the Trustee on the higher rate;
- The Manager has notified the Unit holders of the higher rate and the date on which such higher rate is to become effective; such time as may be prescribed by any relevant law shall have elapsed since the notice is sent;
- A supplemental prospectus or replacement prospectus stating the higher rate is registered, lodged and issued thereafter; and
- Such time as may be prescribed by any relevant law shall have elapsed since the date of the supplemental prospectus or replacement prospectus.

8.4 Permitted Expenses Payable by the Fund*

Only the expenses (or part thereof) which are directly related and necessary to the operation and administration of the Fund may be charged to the Fund. These would include (but are not limited to) the following:

- (a) commissions or fees paid to brokers or dealers in effecting dealings in the Shariah-compliant investments of the Fund, shown on the contract notes or confirmation notes;
- (b) taxes and other duties charged on the Fund by the government and/or other authorities;
- (c) costs, fees and expenses properly incurred by the Auditor;
- (d) costs, fees and expenses incurred for the fund valuation and accounting of the Fund performed by a fund valuation agent;
- (e) costs, fees and expenses incurred for any modification of the Deed save where such modification is for the benefit of the Manager and/or the Trustee;
- (f) costs, fees and expenses incurred for any meeting of the Unit holders save where such meeting is convened for the benefit of the Manager and/or the Trustee;
- (g) costs, commissions, fees and expenses of the sale, purchase, takaful and any other dealing of any Shariah-compliant asset of the Fund;
- (h) costs, fees and expenses incurred in engaging any specialist approved by the Trustee for investigating or evaluating any proposed Shariah-compliant investment of the Fund;
- (i) costs, fees and expenses incurred in engaging any adviser for the benefit of the Fund;
- (j) costs, fees and expenses incurred in the preparation and audit of the taxation, returns and accounts of the Fund;
- (k) costs, fees and expenses incurred in the termination of the Fund or the removal or retirement of the Trustee or the Manager and the appointment of a new trustee or management company;

Note:

All fees and charges and/or sum set out in this Prospectus payable to the Manager/Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time. The Manager/Trustee (where applicable) shall have the right to charge and recover from the Fund any applicable taxes and/or duties now or hereafter imposed by law or required to be paid in connection with the products or services provided by the Manager/Trustee (where applicable).

- (l) costs, fees and expenses incurred in relation to any arbitration or other proceedings concerning the Fund or any Shariah-compliant asset of the Fund, including proceedings against the Trustee or the Manager by the other for the benefit of the Fund (save to the extent that legal costs incurred for the defence of either of them are not ordered by the court to be reimbursed by the Fund);
- (m) remuneration and out of pocket expenses of the person(s) or members of a committee undertaking the oversight function of the Fund, unless the Manager decides otherwise;
- (n) costs, fees and expenses deemed by the Manager to have been incurred in connection with any change or the need to comply with any change or introduction of any law, regulation or requirement (whether or not having the force of law) of any governmental or regulatory authority;
- (o) (where the custodial function is delegated by the Trustee) charges and fees paid to sub-custodians taking into custody any foreign assets or investments of the Fund;
- (p) fees, charges or costs and expenses relating to the preparation, printing, posting, registration and lodgement of documents and reports which the Manager and/or the Trustee may be obliged to prepare, print, post, register and/or lodge in relation to the Fund by virtue of any relevant law; and
- (q) any tax now or hereafter imposed by law or required to be paid in connection with any costs, fees and expenses incurred under sub-paragraphs (a) to (p) above.

8.5 Retirement, Removal and Replacement of the Manager

The Manager shall have the power to retire in favour of some other corporation and as necessary under any relevant law upon giving to the Trustee six (6) months' notice in writing of its desire so to do, or such other period as the Manager and the Trustee may agree upon, and subject to the fulfillment of the following conditions:

- (a) the retiring Manager shall appoint such corporation by writing under the seal of the retiring Manager as the management company of the Fund in its stead and assign and transfer to such corporation all its rights and duties as management company of the Fund;
- (b) such corporation shall enter into such deed or deeds as are referred to in the Deed; and
- (c) upon the payment to the Trustee of all sums due from the retiring Manager to the Trustee at the date of such retirement, the retiring Manager shall be absolved and released from all further obligations under the Deed but without prejudice to the rights of the Trustee or any Unit holder or other person in respect of any act or omission on the part of the retiring Manager prior to such retirement and the new management company may and shall thereafter exercise all the powers and enjoy all the rights and shall be subject to all the duties and obligations of the Manager as fully as though such new management company had been originally a party to the Deed.

The Manager may be removed by the Trustee:

- (a) if the Manager has failed or neglected to carry out its duties to the satisfaction of the Trustee and the Trustee considers that it would be in the interests of Unit holders for the Trustee to do so after the Trustee has given notice to the Manager of that opinion and the reasons for that opinion, and has considered any representations made by the Manager in respect of that opinion, and after consultation with the relevant authorities and with the approval of the Unit holders by way of a Special Resolution;
- (b) unless expressly directed otherwise by the relevant authorities, if the Manager is in breach of any of its obligations or duties under the Deed or the relevant laws, or has ceased to be eligible to be a management company under the relevant laws; or
- (c) if the Manager has gone into liquidation, except for the purpose of amalgamation or reconstruction or some similar purpose, or has had a receiver appointed or has ceased to carry on business.

8.6 Retirement, Removal and Replacement of the Trustee

The Trustee may retire upon giving six (6) months' notice to the Manager of its desire so to do, or such other period as the Manager and the Trustee shall agree, and may by deed appoint in its stead a new trustee approved by the relevant authorities and under any relevant law.

The Manager shall take all reasonable steps to replace the Trustee as soon as practicable after becoming aware that:

- the Trustee has ceased to exist;
- the Trustee has not been validly appointed;
- the Trustee was not eligible to be appointed or to act as trustee under any relevant law;
- the Trustee has failed or refused to act as trustee in accordance with the provisions or covenants of the Deed or relevant law;
- a receiver has been appointed over the whole or a substantial part of the assets or undertaking of the Trustee and has not ceased to act under the appointment;
- a petition has been presented for the winding up of the Trustee (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction the Trustee becomes or is declared to be insolvent); or
- the Trustee is under investigation for conduct that contravenes the Trust Companies Act 1949, the Trustee Act 1949, the Companies Act 2016 or any relevant law.

Upon the retirement of the Trustee, the Manager shall appoint in writing some other corporation established under the relevant laws and approved by the relevant authorities to be the trustee of the Fund.

8.7 Termination of the Fund

The Fund may be terminated or wound up upon the occurrence of any of the following events:

- (a) a Special Resolution is passed at a Unit holders' meeting to terminate or wind up the Fund, following occurrence of events stipulated under section 301(1) of the CMSA and the court has confirmed the resolution, as required under section 301(2) of the CMSA; and
- (b) a Special Resolution is passed at a Unit holders' meeting to terminate or wind up the Fund.

The Manager may, without having to obtain the prior approval of the Unit holders, terminate the trust created and wind up the Fund if such termination:

- (a) is required by the relevant authorities; or
- (b) is in the best interests of Unit holders and the Manager in consultation with the Trustee deems it to be impracticable, inadvisable or uneconomical for the Manager to continue managing the Fund.

Notwithstanding the aforesaid, if the Fund is left with no Unit holder, the Manager shall be entitled to terminate the Fund.

Upon the termination of the trust created, the Trustee shall:

- (a) sell all the Fund's assets then remaining in its hands and pay out of the Fund any liabilities of the Fund; such sale and payment shall be carried out and completed in such manner and within such period as the Trustee considers to be in the best interests of the Unit holders; and
- (b) from time to time distribute to the Unit holders, in proportion to the number of Units held by them respectively:
 - (1) the net cash proceeds available for the purpose of such distribution and derived from the sale of the Fund's assets less any payments for liabilities of the Fund; and
 - (2) any available cash produce,

provided always that the Trustee shall not be bound, except in the case of final distribution, to distribute any of the moneys for the time being in his hands the amount of which is insufficient for payment to the Unit holders of Ringgit Malaysia Fifty sen (RM0.50), in respect of each Unit and provided also that the Trustee shall be entitled to retain out of any such moneys in his hands full provision for all costs, charges, taxes, expenses, claims and demands incurred, made or anticipated by the Trustee in connection with or arising out of the winding-up of the Fund and, out of the moneys so retained, to be indemnified against any such costs, charges, taxes, expenses, claims and demands; each of such distribution shall be made only against the production of such evidence as the Trustee may require of the title of the Unit holder relating to the Units in respect of which the distribution is made.

In the event of the trust created being terminated:

- (a) the Trustee shall be at liberty to call upon the Manager to grant the Trustee, and the Manager shall so grant, a full and complete release from the Deed;
- (b) the Manager shall indemnify the Trustee against any claims arising out of the Trustee's execution of the Deed provided always that such claims have not been caused by any failure on the part of the Trustee to exercise the degree of care and diligence required of a trustee as contemplated by the Deed and all relevant laws;
- (c) the Manager and the Trustee shall notify the relevant authorities in such manner as may be prescribed by any relevant law; and
- (d) the Manager or the Trustee shall notify the Unit holders in such manner as may be prescribed by any relevant law.

8.8 Unit holders' Meeting

A Unit holders' meeting may be called by the Manager, Trustee and/or Unit holders. Any such meeting must be convened in accordance with the Deed and/or the Guidelines.

The Manager shall within twenty-one (21) days of receiving a direction at its registered office from not less than fifty (50) or one-tenth (1/10), whichever is less, of all the Unit holders of the Fund, summon a meeting of the Unit holders of the Fund by:

- (a) sending by post to each Unit holder at his last known address or, in the case of jointholders, to the jointholder whose name stands first in the records of the Manager to the jointholder's last known address at least seven (7) days before the date of the proposed meeting a notice of the proposed meeting to all the relevant Unit holders;
- (b) publishing at least fourteen (14) days before the date of the proposed meeting an advertisement giving notice of the proposed meeting in a national language newspaper published daily and another newspaper approved by the relevant authorities; and
- (c) specifying in the notice the place and time of the meeting and the terms of the resolutions to be proposed at the meeting.

The Unit holders may direct the Manager to summon a meeting for any purpose including, without limitation, for the purpose of:

- (a) requiring the retirement or removal of the Manager;
- (b) requiring the retirement or removal of the Trustee;
- (c) considering the most recent financial statements of the Fund;
- (d) giving to the Trustee such directions as the meeting thinks proper; or
- (e) considering any matter in relation to the Deed,

provided always that the Manager shall not be obliged to summon such a meeting unless a direction has been received from not less than fifty (50) or one-tenth (1/10), whichever is less of all the Unit holders of the Fund.

9. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST

The directors, Investment Committee and employees of the Manager should avoid any conflict of interest arising, or if conflicts arise, should ensure that the Fund is not disadvantaged by the transaction concerned.

All transactions carried out for or on behalf of the Fund should be executed on terms that are best available to the Fund and which are no less favourable than arm's length transactions between independent parties. All transactions with related parties should only be allowed when the transactions are carried out on arm's length terms, is consistent with best execution standards and is at commission rate no higher than customary institutional rates.

Investment Committee members and directors are required to make periodic declarations as to their personal interests. Where a conflict of interest arises due to the Investment Committee member or director holding a substantial shareholding or directorship in a company, the said Investment Committee member or director shall abstain from any discussion or decision making relating to the company.

The Manager has in place a policy which regulates its employees' securities dealings. All employees of the Manager are required to obtain prior written approval and declare their dealings periodically to ensure that there is no potential conflict of interest between the employees' dealings and the execution of the employees' duties to the Manager and Unit holders.

RELATED-PARTY TRANSACTIONS

No	Name of Related Party and Nature of Relationship	Existing/Potential Related Party Transaction
1.	Hong Leong Investment Bank Berhad - company associated with the Manager	<ul style="list-style-type: none"> • Broker for the Fund. • Outsourcing party for administration and finance (financial group reporting) functions, legal, human resources, compliance, risk management, internal audit and information technology (back office support) functions.
2.	Hong Leong Bank Berhad - company associated with the Manager	<ul style="list-style-type: none"> • Distributor for the Fund.
3.	Hong Leong Financial Group Bhd - company associated with the Manager	<ul style="list-style-type: none"> • Outsourcing of legal (advisory) function. • Outsourcing of finance and tax (advisory) services.
4.	Hong Leong Islamic Bank Berhad - company associated with the Manager	<ul style="list-style-type: none"> • Islamic deposit and placement of the Fund's asset at the market rate. • Distributor for the Fund.
5.	Listed companies in Malaysia and abroad related to Hong Leong Group Companies	<ul style="list-style-type: none"> • The Fund may invest in Shariah-compliant securities of related companies at the discretion of the fund manager independently based on merit of each Shariah-compliant stock.
6.	Tower REITs - managed by company associated with the Manager	<ul style="list-style-type: none"> • The Manager is renting premises belonging to Tower REITs.

No	Name of Related Party and Nature of Relationship	Existing/Potential Related Party Transaction
7.	Hong Leong MSIG Takaful Berhad ("HLMT")	<ul style="list-style-type: none"> • Takaful provider for the Fund.

The Auditor, External Fund Manager, Shariah Adviser and tax adviser have confirmed that they do not have any existing or potential conflict of interest with HLAM and/or the Fund.

10. TAXATION ADVISER'S LETTER ON TAXATION OF THE FUND AND UNIT HOLDERS

(Prepared for inclusion in this Prospectus)

PricewaterhouseCoopers Taxation Services Sdn Bhd

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The Board of Directors

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6 August 2024

TAXATION OF HONG LEONG DANA DIVIDEN AND UNIT HOLDERS

Dear Sirs,

This letter has been prepared for inclusion in the Prospectus ("hereinafter referred to as "the Prospectus") in connection with the offer of Units in Hong Leong Dana Dividen ("the Fund").

The taxation of income for both the Fund and the Unit Holders are subject to the provisions of the Malaysian Income Tax Act 1967 ("the Act"). The applicable provisions are contained in Section 61 of the Act, which deals specifically with the taxation of trust bodies in Malaysia.

TAXATION OF THE FUND

The Fund will be regarded as resident for Malaysian tax purposes since the Trustee of the Fund is resident in Malaysia.

(1) Domestic Investments

(i) General Taxation

Subject to certain exemptions, the income of the Fund consisting of dividends or interest or profit¹ (other than interest and profit¹ which is exempt from tax) and other investment income derived from or accruing in Malaysia, after deducting tax allowable expenses, is liable to Malaysian income tax at the rate of 24 per cent.

Other than gains on disposal of the unlisted shares as described under CGT section below, gains on disposal of investments in Malaysia by the Fund will not be subject to Malaysian income tax.

(ii) Dividends and Other Exempt Income

Effective 1 January 2014, all companies would adopt the single-tier system. Hence dividends received would be exempted from tax and the deductibility of expenses incurred against such dividend income would be disregarded. There will no longer be any tax refunds available for single-tier dividends received. Dividends received from companies under the single-tier system would be exempted.

The Fund may receive Malaysian dividends which are tax exempt. The exempt dividends may be received from investments in companies which had previously enjoyed or are currently enjoying the various tax incentives provided under the law. The Fund will not be taxable on such exempt income.

Interest or profit¹ or discount income derived from the following investments is exempt from tax:

- (a) Securities or bonds issued or guaranteed by the government of Malaysia;
- (b) Debentures² or sukuk, other than convertible loan stocks, approved or authorized by, or lodged with, the Securities Commission Malaysia; and
- (c) Bon Simpanan Malaysia issued by Bank Negara Malaysia.

Interest or profit¹ derived from the following investments is exempt from tax:

- (a) Interest or profit¹ paid or credited by any bank or financial institution licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013;
- (b) Interest or profit¹ paid or credited by any development financial institution regulated under the Development Financial Institutions Act 2002;
- (c) Bonds, other than convertible loan stocks, paid or credited by any company listed in Bursa Malaysia Securities Berhad ACE Market; and
- (d) Interest or profit¹ paid or credited by Malaysia Building Society Berhad³.

The interest or profit¹ or discount income exempted from tax at the Fund level will also be exempted from tax upon distribution to the Unit Holders.

Exception: -

¹ Under Section 2(7) of the Income Tax Act 1967, any reference to interest shall apply, *mutatis mutandis*, to gains or profits received and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of Shariah.

The effect of this is that any gains or profits received and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of Shariah, will be accorded the same tax treatment as if they were interest.

² Structured products approved by the Securities Commission Malaysia are deemed to be "debenture" under the Capital Markets and Services Act, 2007 and fall within the scope of exemption.

³ Exemption granted through letters from Ministry of Finance Malaysia dated 11 June 2015 and 16 June 2015 and it is with effect YA 2015.

i. Wholesale money market fund

With effect from 1 January 2019, the exemption shall not apply to interest or profit¹ paid or credited to a unit trust that is a wholesale money market fund.

ii. Retail money market fund (“RMMF”)

Based on the Finance Act 2021, the interest or profit¹ income of a RMMF will remain tax exempted under Paragraph 35A, Schedule 6 of the Act. However, resident and non-resident Unit Holders (other than individual Unit Holders), who receive income distributed from interest or profit¹ income of the RMMF which are exempted under Paragraph 35A of Schedule 6, will be subject to withholding tax (“WHT”) at the rate of 24 per cent. This WHT is effective from 1 January 2022 onwards.

The WHT is to be withheld and remitted by the RMMF to the tax authorities within 30 days upon distribution of the income to the Unit Holders.

(2) Foreign Investments

With effect from 1 January 2022, the exemption of foreign-sourced income received in Malaysia is only applicable to a person who is a non-resident.

However, subject to qualifying conditions (also subject to compliance with conditions imposed by the Ministry of Finance as specified in the Inland Revenue Board (“IRB”)’s guidelines), the following foreign-sourced income received from 1 January 2022 to 31 December 2026 (5 years) will continue to be exempted from Malaysian income tax:

- Dividend income received by resident companies, limited liability partnerships (“LLPs”) and resident individuals (in respect of dividend income received through a partnership business in Malaysia).
- All classes of income (excluding a source of income from a partnership business in Malaysia, which is received in Malaysia from outside Malaysia) received by resident individuals.

In addition to the above conditions, resident companies, LLPs and individuals (in relation to a partnership business in Malaysia) are required to comply with economic substance requirements (“ESR”) in order to qualify for the tax exemption on foreign-sourced dividend income received in Malaysia from outside Malaysia.

Based on clarifications from the IRB, foreign-sourced income (e.g. dividends, interest, etc.) of a resident Fund which is received in Malaysia will be subject to tax. There will be a transitional period from 1 January 2022 to 30 June 2022 where foreign-sourced income remitted to Malaysia will be taxed at the rate of 3% on gross income. From 1 July 2022 onwards, any foreign-sourced income remitted to Malaysia will be subject to Malaysian income tax at the rate of 24% for a resident Fund.

Such income from foreign investments may be subject to taxes or withholding taxes in the specific foreign country. Subject to meeting the relevant prescribed requirements, the Fund in Malaysia is entitled for double taxation relief on any foreign tax suffered on the income in respect of overseas investment.

The scope of taxable foreign source income received in Malaysia has been expanded to include capital gains from disposal of assets outside Malaysia brought into Malaysia from 1 January 2024 onwards. Exemption will be provided where ESR are met. See Capital Gains Tax (“CGT”) section below for further details.

The foreign income subjected to Malaysian tax at the Fund level will also be taxable upon distribution to the Unit Holders. However, the income distribution from the Fund will carry a tax credit in respect of the Malaysian tax paid by the Fund. Unit Holders will be entitled to utilise the tax credit against the tax payable on the income distribution received by them.

Exemption from capital gains tax and tax on foreign-sourced income for unit trusts

The Finance Minister II, Datuk Seri Amir Hamzah Azizan has announced on 16 January 2024 that unit trusts will be exempted from CGT and income tax on foreign-sourced income. The exemption on CGT is effective from 1 January 2024 until 31 December 2028 while the exemption from income tax on foreign-sourced income takes effect from 1 January 2024 until 31 December 2026. The relevant tax exemption orders or guidelines have yet to be issued to-date.

(3) Tax Deductible Expenses

Expenses wholly and exclusively incurred in the production of gross income are allowable as deductions under Section 33(1) of the Act. In addition, Section 63B of the Act provides for tax deduction in respect of managers' remuneration, expenses on maintenance of the register of Unit Holders, share registration expenses, secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postages based on a formula subject to a minimum of 10 per cent and a maximum of 25 per cent of the expenses.

(4) Real Property Gains Tax ("RPGT")

With effect from 1 January 2019, any gains on disposal of real properties or shares in real property companies⁴ ("chargeable asset") would be subject to RPGT as follows:-

Disposal time frame	RPGT rates (Companies incorporated in Malaysia and Trustee of a trust)
Within 3 years	30%
In the 4 th year	20%
In the 5 th year	15%
In the 6 th year and subsequent years	10%

Gains from disposal of shares in an Real Property Company ("RPC") under the RPGTA 1976 ("RPC shares")

Gains from disposal of RPC shares which are held by persons that are subject to CGT will be subject to CGT under the Income Tax Act, 1967 from 1 January 2024 instead of RPGT. Other real properties disposed of, apart from RPC shares, will continue to be subject to RPGT. RPGT will continue to apply for disposal of RPC shares by individuals.

(5) Capital Gains Tax ("CGT")

a) Disposal of Malaysian unlisted shares

CGT will be imposed on the disposal of Malaysian unlisted shares by companies, Limited Liability Partnerships, cooperatives and trust bodies (which include unit trusts).

The CGT rate to be imposed is as follows:

⁴ A real property company is a controlled company which owns or acquires real property or shares in real property companies with a market value of not less than 75 percent of its total tangible assets. A controlled company is a company which does not have more than 50 members and is controlled by not more than 5 persons.

Shares Acquisition Date	CGT Rate
Before 1 March 2024	The taxpayers may choose: i. 10% on the net gain of the disposal of shares; or ii. 2% on the gross disposal price.
From 1 March 2024	10% on the net gain of the disposal of shares

“shares” means all or any of the following:

- a. stock and shares in a company;
- b. loan stock and debentures issued by a company or any other corporate body incorporated in Malaysia;
- c. a member’s interest in a company not limited by shares whether or not it has a share capital;
- d. any option or other right in, over or relating to shares as defined in paragraphs (a) to (c) above.

To ensure the smooth implementation of CGT and reduce the cost of doing business, CGT exemption has been given on the disposal of shares related to the following activities:

- (i) Initial Public Offering (IPO) exercise approved by Bursa Malaysia; and
- (ii) Restructuring of shares within the same group.

b) Disposal of capital assets from outside Malaysia

The scope of CGT will include gains from disposal of capital assets situated outside Malaysia, remitted into Malaysia. However, the gains are eligible for tax exemption subject to meeting ESR i.e. employed an “adequate number” of employees with the necessary qualifications to carry out the specific economic activities in Malaysia and incurred an “adequate” amount of operating expenditure to carry out the specific economic activities in Malaysia.

The gains remitted to Malaysia will be subject to the prevailing income tax rates, that is 24%.

(6) Sales and Service Tax (“SST”)

Effective from 1 September 2018, SST has been reintroduced to replace the Goods and Services Tax (“GST”). Both the Sales Tax Act 2018 and Services Tax Act 2018 have been gazetted on 28 August 2018. The rates for sales tax are nil, 5 per cent, 10 per cent or a specific rate whereas the rate for service tax is at 8 per cent with effect from 1 March 2024 for all prescribed taxable services with certain exceptional taxable services ie. food and beverages services, telecommunications services, parking services and logistics services which remain at 6 per cent.

Sales tax will be chargeable on taxable goods manufactured in or imported into Malaysia, unless specifically exempted by the Minister. Whereas, only specific taxable services provided by specific taxable persons will be subject to service tax. Sales tax and service tax are single stage taxes. As such, SST incurred would generally form an irrecoverable cost to the business.

In general, the Fund, being a collective investment vehicle, will not be caught under the service tax regime.

Certain brokerage, professional, consultancy or management services obtained by the Fund may be subject to service tax at 8 percent. However, fund management services and trust services are excluded from service tax. With effect from 1 January 2019, service tax will apply to any taxable service that is acquired by any business in Malaysia from a non-Malaysian service provider. In this connection, the Fund, being non-taxable person who acquire imported taxable services (if any) will need to declare its imported

taxable services through the submission of prescribed declaration, i.e. Form SST-02A to the Royal Malaysian Customs Department (“RMCD”).

With effect from 1 January 2020, service tax on digital services was implemented at the rate of 8 per cent. Under the service tax on digital services, foreign service providers selling digital services to Malaysian consumers are required to register for and charge service tax. Digital services are defined as services which are delivered or subscribed over the internet or other electronic network, cannot be delivered without the use of IT and the delivery of the service is substantially automated.

Furthermore, the provision of digital services has also been prescribed as a taxable service when provided by a local service provider with effect from 1 January 2020. Hence, where the Fund obtains any of the prescribed digital services, those services may be subject to service tax at 8 per cent.

TAXATION OF UNIT HOLDERS

Unit Holders will be taxed on an amount equivalent to their share of the total taxable income of the Fund to the extent of the distributions received from the Fund. The income distribution from the Fund will carry a tax credit in respect of the Malaysian tax paid by the Fund. Unit Holders will be entitled to utilise the tax credit against the tax payable on the income distribution received by them. Generally, no additional withholding tax will be imposed on the income distribution from the Fund; unless the Fund is an RMMF, in which case there is a WHT on distribution from interest income of a RMMF which are exempted under Paragraph 35A of Schedule 6 and distributed to non-individual Unit Holders.

Non-resident Unit Holders may also be subject to tax in their respective jurisdictions. Depending on the provisions of the relevant country’s tax legislation and any double tax treaty with Malaysia, the Malaysian tax suffered may be creditable against the relevant foreign tax.

Corporate Unit Holders, resident⁵ and non-resident, will generally be liable to income tax at 24 per cent on distribution of income received from the Fund. The tax credits attributable to the distribution of income can be utilised against the tax liabilities of these Unit Holders.

Individuals and other non-corporate Unit Holders who are tax resident in Malaysia will be subject to income tax at graduated rates ranging from 1 per cent to 30 per cent. Individuals and other non-corporate Unit Holders who are not resident in Malaysia will be subject to income tax at 30 per cent. The tax credits attributable to the distribution of income can be utilised against the tax liabilities of these Unit Holders.

The distribution of exempt income by the Fund will be exempted from tax in the hands of the Unit Holders.

Based on the Finance Act 2021, in respect of distribution from a RMMF, resident and non-resident corporate Unit Holders (other than individual Unit Holders), who receive income distributed from interest or profit¹ income of the RMMF which are exempted under Paragraph 35A of Schedule 6, will be subject to WHT at the rate of 24 per cent, effective from 1 January 2022.

⁵ Resident companies with paid up capital in respect of ordinary shares of RM2.5 million and below and having an annual sales of not more than RM50 million will pay tax at 15% for the first RM150,000 of chargeable income, 17% for RM150,001 to RM600,000 with the balance taxed at 24% with effect from YA 2023.

The above shall not apply if more than –

- (a) 50% of the paid up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company;
- (b) 50% of the paid up capital in respect of ordinary shares of the related company is directly or indirectly owned by the first mentioned company;
- (c) 50% of the paid up capital in respect of ordinary shares of the first mentioned company and the related company is directly or indirectly owned by another company.

“Related company” means a company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a YA.

Additional shareholding condition of not more than 20% of the paid up capital or capital contribution, at the beginning of a YA is directly own or indirectly by one or more:

- Companies incorporated outside of Malaysia, or
- individuals who are not Malaysian citizens,

which is required to be observed from YA 2024.

For resident corporate Unit Holders, the WHT is not a final tax. The resident corporate Unit Holders will need to subject the income distributed from interest or profit¹ income of a RMMF which are exempted under Paragraph 35A of Schedule 6 to tax in its income tax returns and the attached tax credit i.e. the 24 per cent WHT suffered will be available for set-off against the tax chargeable on the resident corporate Unit Holders.

For non-resident Corporate Unit Holders, the 24 per cent WHT on income distributed from interest or profit¹ income of a RMMF which are exempted under Paragraph 35A of Schedule 6, is a final tax.

Any gains realised by Unit Holders (other than those in the business of dealing in securities, insurance companies or financial institutions) on the sale or redemption of the Units are treated as capital gains and will not be subject to income tax. This tax treatment will include in the form of cash or residual distribution in the event of the winding up of the Fund.

Unit Holders electing to receive their income distribution by way of investment in the form of new units will be regarded as having purchased the new Units out of their income distribution after tax.

Unit splits issued by the Fund are not taxable in the hands of Unit Holders.

We hereby confirm that the statements made in this report correctly reflect our understanding of the tax position under current Malaysian tax legislation. Our comments above are general in nature and cover taxation in the context of Malaysian tax legislation only and do not cover foreign tax legislation. The comments do not represent specific tax advice to any investors and we recommend that investors obtain independent advice on the tax issues associated with their investments in the Fund.

Yours faithfully,

for and on behalf of
PRICEWATERHOUSECOOPERS TAXATION SERVICES SDN BHD

Lim Phaik Hoon
Partner

PricewaterhouseCoopers Taxation Services Sdn Bhd have given their written consent to the inclusion of their report as taxation adviser in the form and context in which they appear in this Prospectus and have not, before the date of issue of the Prospectus, withdrawn such consent.

11. ADDITIONAL INFORMATION

11.1 Availability of Information on Investment

Who do I contact for clarification or further information?

You may contact the below for assistance on enquiring the Fund's NAV and/or other queries regarding the Fund.

- Customer Experience personnel at head office of HLAM;
- Branch offices of HLAM;
- E-mail to inquiry@hlam.hongleong.com.my; or
- Visit our website at www.hlam.com.my.

We encourage feedback from you in order for us to upgrade our services to meet your needs. You could seek assistance or lodge complaints to the following sources on any Business Days from Monday to Friday (9.00 a.m. to 6.00 p.m.).

11.2 Avenues for advice

If you have any questions about the information in this Prospectus or would like to know more about investing in the Fund, you may contact our Customer Experience personnel at +603-2081 8600 ext 18603/18604 or email us at inquiry@hlam.hongleong.com.my.

You may refer to our website www.hlam.com.my or Section 13 – Directory of Sales Offices for our contact details.

11.3 Deed

The Fund's deed is dated 18 September 2024.

11.4 Financial Year-End

The Fund's financial period is a 12-month period ending on the 30th day of April of each year, save and except that the first financial period shall commence on the date of this Prospectus. For the avoidance of doubt, the first financial period must not be more than eighteen (18) months.

The Manager shall make available the below mentioned reports within two (2) months from the close of each financial year or semi-annual period of the Fund:-

- Unaudited semi-annual report for the half year of the Fund's financial period; and
- Annual audited report for the Fund's financial year-end.

11.5 Consent

The Trustee, the External Fund Manager and the Shariah Adviser have given their consent in writing for the inclusion of their name in this Prospectus in the form and context in which their name appears in this Prospectus, and they have not subsequently withdrawn their written consent.

The Fund's annual report is available upon request.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Manager's registered office or such other place as the SC may determine:

- The Deed and supplementary deed (if any) of the Fund;
- This Prospectus and the supplementary prospectus (if any) of the Fund;
- The latest annual and semi-annual reports of the Fund;
- Each material contracts or documents referred to in this Prospectus (if any), in the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts;
- The audited financial statements of the Manager and the Fund for the current financial year and for the last three (3) financial years or if less than three (3) years, from the date of incorporation or commencement;
- All reports, letters or other documents, valuations and statements by any expert, referred to in this Prospectus. Where a summary expert's report is included in this Prospectus, the corresponding full expert's report should be made available for inspections;
- Writ and relevant cause papers for all current material litigation and arbitration disclosed in this Prospectus; and
- All consents given by experts disclosed in this Prospectus.

13. DIRECTORY OF SALES OFFICES

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Authorised Distributor

For more information about our distributors, kindly contact our Customer Experience personnel at +603-2081 8600 ext 18603/18604 between 9.00 a.m. to 6.00 p.m. on a Business Day. Alternatively, you can email us at inquiry@hla.hongleong.com.my.