

# Hong Leong Income Fund

## Prospectus

Manager

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

Trustee

**CIMB COMMERCE TRUSTEE BERHAD 199401027349 (313031-A)]**

**THIS PROSPECTUS FOR THE HONG LEONG INCOME FUND DATED 28 APRIL 2023 IS A REPLACEMENT PROSPECTUS AND IT REPLACES AND SUPERSEDES THE PROSPECTUS DATED 28 MARCH 2019 AND THE 1<sup>st</sup> SUPPLEMENTARY PROSPECTUS DATED 31 DECEMBER 2021.**

This Fund was constituted on 31 January 2019.

**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 10.**

## **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 Income Fund and a copy of this Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Hong Leong Income Fund, and registration of this Prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the said Hong Leong Income 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 Hong Leong Income 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 the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to the Fund.

**IF THE FUND DECLARES DISTRIBUTION OUT OF CAPITAL, THE CAPITAL OF THE FUND MAY BE ERODED. 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

|                              |  |
|------------------------------|--|
| <b>Auditor</b>               | PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146). The appointed auditor for the Fund.   |
| <b>Base Currency</b>         | Refers to the base currency of the Fund, RM.   |
| <b>Bursa Malaysia</b>        | 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.  |
| <b>Business Day</b>          | A day (other than Saturday, Sunday and public holidays) on which the Manager is open for business and Bursa Malaysia is open for trading.  |
| <b>CIS</b>                   | Collective Investment Schemes.   |
| <b>CCTB or the Trustee</b>   | CIMB Commerce Trustee Berhad [199401027349 (313031-A)].  |
| <b>Class(es)</b>             | Refers to any number of class(es) of Units representing similar interests in the assets of the Fund and such other Class(es) that may be issued by the Fund from time to time and "Class" means any one class of Units.  |
| <b>Class A or Class D</b>    | Means a Class which is denominated in RM which the features are as set out in the Prospectus.  |
| <b>CMSA or the Act</b>       | Capital Markets and Services Act 2007 and any amendments made thereto.   |
| <b>Cooling-Off Period</b>    | 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.   |
| <b>Deed</b>                  | The deed entered into between the Manager and the Trustee for the Unit holders of the Fund, including any supplementary deeds thereto.   |
| <b>deposits</b>              | Refers to fixed deposits.  |
| <b>EPF</b>                   | Employees Provident Fund.  |
| <b>financial institution</b> | Means:<br>(a) if the institution is in Malaysia-<br>(i) licensed bank;<br>(ii) licensed investment bank; or<br>(iii) licensed Islamic bank; or<br>(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. |
| <b>FiMM</b>                  | Federation of Investment Managers Malaysia.  |

|                             |   |
|-----------------------------|---|
| <b>Forward Price</b>        | The Selling Price or Redemption Price calculated based on the NAV per Unit of the Fund at the next valuation point after the application to purchase or redeem Units of the Fund is received by the Manager.  |
| <b>Guidelines</b>           | Guidelines on Unit Trust Funds issued by the SC including any amendments made thereto.  |
| <b>HLAM or the Manager</b>  | Hong Leong Asset Management Bhd [199401033034 (318717-M)].  |
| <b>HLIF or the Fund</b>     | Hong Leong Income Fund.   |
| <b>Investment Committee</b> | The investment committee of the Fund who is responsible for formulating, implementing and monitoring the investment management policies of the Fund to achieve its investment objective of the Fund.  |
| <b>IUTA(s)</b>              | Institutional Unit Trust Adviser(s) which is a corporation registered with FIMM and authorised to market and distribute unit trust schemes of another party.  |
| <b>LPD</b>                  | Refers to 16 January 2023 and is the last practicable date whereby the information disclosed in this Prospectus shall remain relevant and current as at the date of issue of this Prospectus.   |
| <b>NAV</b>                  | Net asset value of the Fund or a Class. The NAV of the Fund (or a Class) on each Business Day is determined by deducting the value of all the Fund's liabilities (or the liabilities relating to that Class) from the value of all the Fund's assets (or assets relating to that Class), at a valuation point.  |
| <b>NAV per Unit</b>         | The NAV of the Fund (or a Class) divided by the number of UIC for the Fund (or a Class) at the same valuation point.  |
| <b>Prospectus</b>           | The prospectus for the Fund and includes any supplementary or replacement prospectus, as the case may be.   |
| <b>RAM</b>                  | RAM Rating Services Berhad [200701005589 (763588-T)].   |
| <b>Redemption Price</b>     | 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 or of the relevant Class as at the next valuation point of the Fund after a redemption request is received and accepted by the Manager.                         |
| <b>RM</b>                   | Ringgit Malaysia.   |
| <b>SC</b>                   | The Securities Commission Malaysia.   |
| <b>Selling Price</b>        | 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 or relevant Class as at the next valuation point of the Fund or Class after a request for purchase of Units is received and accepted by the Manager. |

**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 of the Fund (or Class) duly convened in accordance with the Deed and carried by a majority in number representing at least three-fourths of the value of the Units held by the Unit holders in the Fund (or Class) voting at the meeting in person or by proxy.

**UIC**

Units in circulation.

**Unit(s)**

Is an undivided share in the beneficial interest and/or rights in the Fund (or Class) and a measurement of the interest and/or right of a Unit holder in the Fund (or Class) and means a Unit of the Fund (or Class).

**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 a joint holder.

## 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](http://www.hlam.com.my)

E-mail : [inquiry@hlam.hongleong.com.my](mailto:inquiry@hlam.hongleong.com.my)

### **TRUSTEE**

#### **CIMB COMMERCE TRUSTEE BERHAD [199401027349 (313031-A)]**

Registered address:

Level 13, Menara CIMB

Jalan Stesen Sentral 2

Kuala Lumpur Sentral

50470 Kuala Lumpur

Tel : +603-2261 8888

Fax : +603-2261 0099

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Kuala Lumpur Sentral

50470 Kuala Lumpur

Tel : +603-2261 8888

Fax : +603-2261 9894

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E-mail : [ss.corptrust@cimb.com](mailto:ss.corptrust@cimb.com)



## 3. FUND INFORMATION

### 3.1 General Information of the Fund

|                          |  |
|--------------------------|--|
| <b>Fund name</b>         | Hong Leong Income Fund.  |
| <b>Base currency</b>     | Ringgit Malaysia.  |
| <b>Fund category</b>     | Fixed Income.  |
| <b>Fund type</b>         | Income.  |
| <b>Launch date</b>       | 28 March 2019.   |
| <b>Commencement date</b> | Refers to 18 April 2019 being the date on which the investments of the Fund were first made and is the next Business Day immediately after the expiry of the initial offer period. |

### 3.2 Investment Objective

The Fund aims to provide investors with a low risk investment portfolio offering a regular stream of income<sup>1</sup>.

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

### 3.3 Investment Policy, Strategy and Asset Allocation

To achieve the Fund's investment objective, the Fund intends to invest a minimum of 50% of its NAV in securities issued or guaranteed by the Government of Malaysia and a maximum of 50% of its NAV in money market instruments and deposits.

The bond asset class will inherently experience mark-to-market volatility whenever there is a change in interest rates. To minimise mark-to-market volatility, the Fund intends to maintain a low portfolio duration by focusing short to medium tenured securities (i.e. maturities of up to 10 years) issued or guaranteed by the Government of Malaysia. The Fund will also invest up to 50% of the Fund's NAV in money market instruments and deposits to further reduce mark-to-market volatility. To provide a regular income, the Fund will invest in a portfolio of bonds, money market instruments and deposits for accrual income. In the event a security guaranteed by the Government of Malaysia loses its guarantee, the Manager shall take steps to replace said security within six (6) months.

The Manager will adopt a prudent selection process and rigorous credit assessment to ensure that the Fund will only place deposits or money market instruments with credit-worthy financial institutions in Malaysia.

The Fund's investment with any financial institutions must have a credit rating of at least "A3" or "P2" as rated by RAM, or its equivalent ratings by another registered rating agency, at the point of investment. In the event of a downgrade in the rating of a financial institution below the minimum requirement with which the Fund has investments with, the Manager shall withdraw the invested deposits and/or sell the money market instruments within a reasonable time frame.

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**Note:**

<sup>1</sup> Income may be distributed in the form of cash and/or additional Units. Please refer to Section 3.7. for more information on the Fund's Distribution Policy.

### Temporary defensive strategy

The Manager may also take a temporary defensive position that may be inconsistent with the Fund's investment strategy in response to adverse economic, political or any market conditions. In such circumstances, the Fund may hold up to 100% of its NAV in money market instruments and deposits as a defensive strategy.

## **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 securities 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.

- **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 unfavourable prices to resolve the non-compliance. The Manager has imposed stringent internal compliance controls to mitigate this risk.

- **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.

- **Loan financing risk**

The risk occurs when investors take a loan to finance their investment. The inherent risk of investing with borrowed money includes investors being unable to service the loan payments. In the event Units are used as collateral, an investor may be required to top-up the investors existing instalment 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 loan.

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

- **Inflation risk/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.

- **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 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 securities that are less liquid, the securities may have to be sold at unfavourable prices and/or withdraw 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 deposits where interest 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 positions.

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.

- **Suspension of repurchase request risk**

Having considered the best interest of Unit holders, the repurchase requests by the Unit holders may be subject to suspension due to exceptional circumstances, where the market value or fair value of a material portion of the Fund's assets cannot be determined. In such case, Unit holders will not be able to redeem their Units and will be compelled to remain invested in the Fund for a longer period of time than original timeline. Hence, their investments will continue to be subject to the risk inherent to the Fund.

### **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:

- **Credit/default risk**

Credit risk relates to the creditworthiness of the issuer of the fixed income securities and the issuer's ability to make timely payments of interest and/or principal. If the issuer fails to meet its fixed income securities payment obligation in a timely manner, it will lead to a loss in principal and/or interest and result in a default on the payment of principal and/or interest accrued and cause a decline in the value of the defaulted fixed income security 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 fixed income securities prior to the investments. In addition, the Manager may also mitigate this risk by diversifying its investments in fixed income securities 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 fixed income securities within a reasonable time frame if the downgrade is below the stipulated minimum rating.

- **Interest rate risk**

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

- **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.

- **Counterparty risk**

The Fund's placements of deposits and/or investments in money market instruments with financial institutions 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 interest and/or principal payment on the maturity date. This may then lead to a default in the payment and/or interest 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 money market instruments, deposits and negotiable instruments of deposit through a rigorous and disciplined credit research and analysis prior to its investments.

- **Reinvestment risk**

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

**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 Fund include but are not limited to the following:

- Monitoring and evaluating the market and economic conditions;
- Adhering to the Fund's investment objective, strategies, limits and restrictions as stated in the Prospectus, Deed and/or Guidelines;
- Constant monitoring of portfolio duration and cash flows to ensure the Fund meets its required liquidity consistently;  
*(Note: Please refer to 'Liquidity Risk' in Section 3.4 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 intends to provide Unit holders with regular income. As such, income distributions will be on a monthly basis, subject to availability of income and the amount of income available for distribution may fluctuate from time to time.

The Manager's current 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 realized gains or net realized 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.

\* capital refers to unrealised income or unrealised gain.

### **3.8 Performance Benchmark**

The performance benchmark of the Fund is the Malayan Banking Berhad 12 months fixed deposit rate.

Information on the benchmark is available from [www.maybank.com](http://www.maybank.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 [www.hlam.com.my](http://www.hlam.com.my).

### **3.9 Permitted Investments**

The Fund may invest in any of the following investments:

- Securities issued or guaranteed by the Government of Malaysia;
- Money market instruments and deposits with financial institutions; and
- Units/shares of money market related CIS in Malaysia.

### **3.10 Investment Limits and Restrictions**

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

- a) The value of the Fund's placements in deposits with any single financial institution must not exceed 20% of the Fund's NAV;

Note: The above limit does not apply to placements of deposits arising from:

- (i) subscription monies received prior to the commencement of investment by the Fund;
  - (ii) liquidation of investments prior to the termination of the Fund, where the placement of deposits with various financial institutions would not be in the best interests of Unit holders;  
or
  - (iii) monies held for the settlement of redemption or other payment obligations, where the placement of deposits with various financial institutions would not be in the best interest of Unit holders.
- b) The aggregate value of the Fund's investments in, or exposure to, a single issuer through money market instruments and deposits must not exceed 25% of the Fund's NAV ("single issuer aggregate limit");

- c) The Fund's investments in money market instruments must not exceed 10% of the instruments issued by any single issuer;  
*Note: The above limit does not apply to money market instruments that do not have a pre-determined issue size.*
- d) The Fund's investments in CIS must not exceed 25% of the units/shares in the CIS;
- e) The value of the Fund's investments in units/shares of a CIS must not exceed 20% of the Fund's NAV, provided the CIS complies with the requirements of the Guidelines;
- f) The value of the Fund's investments in money market instruments issued by any single issuer must not exceed 20% of the Fund's NAV ("single issuer limit"); and
- g) The value of the Fund's investments in money market instruments issued by any group of companies must not exceed 30% of the Fund's NAV.

**The above investment 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 securities that are issued or guaranteed by the Malaysian government or Bank Negara Malaysia.**

### 3.11 Investor Profile

The Fund is suitable for investors who:

- are generally conservative and risk averse;
- prefer a short to medium-term investment horizon; and
- desire a regular stream of income<sup>1</sup>.

### 3.12 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 decisions 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 trades 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.

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Note:

<sup>1</sup> Income may be distributed in the form of cash and/or additional Units. Please refer to Section 3.7. for more information on the Fund's Distribution Policy.

## 4. FEES, CHARGES AND EXPENSES

### 4.1 Charges Directly Incurred On Sale and Redemption of Units.

#### 4.1.1 Sales Charge<sup>^</sup>

A sales charge is a front-end fee incurred by a Unit holder when the Unit holder purchases Units of the Fund. There is no sales charge imposed by the Manager. Sales charge is rounded to the nearest two (2) decimal places.

| Classes            | Sales charge (based on the NAV per Unit) |
|--------------------|--|
| Class A<br>Class D | NIL.                                     |

#### ***Illustration on how sales charge is calculated for Class A:***

Assuming an investor makes an investment of RM10,000 in Class A on 16 January 2023 and that the NAV per Unit for Class A at the end of the Business Day on 16 January 2023 is RM1.0000. If the sales charge is 0.00%, then the computation of the sales charge is as follows:

$$\begin{aligned}\text{Sales charge} &= \text{Sales charge} \times \text{amount invested} \\ &= 0.00\% \times \text{RM10,000} \\ &= \text{RM0}\end{aligned}$$

#### 4.1.2 Redemption Charge<sup>^</sup>

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 intends to redeem 20,000 Units of his investment in HLIF, and the NAV per Unit for the Fund at the end of the Business Day on 16 January 2023 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:

$$\begin{aligned}\text{Redemption proceeds} &= \text{Units redeemed} \times \text{NAV per Unit} \\ &= 20,000 \text{ Units} \times \text{RM1.0000} \\ &= \text{RM20,000} \\ \\ \text{Redemption charge} &= \text{Redemption charge rate} \times \text{redemption proceeds} \\ &= 0\% \times \text{RM20,000} \\ &= \text{RM0.00} \\ \\ \text{Net redemption} &= \text{RM20,000} - \text{RM0.00} \\ \text{proceeds} &= \text{RM20,000}\end{aligned}$$

## 4.2 Fees Indirectly Incurred on Sales and Redemption of Units.

### 4.2.1 Annual Management Fee<sup>^</sup>

The annual management fee is calculated and accrued on a daily basis based on the NAV of the Fund or Class before the deduction of management fee and trustee fee at a rate set out in the table below.

| Classes | Management fee (based on the NAV of the Class) |
|---------|--|
| Class A | Up to 1.00% per annum                          |
| Class D | Up to 0.25% per annum                          |

#### ***Illustration on how annual management fee is calculated for Class A:***

Assuming the daily NAV of the Fund or a Class before the deduction of management fee and trustee fee for Class A at the valuation point for a particular valuation day is RM90,000,000, then the management fee for that particular valuation day is calculated as below:-

$$\frac{\text{RM90,000,000} \times 1.00\%}{365 \text{ days}^*} = \text{RM2,465.75}$$

Therefore, total management fee for Class A for that particular valuation day will be:  
= RM2,465.75

<sup>\*</sup> Note: In the event of a leap year, the annual management fee will be divided by 366 days.

### 4.2.2 Annual Trustee Fee<sup>^</sup>

The annual trustee fee is calculated and accrued on a daily basis based on the NAV of the Fund or Class before the deduction of trustee fee at a rate of up to 0.01% per annum of the Fund's NAV, subject to a minimum of RM12,000 per annum and capped at RM500,000 per annum.

#### ***Illustration on how annual trustee fee is calculated for Class A:***

Assuming the daily NAV of the Fund or Class before the deduction of trustee fee for Class A at the valuation point for a particular valuation day is RM90,000,000, then the trustee fee for that particular valuation day is calculated as below:-

$$\frac{\text{RM90,000,000} \times 0.01\%}{365 \text{ days}^*} = \text{RM24.66}$$

Therefore, total trustee fee for Class A for that particular valuation day will be:  
= RM24.66

<sup>\*</sup> Note: In the event of a leap year, the annual trustee fee will be divided by 366 days.

### 4.2.3 Switching Fee<sup>^</sup>

There is no switching fee imposed on switching of Units.



#### **4.2.4 Transfer Fee<sup>^</sup>**

A transfer fee may be imposed on investors who transfer (either fully or partially) the Units registered in their names to other persons. However, the Manager has waived the transfer fee for the Fund.

#### **4.3 Fund Expenses<sup>^</sup>**

There are other expenses 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 ("CRS"), foreign account tax compliance act ("FATCA"), 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, 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 fund manager may retain goods or 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 fund manager shall not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

*Note:*

*<sup>^</sup> 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).*

|  |
|--|
| <p><b>There are fees and charges involved and investors are advised to consider the fees and charges before investing in the Fund.</b></p> |
|--|

## 5. TRANSACTION INFORMATION

### 5.1 Bases of Valuation of Investments

**Listed & unlisted fixed income securities** - Listed fixed income securities are valued at the closing market price quoted on Bursa Malaysia or relevant stock exchanges. Investments in unlisted fixed income securities denominated in RM are valued on daily basis using fair value prices quoted by a bond pricing agency (BPA) registered with the SC. Where the Manager is of the view that the price for a specific fixed income security differs from the “market price” by more than 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 prices for fixed income security are derived from an average of market quotations obtained from the panel of three financial institutions that are governed by the Financial Services Act 2013.

**Listed collective investment schemes** - Investments in listed 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 collective investment scheme** - The valuation of each unit or share in any unlisted CIS will be based on the last published redemption price per unit or share of such CIS at the valuation point.

**Money market instruments** - The value of any money market instruments will be performed on daily basis by reference to the value of such investments as provided by the financial institutions that issues the investment. Investment in commercial papers are valued on a daily basis using the fair value price quoted by a bond pricing agency (BPA) registered with the SC.

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

**Suspended securities** - Suspended 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](http://www.hlam.com.my).

The valuation of the Fund is conducted on each Business Day at the close of the Bursa Malaysia. If you would like to know the latest price of Units, please contact our Customer Experience personnel or you may refer to our website [www.hlam.com.my](http://www.hlam.com.my) or Section 13 Directory of Sales Offices for our contact details.

**Investors should note that the Manager does not accept responsibility for any errors on the part of the publisher on the prices published daily in various major newspapers (if any), or for any non-publication of prices by such publisher and shall incur no liability in respect of any action taken or loss suffered by investors in reliance upon such publications.**

### 5.3 Pricing Policy

The Manager adopts a Single Pricing policy to price Units in relation to an application for 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) whereby the sales and redemption charge (if any) will be calculated separately based on your invested or redemption amount.

### 5.4 Unit Pricing

The Selling Price and Redemption Price of the Fund or of each Class are calculated based on the next valuation point after the application to purchase or redeem Units is received by the Manager (“Forward Price”).

#### Determination of the NAV per Unit

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

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

#### *Illustration: Computation of the NAV per Unit*

*Figures and examples are meant for illustration purposes only.*

|  | Fund (RM)   | Class A (RM)  | Class D (RM)  |
|--|-------------|---------------|---------------|
| Gross Net Asset Value before income and expenses | 172,500,000 | 87,500,000    | 85,000,000    |
| Multi-class ratio (“MCR”) (%)                    | 100%        | 50.7%         | 49.3%         |
| Add: income                                      | 50,000      | 25,350.00     | 24,650.00     |
| Less: expenses                                   | (20,000)    | (10,140.00)   | (9,860.00)    |
| Gross NAV before management fee & trustee fee    | 172,530,000 | 87,515,210.00 | 85,014,790.00 |
| <u>Less adjustments:</u>                         |             |               |               |
| Management fee per annum                         |             | (2,397.68)    | (582.29)      |
| Trustee fee (0.01%) per annum                    |             | (23.98)       | (23.29)       |
| Net Asset Value                                  |             | 87,512,788.34 | 85,014,184.42 |
| Units in circulation                             |             | 87,500,000.00 | 85,000,000.00 |
| Net Asset Value per Unit in the Base Currency    |             | 1.0001        | 1.0002        |
| NAV per Unit                                     |             | RM 1.0001     | RM 1.0002     |

## 5.5 Purchase of Units

### (a) Calculation on sales charge and Units

The Selling Price of the Fund (or Class) is calculated based on the NAV per Unit of the Fund (or Class) at the next valuation point after the application to purchase Units is received by the Manager on a Business Day ("Forward Price"). There is no sales charge imposed by the Manager.

#### ***Illustration: Calculation on sales charge and Units for Class A***

Assuming the NAV per Unit for Class A at the end of the Business Day of 16 January 2023 is RM1.0000 and the sales charge is 0%, when an investor makes an investment of RM10,000 in Class A, then the total amount to be paid by an investor is as follows:

|                                     |   |                                     |
|-------------------------------------|---|-------------------------------------|
| Investment amount                   | = | RM10,000                            |
| Sales charge                        | = | Sales charge rate X amount invested |
|                                     | = | 0% x RM10,000                       |
|                                     | = | RM0                                 |
| Total amount to be paid by investor | = | Amount invested + Sales charge      |
|                                     | = | RM10,000 + RM0                      |
|                                     | = | RM10,000                            |

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

$$\frac{\text{Amount invested}}{\text{NAV per Unit}} = \frac{\text{RM10,000}}{\text{RM1.0000}} = 10,000 \text{ Units}$$

### (b) Minimum initial and additional investment

The minimum initial investment and minimum additional investment for the respective Classes are as follows:-

| Classes | Minimum Initial Investment | Minimum Additional Investment |
|---------|----------------------------|-------------------------------|
| Class A | RM 1,000                   | RM 100                        |
| Class D | RM 50,000,000              | RM 50,000                     |

The Manager may in its sole discretion allow such other lower amount.

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

### (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; Investment transactions may be performed via HLAM's online portal HL iSmart Invest;
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 (or Class) is calculated based on the NAV per Unit of the Fund (or Class) at the next valuation point after the request for redemption of the Units is received by the Manager on a Business Day (“Forward Price”). However, the Manager does not impose a redemption charge on the redemption of Units for the Fund.

#### **Illustration : Calculation on net redemption proceeds for Class A**

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

$$\begin{aligned}
 \text{Redemption proceeds} &= \text{Units redeemed} \times \text{NAV per Unit} \\
 &= 10,000 \text{ Units} \times \text{RM1.0000} \\
 &= \text{RM10,000.00}
 \end{aligned}$$

Therefore, the amount to be paid to the above investor after deducting the redemption charge will be as follows

|   |              |
|---|--------------|
| Redemption proceeds                     | RM 10,000.00 |
| Less redemption charge                  | NIL          |
|   | -----        |
| Total amount to be paid to the investor | RM 10,000.00 |
|   | -----        |

### (b) Minimum redemption of units

The minimum redemption of Units for the respective Classes are as follows:

| Classes | Minimum redemption of Units |
|---------|-----------------------------|
| Class A | 1,000 Units                 |
| Class D | 50,000 Units                |

The Manager may in its sole discretion allow such other lower amount subject to a minimum account balance requirement.

Partial or full redemption can be made by completing a “Redemption and Cooling-Off Form” and by submitting it through the 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 or Class if it reduces the remaining account balance of the Class to an amount which is lower than the Class’ stipulated minimum account balance. In such circumstances, the Manager may in its sole discretion effect a full redemption on the entire holdings in that Class 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, the 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 net redemption proceeds**

Unit holders 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 interest 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 asset 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.

\* Please refer to section 3.4 – General risks of the Fund – Liquidity risk for further details on liquidity risk management tools.

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.

## **5.7 Fund Switching**

Switching is a facility offered by the Manager to its existing Unit holders. This facility enables you to switch from units of one fund (or class) to units of other fund(s) (or class) 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) (or class) 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 (or Class) 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 stipulated for that fund, 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 holdings of units in the fund that they intended to switch out.
  - Unit holders are not allowed to switch in or out of a new fund during the first three (3) months from the new fund's launch date.
  - There will be no sales charge imposed on an investor who switches his Units to another fund within one (1) month of his investing.
  - For investments through the EPF Members Investment Scheme, investors are to note that switching is subject to EPF's terms and conditions.
  - Switching from an Islamic fund to a conventional fund is not encouraged 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 reserves the right to vary the terms and conditions of the switching facility from time to time.
  - In relation to switching between Classes of the Fund, the minimum balance that must be retained in the Unit holders' account for each Class may differ and may be determined by the Manager from time to time. If the balance (i.e. number of Units) of an investment in a Class is less than the minimum number of Units stipulated for that Class, Unit holders are required to make additional investment in that Class in order to meet the required minimum balance of investment for that Class. Otherwise, the Manager has the discretion to switch the Units to another Class with lower minimum balance which may subject to higher fees or we can redeem the entire investment from that Class and forward the proceeds to the Unit holder.

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

### Switching Illustration

| Switch to<br>Switch from         | Intended Fund   |   |
|----------------------------------|---|---|
|                                  | Current Fund  | Intended Fund   |
|                                  | FUND WITH 0% SALES CHARGE   | FUND WITH SALES CHARGE  |
| <b>FUND WITH 0% SALES CHARGE</b> | <ul style="list-style-type: none"> <li>Reinvest into the intended fund(s) at net asset value per unit.</li> </ul> | <ul style="list-style-type: none"> <li>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).</li> </ul>  |
| <b>FUND WITH SALES CHARGE</b>    | <ul style="list-style-type: none"> <li>Reinvest into the intended fund(s) at net asset value per unit.</li> </ul> | <ul style="list-style-type: none"> <li>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).</li> <li>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.</li> </ul> |

#### **Illustration : Calculation on switching of units for Class A**

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 Class A in HLIF (which imposes a sales charge of 0%) at the NAV per Unit of RM1.0200:

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

$$\begin{aligned}
 \text{Net switching out amount} &= \text{Switching units X Net asset value per unit} \\
 \text{from fund A} &= 20,000 \times \text{RM1.0000} \\
 &= \text{RM20,000} \\
 \\ 
 \text{Difference in sales charge} &= \text{Sales charge of Class A} \\
 &= \text{sales charge of fund A} \\
 &= 0\% - 0\% \\
 &= 0\% \\
 \\ 
 \text{Amount invested in Class A} &= \frac{\text{Net switching amount of fund A}}{1 + \text{Difference in sales charge rate}} \\
 &= \frac{\text{RM20,000}}{(1 + 0.00)} \\
 &= \text{RM20,000}
 \end{aligned}$$

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

$$\begin{aligned}
 \frac{\text{Amount invested in HLIF}}{\text{NAV per Unit of Class A}} &= \frac{\text{RM20,000}}{\text{RM1.0200}} \\
 &= 19,607.84 \text{ Units}
 \end{aligned}$$



## 5.8 Transfer of Units

A Unit holder (the transferor) may transfer Units (either fully or partially) held in the Fund to another person (the transferee) that satisfy the entry requirements of the Manager. This facility is offered by the Manager to its existing Unit holders. The minimum transfer is 1,000 Units or such other lower amount as the Manager may in its sole discretion allow.

For partial transfer of Units, the transferor must maintain the Fund's stipulated minimum account balance otherwise full transfer will be effected or the Manager reserves the right to reject the transfer request. In such circumstances, the Manager shall seek the Unit holder's prior consent in relation to any of the option. If the Unit holder's prior consent is not obtained, the Manager will then reject the transfer request and notify the Unit holder accordingly.

For transfer of Units, the transferor and transferee are required to complete a "Transfer Form" and "Account Opening Form" if the transferee is a new Unit holder. You will receive a confirmation letter to confirm the transaction.

## 5.9 Minimum Account Balance

The minimum balance of Units in each Class that must be retained in an investor's account are set out in the table below.

| Classes | Minimum Account Balance |
|---------|-------------------------|
| Class A | 1,000 Units             |
| Class D | 1,000,000 Units         |

The Manager may in its sole discretion allow such other lower amount.

If the Unit holder holds Units in more than one Class, he must retain the applicable minimum account balance for each of the Classes that he holds.

If the Units of the investments in the Unit holder's account fall below the above minimum account balance due to redemption, transfer or switching, the Manager may in its absolute discretion effect a full redemption, transfer or switching on the entire account and inform the Unit holders thereafter. If the Unit holder holds Units in more than one Class, only the Units of the Class not meeting the minimum account balance will be subject to the full redemption.

## 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 the following distributors:

- Head office of the Manager;
- Branch offices of the Manager;
- Independent tied agents of the Manager, with registration cards issued by the FiMM; and/or
- Other approved IUTAs (as and when appointed by the Manager and agreed by the respective IUTAs).

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

Cooling-off rights is not applicable for investments through the EPF Members Investment Scheme.

The refund for every Unit held by the investor pursuant to the exercise of a cooling-off right shall 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 cash and/or 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 distribution 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 will be credited to the Unit holder's bank account within seven (7) Business Day after distribution date. In the absence of a registered bank account, the distribution (if any) will be re-invested.

## **5.13 Unclaimed Moneys**

Any redemption and termination proceeds payout payable to Unit holders which remain unclaimed after one year as is prescribed by the Unclaimed Moneys Act, 1965 will be surrendered to the Registrar of Unclaimed Moneys in accordance with the said Act.

## **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

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 rectify any incorrect valuation or pricing. Where the incorrect valuation or pricing is at or above the threshold of 0.5% of the Fund's or Classes, NAV per Unit, rectification must be extended to the reimbursement of money:

- (a) if there is an over valuation and/or pricing in relation to the purchase and creation of Units, the Fund shall reimburse the Manager who shall reimburse the Unit holder;
- (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 Manager who 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 or in the case of a foreign currency Class, less than 10.00 denominated in the foreign currency denomination of the Class. This is because the reprocessing costs may be greater than the amount of the adjustment.

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

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

## **6. THE MANAGEMENT COMPANY**

### **6.1 The Manager**

The Manager was incorporated as a private limited company under the Companies Act 1965 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.

### **6.2 The Board of Directors**

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

**Mr. Hoo See Kheng** (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)

### **6.3 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.

### **6.4 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.

**FURTHER INFORMATION ON THE MANAGER AND FUND MANAGER IS PROVIDED IN THE MANAGER'S WEBSITE AT [WWW.HLAM.COM.MY/FUND-HUB](http://WWW.HLAM.COM.MY/FUND-HUB).**

## **7. THE TRUSTEE OF THE FUND**

### **7.1 Profile of CIMB Commerce Trustee Berhad**

CIMB Commerce Trustee Berhad (“CCTB”) was incorporated on 25 August 1994 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 as trustee to unit trust funds**

CCTB has been involved in unit trust industry as trustee since 1996. It acts as Trustee to various unit trust funds, real estate investment trusts, 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 of the Fund, 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 Commerce 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**

CCTB has delegated its custodian function to CIMB Bank Berhad (“CIMB Bank”). CIMB Bank's ultimate holding company is CIMB Group Holdings Berhad a listed company on Bursa Malaysia. CIMB 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 assets, they are held through its wholly owned nominee subsidiary “CIMB Group Nominees (Tempatan) Sdn Bhd”. For foreign non-Ringgit assets, CIMB 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 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 (if any), participate in any increase in the value of the Units and to enjoy other rights and privileges as are provided for in the Deed.

You shall be entitled to a Cooling-Off Period of six (6) Business Days, commencing from the date of receipt of the application by the Manager. However, this cooling-off right is not applicable to certain investors. For details, *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 its 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.

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   |
|--------------------------------|-------------------|--|--|
| 3% of the Fund's NAV per Unit. | NIL.              | Up to 3.00% per annum of the NAV of the Class. | Up to 0.03% per annum of the Fund's NAV, subject to a minimum of RM12,000 per annum. |

### 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:

- the Manager has notified the Trustee in writing of and the effective date for the higher charge;
- a supplemental prospectus or replacement prospectus in respect of the Fund setting out the higher charge is registered, lodged and issued; and
- 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/replacement prospectus stating the higher rate is registered, lodged and issued; and
- Such time as may be prescribed by any relevant law shall have elapsed since the date of the supplemental/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/replacement prospectus stating the higher rate is registered, lodged and issued; and
- Such time as may be prescribed by any relevant law shall have elapsed since the date of the supplemental/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/fees paid to brokers or dealers in effecting dealings in the 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) fees for the valuation of any investment of the Fund;
- (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, insurance and any other dealing of any asset of the Fund;
- (h) costs, fees and expenses incurred in engaging any specialist approved by the Trustee for investigating or evaluating any proposed investment of the Fund;
- (i) costs, fees and expenses incurred in engaging any adviser for the benefit of the Fund;

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\* 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).



- (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 a Class or the removal of the Trustee or the Manager and the appointment of a new trustee or management company;
- (l) costs, fees and expenses incurred in relation to any arbitration or other proceedings concerning the Fund or any 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 defense 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; and
- (p) 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 (o) 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 Manager shall appoint such corporation by writing under the seal of the 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 Manager to the Trustee at the date of such retirement, the 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 Manager before 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 to do so, or such shorter 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 approved by the SC 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.

Notwithstanding the above and subject to the provisions of the relevant laws, 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 interest of the Unit holders and the Manager in consultation with the Trustee deems it to be 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 (50) sen or its equivalent currency denomination of the Class, if applicable, 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 Termination of a Class**

The Manager may terminate a particular Class in accordance with the relevant laws. The Manager may only terminate a particular Class if the termination of that Class does not prejudice the interests of Unit holders of any other Class. For the avoidance of doubt, the termination of a Class shall not affect the continuity of any other Class of the Fund.

Notwithstanding the above and subject to the provisions of the relevant laws, the Manager may, without having to obtain the prior approval of the Unit holders, terminate a Class if such termination:

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

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

If at a meeting of Unit holders to terminate a Class, a Special Resolution to terminate the Class is passed by the Unit holders:

- (a) the Trustee and the Manager shall notify the relevant authorities in writing of the passing of the Special Resolution; and

- (b) the Trustee or the Manager shall as soon as practicable inform all Unit holders of the termination of that Class.

The Trustee shall then arrange for a final review and audit of the final accounts of the Fund attributable to that Class by the Auditor. Upon the completion of the termination of that Class, the Trustee and the Manager shall notify the relevant authorities of the completion of the termination of that Class.

## **8.9 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.

Unless otherwise required or allowed by the relevant laws, the Manager shall within twenty-one (21) days of receiving a direction from not less than fifty (50) or one-tenth (1/10), whichever is less, of all the Unit holders of the Fund or of a particular Class, as the case may be, summon a meeting of the Unit holders of the Fund or of that Class 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 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 SC; 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 or all the Unit holders of a particular Class.

## 9. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST

The directors, Investment Committee members 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

|    | <b>Name of Related Party and Nature of Relationship</b>                       | <b>Existing/Potential Related Party Transaction</b>   |
|----|---|---|
| 1. | Hong Leong Investment Bank Berhad<br>- company associated with the Manager    | <ul style="list-style-type: none"> <li>• Broker for the Fund.</li> <li>• 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.</li> </ul> |
| 2. | Hong Leong Bank Berhad<br>- company associated with the Manager               | <ul style="list-style-type: none"> <li>• Distributor for the Fund.</li> <li>• Deposits and placement of the Fund's asset at the market rate.</li> <li>• Broker for purchase of bond, government and other fixed income securities.</li> </ul>   |
| 3. | Hong Leong Islamic Bank Berhad<br>- company associated with the Manager       | <ul style="list-style-type: none"> <li>• Deposit and placement of the Fund's asset at the market rate.</li> </ul>   |
| 4. | Hong Leong Financial Group Bhd<br>- company associated with the Manager       | <ul style="list-style-type: none"> <li>• Outsourcing of legal (advisory) function; and</li> <li>• Outsourcing of finance and tax services.</li> </ul>   |
| 5. | Listed companies in Malaysia and abroad related to Hong Leong Group Companies | <ul style="list-style-type: none"> <li>• The Fund may invest in related companies at the discretion of the fund manager independently based on merit of each stock.</li> </ul>  |
| 6. | Custodian of Fund's asset   | <ul style="list-style-type: none"> <li>• The Fund has engaged CIMB Group Nominees (Tempatan) Sdn Bhd as the custodian for the assets of the Fund.</li> <li>• CIMB Bank may also act as distributor for the Fund.</li> </ul>   |

|    | <b>Name of Related Party and Nature of Relationship</b>    | <b>Existing/Potential Related Party Transaction</b>   |
|----|--|---|
| 7. | Trustee of Fund  | <ul style="list-style-type: none"> <li>The Fund has engaged CCTB as the trustee for the Fund.</li> </ul>  |
| 8. | Tower REITs managed by company associated with the Manager | <ul style="list-style-type: none"> <li>The Fund may invest in Bursa Malaysia listed Tower REITs and the Manager is renting premises belonging to Tower REITs</li> </ul> |

The Auditor 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 Replacement Prospectus)**

### **PricewaterhouseCoopers Taxation Services Sdn Bhd**

Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
P.O.Box 10192  
50706 Kuala Lumpur

### **The Board of Directors**

Hong Leong Asset Management Bhd  
Level 30, Menara Hong Leong  
No 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur

31 January 2023

### **TAXATION OF HONG LEONG INCOME FUND AND UNIT HOLDERS**

Dear Sirs,

This letter has been prepared for inclusion in the Replacement Prospectus in connection with the offer of Units in Hong Leong Income Fund ("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 a resident for Malaysian tax purposes since the Trustee of the Fund is a resident in Malaysia.

#### **(1) Domestic Investments**

##### **(i) General Taxation**

Subject to certain exemptions, the income of the Fund consisting of dividends or interest (other than interest 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.

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 discount income derived from the following investments is exempt from tax:

- a) Securities or bonds issued or guaranteed by the government of Malaysia;
- b) Debentures<sup>1</sup> 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 income derived from the following investments is exempt from tax:

- a) Interest income paid or credited by any bank or financial institution licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013;
- b) Interest income 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 income paid or credited by Malaysia Building Society Berhad<sup>2</sup>.

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

Exception: -

- i. Wholesale money market fund

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

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<sup>1</sup> 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.

<sup>2</sup> Exemption granted through letters from Ministry of Finance Malaysia dated 11 June 2015 and 16 June 2015 and it is with effect YA 2015.



ii. Retail money market fund (“RMMF”)

Based on the Finance Act 2021, the interest 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 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 new 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 conditions already spelt out previously, resident companies, LLPs and individuals (in relation to a partnership business in Malaysia) are required to comply with economic substance requirements 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 per cent 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 per cent 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.

Gains on disposal of foreign investments by the Fund will not be subject to Malaysian income tax.

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.

### **(3) Hedging Instruments**

The tax treatment of hedging instruments would depend on the particular hedging instruments entered into.

Generally, any gain / loss relating to the principal portion will be treated as capital gain / loss. Gains / losses relating to the income portion would normally be treated as revenue gains / losses. The gain / loss on revaluation will only be taxed or claimed upon realisation. Any gain / loss on foreign exchange is treated as capital gain / loss if it arises from the revaluation of the principal portion of the investment.

### **(4) 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.

### **(5) Real Property Gains Tax ("RPGT")**

With effect from 1 January 2019, any gains on disposal of real properties or shares in real property companies<sup>3</sup> ("chargeable asset") would be subject to RPGT as follows:-

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

### **(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 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 costs to the business.

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

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<sup>3</sup> 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 per cent 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.

Certain brokerage, professional, consultancy or management services obtained by the Fund may be subject to service tax at 6 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 6 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 6 percent.

## **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, resident<sup>4</sup> and non-resident, will generally be liable to income tax at 24 per cent<sup>5</sup> 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 will be utilised against the tax liabilities of these Unit holders.

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<sup>4</sup> Resident companies with paid up capital in respect of ordinary shares of RM2.5 million and below will pay tax at 17 per cent for the first RM600,000 of chargeable income with the balance taxed at 24 per cent, effective from YA 2020.

With effect from YA 2009, the above shall not apply if more than –

- a) 50 per cent of the paid up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company;
- b) 50 per cent 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 per cent 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.

<sup>5</sup> Pursuant to Finance Act 2021, the income tax rate for a company (other than Micro, Small and Medium Enterprises) will be increased to 33 per cent if a company has chargeable income exceeding RM100,000,000 in YA 2022.

The distribution of exempt income and gains arising from the disposal of investments 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 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.

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 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 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 Replacement Prospectus and have not, before the date of issue of the Replacement 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](mailto:inquiry@hlam.hongleong.com.my); or
- Visit our website at [www.hlam.com.my](http://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 03-2081 8600 ext 18611/18612 or email us at [inquiry@hlam.hongleong.com.my](mailto:inquiry@hlam.hongleong.com.my)

You may refer to our website [www.hlam.com.my](http://www.hlam.com.my) or Section 13 – Directory of Sales Offices for our contact details.

### 11.3 Deed

The Fund's deed is dated 31 January 2019, the first supplemental deed dated 25 May 2021, the second supplemental deed dated 9 September 2021 and third supplemental deed dated 16 January 2023.

### 11.4 Financial Year-End\*

The Fund's financial period is a 12-month period ending on the 28 February each year.

*\* Note: 29<sup>th</sup> February in the event of a leap year.*

The Manager shall make available the below mentioned reports within 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.

**The Fund's annual report is available upon request.**

### 11.5 Consent

The Trustee has given its consent in writing for the inclusion of its name in this Prospectus in the form and context in which its name appears in this Prospectus, and it has not subsequently withdrawn its written consent.

## 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;
- The Prospectus and 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 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, any part of which is extracted or referred to in this Prospectus. Where a summary expert's report is included in the 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

### **HONG LEONG ASSET MANAGEMENT BHD**

#### **Head Office**

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](http://www.hlam.com.my)

E-mail : [inquiry@hlang.hongleong.com.my](mailto:inquiry@hlang.hongleong.com.my)

Customer Experience Personnel : +603-2081 8600 ext 18611/18612

#### **Branch Offices**

##### **Ipoh**

2<sup>nd</sup> Floor, Lot 3 Persiaran Greentown 4

Greentown Business Centre

30450 Ipoh

Perak

Tel : +605-255 8388

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##### **Pulau Pinang**

No. 441-1-3

Pulau Tikus Plaza

Jalan Burmah

Pulau Tikus

10350 Pulau Pinang

Tel : +604-2288112

+604-2289112

Fax : +604-2283112

### **INSTITUTIONAL UNIT TRUST ADVISERS (IUTA(s))**

#### **Authorised Distributors:**

For more information about our distributors, kindly contact our Customer Experience Personnel at 03-2081 8600 ext 18611/18612 between 9.00 a.m. to 6.00 p.m. on a Business Day. Alternatively, you can email us at [inquiry@hlang.hongleong.com.my](mailto:inquiry@hlang.hongleong.com.my)