

# PROSPECTUS

## FTSE Bursa Malaysia KLCI etf

(an exchange-traded fund constituted in Malaysia on 18 January 2007 and established on 7 June 2007)

THIS PROSPECTUS DATED 16 APRIL 2021 REPLACES THE PROSPECTUS DATED 7 JUNE 2009, THE SUPPLEMENTARY PROSPECTUS DATED 6 JULY 2009, THE SECOND SUPPLEMENTARY PROSPECTUS DATED 1 DECEMBER 2014, THE THIRD SUPPLEMENTARY PROSPECTUS DATED 1 APRIL 2015, THE FOURTH SUPPLEMENTARY PROSPECTUS DATED 10 SEPTEMBER 2015 AND THE FIFTH SUPPLEMENTARY PROSPECTUS DATED 2 JULY 2019

The Securities Commission Malaysia has approved the listing or quotation of units of the FTSE Bursa Malaysia KLCI etf (“the Fund”) on the Main Market of Bursa Malaysia Securities Berhad and a copy of this Prospectus has been registered by the Securities Commission Malaysia.

The approval, and registration of this Prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of the securities being offered for investments.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of AmFunds Management Berhad, the management company responsible for the Fund and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Admission to the Official List of Bursa Malaysia Securities Berhad is not to be taken as an indication of the merits of the offering, the Fund or of the Fund’s units.

Prospectus Date     **16 April 2021**

The Manager

**AmFunds Management Berhad**

Company number: 198601005272 (154432-A)

The Trustee

**HSBC (Malaysia) Trustee Berhad**

Company number: 193701000084 (1281-T)



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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 16.

All terms used are defined under the “Definitions” section commencing on page vii of this Prospectus.

## RESPONSIBILITY STATEMENTS

The directors of the Manager have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement, or other facts which if omitted, would make any statement in this Prospectus false or misleading.

## ADDITIONAL STATEMENTS

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

## PERSONAL DATA

As part of our day to day business, we collect your personal information when you apply to open an account with us, subscribe to any of our products or services or communicate with us. In return, we may use this information to provide you with our products or services, maintain our records or send you relevant information. We may use your personal information which includes information on any transactions conducted with us, for one or more of the following purposes, whether in Malaysia or otherwise:

- a. Assess your eligibility or suitability for our products which you had applied for and to verify your identity or financial standing through credit reference checks;
- b. To notify you of more and up to-date information such as improvements and new features to the existing products and services, development of new products, services and promotions which may be of interest to you;
- c. Manage and maintain your account(s) through regular updates, consolidation and improving the accuracy of our records. In this manner we can respond to your enquiries, complaints and to generally resolve disputes quickly so that we can improve our business and your relationship with us;
- d. Conduct research for analytical purposes, data mining and analyse your transactions/ use of products and services to better understand your current financial/ investment position and future needs. We will also produce data, reports and statistics from time to time, however such information will be aggregated so that your identity will remain confidential;
- e. Comply with the requirements of any law and regulations binding on us such as conducting anti-money laundering checks, crime detection / prevention, prosecution, protection and security;
- f. Enforcement of our rights to recover any debt owing to us including transferring or assigning our rights, interests and obligations under any of your agreement with us;
- g. In the normal course of general business planning, oversight functions, strategy formulation and decision making within AmBank Group;
- h. To administer and develop the Manager's and/or the Manager's associated companies within the AmBank Group business relationship with you;
- i. Outsourcing of business and back-room operations within AmBank Group and/or other service providers; and
- j. Any other purpose(s) that is required or permitted by any law, regulations, standards, guidelines and/or relevant regulatory authorities including with the trustee of the Fund.

Investors are advised to read our latest or updated Privacy Notice (notice provided as required under the Personal Data Protection Act 2010) available on our website at [www.aminvest.com](http://www.aminvest.com). Our Privacy Notice may be revised from time to time and if there is or are any revision(s), it will be posted on our website and/or other means of communication deemed suitable by us. However any revision(s) will be in compliance with the Personal Data Protection Act 2010.

## **ELECTRONIC PROSPECTUS**

The contents of the electronic copy of this Prospectus and the copy of this Prospectus registered with the Securities Commission Malaysia are the same. Prospective investors may obtain a copy of the Electronic Prospectus from the website of the Fund at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my).

The internet is not a fully secured medium. If investors doubt the validity or integrity of an Electronic Prospectus, investors should immediately request from the Manager a paper or printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper or printed copy of this Prospectus, the contents of the paper or printed copy of this Prospectus which are identical to the copy of this Prospectus registered with the Securities Commission Malaysia shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "Third Party Internet Sites"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, investors acknowledge and agree that:

- (i) each of the Manager and Participating Dealer does not endorse and is not affiliated in any way with the Third Party Internet Sites. Accordingly, each of the Manager and Participating Dealer is not responsible for the availability of, or the contents of any data, files or other material provided on Third Party Internet Sites. Investors bear all risks associated with the access to or use of Third Party Internet Sites;
- (ii) each of the Manager and Participating Dealer is not responsible for the quality of products or services of the Third Party Internet Sites, particularly in fulfilling any terms of agreements with Third Party Internet Sites. Each of the Manager and Participating Dealer is also not responsible for any loss or damage or cost that investors may suffer or incur in connection with or as a result of dealing with Third Party Internet Sites or the use of or reliance on any data, file or other material provided by such parties; and
- (iii) any data, file or other material downloaded from Third Party Internet Sites is done at the investors' own discretion and risk. Each of the Manager and Participating Dealer is not responsible, liable or under any obligation for any damage to investors' computer systems or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the Fund's website (i.e. [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my)), investors are advised that:

- (i) the Manager is only liable in respect of the integrity of the contents of an Electronic Prospectus to the extent of the contents of the Electronic Prospectus on the web server of AmFunds Management Berhad which may be viewed via the investors' web browser or other relevant software. The Manager is not responsible for the integrity of the contents of an Electronic Prospectus which has been obtained from the web server of AmFunds Management Berhad and subsequently communicated or disseminated in any manner to investors or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium.

The Manager is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, investors or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault with the web browsers or other relevant software, any fault on investors' or any third party's personal computers, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of AmFunds Management Berhad respectively, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on investors' personal computers.

## **LICENSING DISCLOSURE STATEMENT AND CONDITIONS**

The following is a licensing disclosure statement requirement pursuant to the Licence Agreements dated 11 December 2006 and 6 July 2009, entered into between the Index Licensor and the Manager:-

The FTSE Bursa Malaysia KLCI etf is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited (“FTSE”) or by Bursa Malaysia Berhad (“BURSA MALAYSIA”) or by the London Stock Exchange Group companies (the “LSEG” and neither FTSE nor BURSA MALAYSIA nor LSEG makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE Bursa Malaysia KLCI (“the Index”), and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, neither FTSE nor BURSA MALAYSIA nor LSEG shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE nor BURSA MALAYSIA nor LSEG shall be under any obligation to advise any person of any error therein.

“FTSE®”, “FT-SE®” and “Footsie®” are trade marks of LSEG and are used by FTSE under licence. “BURSA MALAYSIA” is a trade mark of BURSA MALAYSIA.

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## DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following words and abbreviations shall have the following meanings:-

Application	:	A Creation Application and/or a Redemption Application (as the case may be)
Application Cancellation Fee	:	The fee which may, at the discretion of the Manager, be charged to each Participating Dealer upon the cancellation of (i) each Creation Application and or (ii) each Redemption Application, the maximum level of which shall be as determined by the Manager from time to time, and as set out in Section 4.3 of this Prospectus
Benchmark	:	The FTSE Bursa Malaysia KLCI provided by the Index Licensor or if the License Agreement is terminated for any reason, such alternate or successor index as may be selected by the Manager in accordance with the Deed
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 [165570-W])
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 [635998-W])
Business Day	:	(i) A day (other than Saturdays, Sundays or public holidays) on which:- (a) Financial Institutions are open for business in Kuala Lumpur and money market transactions are carried on in Kuala Lumpur; and (b) Bursa Securities is open for trading of securities; and (c) the Benchmark is compiled and published; or (ii) such other day as may be agreed upon between the Manager and the Trustee from time to time
Cash Component	:	(a) the amount of cash to be paid per Creation Unit Block and which forms part of the In-Kind Creation Basket calculated as at the Valuation Point on the relevant Trade Date and notified by the Manager; or (b) the amount of cash to be received per Redemption Unit Block and which forms part of the In-Kind Redemption Basket calculated as at the Valuation Point on the relevant Trade Date and notified by the Manager,  as the case may be
Cash Creation	:	The creation of Units in Creation Unit Block(s) in exchange for the Subscription Amount delivered by the Participating Dealer
Cash Redemption	:	The redemption of existing Units in Redemption Unit Block(s) delivered by the Participating Dealer in exchange for the Redemption Amount
CDS	:	Central Depository System
CDS Account	:	An account established at Bursa Depository for a depositor for the recording of deposit of securities and for dealing in such securities by the depositor



Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
Clearing House	:	Bursa Malaysia Securities Clearing Sdn Bhd (Registration No.: 198301014323 [109716-D])
CMSA	:	Capital Markets and Services Act 2007
Consideration	:	The price payable for Units applied for pursuant to a Creation Application which shall be the Issue Price multiplied by the number of Units applied for pursuant to the Creation Application
correlation	:	The measure of how two investments or indicators of investment value, such as an index, move in relation to each other. In this context, correlation is the measure of how the Fund's portfolio NAV moves in relation to the Benchmark
Creation Application	:	An application to create new Units
Creation Unit Block	:	The quantity of Units which will be issued upon a successful Creation Application in respect of: <ul style="list-style-type: none"> <li>(i) one (1) whole In-Kind Creation Basket for In-Kind Creation; and</li> <li>(ii) the Subscription Amount for Cash Creation.</li> </ul> <p>The size of a Creation Unit Block may change from time to time as determined by the Manager, and duly notified to the Trustee and the Participating Dealer</p>
Creation Securities	:	The Permitted Investments which, together with the Cash Component (if any), comprise an In-Kind Creation Basket or multiples thereof, are required to be deposited with the Trustee (but which shall not form part of the Fund Assets until such time as the Creation Application is successfully completed) by or for the account of a Participating Dealer pursuant to an approved and successful Creation Application submitted by that Participating Dealer
Dealing Day	:	Each Business Day during the continuance of the Fund when a Creation Application or Redemption Application may be submitted or made
Dealing Deadline	:	In relation to any particular Dealing Day, means such time on that Dealing Day, as is specified in the Participating Dealer Agreement or such other time on the Dealing Day as may be determined by the Manager (with the approval of the Trustee) from time to time and notified to the Participating Dealers, by which a Creation Application and/or Redemption Application must be received
Deed	:	The deed dated 18 January 2007 as amended by the supplemental deed dated 14 May 2007, the second supplemental deed dated 4 June 2007, the third supplemental deed dated 29 June 2009, the fourth supplemental deed dated 24 February 2015 and the fifth supplemental deed dated 16 November 2020 entered into between the Manager, the Trustee and the Unit Holders constituting the Fund as amended by any other deed supplemental thereto
Distribution Account	:	An account (which may be a sub-account of a bank account) to which is credited the Income Entitlement
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the internet, and/or an electronic storage medium, including but not limited to CD-ROMs

Eligible Market	:	A market that:-  (i) is regulated by a regulatory authority within Malaysia; (ii) operates regularly; (iii) is open to the public; and (iv) has adequate liquidity for the purpose of the Fund
ETF	:	Exchange-traded fund
ETF Guidelines	:	Guidelines on Exchange-traded Funds issued by the SC and any amendments thereafter
EUR	:	Euro
Financial Institutions	:	If –  (i) the institution is in Malaysia, any Licensed Bank, Licensed Investment Bank or Licensed Islamic Bank; or  (ii) the institution is outside Malaysia, any institution that is licensed, registered, approved or authorised by the relevant banking regulator to provide financial services
Former Index Share	:	A share which was formerly, but has ceased to be an Index Share
FTSE Bursa Malaysia KLCI etf or Fund	:	The ETF as established by the Deed as from time to time modified or added to and called the “FTSE Bursa Malaysia KLCI etf” or by such other name as the Manager shall decide in consultation with the Trustee
Fund Assets	:	All the assets (including cash) for the time being held or deemed to be held upon trust by the Trustee pursuant to the Deed including Income but excluding any amount for the time being standing to the credit of the Distribution Account
Future Index Share	:	A share listed on Bursa Securities or an Eligible Market which the Manager, in consultation with the Trustee, reasonably believes will be included in the Benchmark
Futures Contract	:	Has the meaning set out in the CMSA
GBP	:	Great Britain Pound
ICULS	:	Irredeemable convertible unsecured loan stocks
Income	:	The income of the Fund which comprises all interest, dividends and other distributions or income which accrue in respect of the Fund Assets including all or any part of the realised capital gains and losses on the sale or realisation or disposal of Fund Assets as the Manager may (without being obliged to), with the consent of the Trustee, from time to time and at any time determine shall be treated as the income of the Fund
Income Entitlement	:	The amount of any income or gain of the Fund calculated in respect of a Unit on a Business Day and allocated to the Unit Holder of that Unit
Index Licensor	:	FTSE International Limited, whose registered office is situated at 10 Paternoster Square, London, EC4M 7LS United Kingdom, the licensor of the Benchmark, who has the right to grant the Manager usage of the Benchmark

Index Shares	:	The shares or interests issued by the companies that are included in the Benchmark from time to time or depository receipts that may be issued against such shares or interests
Indicative Portfolio Value (IOPV) per Unit	Optimised :	The NAV per Unit of the In-Kind Creation Basket, calculated by the Manager in the manner as set forth in Section 5.3 of this Prospectus
In-Kind Creation	:	The creation of new Units in Creation Unit Block(s) in exchange for In-Kind Creation Basket(s) delivered by the Participating Dealer
In-Kind Creation Basket	:	The portfolio of Creation Securities and Cash Component (if any) determined by the Manager in respect of each Dealing Day, that must be delivered by the Participating Dealer pursuant to a Creation Application in exchange for one (1) Creation Unit Block
In-Kind Redemption	:	The redemption of existing Units in Redemption Unit Block(s) delivered by the Participating Dealer in exchange for In-Kind Redemption Basket(s)
In-Kind Redemption Basket	:	The portfolio of Redemption Securities and Cash Component (if any) determined by the Manager in respect of each Dealing Day, that will be received by the Participating Dealer pursuant to a Redemption Application in exchange for one (1) Redemption Unit Block
Issue Date	:	In relation to Units applied for, means the Trade Date on which an Application for such Units is received/ deemed received or such other day as may be agreed upon between the Trustee and the Manager (on either a general or case by case basis) and notified to the Participating Dealers on which Units are to be issued/created
Issue Price	:	The price per Unit at which Units are issued or to be issued from time to time and which shall be ascertained in accordance with the provisions of Section 5.3 of this Prospectus
JPY	:	Japanese Yen
Latest Practicable Date/ LPD	:	21 January 2021, being the latest practicable date for the purposes of ascertaining certain information contained in this Prospectus
Liabilities	:	The outstanding liabilities, costs and expenses of the Fund including without limitation:- <ul style="list-style-type: none"> <li>(a) unpaid administrative fees and expenses including the Manager's Fee and the Trustee's Fee;</li> <li>(b) all fees and expenses and all duties, taxes, governmental charges, brokerage, transfer fees, or other charges or expenses incurred by the Manager and/ or the Trustee in relation to or in connection with any transaction, dealing or instrument or as a consequence of such transaction, dealing or instrument;</li> <li>(c) accrued charges in respect of or owing in relation to any Permitted Investments;</li> <li>(d) amounts required to meet all present liabilities and an appropriate allowance for any contingent liabilities;</li> </ul>

- (e) any provision for tax which in the opinion of the Manager should be taken into account and such sum (if any) as in the estimate of the Manager will fall to be paid or reclaimed in respect of taxation related to income and transactions prior to the relevant date;
- (f) the amount outstanding in respect of any borrowing permitted by applicable laws and the amount of any unpaid interest and expenses in respect thereof;
- (g) any other cost or expenses payable but not paid which are expressly authorised by any of the provisions of the Deed to be payable out of the Fund Assets;
- (h) any other amounts required to meet liabilities or other expenditure which in the opinion of the Manager, with the approval of the Trustee, should be taken into account and which have not otherwise been taken into account in determining the amount of the liabilities in any of the preceding paragraphs of this definition; and
- (i) liabilities shall (where appropriate) be treated as accruing from day to day

Licence Agreement	:	The agreements dated 11 December 2006 and 6 July 2009 entered into between the Index Licensor and the Manager
Licensed Bank	:	Has the meaning assigned to it in the Financial Services Act 2013
Licensed Investment Bank	:	Has the meaning assigned to it in the Financial Services Act 2013
Licensed Islamic Bank	:	Has the meaning assigned to it in the Islamic Financial Services Act 2013
Listing	:	Admission to the Official List and the listing of and quotation for the Units on the Main Market of Bursa Securities
Listing Requirements	:	The Main Market Listing Requirements issued by Bursa Securities
Manager	:	AmFunds Management Berhad (Registration No.: 198601005272 [154432-A])
Manager's Fee	:	A periodic charge determined pursuant to the Deed and payable to the Manager, as set out in Section 4.2 of this Prospectus
NAV	:	The value of all the Fund Assets less the value of all the Liabilities, at the Valuation Point
Non-Index Share	:	A share which is not an Index Share but which is, in the opinion of the Manager, comparable and likely to behave in a manner that is consistent with all or some of the Index Shares
Participating Dealer	:	Any party who has entered into a Participating Dealer Agreement in the form and substance acceptable to the Manager and the Trustee
Participating Dealer Agreement	:	The agreement entered into among a Participating Dealer, the Manager and the Trustee setting out, inter alia:- <ul style="list-style-type: none"> <li>(a) the arrangements in respect of the creation and the issue of Units and the redemption and cancellation of Units; and</li> </ul>

- (b) the obligations of the Participating Dealer as a liquidity provider
- Permitted Investments : Any and all of the following:-
- (a) Index Shares including but not limited to options, warrants, Futures Contracts, rights entitlement and ICULS on such Index Shares;
  - (b) any Future Index Shares including but not limited to options, warrants, Futures Contracts, rights entitlement and ICULS on such Future Index Shares;
  - (c) any Former Index Shares including but not limited to options, warrants, Futures Contracts, rights entitlement and ICULS on such Former Index Shares provided that such Former Index Shares shall only be held for such period after such shares cease to be Index Shares as the Manager, in consultation with the Trustee, determines is necessary to dispose off and replace or substitute such Former Index Shares;
  - (d) Futures Contracts on the Benchmark or a comparable index;
  - (e) Non-Index Shares including but not limited to options, warrants, Futures Contracts, rights entitlement and ICULS on such Non-Index Shares provided that:-
    - (i) the value of such Non-Index Shares shall not, at any time, exceed five per cent (5%) of the value of the Fund or such other percentage as may be approved by the relevant authorities;
    - (ii) such Non-Index Shares have a high correlation to one or more of the Index Shares that it is substituting; and
    - (iii) the Manager deems that such Non-Index Shares are appropriate substitutes given the liquidity constraints with the Index Shares which may have a negative impact on the In-Kind Creation or Redemption activity;
  - (f) any money market collective investment scheme;
  - (g) bills of exchange, promissory notes or other negotiable instruments drawn, accepted or endorsed by the government or semi-government or by a Financial Institution, by a company determined by the Manager in consultation with the Trustee ("Eligible Company") or by any financial corporation or deposits with any such Financial Institution, Eligible Company or registered financial corporation;
  - (h) deposits with an authorised dealer;
  - (i) deposits with or the acquisition of certificates of deposit or any other security issued by a Financial Institution;
  - (j) repurchase agreement of any fixed income securities mentioned above;
  - (k) any other investments not covered by paragraphs (a) – (j) of this definition as determined by the Manager and approved by the SC and the Trustee; and

- (l) any securities or investments not falling within paragraphs (a) – (k) of this definition which are received by or distributed to the Fund by way of a capital distribution, a distribution of dividends in specie or any other distribution relating to the investments set out in paragraphs (a) – (k) of this definition provided always that any such securities shall be disposed off by the Manager as soon as reasonably practicable

Proceeds	:	The sum payable for Units redeemed pursuant to a Redemption Application which shall be the Redemption Price multiplied by the number of Units set out in the Redemption Application
Prospectus	:	Prospectus for FTSE Bursa Malaysia KLCI etf
Redemption Amount	:	The cash sum to be delivered to the Participating Dealer in respect of a Cash Redemption equivalent to the Redemption Price multiplied by the number of Units to be redeemed
Redemption Application	:	An application to redeem existing Units
Redemption Date	:	In relation to Units applied for, means the Trade Date on which a Redemption Application for such Units is received or deemed received or such other day as may be agreed between the Trustee and the Manager (on either a general or case by case basis) and notified to the Participating Dealer on which Units are to be redeemed/ cancelled
Redemption Price	:	The price per Unit at which Units are from time to time redeemed and which shall be ascertained in accordance with the provisions of Section 5.3 of this Prospectus
Redemption Securities	:	The Permitted Investments which, together with the Cash Component (if any), comprise an In-Kind Redemption Basket or multiples thereof, are to be distributed from the Fund to or for the account of a Participating Dealer pursuant to an approved and successful Redemption Application submitted by that Participating Dealer in accordance with the provisions of the Deed
Redemption Unit Block	:	The quantity of Units which is required to be delivered to the Trustee upon a successful Redemption Application in exchange for: <ul style="list-style-type: none"> <li>(i) one (1) whole In-Kind Redemption Basket for In-Kind Redemption; and</li> <li>(ii) the Redemption Amount for Cash Redemption.</li> </ul> <p>The size of a Redemption Unit Block may change from time to time as determined by the Manager, and notified to the Trustee and the Participating Dealer</p>
Register	:	The register of Unit Holders kept and maintained by the Manager or its appointed agent (to the extent required by applicable laws) on the basis only of (a) the number of Units issued to the Unit Holders; (b) the date on which the name of each person was entered in the Register as a Unit Holder; (c) the Units redeemed by the Unit Holders; (d) the date on which any person ceased to be a Unit Holder and (e) records obtained from Bursa Depository annually, or on such other dates as may be determined by the Manager from time to time and at any time
RM and sen	:	Ringgit Malaysia and sen respectively
SC	:	Securities Commission Malaysia

Subscription Amount	:	The Consideration in cash, to be delivered by the Participating Dealer in respect of a Cash Creation
Trade Date	:	The Dealing Day on which the Manager receives/ is deemed to have received a valid Application in accordance with the provisions of the Deed and the Participating Dealer Agreement provided that if such valid Application is received after the Dealing Deadline, the next Dealing Day shall be the Trade Date
Transaction Costs	:	In relation to any particular transaction or dealing, means:- <ul style="list-style-type: none"> <li>(a) all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Fund Assets or the increase or decrease of the Fund Assets or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Fund Assets or otherwise which may have become or may be payable in respect of (whether prior to, upon or after the occasion of) any transaction or dealing; and</li> <li>(b) may include, in relation to an issue of Units and a redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of (i) compensating or reimbursing the Fund for the difference between (aa) the prices used when valuing the Fund Assets in the Fund for the purpose of such issue or redemption of Units and (bb) (in the case of an issue of Units) the prices which would be paid when acquiring the same Fund Assets if they were acquired by the Fund with the amount of cash received by the Fund upon such issue of Units or (in the case of a redemption of Units) the prices which would be obtained when selling the Fund Assets if they were sold by the Fund in order to realise the amount of cash required to be paid out of the Fund upon such redemption of Units and/or (ii) compensating or reimbursing the Fund for any dilution of the NAV of the Fund resulting from the differences between the buying and selling prices of securities, the market value of these securities and other dilutive costs incurred by the Fund, in Cash Creations</li> </ul>
Trustee	:	HSBC (Malaysia) Trustee Berhad (Registration No.: 193701000084 [1281-T])
Trustee Fee	:	A periodic charge determined pursuant to the Deed and payable to the Trustee, as set out in Section 4.2 of this Prospectus
Unit	:	An undivided share in the beneficial interest and/or right in the Fund and a measurement of the interest and/or right of a Unit Holder in the Fund and means a Unit of the Fund
Unit Holder(s)	:	Any person registered as holding a Unit in accordance with the provisions of the Deed
USD	:	United States of America Dollar
Valuation Point	:	Such time or times on each Dealing Day as determined by the Manager from time to time
Zero Strike Call Options	:	The security more fully described in Section 2.4 of this Prospectus

# CORPORATE DIRECTORY

## MANAGER

AmFunds Management Berhad  
(Registration No.: 198601005272 [154432-A])  
*Registered Office:*  
22<sup>nd</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel. No.: 03 – 2036 2633

### *Head Office:*

9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel. No.: 03 – 2032 2888  
Fax No.: 03 – 2031 5210  
E-mail: [enquiries@aminvest.com](mailto:enquiries@aminvest.com)  
Website: [www.aminvest.com](http://www.aminvest.com)

## TRUSTEE

HSBC (Malaysia) Trustee Berhad  
(Registration No.: 193701000084 [1281-T])  
*Registered & Business Office:*  
13<sup>th</sup> Floor, Bangunan HSBC, South Tower  
No. 2 Leboh Ampang  
50100 Kuala Lumpur  
Tel. No.: 03 – 2075 7800  
Fax No.: 03 – 8894 2611

## TRUSTEE'S DELEGATE

Local and foreign assets:  
The Hongkong And Shanghai Banking Corporation  
Limited (as Custodian)  
6/F, Tower 1, HSBC Centre,  
1 Sham Mong Road, Hong Kong.  
Tel. No.: (852) 2288 1111

Local assets (for quoted and unquoted local  
investment of the Fund):

The Hongkong And Shanghai Banking Corporation  
Limited (as Custodian) and assets held through HSBC  
Nominees (Tempatan) Sdn Bhd (Registration No.:  
199301004117 [258854-D])  
No. 2, Leboh Ampang,  
50100 Kuala Lumpur.  
Tel: (03) 2075 3000  
Fax: (03) 8894 2588

The Hongkong And Shanghai Banking Corporation  
Limited (as Custodian) and assets held through HSBC  
Bank Malaysia Berhad  
(Registration No.: 198401015221 [127776-V])  
No. 2, Leboh Ampang,  
50100 Kuala Lumpur.  
Tel: (03) 2075 3000  
Fax: (03) 8894 2588  
Website: [www.hsbc.com.my](http://www.hsbc.com.my)

## AUDITOR OF THE FUND AND THE MANAGER

Ernst & Young PLT (202006000003 (LLP0022760-  
LCA) & AF 0039)  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

## TAX ADVISER

Deloitte Tax Services Sdn Bhd  
(Registration No.: 197701005407 [36421-T])  
Level 16, Menara LGB  
1 Jalan Wan Kadir  
Taman Tun Dr Ismail  
60000 Kuala Lumpur

## PARTICIPATING DEALERS

AmBank (M) Berhad  
(Registration No.: 196901000166 [8515-D])  
22<sup>nd</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur

Malacca Securities Sdn Bhd  
(Registration No.: 197301002760 [16121-H])  
No. 1, 3 & 5, Jalan PPM 9  
Plaza Pandan Malim (Business Park)  
Balai Panjang,  
75250 Melaka

## MARKET MAKERS

Information relating to the market makers may be  
obtained from the Fund's website at  
[www.fbmklcietf.com.my](http://www.fbmklcietf.com.my).

## REGISTRAR

AmFunds Management Berhad  
(Registration No.: 198601005272 [154432-A])  
9<sup>th</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur

## INDEX LICENSOR

FTSE International Limited  
10 Paternoster Square,  
London,  
EC4M 7LS United Kingdom

## SOLICITOR

Messrs Wei Chien & Partners  
D-20-02, Menara Suezcap 1  
No. 2, Jalan Kerinchi  
Gerbang Kerinchi Lestari  
59200 Kuala Lumpur

## LISTED ON

Main Market of Bursa Securities



# 1. EXECUTIVE SUMMARY

The information set out in this section is only a summary of the salient information on the Fund as derived from the full text of this Prospectus. You should read and understand the whole Prospectus prior to deciding whether to invest. Please bear in mind, however, that no fund should be relied upon as a complete investment program.

## 1.1 Summary Particulars of the Fund

Item	Brief Description	Reference in Prospectus
Name of Fund	: FTSE Bursa Malaysia KLCI etf	2
Category of Fund	: Exchange-traded fund	-
Type of Fund	: Equity	-
Base Currency	: RM	-
Financial Year End of the Fund	31 December	-
Benchmark	: The FTSE Bursa Malaysia KLCI or if the Licence Agreement is terminated for any reason, such alternate or successor index as may be selected by the Manager in accordance with the Deed.	2.8
Investment Objective	: The objective of the Fund is to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the Benchmark, balanced with the need to facilitate liquidity provision. Any material change to the Fund's investment objective will require the Unit Holders' approval by way of a resolution of not less than two-thirds of all Unit Holders at a Unit Holders' meeting duly convened and held in accordance with the Deed.	2.2
Investment Strategy	: The Manager will be indexing using complete or partial replication. This will generally result in the Fund investing all or substantially all of its assets in the constituents of the Benchmark. In managing the Fund, the Manager aims to achieve performance, over time, with a correlation of 95% or better between the Fund's portfolio NAV and the Benchmark. The Manager will be responsible to monitor the correlation and if, in the Manager's belief, the current portfolio is not tracking the Benchmark and that it will lead to correlation below the objective of 95%, then the Manager may judiciously rebalance the portfolio to improve correlation or to rectify the divergence. Except for index changes, where rebalancing of the portfolio may have to take place prior to, upon or after the index changes, rebalancing of the portfolio will be carried out, no more than once a month. Where the Manager deems appropriate, the Manager may allow a Participating Dealer that has been pre-approved, to tender Zero Strike Call Options equivalent in value to an In-Kind Creation Basket or	2.3

Item	Brief Description	Reference in Prospectus
Investment Scope	<p>multiples thereof, in exchange for the Units, to facilitate the liquidity provision process.</p> <p>: All Permitted Investments. As a general rule, the Fund will adhere to the following asset allocation:-</p> <ul style="list-style-type: none"> <li>(i) At least 95% in Index Shares and options and warrants referencing the Index Shares (including Zero Strike Call Options); and</li> <li>(ii) not more than 5% in cash or cash equivalents.</li> </ul>	2.9
Investment Restrictions	<p>: </p> <ul style="list-style-type: none"> <li>• Investments abroad by the Fund are subject to the limit approved by Bank Negara Malaysia;</li> <li>• Not more than 10% of the NAV of the Fund may consist of securities of any company not listed or quoted;</li> <li>• The writing of any options by the Fund is not allowed;</li> <li>• Not more than 10% of the NAV of the Fund may consist of shares or units in collective investment schemes (“target fund”);</li> <li>• There must not be any cross-holding between the Fund and target fund where the target fund is also managed and administered by the Manager or where the target fund is managed and administered by any party related to the Manager or delegate;</li> <li>• The Fund’s net market exposure owing to its futures contract position shall not exceed the NAV of the Fund; and</li> <li>• Not more than 50% of the NAV of the Fund or RM50 million, whichever is lower, may be invested in options and warrants referencing the Index Shares (including the Zero Strike Call Options) in accordance with the SC’s variation letter dated 14 May 2007.</li> </ul>	2.9
Investor Profile	<p>: The Fund is designed to be a liquid, low-cost market access vehicle for investors seeking a performance generally similar to the Benchmark. Due to its dual attribute of being a unit trust fund and being listed and traded on Bursa Securities, the Units can be used by both medium to long-term investors and short-term traders.</p>	-
Initial Authorised Fund Size	<p>: 500,000,000 Units</p>	2.1
Units in Circulation	<p>: As at the Latest Practicable Date, 2,508,000.00 Units</p>	-
Creation/ Redemption of Units	<p>: <b>Creation of Units</b></p>	5.1



Item	Brief Description	Reference in Prospectus
	<ul style="list-style-type: none"> <li>(ii) Risks pertaining to use of the Benchmark               <ul style="list-style-type: none"> <li>(I) Changes in the Benchmark</li> <li>(II) Licence to use Benchmark may be terminated</li> <li>(III) Errors or inaccuracies in the Benchmark</li> </ul> </li> </ul>	
	<ul style="list-style-type: none"> <li>(c) Risk Factors Specific to Investing in an ETF               <ul style="list-style-type: none"> <li>(i) Minimum creation and redemption size</li> <li>(ii) Suspension of creations and redemptions</li> <li>(iii) Reliance on Participating Dealers</li> <li>(iv) Units may trade at a discount or premium to NAV</li> <li>(v) Trading market for the Units</li> <li>(vi) Dependent on trading market for Index Shares</li> <li>(vii) Trading of Units on Bursa Securities may be suspended</li> <li>(viii) Units may be delisted from Bursa Securities</li> </ul> </li> </ul>	3.3
	<ul style="list-style-type: none"> <li>(d) Risk Factors Relating to Investments in Derivatives               <ul style="list-style-type: none"> <li>(i) Risks relating to use of derivatives</li> <li>(ii) Risks relating to use of Zero Strike Call Options</li> </ul> </li> </ul>	3.4
Trading of Units	: Unit Holders may trade (buy and sell) Units on the Main Market of Bursa Securities	5.6
Trading Board Lot Size	: One hundred (100) Units	5.6
Income Distribution Policy	: The Fund may periodically be entitled to and receive dividends on the holdings of shares and yields on the placement or investment of its cash. The Manager endeavors to pay out all such income after deducting appropriate fees, expenses and tax, however, the exact amount to be determined will be at the absolute discretion of the Manager.  Cash distributions (if any) are expected to be made semi-annually of which details of declaration dates, distribution amounts, ex-distribution dates and distribution payment dates will be duly published on <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a>	2.6
Manager	: AmFunds Management Berhad	6
Participating Dealers	: 1. AmBank (M) Berhad 2. Malacca Securities Sdn Bhd	-
Trustee	: HSBC (Malaysia) Trustee Berhad	7

Please refer to the relevant sections in this Prospectus as set out above for additional specific information on the respective items on the Fund.

As the above strictly represents a summary of the particulars of the Fund, please read and understand this Prospectus before investing in the Units.

There are fees involved and investors are advised to consider them before investing in the Fund. Units prices and distributions payable, if any, may go down as well as up. For information concerning risk factors which should be considered by prospective investors, see “Risk Factors” commencing on page 16.

## 1.2 Fees, Charges and Expenses

### (a) Charges directly incurred by an investor

This table describes the charges that you may incur (based on the charges imposed by the Bursa Securities as at the date of this Prospectus which charges may be varied from time to time) when you buy or sell Units in the Fund on Bursa Securities.

Charges from trading the Units on Bursa Securities	%/ RM	Reference in Prospectus
Brokerage Fee	: Maximum of 0.70% of the contract value (subject to a minimum of RM40.00) or as prescribed by Bursa Securities.	4.1
Bursa Securities Clearing Fee	: On-market transaction: 0.03% (subject to a maximum of RM1,000.00 per contract). Direct-business transaction: 0.03% (subject to a minimum of RM10.00 and a maximum of RM1,000.00 per contract).	4.1
Stamp Duty	: RM1.00 for every RM1,000.00 or fractional part of value of Units (payable by both buyer and seller), subject to a maximum of RM200.00.	4.1

Further information on the charges you will incur from trading the Units on Bursa Securities may be found at [www.bursamalaysia.com](http://www.bursamalaysia.com).

### (b) Fees and expenses indirectly incurred by an investor

This table describes the fees and expenses that you may incur when you invest in the Fund. These fees and expenses shall be deducted from the Fund Assets.

Fees & expenses	%/ RM	Reference in Prospectus
Annual Manager Fee	: Currently 0.50% <sup>(1)</sup> Subject to a maximum of 1.00% <sup>(1)</sup>	4.2
Annual Trustee Fee <sup>(2)</sup>	: 0.05% <sup>(1)</sup>	4.2
Licence Fee <sup>(3)</sup>	: 0.04%	4.2
Other fund expenses <sup>(4)</sup>	: 0.05% <sup>(1)</sup> (estimate)	4.2

Notes:-

- (1) Applied to the NAV of the Fund.
- (2) The annual Trustee Fee includes local custodian fees and excludes foreign custodian fees (if any).
- (3) The licence fee is payable to the Index Licensor.
- (4) There will be other fees or expenses incurred by the Fund such as audit fees, tax agent's fees, printing and stationery, bank charges, investment committee fees for independent members, lodgement fees for annual reports and other expenses permitted by the Deed.

**(c) Fees and charges payable by Participating Dealers**

Only Participating Dealers are allowed to request the Manager to create and/or redeem Units in the Fund. This will be done in accordance with the terms and conditions set out in the Participating Dealer Agreement. Participating Dealers will incur additional fees should they request for creation and/ or redemption of Units with the Manager.

The maximum fees charged by the Manager and/or the Trustee for the creation and/or redemption of Units are set out in the Participating Dealer Agreement and includes any out-of-pocket expenses incurred by the Manager and/or the Trustee arising from the request for creation and/ or redemption of Units by the Participating Dealers.

The table below describes the said fees:-

Type of fee/ charge	Description	Reference in Prospectus
Creation Application Fee	: RM200.00 (and subject to a maximum of RM2,000.00) and any other charges, expenses and costs incidental to the transfer of Units payable to the Manager or such amount as may be determined by the Manager, in consultation with the Trustee, from time to time and at any time.	4.3
Creation Application Cancellation Fee	: RM100.00 (and subject to a maximum of RM1,000.00) and any other charges, expenses and costs incidental to the transfer of Creation Securities payable to the Manager or such amount as may be determined by the Manager, in consultation with the Trustee, from time to time and at any time.	4.3
Redemption Application Fee	: RM200.00 (and subject to a maximum of RM2,000.00) and any other charges, expenses and costs incidental to the transfer of Redemption Securities payable to the Manager or such amount as may be determined by the Manager, in consultation with the Trustee, from time to time and at any time.	4.3
Redemption Application Cancellation Fee	: RM100.00 (and subject to a maximum of RM1,000.00) and any other charges, expenses and costs incidental to the transfer of Units payable to the Manager or such amount as may be determined by the Manager, in consultation with the Trustee, from time to time and at any time.	4.3
Other Fees	: The amount (other than the Transaction Costs) that may be incurred by the Manager and/or the Trustee from time to time in relation to the Creation/ Redemption Applications submitted by the	4.3

Type of fee/ charge	Description	Reference in Prospectus
Transaction Costs	Participating Dealers, which is charged by Bursa Depository in relation to the Applications. Such fees will be disclosed in the In-Kind Creation or Redemption Basket on a daily basis. : The Manager shall, in consultation with the Trustee, reserve the right to charge additional Transaction Costs.	4.3

### 1.3 Other Information

The Deed is dated 18 January 2007 as amended by the supplemental deed dated 14 May 2007, the second supplemental deed dated 4 June 2007, the third supplemental deed dated 29 June 2009, the fourth supplemental deed dated 24 February 2015 and the fifth supplemental deed dated 16 November 2020 and have been entered into between the Manager and the Trustee.

For enquiries about this Fund, please call 03 – 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday-Thursday) and 8.45 a.m. to 5.00 p.m. (Friday).

**Please refer to Section 4 of this Prospectus for further details on the fees, charges and expenses relating to investing in the Fund. You should read and understand the contents of this Prospectus and, if necessary, consult your adviser(s).**

**There are fees involved and investors are advised to consider them before investing in the Fund. Units prices and distributions payable, if any, may go down as well as up. For information concerning risk factors which should be considered by prospective investors, see “Risk Factors” commencing on page 16.**

## **2. THE FTSE BURSA MALAYSIA KLCI ETF**

### **2.1 Listing of the Fund on Bursa Securities**

The Fund is listed on the Main Market of Bursa Securities and up to five hundred million (500,000,000) Units of the Fund can be quoted and listed on the Main Market of Bursa Securities. In this respect, the approval-in-principle for the listing of a quotation for up to five hundred million (500,000,000) Units of the Fund on the Main Market of Bursa Securities was obtained from Bursa Securities on 22 January 2007. As at the Latest Practicable Date, 2,508,000.00 Units of the Fund has been issued and listed on the Main Market of Bursa Securities.

**Pursuant to Section 14 (1) of the Central Depositories Act, Bursa Securities has prescribed the Units as a prescribed security. In consequence thereof, the Units offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Units will be carried out in accordance with the Central Depositories Act and the rules of Bursa Depository.**

### **2.2 Investment Objective**

The objective of the Fund is to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the Benchmark, balanced with the need to facilitate liquidity provision. Liquidity in the primary and secondary markets help investors buy and sell the Units at prices close to their NAV.

Any material change to the Fund's investment objective will require the Unit Holders' approval by way of a resolution of not less than two-thirds of all Unit Holders at a meeting of Unit Holders duly convened and held in accordance with the Deed.

### **2.3 Investment Strategies**

The Manager will use quantitative techniques including indexing via replication (complete or partial) to arrive at a portfolio that, in the Manager's belief, should have a high correlation between the Fund and the Benchmark and facilitates liquidity provision. Indexing via replication is investing in a portfolio designed to track an index by replicating the whole or a substantial part of the index by investing all or substantially all the Index Shares in substantially the same weightings as the Benchmark, or derivatives (to the extent possible). However, there can be no assurance that the Fund will be able to achieve its objective.

By indexing, the Manager does not attempt to outperform the Benchmark through stock picking or market timing and does not purport to exercise any judgment over the investment merits of a security through economic, financial or market analysis. In return, the Manager will charge a management fee lower than that charged by traditional actively managed funds.

The Manager will generally invest the Fund Assets in all the Index Shares in the same approximate proportion as their weightings within the Benchmark. From time to time, if the Manager believes that it will help the Fund to achieve its objective, the Fund may invest in securities besides index constituents, to reflect certain corporate actions, index rebalancing, additions and deletions. Where the Manager deems appropriate, the Manager may allow a Participating Dealer that has been pre-approved, to tender Zero Strike Call Options equivalent in value to an In-Kind Creation Basket or multiples thereof, in exchange for the Units, to facilitate the liquidity provision process. Within the limits set by applicable regulations, the Fund may also invest in Futures Contracts on the Benchmark or comparable indices, provided that such instruments are Permitted Investments. However, the investment in such Futures Contracts will not be for purposes of leverage. The Fund will also invest in money placements, repos, money market instruments or money market funds to obtain appropriate yields on the Fund's cash holdings pending distribution, again, provided that such instruments are Permitted Investments.

However, various circumstances may make it impossible or impracticable to purchase each component Index Share in such weightings. In those circumstances, the Manager may employ, alone or in combination, other investment techniques in seeking to closely track the performance of the Benchmark.



## **2.4 The Zero Strike Call Options**

### ***General***

The Zero Strike Call Options are a specific derivative instrument that the Fund may use to help achieve its objective of a price and yield performance similar to that of the Benchmark, balanced with the need to facilitate liquidity provision.

The Zero Strike Call Options are a low strike price, American exercise call options, referencing a portfolio of shares similar to the constituents of the Benchmark or the In-Kind Creation Basket of the Fund. The value and price performance of the Zero Strike Call Options are expected to be similar to holding a portfolio of shares similar in weighting to the Benchmark. As such, the performance of the Fund is not expected to be negatively affected with its use.

The Fund is expected to hold around 20% to 40% of its NAV in these instruments (as the circumstances may require) but not more than 50% of the NAV or RM50 million in total (value at transaction), whichever is lower, in accordance with the Deed and as permitted by the SC.

### ***Features***

As the strike price of the instruments is low - nominal strike price of 0.0001 sen - there will be no payment of exercise price in order to exercise the Zero Strike Calls. Their American style exercise feature means that the instruments are exercisable at any time during the tenure of the option and automatically upon expiry, unless they are rolled over. Settlement of the Zero Strike Call Options will be by way of physical settlement (via delivery of the underlying shares) unless hindered by market disruption events. In the occurrence of a market disruption event, they will be cash settled.

The maturity of the Zero Strike Call Options can be up to twelve (12) months but will usually be of six (6) months maturity. They can be rolled over if necessary to be continued. The Zero Strike Calls are Ringgit-denominated.

### ***Trade Price, Valuation and Settlement Price***

The Zero Strike Call Options reference a portfolio of shares. Because the strike price is nominal, the initial trade price is the summation of value of all securities and cash contained in the reference portfolio. Day-to-day valuation of the instruments will be the summation of value of all securities and cash in the reference portfolio using the closing prices of that particular day. The settlement price is the summation of value of all securities and cash in the reference portfolio using that day's closing prices less any exercise expenses (currently expected to be nominal).

### ***Dividends***

The Zero Strike Call Options do not pay dividends. A buyer of Zero Strike Call Options is entitled to have weighted amounts of dividends going ex from the underlying shares in the reference basket, less tax and expenses, to be added to the cash component of the reference basket.

### ***Creation/ Redemption of Units via Zero Strike Call Options***

At the discretion of the Manager, the creation of the Units can be effected via Zero Strike Call Options. The minimum size of the Zero Strike Call Options for such creations will be the equivalent in value of one In-Kind Creation Basket. The Manager also reserves the right to settle redemptions via the cancellation of Zero Strike Call Options with the corresponding issuer/ Participating Dealer.

### ***Issuer of the Zero Strike Call Options***

The issuer of the Zero Strike Call Options must be a Financial Institution with a minimum long-term rating that indicates strong capacity for timely payment of financial obligations provided by any domestic or global rating agency.

Any counterparties approved in the future must be Participating Dealers and will be subject to the relevant regulatory requirements.

## **2.5 The Risk Management Strategies and Techniques to be Employed by the Fund Manager**

A Zero Strike Call Option is an alternative for efficient portfolio management, to improve tracking, to facilitate liquidity provision and not for leverage. However, this exposes the Fund to counterparty risk of the issuer. To safeguard the Fund, the issuer must be a Financial Institution with a minimum long-term rating that indicates strong capacity for financial obligation and the Fund cannot hold more than 50% of its NAV in Zero Strike Call Option.

## **2.6 Income Distribution Policy**

To the extent that the Fund will be holding shares and cash in its portfolio, it may periodically be entitled to and receive dividends on the holdings of shares and yields on the placement or investment of its cash. The Manager endeavours to pay out all such income after deducting appropriate fees, expenses and tax, however, the exact amount to be determined will be at the absolute discretion of the Manager, in accordance with the Deed. Since the holdings of the Fund will be substantially similar but not exactly similar to the constituents of the Benchmark, its corresponding yield may not be exactly similar to the yield of the index.

Cash distributions (if any) are expected to be made semi-annually of which details of declaration dates, distribution amounts, ex-distribution dates and distribution payment dates will be duly published on [www.bursamalaysia.com](http://www.bursamalaysia.com).

Any standing amount to the credit of the Distribution Account shall not be part of the Fund Assets but held in trust for distribution.

The Manager shall compute the Income daily over the duration of the Fund.

Unit Holders may either:-

- (i) receive a cheque;
- (ii) instruct the Manager to deposit the income earned into the Unit Holder's nominated bank account via telegraphic transfer; or
- (iii) such other method acceptable to the Manager or Trustee (as the case may be) as the Unit Holder may from time to time specify.

## **2.7 Correlation and Rebalancing**

Correlation, in this context, is the measure of how the Fund's portfolio NAV moves in relation to the Benchmark. If the Fund's portfolio NAV moves exactly like the Benchmark, there is perfect correlation or 100% correlation. If the Fund's portfolio NAV does not move exactly like the Benchmark, the correlation is less than 100%.

The Benchmark is a theoretical calculation while the Fund's portfolio is actual holdings of shares. The performance of the two may vary due to transaction costs, fees, expenses and taxes. In addition, the use of partial replication where the Manager, for practical reasons, does not hold a portfolio exactly as that in the Benchmark can lead to correlation of less than 100%.

In managing the Fund, the Manager aims to achieve performance, over time, with a correlation of 95% or better between the Fund's portfolio NAV and the Benchmark. The Manager will be responsible to monitor the correlation and if, in the Manager's belief, the current portfolio is not tracking the Benchmark and that it will lead to correlation below the objective of 95%, then the Manager may judiciously rebalance the portfolio to improve correlation or to rectify the divergence. The Manager will carry out the rebalancing of the portfolio arising from error in tracking the Benchmark due to:-

- (i) NAV may not track the Benchmark exactly;
- (ii) Changes in the Benchmark; and
- (iii) Errors or inaccuracies in the Benchmark.

Except for index changes, where rebalancing of the portfolio may have to take place prior to, upon or after the index changes, rebalancing of the portfolio will be carried out, no more than once a month.

**There is no guarantee or assurance of exact or identical replication at any time of the performance of the Benchmark.**

## 2.8 Description of the Benchmark

The Benchmark, namely the FTSE Bursa Malaysia KLCI, is currently provided by the Index Licensor through the Licence Agreements dated 11 December 2006 and 6 July 2009, entered into between the Index Licensor and the Manager.

Bursa Malaysia Berhad and FTSE Group introduced enhancements to the Kuala Lumpur Composite Index (“KLCI”) on 6 July 2009, adopting the FTSE global index standard and is known as FTSE Bursa Malaysia KLCI. The index was adopted on 6 July 2009, with the opening value taken from the closing value of the old KLCI on 3 July 2009.

The Index Licensor is not a related corporation of the Manager.

The FTSE Bursa Malaysia KLCI has a base date of 1 January 1977 with a base value of 100.

The FTSE Bursa Malaysia KLCI represents the top thirty (30) companies listed on Bursa Malaysia’s Main Market based on investable market capitalization. It is free-float adjusted and liquidity-screened to give investors a highly investable and tradable index which remains characteristic of the underlying market. The index will be calculated by FTSE according to transparent, publicly available rules and overseen by a committee of independent market practitioners who will review the index twice a year in June and December.

As at 31 December 2020, the top ten (10) constituents of the Benchmark and its weightings are as follows:-

Stock Code	Stock Name	Weights
1295	Public Bank Bhd	12.24%
1155	Malayan Banking Berhad	9.74%
5347	Tenaga Nasional Bhd	7.80%
7113	Top Glove Corp	6.35%
1023	CIMB Group Holdings Berhad	5.77%
5183	PETRONAS Chemicals Group Bhd	4.03%
5168	Hartalega Holdings Bhd	3.43%
5285	Sime Darby Plantation	3.42%
6888	Axiata Group Bhd	3.33%
5225	IHH Healthcare Berhad	3.14%
<b>Total</b>		<b>59.25%</b>

Source: [www.ftserussell.com](http://www.ftserussell.com)

**Benchmark composition may change and securities may be delisted.**

**There is a lack of discretion for the Fund to adapt to market changes due to the inherent investment nature of ETFs and that falls in the Benchmark are expected to result in corresponding falls in the value of the Fund.**

In accordance to the Deed, the Manager may, after taking into account the interests of the Unit Holders and subject to the approval of the SC, replace the Benchmark with another index in the event any of the following occurs:-

- (a) the Benchmark ceases to exist;
- (b) a major change is made in the formula or method used to calculate the Benchmark (other than a change in accordance with the operating rules of the Benchmark, such as a change in constituents), which may affect the constituents of the Benchmark;
- (c) a new index replacing the existing Benchmark is released;
- (d) in the opinion of the board of directors of the Manager a new index permitting better valuation of the Fund is released. The decision to replace the Benchmark, which is a price return index, will be based on objective financial criteria, including an index with lower turnover ratio and/or an index that charges lower index licence fee, all of which will translate to lower cost and higher total return of the Fund and in turn better valuation of the Fund;
- (e) if it becomes difficult to invest in the securities forming the Benchmark or if part of the securities forming the Benchmark have limited liquidity;
- (f) the Index Licensor increases its licence fee to a level considered too high by the Manager; or
- (g) in the opinion of the Manager, the quality (including the precision and availability of data) of the Benchmark has deteriorated.

The Manager may change the name of the Fund if the Benchmark is replaced. Any replacement of the Benchmark must first be approved by the SC and/or any other authorities, as the case may be.

Notwithstanding the above, the Manager shall not replace the Benchmark with a new index without the approval of the Unit Holders if the objective of the new index differs from that of the Benchmark.

#### Further Information on the Benchmark

Information and other important news on the Benchmark can be obtained from [www.bursamalaysia.com](http://www.bursamalaysia.com) (for index ground rules and methodology) and the Fund's website at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my).

**The Benchmark may be replaced in the event of cessation of the availability of the Benchmark.**

## **2.9 Investment Scope and Restrictions**

### ***Investment Scope***

The Manager is authorised to invest in the following types of assets or instruments subject to the investment restrictions more particularly set out in the Deed:-

- (a) Index Shares including but not limited to options, warrants, Futures Contracts, rights entitlement and ICULS on such Index Shares;
- (b) any Future Index Shares including but not limited to options, warrants, Futures Contracts, rights entitlement and ICULS on such Future Index Shares;
- (c) any Former Index Shares including but not limited to options, warrants, Futures Contracts, rights entitlement and ICULS on such Former Index Shares provided that such Former Index Shares shall only be held for such period after such shares cease to be Index Shares as the Manager, in consultation with the Trustee, determines is necessary to dispose off and replace or substitute such Former Index Shares;

- (d) Futures Contracts on the Benchmark or a comparable index;
- (e) Non-Index Shares including but not limited to options, warrants, Futures Contracts, rights entitlement and ICULS on such Non-Index Shares provided that:- (i) the value of such Non-Index Shares shall not, at any time, exceed five per cent (5%) of the value of the Fund or such other percentage as may be approved by the relevant authorities; (ii) such Non-Index Shares have a high correlation to one or more of the Index Shares that it is substituting; and (iii) the Manager deems that such Non-Index Shares are appropriate substitutes given the liquidity constraints with the Index Shares which may have a negative impact on the in-kind creation or redemption activity;
- (f) any money market collective investment scheme;
- (g) bills of exchange, promissory notes or other negotiable instruments drawn, accepted or endorsed by the government or semi-government or by a Financial Institution, by an Eligible Company or by any financial corporation or deposits with any such Financial Institution, Eligible Company or registered financial corporation;
- (h) deposits with an authorised dealer;
- (i) deposits with or the acquisition of certificates of deposit or any other security issued by a Financial Institution;
- (j) repurchase agreement of any fixed income securities mentioned above;
- (k) any other investments not covered by paragraphs (a) – (j), above, as determined by the Manager and approved by the SC and the Trustee; and
- (l) any securities or investments not falling within paragraphs (a) - (k), above, which are received by or distributed to the Fund by way of a capital distribution, a distribution of dividends in specie or any other distribution relating to the investments set out in paragraphs (a) - (k), above, provided always that any such securities shall be disposed off by the Manager as soon as reasonably practicable.

As a general rule, the Fund will adhere to the following asset allocation:-

- (i) at least 95% in Index Shares and options and warrants referencing the Index Shares (including Zero Strike Call Options); and
- (ii) not more than 5% in cash or cash equivalents.

The Fund must not borrow cash or other assets (including borrowing of securities within the meaning of the Securities Borrowing and Lending Guidelines issued by the SC (“SBL Guidelines”)) in connection with its activities. However, the Fund may borrow or obtain cash for the purposes of meeting redemption request for Units and for short term bridging requirements.

Subject to any applicable laws relating to securities lending, the Fund may participate in the lending of securities within the meaning of the SBL Guidelines. However, as at the Latest Practicable Date, the Fund does not participate in lending of securities.

### ***Investment Restrictions***

The following are some investment restrictions imposed upon the Fund by the ETF Guidelines:-

- (i) Investments abroad by the Fund are subject to the limit approved by Bank Negara Malaysia.
- (ii) The investment of the Fund in securities that are not traded in, or under the rules of an Eligible Market, must not exceed 10% of the NAV of the Fund and is subject to the following conditions:-
  - (a) the investment is relevant and consistent with the investment objective of the Fund;

- (b) the issuer of the securities must be incorporated in Malaysia; and
  - (c) the Fund must have appropriate policies and procedures for the valuation of the securities.
- (iii) The investment of the Fund in warrants and options is subject to the following conditions:-
- (a) the use of warrants and options is consistent with the Fund's investment objective in minimizing the tracking error of the Fund;
  - (b) the writing of any options by the Fund is not allowed.
- (iv) The investment of the Fund in units or shares in other collective investment schemes ("target funds") is subject to the following conditions:-
- (a) the investment in the target funds must be relevant and consistent with the investment objective of the Fund and must not exceed 10% of the NAV of the Fund;
  - (b) other than for real estate investment trusts established in Malaysia, the objectives of the target fund must not be to invest in any investment or transact in any instrument prohibited by the ETF Guidelines;
  - (c) where the objectives of the target fund include investing or transacting in instruments restricted by the ETF Guidelines, the effective holding of the Fund in the units or shares in the target fund combined with any other holding must not be in contravention of the ETF Guidelines;
  - (d) there must not be any cross-holding between the Fund and target fund where the target fund is also managed and administered by the Manager or where the target fund is managed and administered by any party related to the Manager or delegate thereof;
  - (e) the investment in the target fund must be particularly appropriate based on the target fund's investment in a particular style, securities/instruments, class of securities/instruments, economic sector, market or geographic area; and
  - (f) there must not be any increase in the overall fees and charges incurred by the Unit Holders.
- (v) The Fund's participation in Futures Contracts is subject to the following conditions:-
- (a) the Futures Contracts shall be traded in or under the rules of the Eligible Market;
  - (b) the use of Futures Contracts shall be for hedging purposes; and
  - (c) the Fund's net market exposure owing to its Futures Contracts position shall not exceed the NAV of the Fund.
- (vi) The level of investments of the Fund in liquid assets should be determined by the Manager.

In addition, the Fund may not invest more than 50% of its NAV or RM50 million, whichever is lower, in options and warrants referencing the Index Shares (including the Zero Strike Call Options) in accordance with the SC's variation letter dated 14 May 2007. Further details of this variation can be found in Section 9 of this Prospectus.

## **2.10 Valuation of the Fund Assets**

- (a) The NAV of the Fund shall be calculated by the Manager or its agent as at each Valuation Point by valuing the Fund Assets in accordance with Section 2.10 (b) below and deducting the Liabilities.

- (b) The valuation of the Fund Assets shall be done in accordance with applicable Malaysian Accounting Standard Board Approved Accounting Standards in Malaysia and in accordance with the ETF Guidelines.

## **2.11 Valuation Bases for All Related Securities and Instruments of the Fund**

The Manager in undertaking any of the Fund's investment will ensure that all the Fund Assets are valued appropriately with their respective asset classes and will be valued at fair value in compliance with the SC's valuation guidelines.

The bases of valuations of the securities/ instruments are as follows:-

- i) Listed local and foreign securities will be valued daily based on the last done price of the respective markets.
- ii) Suspended securities will be valued based on the last done market price. However, if the quotation of the securities has been suspended for a period exceeding fourteen (14) days or the valuation based on the market price does not represent the fair value of the securities, the fair value will be determined in good faith by the Manager based on the methods or bases approved by the Trustee after appropriate technical consultation.
- iii) Liquid assets placed with banks and other Financial Institutions will be valued on each day by reference to the principal value of such investments and the profits accrued thereon for the relevant period.

## **2.12 Policy in Respect of Valuation Points(s) to Determine the NAV of the Fund**

Valuation of the Fund will be carried out at least once every Business Day. For the purpose of determining the NAV and Unit price of the Fund, the valuation of the Fund will be the next Business Day (around noon).

The pricing policy adopted for the Units (as described above) is based on forward pricing, whereby the NAV per Unit of the Fund will be based on the next Valuation Point after an instruction or request is received. It serves to minimise potential risk of arbitraging activities on market movement which is detrimental to existing investors.

### **3. RISK FACTORS**

In evaluating an investment in the Fund and before deciding to invest in the Units, you should carefully consider all information contained in this Prospectus (which is not intended to be exhaustive) including but not limited to the general and specific risks of the Units as well as seek professional advice from your relevant advisers about your particular circumstances.

Investing in ETFs involve a number of risks. Some of these risks are common in all investments in unit trust funds. Others are present in all investments in passively managed funds. The risks due specifically to investing in ETFs are few. Some or all of these risks may adversely affect the NAV of the Fund, trading price, yield, return and/or its ability to meet its objectives.

#### **3.1 Risk Factors Specific to Investment in Unit Trust Funds**

**(i) Market risk**

This is the risk of investing in the equity market. The value of the securities in which a fund invests may go up or down in response to the prospects of individual companies and/or prevailing economic, political, etc. conditions.

**(ii) Investment risk**

There can be no assurance that the Manager will achieve the investment objective of the Fund. Investors should be aware that past performance is not necessarily a guide to future performance. In addition, there is no guarantee that you will be able to recover your principal investment.

**(iii) Termination of the Fund**

The Fund may be terminated under the circumstances as specifically described in the Deed.

**(iv) Risk associated with securities lending**

As the Fund may participate in the lending of securities within the meaning of the SBL Guidelines, the Fund may be exposed to additional risks. For example, borrower default risk where the borrower may fail to return the borrowed securities in a timely manner. This may impact the Fund's ability to meet the payment obligations arising from redemption request due to delay or failure in settlement of the securities lent. The Manager will take necessary steps to ensure that not all of the Fund's assets are loaned out at any one point during the lifetime of the Fund in order to mitigate the risk. In addition, the Fund may also suffer a loss as a result of the delay in recovering the title and ownership of the securities lent out. While the Manager will receive collateral for the loan where it seeks to replace the loaned securities in an occurrence of a default event by the borrower, there is no assurance that this risk could be mitigated all together.

#### **3.2 Risk Factors Specific to Investing in Passively Managed Unit Trust Funds**

**(i) Risks of passive management**

**(l) Lack of discretion of the Manager to adapt to market changes**

The main objective of a passively managed fund is to track the performance of its benchmark. In this strategy, the Manager does not try to outperform the Benchmark and does not seek temporary defensive positions when markets decline. Accordingly, a fall in the Benchmark should result in a corresponding fall in the NAV of the Fund.



(II) Indexing

By indexing, the Manager does not attempt to outperform the Benchmark. Hence, the Manager will not engage in stock picking or market timing and will not purport to exercise any judgment over the investment merits of a security through economic, financial or market analysis.

(III) Partial replication strategy

Partial replication is investing in a substantial part of an index but not in all of the constituents of the index. This may lead to a lower correlation between the performance of the Fund and that of the Benchmark compared to if all the index constituents are used in indexing. Having a concentration of liquid, large capitalization index constituents may also lead to lower correlation if small capitalization constituents in the index outperform or underperform large capitalization constituents for prolonged periods.

(IV) NAV may not track the Benchmark exactly

Changes in the value of the Fund may not replicate exactly the changes in the Benchmark. This is due to, amongst other things, mistracking of returns between the Fund's portfolio holdings and those of the Benchmark, the fees and expenses payable by the Fund, transaction costs and dividends received, but not distributed, by the Fund. In addition, there may be timing differences between changes in the Benchmark and a corresponding adjustment of the Fund's portfolio. Such costs, expenses, timing differences or holdings could cause the Fund's value to be lower or higher than the relative level of the Benchmark.

(V) Distributions are contingent on dividends being paid on shares held in the Fund

The ability of the Fund to pay distributions on the Units is dependent on the dividends declared and paid by the companies whose shares are held by the Fund and the level of fees and expenses payable by the Fund. There can be no assurance that such companies will declare dividends or make other distributions. To the extent possible, the Fund's fees and expenses will be paid out of the dividends the Fund receives. To the extent dividends received by the Fund are insufficient to meet its fees and expenses, the excess will be met by disposal of part of the Fund's portfolio of investments. Any such disposition of investments may cause the NAV of the Fund to fall, and may adversely affect the trading price of the Units. You may therefore not receive any distributions. You will not receive any dividends or other distributions directly from the companies in which the Fund invests.

**(ii) Risk pertaining to use of the Benchmark**

(I) Changes in the Benchmark

The Benchmark is subject to periodic review and revisions. Announcements that are made with respect to potential deletions from and additions to the Benchmark can affect the price of affected companies as well as other companies and the Benchmark as a whole. The Fund may hold securities issued by companies that may be deleted from the Benchmark and may begin to acquire securities issued by companies that may be added to the Benchmark. The relative performance of these two (2) groups of stocks can have an adverse impact on the Fund.

(II) Licence to use Benchmark may be terminated

The Manager has been granted a licence (the "Licence") under the Licence Agreement to use the Benchmark as a basis for the composition of the Fund, and to use certain trade names and trademarks associated with the Benchmark. The Manager is unlikely to be able to fulfil the investment objective of the Fund in the event that the Licence is terminated.

(III) **Errors or inaccuracies in the Benchmark**

There may be inaccuracies, errors, omissions or mistakes in the compilation or calculation of the Benchmark, which may result in significant deviations between the value of the Units and the value of the Fund Assets. The Manager and the Trustee are not responsible or involved in the compilation or calculation of the Benchmark, and thus cannot be held responsible or liable for any inaccuracies, errors, omissions or mistakes in such compilation or calculation.

**3.3 Risk Factors Specific to Investing in an ETF**

**(i) Minimum creation and redemption size**

Units will be created or redeemed in Creation Unit Blocks/ Redemption Unit Blocks (or whole-number multiples thereof) and through Participating Dealers. If you do not tender Creation Unit Blocks/ Redemption Unit Blocks, you will not be able to make Creation/ Redemption Applications and may only be able to realise the value of your Units by selling your Units on Bursa Securities.

**(ii) Suspension of creations and redemptions**

Dealings of Units on Bursa Securities may not be suspended notwithstanding that the creation and redemption of Units is temporarily suspended by the Manager in accordance with the terms of the Deed. If the creation and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of the Fund's underlying assets.

**(iii) Reliance on Participating Dealers**

The In-Kind Creation and Redemption of Units can only be effected through Participating Dealers. Participating Dealers are under no obligation to accept instructions to create or redeem Units on your behalf. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on Bursa Securities are restricted or suspended, settlement or clearing of securities in the central clearing and settlement system established by Bursa Depository is disrupted or clearing and settlement of in-kind transactions on the system established by Bursa Securities is disrupted or the Benchmark is not compiled or published. In addition, Participating Dealers may not be able to create or redeem Units if some other event occurs which impedes the calculation of the value of the Fund by the Manager or during which delivery of the Permitted Investments or disposal of the Fund's investments cannot be effected normally.

**(iv) Units may trade at a discount or premium to NAV**

The trading price of the Units on Bursa Securities may be lower or higher than the value of the Units. Whilst the value of Units reflects the market value of the Fund Assets, the trading price of the Units will be dependent upon, without limitation, the level of supply and demand for Units, economic conditions in Malaysia and investor confidence in the Malaysian stock market. Creations or redemptions of Units are expected to reduce any significant discount or premium of the Units' traded price to the Fund's value.

**(v) Trading market for the Units**

Although the Units are listed on Bursa Securities, you should be aware that there may be no liquid trading market for the Units. There can be no assurance that active trading markets for Units will develop, nor is there a certain basis for predicting the actual price levels at or sizes in which Units may trade. However, Participating Dealers/ liquidity providers appointed for the Fund are expected to provide liquidity for the Units.

**(vi) Dependent on trading market for Index Shares**

All of the Index Shares are listed on the Benchmark. The existence of a liquid trading market for the Index Shares may depend on whether there is supply of, and demand for, such Index Shares. There can be no assurance that there will be active trading in any of the Index Shares. The price at which the Index Shares may be purchased or sold by the Fund upon any rebalancing activities or otherwise and the value of the Fund may be adversely affected if trading markets for the Index Shares are limited or absent.

**(vii) Trading of Units on Bursa Securities may be suspended**

You will not be able to purchase or sell Units on Bursa Securities during any period that Bursa Securities suspends trading in the Units. Bursa Securities may suspend the trading of Units, subject to Bursa Securities' rules and policies, whenever Bursa Securities determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Units may also be suspended in the event that the trading of Units on Bursa Securities is suspended.

**(viii) Units may be delisted from Bursa Securities**

Bursa Securities imposes certain requirements for the continued listing of securities, including the Units, on Bursa Securities. There can be no assurance that the Fund will continue to meet the requirements necessary to maintain the listing of Units on Bursa Securities or that Bursa Securities will not change its listing requirements. If Units are delisted from Bursa Securities, the Fund will either revert to an unlisted unit trust fund or be terminated. Upon termination, all the Fund Assets will be liquidated or disbursed to the Unit Holders.

**3.4 Risk Factors Relating to Investments in Derivatives**

**(i) Risk Factors Relating to use of derivatives**

The Fund may use derivatives to help achieve its objectives within the investment scope as set out in the Deed. Therefore, it will be subjected to the risks associated with the use of such techniques and instruments.

The use of derivatives may require initial margin and variation margin to be posted on short notice. If the market moves against the positions and no provisions are made to post the required margin within the prescribed time, the positions may be liquidated at a loss.

The use of derivatives also carries the risk of inability to close out positions due to non-existence or an illiquid secondary market as well as the risk of imperfect correlation between derivatives price movements with the price movement of the index and index constituents.

Investing in derivatives can enable leverage. However, the investment strategy of the Fund is restricted by applicable regulations as well as the Deed. In relation to the Fund, the use of derivatives is allowed to the extent that it is for efficient portfolio management, to improve tracking or to facilitate liquidity provision and not for leverage. Hence, typical risks arising from the use of derivatives to obtain leverage should not apply to the Fund.

It is essential that such activities be monitored closely and the Manager has the necessary systems and controls for use of derivatives. There is no guarantee that such use of derivatives can achieve the desired results.

**(ii) Risks Relating to use of Zero Strike Call Options**

Zero Strike Call Options are a specific form of derivative. The Fund will be using this instrument to help achieve objectives of tracking the index and facilitating liquidity provision. Zero Strike Call Options are used to maintain performance similar to the rest of the Fund's holdings or the

Benchmark whilst facilitating more efficient liquidity provision, which in turn should lead to a more liquid market for the Units and trading prices that are more reflective of the IOPV per Unit. The use of these instruments may entail certain additional risks.

The use of Zero Strike Call Options exposes the Fund to the counterparty risk of the issuer of the Zero Strike Call Options where insolvency or bankruptcy may result in default by the issuer of the instruments, which could result in losses to the Fund. In order to safeguard the Fund, there are regulatory requirements to be complied with such as (i) the counterparty/ the issuer of Zero Strike Call Options to be a Financial Institution with a minimum long-term rating that indicates strong capacity for timely payment of financial obligations provided by any domestic or global rating agency, and (ii) the Fund cannot hold more than 50% of its NAV or RM50 million in total (value at transaction), whichever is lower, in Zero Strike Call Options.

The Zero Strike Call Options are physically settled. The issuer of the Zero Strike Call Options delivers the reference basket upon exercise or expiry. There are certain events which may hinder the issuer of the Zero Strike Call Options from performing physical delivery of the reference basket, such as general disruption or suspension of the exchange settlement clearing system, regulatory restrictions that prevent Issuer from physically delivering the reference basket, illiquidity in some of the underlying shares. In order to safeguard the Fund, the Zero Strike Call Options can be settled for cash during occurrence of those events.

The Manager has weighed the risks against the benefits of the use of Zero Strike Call Options in the management of the Fund.

## 4. FEES & CHARGES

### 4.1 Charges directly incurred by an investor

This table describes the charges that you may incur (based on the charges imposed by Bursa Securities as at the date of this Prospectus which charges may be varied from time to time) when you buy or sell Units in the Fund on Bursa Securities.

<b>Charges from trading the Units on Bursa Securities</b>	<b>%/ RM</b>
Brokerage Fee	: Maximum of 0.70% of the contract value (subject to a minimum of RM40.00) or as prescribed by Bursa Securities.
Bursa Securities Clearing Fee	: On-market transaction: 0.03% (subject to a maximum of RM1,000.00 per contract). Direct-business transaction: 0.03% (subject to a minimum of RM10.00 and a maximum of RM1,000.00 per contract).
Stamp Duty	: RM1.00 for every RM1,000.00 or fractional part of value of Units (payable by both buyer and seller), subject to a maximum of RM200.00.

Further information on the charges you will incur from trading the Units on Bursa Securities may be found at [www.bursamalaysia.com](http://www.bursamalaysia.com).

### 4.2 Fees and expenses indirectly incurred by an investor

This table describes the fees and expenses that you may incur when you invest in the Fund. These fees and expenses shall be deducted from the Fund Assets.

<b>Fees and expenses</b>	<b>%/ RM</b>
Annual Manager Fee	: Currently 0.50% <sup>(1)</sup> Subject to a maximum of 1.00% <sup>(1)</sup>
Annual Trustee Fee <sup>(2)</sup>	: 0.05% <sup>(1)</sup>
Licence Fee <sup>(3)</sup>	: 0.04%
Other fund expenses <sup>(4)</sup>	: 0.05% <sup>(1)</sup> (estimate)

Notes:-

(1) Applied to the NAV of the Fund.

(2) The annual Trustee Fee includes local custodian fees and excludes foreign custodian fees (if any).

(3) The licence fee is payable to the Index Licensor.

(4) There will be other fees or expenses incurred by the Fund such as audit fees, tax agent's fees, printing and stationery, bank charges, investment committee fees for independent members, lodgement fees for annual reports and other expenses permitted by the Deed.

### 4.3 Fees and charges payable by Participating Dealers

Participating Dealers will incur additional fees should they request for creation and/or redemption of Units with the Manager. The maximum fees charged by the Manager and/or the Trustee for the creation and/or redemption of Units are set out in the Participating Dealer Agreement and includes any out-of-pocket expenses incurred by the Manager and/or the Trustee arising from the request for creation and/or redemption of Units by the Participating Dealers.

The table below describes the said fees:-

Type of fee/ charge	Description
Creation Application Fee	RM200.00 (and subject to a maximum of RM2,000.00) and any other charges, expenses and costs incidental to the transfer of Units payable to the Manager or such amount as may be determined by the Manager, in consultation with the Trustee, from time to time and at any time.
Creation Application Cancellation Fee	RM100.00 (and subject to a maximum of RM1,000.00) and any other charges, expenses and costs incidental to the transfer of Creation Securities payable to the Manager or such amount as may be determined by the Manager, in consultation with the Trustee, from time to time and at any time.
Redemption Application Fee	RM200.00 (and subject to a maximum of RM2,000.00) and any other charges, expenses and costs incidental to the transfer of Redemption Securities payable to the Manager or such amount as may be determined by the Manager, in consultation with the Trustee, from time to time and at any time.
Redemption Application Cancellation Fee	RM100.00 (and subject to a maximum of RM1,000.00) and any other charges, expenses and costs incidental to the transfer of Units payable to the Manager or such amount as may be determined by the Manager, in consultation with the Trustee, from time to time and at any time.
Other Fees	The amount (other than the Transaction Costs) that may be incurred by the Manager and/or the Trustee from time to time in relation to the Creation/ Redemption Applications submitted by the Participating Dealers, which is charged by Bursa Depository in relation to the Applications. Such fees will be disclosed in the In-Kind Creation or Redemption Basket on a daily basis.
Transaction Costs	The Manager shall, in consultation with the Trustee, reserve the right to charge additional Transaction Costs.

Where the Manager effects any Cash Creations and Redemptions, the portion of portfolio transactions will increase as the Fund invests in Cash Creation receipts or funds or Cash Redemption amounts. The primary objective of the Manager in placing orders for the purchase and sale of the Permitted Investments, when adjusting the Fund Assets to reflect changes in the Benchmark, or in respect of a Cash Creation or Redemption, is to obtain the most favourable net results taking into account such factors as price, commission or spread and size of the order. Where it is consistent with this objective, it is the Manager's practice to place such orders with brokers/ dealers who supply market information and quotations and statistical information to the Manager, which may be useful to the Manager in providing its services as management company of the Fund and/ or may be useful to the Manager in providing services to other clients (including other funds managed by the Manager), other than as management company of the Fund.

The Manager or any delegate thereof shall not retain any rebate from, or otherwise share in any commission with, any broker / dealer in consideration for direct dealings (if any) in the investments of the Fund. Accordingly, any rebate or shared commission should be directed to the account of the Fund.

The goods and services ("soft commission") can be retained by the Manager provided that:-

- the Manager does not utilise the soft commission for the purpose of defraying costs relating to the establishment or maintenance of its infrastructure, framework or systems;

- the Manager ensures that the soft commissions are in the form of research and advisory services that assist in the decision making process relating to the Fund's investments; and
- the practice of the Manager in relation to soft commissions is adequately disclosed in this Prospectus and annual report, including a description of the goods and services received by the Manager.

The aforementioned fees may be expressed in the form of a ratio i.e. management expenses ratio ("MER"). The MER is the ratio of all the incidental costs incurred in operating the Fund to the average NAV of the Fund calculated on a daily basis and is paid directly from the Fund which includes:-

- Manager's Fee;
- Trustee's Fee; and
- Fund's expenses.

The Fund's MER is calculated in accordance with the following formula:-

$$\text{MER} = \frac{\text{Fees of the Fund} + \text{recoverable expenses of the Fund} \times 100}{\text{Average NAV of the Fund (calculated on a daily basis)}}$$

The Trustee and the Manager shall be entitled to pay the following fees, costs and expenses from out of the Fund Assets to the extent they have been incurred in relation to the Fund:-

- any costs, fees and expenses to be paid under any licence and data supply contracts in relation to the Index Licensor entered into by the Trustee and/ or the Manager in respect of the Fund;
- the processing or handling fees levied by any person for rendering services to effect any acquisition, disposal or any other dealings whatsoever in the Fund Assets and any expenses in relation thereto including commissions or fees paid to brokers and/or dealers in effecting dealings in the Permitted Investments;
- all fees, charges, expenses and disbursements of any legal adviser or counsel, accountant, auditor, investment adviser, valuer, broker, banker, tax adviser, computer expert or other professional advisers employed or engaged by the Trustee or the Manager in the establishment of the Fund, in maintaining, preserving and protecting the Fund Assets and in the ongoing performance of their respective duties and obligations under the Deed;
- all fees, charges, expenses and disbursements incurred in relation to the safe-custody, acquisition, holding, registration, realisation of or other dealing with any Fund Assets or the holding of any Fund Assets or the custody of the documents of title thereto (including insurance of documents of title against loss in shipment, transit or otherwise and charges made by agents of the Trustee for retaining documents in safe custody), any applicable fees and expenses of the custodian, joint-custodian and/or sub-custodian appointed pursuant to the provisions of the Deed and all transactional fees as may be agreed from time to time between the Manager and the Trustee in relation to all transactions involving the whole or any part of the Fund Assets;
- all charges and expenses incurred for any meeting of Unit Holders other than convened by and for the benefit of the Manager and the Trustee;
- the fees and expenses incurred by the Manager and the Trustee in obtaining and/or maintaining the listing and quotation of the Units on Bursa Securities, and/or the authorisation or other official approval or sanction of the Fund under the CMSA or any other applicable law or regulation;
- the fees and expenses incurred in connection with depositing and holding Units with Bursa Depository and the Clearing House (and in any other securities depository or clearing system);
- all charges, costs and expenses incurred by the Manager and the Trustee in respect of and/or in connection with the maintenance of a website or webpages (as the case may be) dedicated entirely

to the Fund and communications with and/or notification to the Unit Holders, the registrar and/or any relevant authorities including notifications made in relation to the Fund in Bursa Securities, newspaper(s) in Malaysia and such other forms of communication permitted or acceptable under the ETF Guidelines and as the Manager may from time to time determine;

- (i) all fees, costs and expenses incurred in respect of preparing any deeds supplemental to the Deed and in respect of preparing any agreement in connection with the Fund other than those for the benefit of the Manager or the Trustee;
- (j) all costs incurred in respect of the preparation, publication and distribution of the audited accounts and unaudited semi-annual accounts and of all cheques, statements, notices and other documents relating to the Fund;
- (k) all fees and expenses properly incurred by the auditor in connection with the Fund;
- (l) all fees and expenses incurred in connection with the removal of the Manager, the Trustee or the auditor or the appointment of a new management company, a new trustee or new auditor;
- (m) all expenses incurred in the collection of Income (including expenses incurred in obtaining tax repayments or relief and agreement of tax liabilities) or the determination of taxation;
- (n) all expenses associated with the distributions declared pursuant to the Deed including without limitation fees for the revalidation or reissuance of any distribution cheque or warrant or telegraphic transfer;
- (o) all fees and expenses incurred by the Manager and the Trustee in terminating the Fund;
- (p) fees for the valuation of the Fund by independent valuers for the benefit of the Fund;
- (q) all fees and expenses of the independent members of the investment committee; and
- (r) such other charges, costs, expenses and disbursements (including but not limited to any tax and other duties imposed by any government and other authorities) as permitted or required (as the case may be) under the applicable laws which the Manager or Trustee is entitled to charge to the Fund.

**THERE ARE FEES AND CHARGES INVOLVED AND YOU ARE ADVISED TO CONSIDER SUCH FEES AND CHARGES BEFORE INVESTING IN THE FUND.**

**All fees and charges payable by investors are subject to all applicable taxes and/or duties as may be imposed by the government and/or the relevant authorities from time to time.**



## 5. THE FTSE BURSA MALAYSIA KLCI ETF'S UNITS

### 5.1 Creation and Redemption of Units

Creation Applications/ Redemption Applications from the Participating Dealers for the creation/ redemption of Units in accordance with the Participating Dealer Agreement are expected under the following circumstances:-

- (a) to facilitate Participating Dealers' clients' requests for creation and/or redemption of Units; and
- (b) to create liquidity in the market as part of the Participating Dealers' market making function.

Investors should note that the Fund is not like a typical unit trust fund offered to the public. Investors, whether retail or otherwise, should acquire or dispose off Units by trading Units on Bursa Securities. New Units are only issued to Participating Dealers. Hence, investors, whether retail or otherwise, may only create/ redeem Units via applications for creation/ redemption of Units through a Participating Dealer, subject to the terms and conditions of the Deed and based on the procedures set out in the Participating Dealer Agreement.

The prices at which creations and redemptions of Units occur are based on the NAV per Unit of the Fund at the next Valuation Point on the Dealing Day after a Creation/ Redemption Application is received in a form set out in the Participating Dealer Agreement.

Creation/redemption of Units will be based on the NAV of the Fund, as at the next Valuation Point of the Fund.

### 5.2 Procedures for In-Kind Creation, In-Kind Redemption, Cash Creation and Cash Redemption

#### 5.2.1 In-Kind Creation

- (i) Procedures for In-Kind Creation

In order for new Units to be created, Participating Dealers will apply to the Manager for the issue of Units in a Creation Unit Block or multiples thereof on a Dealing Day by generally tendering the In-Kind Creation Basket, which will comprise of Creation Securities and the Cash Component (if any), plus the Creation Application Fee. Further, where the Manager deems appropriate, the Manager may allow a Participating Dealer that has been pre-approved, to tender Zero Strike Call Options equivalent in value to an In-Kind Creation Basket or multiples thereof, in exchange for Units.

The Manager shall, on each Dealing Day, determine the In-Kind Creation Basket for that Dealing Day and will publish such information on the Fund's website at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my) and Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) prior to the opening of the market.

The current size of one (1) Creation Unit Block is 836,000 Units.

To be effective, a Creation Application:

- (i) must be submitted by a Participating Dealer in the form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager and be in accordance with the Participating Dealer Agreement and the Deed;
- (ii) must be supported by certifications required under the Participating Dealer Agreement in respect of the creation of new Units;
- (iii) must be supported by such other certifications and opinions of counsel as the Trustee and the Manager may consider necessary to ensure compliance with applicable laws;
- (iv) must be in a Creation Unit Block or multiples thereof; and

- (v) must specify the person on whose behalf the Creation Application is being made (if applicable).

The Manager shall instruct the Trustee to issue the Units if, and only if, the Manager is of the opinion that each of the following provisions have been satisfied:-

- (i) the Creation Application is valid;
- (ii) the Units applied for are in Creation Unit Blocks or multiples thereof and the Creation Securities to be delivered to the Trustee in respect of that issue of Units have been approved by the Manager;
- (iii) that in respect of the Creation Unit Block, the aggregate of:-
  - (a) the value of the Creation Securities delivered to the Trustee on the relevant Trade Date; and
  - (b) the amount of cash paid to or to the order of the Trustee in respect of the Cash Component (if any) for the Creation Unit Block,is equal to the Consideration;
- (iv) the Creation Securities have been vested upon the Fund to the Trustee's satisfaction or satisfactory evidence of title shall have been produced to or to the order of the Trustee by such time and date set out in the Participating Dealer Agreement, provided that such date shall occur no later than the relevant Issue Date;
- (v) the Cash Component (if applicable) shall have been received in cleared funds for any other mode of payment by or on behalf of the Trustee by such time on the Issue Date; and
- (vi) the Creation Application Fee payable has been received in cleared funds for any other mode of payment by or on behalf of the Manager by the time and date determined by the Manager.

It is your responsibility to ensure the availability of the Creation Securities before making a Creation Application.

The Manager and/or the Trustee has the right to reject or suspend a Creation Application if:-

- (i) the Creation Application is unclear, erroneous or ambiguous (in the reasonable opinion of the Manager and/or Trustee);
- (ii) the Creation Securities and the Cash Component (if any) do not correspond with the In-Kind Creation Basket for the applicable Dealing Day;
- (iii) the aggregate of the Creation Unit Block(s) in respect of a Creation Application and the number of Units then in issue exceeds the authorised size of the Fund;
- (iv) the Manager reasonably believes that the acceptance of the Creation Securities would be unlawful;
- (v) if any of the stock exchanges that the Fund invest in are closed; or
- (vi) the Manager has suspended the rights of the Participating Dealer to make Creation Applications pursuant to the Deed.

In addition, the Trustee may by notice to the Manager refuse to:-

- (I) create Units; or
- (II) create Units in the number instructed by the Manager,

where the Trustee considers that such creation is not in the interest of the Unit Holders or that it would result in a breach of the provisions of the Deed, the ETF Guidelines and other applicable securities laws.

A Creation Application once given cannot be revoked or withdrawn without the consent of the Manager. Once the Units are created, the Manager shall effect, for the account of the Fund, the issue of Units to a Participating Dealer.

Units are denominated in RM (unless otherwise determined by the Manager) and no fractions of a Unit shall be created or issued by the Manager.

The creation and issue of Units pursuant to a Creation Application shall be effected on the Trade Date. Units shall be deemed created and issued using the NAV per Unit as at the next Valuation Point and the Register (if maintained) will be updated on the Issue Date or Dealing Day immediately following the Issue Date if the settlement period is extended.

Creation Applications received from Participating Dealers on a day which is not a Dealing Day or is received after the Dealing Deadline of a Dealing Day shall be treated as having been received at the next Dealing Day.

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

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

(ii) Substitution of Creation Securities

The Manager may from time to time and at any time permit or require the substitution of an amount of cash to replace any Permitted Investments comprised in an In-Kind Creation Basket.

In the event the Manager exercises this discretion, the cash in lieu amount shall be equal to the value of any substituted Permitted Investments and shall comprise part of the Cash Component and each such substituted Permitted Investment shall be deemed not to be a Creation Security comprising part of the In-Kind Creation Basket.

The Manager shall be entitled to charge the applicant of any Units for which cash is paid in lieu of delivering any Creation Securities in addition to the Transaction Costs, such other fees that may be incurred by the Manager and/or the Trustee from time to time in relation to the creation of the Units and/or the Creation Application.

## 5.2.2 In-Kind Redemption

(i) Procedures for In-Kind Redemption

The Manager has the exclusive right, at any time and from time to time by notice in writing to the Trustee, to instruct the Trustee to effect reductions of the Fund on any Dealing Day by instructing the Trustee to cancel the number of Units specified in such notice following the receipt by the Manager of a Redemption Application from a Unit Holder (through a Participating Dealer).

The Manager shall on each Dealing Day, determine the In-Kind Redemption Basket for that Dealing Day and shall publish such information on the Fund's website at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my) and Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) prior to the opening of the market. The Manager may determine more than one In-Kind Redemption Basket in respect of a Dealing Day, subject to such additional terms and conditions as the Manager may determine.

The current size of one (1) Redemption Unit Block is 836,000 Units.

The Manager and/or the Trustee has the right to reject or suspend a Redemption Application if:-

- (i) the Redemption Application is unclear, erroneous or ambiguous (in the reasonable opinion of the Manager and/or Trustee);
- (ii) the number of Units in respect of which Redemption Applications are received by the Manager exceeds the limit for redemption on the Dealing Day;
- (iii) the Manager has suspended the rights of the Participating Dealer to make Redemption Applications pursuant to the Deed;
- (iv) if any of the stock exchanges that the Fund invest in are closed; or
- (v) in the reasonable opinion of the Manager, the Redemption Application may breach any of the terms or conditions of the Participating Dealer Agreement and/or the Deed.

In addition, the Trustee may by notice to the Manager refuse to:-

- (I) redeem Units; or
- (II) redeem Units in the number instructed by the Manager,

where the Trustee considers that such redemption is not in the interest of the Unit Holders or that it would result in a breach of the provisions of the Deed, the ETF Guidelines and other applicable securities laws.

A Redemption Application shall only be made or accepted (as the case may be) on a Dealing Day and shall only be in respect of Units constituting a Redemption Unit Block or multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participating Dealer Agreement.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the Trade Date for the purposes of that Redemption Application. For the purpose of valuation, the relevant Valuation Point shall be the last Valuation Point.

The Manager shall, on receipt of an effective Redemption Application, instruct the Trustee to effect the redemption of the relevant Units specified in the Redemption Application for Proceeds equivalent to the Redemption Price of each Redemption Unit Block to be redeemed. Such Proceeds will be by way of a transfer by or on behalf of the Trustee in specie of the Redemption Securities or the Zero Strike Call Options (only for Participating Dealers who have been pre-approved) and payment by or on behalf of the Trustee in cash of the Cash Component (if any) (if positive) determined as at the Trade Date.

To be effective, a Redemption Application:-

- (i) must be submitted by a Participating Dealer in the form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager and is in accordance with the Participating Dealer Agreement and the Deed;

- (ii) must be supported by certifications required under the Participating Dealer Agreement in respect of redemptions of Units;
- (iii) must be supported by such certifications and opinions of counsel as the Trustee and the Manager may be considered necessary to ensure compliance with applicable laws;
- (iv) must be in a Redemption Unit Block or multiples thereof; and
- (v) must specify the person on whose behalf the Redemption Application is being made (if applicable).

Subject to a suspension as set out in the Deed, a Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager and the Units cannot be sold. The Manager may charge a Redemption Application Cancellation Fee in connection with each accepted cancellation of a Redemption Application.

Any Redemption Securities transferable and Cash Component payable (if any) (less any amount deducted) to a Participating Dealer in respect of a Redemption Application shall be transferred and/or paid on the Redemption Date but may be transferred or paid sooner provided that:-

- (i) a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and, where any amount is to be paid by telegraphic transfer to a bank account, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received by the Manager;
- (ii) the Units specified in the Redemption Application, have been delivered to the Trustee by such time as the Trustee and the Manager shall for the time being prescribe in accordance with the Participating Dealer Agreement; and
- (iii) the full amount of any Cash Component (if negative) and the Redemption Application Fee payable by the Participating Dealer have been deducted and set off or otherwise paid in full.

On the relevant Redemption Date, in relation to an effective Redemption Application:-

- the Units, which are the subject of the Redemption Application, shall be redeemed and cancelled;
- the Fund size shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Trade Date;
- the name of the Unit Holder of such Units shall be removed from the Register (if maintained) in respect of those Units on the relevant Redemption Date; and
- the Trustee shall transfer the Redemption Securities constituting the In-Kind Redemption Basket relevant to the Redemption Application out of the Fund Assets to the Participating Dealer and shall pay any Cash Component (with such deductions as are permitted by the Deed) payable by the Trustee.

Where Units are to be redeemed on any Redemption Date, the Manager shall proceed to effect any sales of the Fund Assets necessary to provide the cash required to pay the Cash Component multiplied by the number of Units being redeemed and notify the Trustee that those Units are to be redeemed and cancelled.

No Redemption Securities shall be delivered and no Cash Component shall be paid unless the Units which are the subject of the Redemption Application have been delivered to the Manager for redemption by such time on the Redemption Date as the Trustee and the Manager shall for the

time being prescribe for Redemption Applications generally. In this respect, it is the responsibility of the Participating Dealers to ensure the Redemption Securities are properly credited into the relevant depository account before making any onward sales of the Redemption Securities.

In the event that such documents are not delivered to the Manager in accordance with the Deed:-

- the Redemption Application shall be deemed never to have been made (except that the Redemption Application Fee shall remain due and payable); and
- the Manager may charge the Participating Dealer, for the account of the Fund, a Redemption Application Cancellation Fee and any losses arising in respect of the sale of the Fund Assets and any costs incurred by the Fund in connection with such failed redemption.

(ii) Substitution of Redemption Securities

The Manager may from time to time substitute an amount of cash to replace any Redemption Securities comprised in an In-Kind Redemption Basket in connection with a Redemption Application.

In the event the Manager exercises this discretion, the cash in lieu amount shall be equal to the value of any substituted Permitted Investments and shall comprise part of the Cash Component and each such substituted Permitted Investment shall be deemed not to be a Redemption Security comprising part of the In-Kind Redemption Basket.

The Manager shall be entitled to charge to the applicant of any Units for which cash is paid in lieu of delivering any Redemption Securities in addition to the Transaction Costs, such other fees that may be incurred by the Manager and/or the Trustee from time to time in relation to the redemption of the Units and/or the Redemption Application.

(iii) Limit on Redemption per Dealing Day

In the event that the total number of Units in respect of which Redemption Applications are received by the Manager on a Dealing Day exceeds twenty five per cent (25%) (or such higher percentage as the Manager may determine) of the NAV of the Fund on that particular Trade Date, the Manager shall be entitled to limit the total number of Units which Unit Holders are entitled to redeem on that Trade Date to twenty five per cent (25%) (or such higher percentage as the Manager may determine) of the NAV of the Fund.

Any Units which, by virtue of the abovesaid powers conferred on the Manager, are not redeemed in respect of a particular Dealing Day (a "first relevant Dealing Day") shall be carried forward for redemption on the Dealing Day following the first relevant Dealing Day (such Dealing Day being hereinafter referred to as a "second relevant Dealing Day").

The Manager will inform the Participating Dealers of the higher percentage (if any) of the NAV of the Fund of which Units are allowed to be redeemed and of the number of Units the redemption of which have been deferred within one (1) Business Day after the Redemption Date in respect of the first relevant Dealing Day and that (subject as aforesaid) they shall be redeemed on the second relevant Dealing Day.

If Redemption Applications are carried forward as aforesaid, any other Redemption Application received after the first relevant Dealing Day and before the second relevant Dealing Day shall also be carried forward to, and be deemed to be a Redemption Application submitted on the second relevant Dealing Day. Redemption Applications carried forward from the first relevant Dealing Day shall be redeemed in priority to Redemption Applications received after such first relevant Dealing Day.

### 5.2.3 Cash Creation

#### (i) Procedures for Cash Creation

In order for new Units to be created, Participating Dealers will apply to the Manager for the issue of Units in a Creation Unit Block or multiples thereof on a Dealing Day by generally tendering the Subscription Amount plus the Creation Application Fee.

The Manager shall, on each Dealing Day, determine the Subscription Amount for that Dealing Day and will publish such information on the Fund's website at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my) and Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) prior to the opening of the market.

The current size of one (1) Creation Unit Block is 836,000 Units.

To be effective, a Creation Application:

- (i) must be submitted by a Participating Dealer in the form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager and be in accordance with the Participating Dealer Agreement and the Deed;
- (ii) must be supported by certifications required under the Participating Dealer Agreement in respect of the creation of new Units;
- (iii) must be supported by such other certifications and opinions of counsel as the Trustee and the Manager may consider necessary to ensure compliance with applicable laws;
- (iv) must be in a Creation Unit Block or multiples thereof; and
- (v) must specify the person on whose behalf the Creation Application is being made (if applicable).

The Manager shall instruct the Trustee to issue the Units if, and only if, the Manager is of the opinion that each of the following provisions have been satisfied:-

- (i) the Creation Application is valid;
- (ii) the Units applied for are in Creation Unit Blocks or multiples thereof and the Subscription Amount to be delivered to the Trustee in respect of that issue of Units have been approved by the Manager;
- (iii) that in respect of the Creation Unit Block, the aggregate of the Subscription Amount paid to or to the order of the Trustee for the Creation Unit Block is equal to the Consideration;
- (iv) the Subscription Amount shall have been received in cleared funds for any other mode of payment by or on behalf of the Trustee by such time on the Issue Date; and
- (v) the Creation Application Fee payable has been received in cleared funds for any other mode of payment by or on behalf of the Manager by the time and date determined by the Manager.

It is your responsibility to ensure the availability of the Subscription Amount before making a Creation Application.

The Manager and/or the Trustee has the right to reject or suspend a Creation Application if:-

- (i) the Creation Application is unclear, erroneous or ambiguous (in the reasonable opinion of the Manager and/or Trustee);

- (ii) the aggregate of the Creation Unit Block(s) in respect of a Creation Application and the number of Units then in issue exceeds the authorised size of the Fund;
- (iii) the Manager reasonably believes that the acceptance of the Creation Securities would be unlawful;
- (iv) if any of the stock exchanges that the Fund invest in are closed; or
- (v) the Manager has suspended the rights of the Participating Dealer to make Creation Applications pursuant to the Deed.

In addition, the Trustee may by notice to the Manager refuse to:-

- (I) create Units; or
- (II) create Units in the number instructed by the Manager,

where the Trustee considers that such creation is not in the interest of the Unit Holders or that it would result in a breach of the provisions of the Deed, the ETF Guidelines and other applicable securities laws.

A Creation Application once given cannot be revoked or withdrawn without the consent of the Manager. Once the Units are created, the Manager shall effect, for the account of the Fund, the issue of Units to a Participating Dealer.

Units are denominated in RM (unless otherwise determined by the Manager) and no fractions of a Unit shall be created or issued by the Manager.

The creation and issue of Units pursuant to a Creation Application shall be effected on the Trade Date. Units shall be deemed created and issued using the last Valuation Point and the Register (if maintained) will be updated on the Issue Date or Dealing Day immediately following the Issue Date if the settlement period is extended.

Creation Applications received from Participating Dealers on a day which is not a Dealing Day or is received after the Dealing Deadline for a Dealing Day shall be treated as having been received at the next Dealing Day.

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

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

#### 5.2.4 Cash Redemption

- (i) Procedures for Cash Redemption

The Manager has the exclusive right, at any time and from time to time by notice in writing to the Trustee, to instruct the Trustee to effect reductions of the Fund on any Dealing Day by instructing the Trustee to cancel the number of Units specified in such notice following the receipt by the Manager of a Redemption Application from a Unit Holder (through a Participating Dealer).

The Manager shall on each Dealing Day, determine the Redemption Amount for that Dealing Day and shall publish such information on the Fund's website at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my) and Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) prior to the opening of the market.



The current size of one (1) Redemption Unit Block is 836,000 Units.

The Manager and/or the Trustee has the right to reject or suspend a Redemption Application if:-

- (i) the Redemption Application is unclear, erroneous or ambiguous (in the reasonable opinion of the Manager and/or Trustee);
- (ii) the number of Units in respect of which Redemption Applications are received by the Manager exceeds the limit for redemption on the Dealing Day;
- (iii) the Manager has suspended the rights of the Participating Dealer to make Redemption Applications pursuant to the Deed;
- (iv) if any of the stock exchanges that the Fund invest in are closed; or
- (v) in the reasonable opinion of the Manager, the Redemption Application may breach any of the terms or conditions of the Participating Dealer Agreement and/or this Deed.

In addition, the Trustee may by notice to the Manager refuse to:-

- (I) redeem Units; or
- (II) redeem Units in the number instructed by the Manager,

where the Trustee considers that such redemption is not in the interest of the Unit Holders or that it would result in a breach of the provisions of the Deed, the ETF Guidelines and other applicable securities laws.

A Redemption Application shall only be made or accepted (as the case may be) on a Dealing Day and shall only be in respect of Units constituting a Redemption Unit Block or multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participating Dealer Agreement.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the Trade Date for the purposes of that Redemption Application. For the purpose of valuation, the relevant Valuation Point shall be the last Valuation Point.

The Manager shall, on receipt of an effective Redemption Application, instruct the Trustee to effect the redemption of the relevant Units specified in the Redemption Application for the Redemption Amount and such amount to be paid in cash by or on behalf of the Trustee.

To be effective, a Redemption Application:-

- (i) must be submitted by a Participating Dealer in the form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager and is in accordance with the Participating Dealer Agreement and the Deed;
- (ii) must be supported by certifications required under the Participating Dealer Agreement in respect of redemptions of Units;
- (iii) must be supported by such certifications and opinions of counsel as the Trustee and the Manager may be considered necessary to ensure compliance with applicable laws;
- (iv) must be in a Redemption Unit Block or multiples thereof; and

- (v) must specify the person on whose behalf the Redemption Application is being made (if applicable).

Subject to a suspension as set out in the Deed, a Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager and the Units cannot be sold. The Manager may charge a Redemption Application Cancellation Fee in connection with each accepted cancellation of a Redemption Application.

Any Redemption Amount payable to a Participating Dealer in respect of a Redemption Application may be transferred or paid sooner but shall otherwise be transferred and paid on the Redemption Date provided that:-

- (i) a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and, where any amount is to be paid by telegraphic transfer to a bank account, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received by the Manager;
- (ii) the Units specified in the Redemption Application, have been delivered to the Trustee by such time as the Trustee and the Manager shall for the time being prescribe in accordance with the Participating Dealer Agreement; and
- (iii) the Redemption Application Fee payable by the Participating Dealer have been paid in full.

On the relevant Redemption Date, in relation to an effective Redemption Application:-

- the Units, which are the subject of the Redemption Application, shall be redeemed and cancelled;
- the Fund size shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Trade Date;
- the name of the Unit Holder of such Units shall be removed from the Register (if maintained) in respect of those Units on the relevant Redemption Date; and
- the Trustee pay the Redemption Amount to the Participating Dealer (with such deductions as are permitted by the Deed) payable by the Trustee.

Where Units are to be redeemed on any Redemption Date, the Manager shall proceed to effect any sales of the Fund Assets necessary to provide the cash required to pay the Redemption Amount for all the Units redeemed and notify the Trustee that those Units are to be redeemed and cancelled.

No Redemption Amount shall be paid unless the Units which are the subject of the Redemption Application have been delivered to the Manager for redemption by such time on the Redemption Date as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally. In this respect, it is the responsibility of the Participating Dealers to ensure the Redemption Unit Blocks are properly delivered to the Trustee.

In the event that such documents are not delivered to the Manager in accordance with the Deed:-

- the Redemption Application shall be deemed never to have been made (except that the Redemption Application Fee shall remain due and payable);
- the Manager may charge the Participating Dealer, for the account of the Fund, a Redemption Application Cancellation Fee and any losses arising in respect of the sale of the Fund Assets and any costs incurred by the Fund in connection with such failed redemption; and

- the amount (if any) by which the Redemption Price exceeds the Issue Price (which would have been applicable if the Manager had received a Creation Application on the date on which such Units were to be redeemed).

(ii) Limit on Redemption per Dealing Day

In the event that the total number of Units in respect of which Redemption Applications are received by the Manager on a Dealing Day exceeds twenty five per cent (25%) (or such higher percentage as the Manager may determine) of the NAV of the Fund on that particular Trade Date, the Manager shall be entitled to limit the total number of Units which Unit Holders are entitled to redeem on that Trade Date to twenty five per cent (25%) (or such higher percentage as the Manager may determine) of the NAV of the Fund.

Any Units which, by virtue of the abovesaid powers conferred on the Manager, are not redeemed in respect of a particular Dealing Day (a “first relevant Dealing Day”) shall be carried forward for redemption on the Dealing Day following the first relevant Dealing Day (such Dealing Day being hereinafter referred to as a “second relevant Dealing Day”).

The Manager will inform the Participating Dealers of the higher percentage (if any) of the NAV of the Fund of which Units are allowed to be redeemed and of the number of Units the redemption of which have been deferred within one (1) Business Day after the Redemption Date in respect of the first relevant Dealing Day and that (subject as aforesaid) they shall be redeemed on the second relevant Dealing Day.

If Redemption Applications are carried forward as aforesaid, any other Redemption Application received after the first relevant Dealing Day and before the second relevant Dealing Day shall also be carried forward to, and be deemed to be a Redemption Application submitted on the second relevant Dealing Day. Redemption Applications carried forward from the first relevant Dealing Day shall be redeemed in priority to Redemption Applications received after such first relevant Dealing Day.

### 5.3 Calculation of Issue Price, Redemption Price and IOPV

The Deed provides that the Issue Price or Redemption Price of each Unit for any relevant Dealing Day will, subject to the qualification below, be calculated by the Manager and, if requested to do so by a Unit Holder, not later than one (1) month after the relevant Trade Date, verified by the Trustee, and shall be based on the NAV of the Fund as at the last available Valuation Point on the Trade Date divided by the number of Units then in issue and deemed to be in issue, rounded to the nearest four decimal places with any amount of 0.00005 being rounded up or in such manner as may be determined by the Manager from time to time and at any time with the approval of the Trustee. The benefit of any such rounding shall accrue to the Fund.

The Manager may add to the Issue Price (but not include within it) such sum (if any) as the Manager may consider represents the appropriate provision for Transaction Costs which shall be for the account of the Fund.

Unless directed to do so by a Unit Holder, not later than one (1) month after the relevant Trade Date, the Trustee shall be under no obligation to check the calculation of the Issue and/or Redemption Price but shall be entitled at any time to require the Manager to justify the same. The Trustee shall be entitled to require a Unit Holder to pay for all reasonable costs of the Trustee in carrying out the Unit Holder’s request to check the calculation of the Issue Price and/or Redemption Price.

The IOPV per Unit, which is the NAV per Unit of the In-Kind Creation Basket, is calculated as follows:

- multiplying the closing price of the shares in the In-Kind Creation Basket;
- adding the Cash Component; and
- dividing the figure obtained from the calculation under paragraph (ii) by the number of Units that constitute a Creation Unit Block.

Information on the IOPV per Unit can be obtained from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) and the Fund's website at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my).

#### **5.4 Dilution and Dilution Charge**

The NAV of the Fund could be reduced as a result of the costs incurred in investing cash subscriptions received on an application for Units, in paying cash redemption proceeds on a redemption of Units, or incurred in respect of dealing in portfolio securities, duties, taxes or other normal costs of the Fund. In addition, there may be dilution costs due to the difference between the buying and selling prices of such securities and the market value of these securities. In order to prevent any potential adverse effect on your investment in the Fund and to avoid a dilution of the Fund's property due to such duties and charges and/ or dilution costs, the Manager has the discretion to charge you a fee comprising normal charges and dilution charges to compensate for any decrease in the NAV of the Fund when Units are created or redeemed. Any such fee paid to the Fund, will become part of the property of the Fund. Such fee (if any) will be determined by the Manager as the Manager may consider represents the appropriate provision for duties and charges. If the actual duties and charges incurred by the Fund are less than the Manager's provision therefor, such difference will be for the benefit of the Fund and to the extent such duties and charges incurred by the Fund are more than the provision therefor, then any such deficiency will be borne by the Fund.

#### **5.5 Obtaining information on the In-Kind Creation Basket and In-Kind Redemption Basket**

Details of the In-Kind Creation Basket and In-Kind Redemption Basket and the corresponding Creation Unit Block and Redemption Unit Block sizes will be made available via daily announcements by the Manager on Bursa Securities and other channels, as the case may be. The Manager does not accept any responsibility for any errors of the details published or for any non-publication, non-telecast, late publication or late telecast of such details and shall incur no liability in respect of any action taken or loss suffered by you in reliance upon such publication or telecast (as the case may be).

#### **5.6 Trading the Units**

Units of the Fund are listed for trading on Bursa Securities. Units can be bought and sold throughout the trading day like other publicly-traded shares. There is no minimum investment. Although Units are generally purchased and sold in "board lots" of one hundred (100) Units, brokerage firms may permit you to purchase or sell Units in smaller "odd-lots", although prices of Units traded in "odd-lots" may differ from Units purchased and sold in "board lots".

When buying or selling Units through a broker, you will incur customary brokerage, stamp duty and clearing fees.

Pursuant to Section 14 (1) of the Central Depositories Act, Bursa Securities has prescribed the Units as a prescribed security. In consequence thereof, the Units will be deposited directly with Bursa Depository and any dealings in these Units will be carried out in accordance with the Central Depositories Act and the rules of Bursa Depository.

As an investor, you are the beneficial owner of the Units as shown in the records of Bursa Depository. Bursa Depository serves as the securities depository for all Units of the Fund. As a beneficial owner of Units, you are not entitled to receive physical delivery of Unit certificates or to have Units registered in your name, and you are not considered a registered owner of Units. Therefore, to exercise any right as an owner of Units, you must rely upon the procedures of Bursa Depository. These procedures are the same as those that apply to securities listed on Bursa Securities.

Investors may open a CDS Account by contacting any of the participating organisations. A list of the participating organisation is available on Bursa Securities' website at <http://www.bursamalaysia.com/market/securities/equities/brokers/list-of-participating-organisations>.

### *Unit Trading Prices*

The trading prices of Units on Bursa Securities may differ from their daily NAVs and IOPV per Unit and can be affected by market forces such as supply and demand, economic conditions and other factors. You may keep track of the current market price of the Units via Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) on a daily basis.

The Units will be traded on the Main Market of Bursa Securities as determined by Bursa Securities in accordance with the relevant tick-size rules as set by Bursa Securities. This may be different from the bid/ask spread of the underlying securities.

### *Liquidity Provision*

It is the intention of the Manager to facilitate the provision of liquidity for you through the appointment of Participating Dealers/ liquidity providers who are required to maintain a market for the Units. In maintaining a market for the Units, the Participating Dealers may realise profits or sustain losses. Any profit made by the Participating Dealers may be retained by them for their absolute benefit and they shall not be liable to account to the Trustee in respect of such profits.

Although Participating Dealers may buy and sell Units just like retail investors via Bursa Securities, there is no guarantee or assurance as to the price at which a market will be made. A list of Participating Dealers appointed by the Manager may be obtained from Bursa Securities' website. The Manager will also notify Bursa Securities of any changes to the list of Participating Dealers.

### *Keeping abreast with developments of the Fund/ Customer services provided by the Manager*

Copies of the interim and annual reports of the Fund ("Reports") will be available on the Fund's website at [www.fbmkcietaf.com.my](http://www.fbmkcietaf.com.my). The Manager shall deliver a copy of the annual report of the Fund to you without charge within two (2) months of the end of the financial year/ period of the Fund. Besides the Fund's website, you may obtain interim reports of the Fund from the office of the Manager or make a written request to the Manager for such reports to be sent to you by post. You may obtain printed copies of the Reports at the office of the Manager during normal business hours. Additional copies of the Reports shall be sent to you upon payment of a reasonable sum as may be determined by the Manager and the Trustee.

Where applicable, the Manager will send you their tax vouchers which sets out such information that is needed to complete a tax return.

Updated information on the Fund including but not limited to the Unit price or NAV per Unit of the Fund can be obtained from the Manager's website and as announced on Bursa Securities from time to time.

## 6. ABOUT THE MANAGER

### 6.1 Corporate Information

AmFunds Management Berhad (Registration No.: 198601005272 [154432-A]) (“AFM”) was incorporated in Kuala Lumpur, Malaysia on 9 July 1986 and is wholly owned by AmInvestment Bank Berhad with effect from 21 July 2016. As at 21 January 2021, AFM has more than thirty (30) years of experience in the unit trust industry.

With effect from 1 December 2014, AFM is the holder of a Capital Markets and Services License for the regulated activities of fund management in relation to portfolio management, dealing in securities restricted to unit trust funds, and dealing in private retirement scheme issued under the CMSA.

### 6.2 Duties and Responsibilities

The Manager is responsible for setting the investment policies for the Fund and implementing strategies to meet the objective of the Fund. The Manager is also responsible for managing the Fund’s portfolio, issuing Units and preparing and issuing the Prospectus.

### 6.3 Directors and Key Personnel

The board of directors of AFM (“Board of Directors”), of which one-third (1/3) are independent members, exercise ultimate control over the operations of AFM. The Board of Directors acts to ensure that investment risk and operational risk are monitored and managed. It also ensures that the AFM’s operations comply with regulations issued by the government and regulatory authorities.

#### Members of the Board of Directors: -

- **Jeyaratnam A/L Tamotharam Pillai (Chairman, Independent)**, aged 64, was appointed to the Board of Directors of AFM on 1 April 2019 as Independent Non-Executive Chairman. He is currently the Chairman of AmInvestment Bank Berhad. With over thirty (30) years’ experience in the financial and investment banking services industry, Jeyaratnam is a seasoned banker having involved in various assignments which included the listing of companies, mergers and acquisitions, takeovers, corporate restructuring and fund raising exercises. Jeyaratnam undertook Malaysia’s first privatisation exercise and participated in various feasibility studies and cross border transactions in India, Ghana and the United Kingdom. The area of expertise and experience of Jeyaratnam also include deals origination, define corporate and funding structures, evaluate and negotiate deals, execution and implementation of deals. He has been working closely with various stakeholders such as corporate clients, investors, banks, government agencies, Bursa Malaysia Berhad (“Bursa”), SC and Bank Negara Malaysia (“BNM”). During his career, Jeyaratnam had served as Chief Executive/Deputy Chief Executive of four investment banks over a 12-year period. He was also a member of the Sub-Committee of Bursa and the Capital Market Advisory Council of SC. Jeyaratnam was appointed by the Minister of Finance to be part of the six-member team that was responsible in formulating the Malaysian Capital Market Masterplan. He was overseeing the Investment Banking, Stockbroking, Fund Management and Venture Capital Activities during his tenure in Maybank as the Head of Investment Banking Division. Jeyaratnam’s past directorships included Westcomb Financial Group Limited Singapore, Kuwait Finance House (Australia) Ptd Ltd, KFH Asset Management Sdn Bhd, Kuwait Finance House (Labuan) Berhad and Avenue Capital Resource Berhad. Jeyaratnam is a member of the Institute of Chartered Accountants in England and Wales and member of the Malaysia Institute of Accountants. He obtained a Certificate of fellowship from the Institute of Chartered Accountants in England and Wales in 2018. He held a Capital Markets Services Representative License (CMSRL Adviser License) and was a Qualified Senior Personnel (QSP) approved by SC.
- **Mustafa Bin Mohd Nor (Independent)**, aged 68, was appointed to the Board of Directors of AFM as an independent and non-executive director on 3 March 2014. He is also a director of KUISAS Berhad and a member of state investment committee, Perak Darul Ridzuan. In total, he has approximately forty (40) years of vast and diversified experience in economics, investment

advisory, stockbroking, unit trust, asset and fund management. He obtained a Masters of Arts (Economic Policy) from Boston University and Bachelor of Economics (Analytical) from University of Malaya.

- **Tai Terk Lin (Independent)**, aged 59, was appointed to the Board of Directors of AFM as an independent and non-executive director on 15 December 2014. He has experience of more than thirty (30) years in fund management and banking industry, while leading a lot of management initiative projects in unit trust, commercial and private banking as well as wealth management. He was previously the Group Chief Executive Officer of ICB Financial Group Holdings AG, the holding company of ICB Banking Group, and a Commissioner of PT Bank ICB Bumiputera. Before that, he was the executive director of Platinum Capital Management (Asia) and a Senior Vice President of DBS Bank in Singapore. He holds a Master of Business Administration (MBA) from Cranfield University, United Kingdom. He has a Bachelor of Science with Education (B.Sc.Ed (Hons)) from the University of Malaya and holds the Certified Financial Planner (CFP) and the IBF Advance (IBFA) from the Institute of Banking and Finance Singapore.
- **Sum Leng Kuang (Independent)**, aged 65, was appointed to the Board of Directors of AFM as an independent and non-executive director on 18 January 2016. She possesses an extensive investment management experience of more than three (3) decades, particularly in managing fixed income investment portfolios, credit evaluation and credit risk management. She has dedicated a total of thirty one (31) years of service to Great Eastern Group until year 2013. As Head of Fixed Income Investment in Great Eastern Life Assurance (M) Berhad, she was responsible for the management of approximately RM40 billion in fixed income funds. She has also been actively involved in the development of local fixed income market via active participation in industry dialogues and direct consultations with issuers, investors, rating agencies, regulatory bodies and federal agencies. She is currently a Director of Pacific & Orient Insurance Co. Berhad and has also been appointed as the Investment Advisor of Credit Guarantee Corporation Malaysia Berhad. She graduated from University of Canterbury, New Zealand with a Bachelor of Commerce degree, majoring in Finance. She is also a Certified Financial Planner.
- **Goh Wee Peng (Non-Independent)**, aged 45, is the Chief Executive Officer (CEO) of AmInvest, the brand for the funds management business of AFM and AmIslamic Funds Management Sdn Bhd. Both companies are wholly-owned subsidiaries of AmInvestment Bank Berhad. She is responsible for business strategy and management of AmInvest. Ms. Goh has more than twenty (20) years of experience in the financial industry in which over sixteen (16) years' experience are in funds management. Prior to her appointment as CEO in August 2018, she held various senior management roles within AFM comprising acting CEO, Deputy CEO and Chief Investment Officer of Fixed Income. Her financial expertise and experience span money broking, bond trading and funds management. She started her career as a money market broker, then fixed income dealer before joining AFM as a credit analyst in 2002. Ms. Goh graduated with a degree in Bachelor of Business (Economics and Finance) from RMIT University, Melbourne, Australia. She holds a Capital Markets Services Representative's License, Persatuan Forex License, Dealer's Representative License and is a member of the Federation of Investment Managers Malaysia (FiMM) and Malaysian Association of Asset Managers (MAAM).

**Members of the Key Personnel: -**

- **Goh Wee Peng - Chief Executive Officer (CEO)**  
(Please refer to the above)
- **Wong Yew Joe - Chief Investment Officer (CIO)**

Wong Yew Joe, 45, is the Chief Investment Officer of AFM overseeing investments in the firm. He has more than 20 years of experience in financial services and funds management. Over this tenure, his roles covered investment analysis, trading and portfolio management. He also played a key role in product development, business development and managing client relationships. Yew Joe first joined the Funds Management Division in 2006 as a fund manager. His last post was the Head of Fixed Income reporting to the Chief Investment Officer and oversaw investments in Islamic

fixed income instruments and other related instruments. He holds a Bachelor of Commerce (Accounting and Finance) from the University of Southern Queensland, Australia. He also holds a Capital Markets Services Representative's License for the regulated activity of fund management.

#### **Designated Fund Manager of the Fund**

Yong Kong Chuan, aged 46, is the Vice President, Equities of AFM. He has over ten (10) years of investment related experience in managing equities funds, research as well as quantitative modeling within the industry. His key responsibilities include managing funds, asset allocation, stocks screening, analyzing and making stock investment recommendations on publicly listed companies with primary as well as secondary research for global ETFs, domestic and Asia Pacific equities. He holds a Master of Science (Industrial Engineering) and Master of Arts (Financial Economics), specializing in Econometric and Finance, and he also holds the Capital Markets Services Representative's License for the regulated activity of fund management.

#### **6.4 Investment Committee**

The investment committee members meet at least five (5) times a year to ensure that the investment management of the Fund is consistent with:-

- (a) the Fund's investment objective;
- (b) the Deed;
- (c) the ETF Guidelines and other applicable laws;
- (d) the internal investment restrictions and policies; and
- (e) acceptable and efficacious investment management practices within the industry.

The investment committee comprises the following members:-

- Sum Leng Kuang (Independent)
- Mustafa Bin Mohd Nor (Independent)
- Tai Terk Lin (Independent)
- Zainal Abidin Mohd. Kassim (Independent)
- Goh Wee Peng (Non-Independent)

The profiles of the Fund's investment committee are as follows:

- **Sum Leng Kuang (Chairman)**  
(Please refer to the above)
- **Datuk Mustafa Bin Mohd Nor**  
(Please refer to the above)
- **Tai Terk Lin**  
(Please refer to the above)
- **Zainal Abidin Mohd. Kassim**

Zainal Abidin Mohd. Kassim is a Fellow of the Institute of Actuaries in the United Kingdom since 1986, a Fellow of the Actuarial Society of Malaysia, a Fellow of the Society of Actuaries of Singapore and an Associate of the Society of Actuaries, United States of America. He has been a Consulting Actuary and Senior Partner with over thirty (30) years of consulting experience with extensive experience in conventional insurance and takaful for both life and casualty insurance. He also has experience in various assignments on investment consulting for pension and provident funds as well as pension liabilities and pension benefit. Encik Zainal Abidin Mohd. Kassim holds a Bachelor of Science (First Class Honours) in Actuarial Science degree from City University London.

- **Goh Wee Peng**  
(Please refer to the above)



## **6.5 Material Litigation**

As at 21 January 2021, the Manager is not engaged in any material litigation and arbitration, including those pending or threatened, and there are no facts likely to give rise to any proceedings which might materially affect the business or financial position of the Manager.

## **6.6 Customer Identification Program**

Pursuant to the relevant laws of Malaysia on anti-money laundering, we have an obligation to prevent the use of the Fund for money laundering purposes. As such, a procedure for identification of investors has been imposed. In relation to any Creation Application, the Manager requires the applicants to provide their names, date of birth, national registration identity number, residential and business address, (and mailing address if different), name of beneficial owner, address of beneficiary, national registration identity card number of beneficiary, date of birth of beneficiary or other official identification when the applicants open or reopen an account.

Additional information may be required by the regulatory authorities in certain situations. Applications without such information may not be accepted and the application amount shall be returned to the applicant. To the extent permitted by applicable laws, the Manager reserves the right to place limits on transactions in the applicants' accounts until their identity is verified.

In the event of any breaches to the applicable laws, we have a duty to notify the relevant authority on the said breaches.

## **6.7 Direct and Indirect Unit Holding in the Fund**

As at 21 January 2021, the directors or the key personnel of the Manager do not hold Units, direct or indirect, in the Fund.

As at 21 January 2021, the substantial shareholder of the Manager i.e. AmInvestment Bank Berhad does not have any direct and indirect unit holding in the Fund.

**For further information on the Manager and/or its delegate and any subsequent changes to such information, you may obtain the details from our website at [www.aminvest.com](http://www.aminvest.com) or the Fund's website at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my).**

## **7. ABOUT THE TRUSTEE**

### **7.1 Corporate Information**

The Trustee is HSBC (Malaysia) Trustee Berhad (Registration No.: 193701000084 [1281-T]), a company incorporated in Malaysia since 1937 and registered as a trust company under the Trust Companies Act 1949, with its registered address at 13<sup>th</sup> Floor, Bangunan HSBC, South Tower, No. 2, Leboh Ampang, 50100 Kuala Lumpur.

### **7.2 Duties and Responsibilities**

The Trustee's main functions are to act as trustee and custodian of the Fund Assets and to safeguard the interests of Unit Holders. In performing these functions, the Trustee has to exercise all due care, diligence and vigilance and is required to act in accordance with the provisions of the Deed, CMSA and the ETF Guidelines. Apart from being the legal owner of the Fund Assets, the Trustee is also responsible for ensuring that the Manager performs its duties and obligations in accordance with the provisions of the Deed, CMSA and the ETF Guidelines. In respect of the Subscription Amount, Creation Securities and the Cash Issue Component (if any) delivered by a Participating Dealer for the application of Units, the Trustee's responsibility arises when the Subscription Amount, Creation Securities and/or the Cash Issue Component (if any) are received in the relevant account of the Trustee and in respect of redemption, the Trustee's responsibility is discharged once it has transferred the Redemption Amount, Redemption Securities and/or Cash Redemption Component (if any) in accordance with the Participating Dealer Agreement.

### **7.3 Experience**

Since 1993, the Trustee has acquired experience in the administration of trusts and has been appointed as trustee for unit trust funds, ETFs, wholesale funds and funds under private retirement scheme.

### **7.4 Trustee's Delegate**

The Trustee has appointed the Hongkong and Shanghai Banking Corporation Ltd as the custodian of both the local and foreign assets of the Fund. The Hongkong and Shanghai Banking Corporation Ltd is a wholly owned subsidiary of HSBC Holdings Plc, the holding company of the HSBC Group. For quoted and unquoted local investments of the Fund, the assets of the Fund are held through HSBC Nominees (Tempatan) Sdn Bhd and/or HSBC Bank Malaysia Berhad. The custodian's comprehensive custody and clearing services cover traditional settlement processing and safekeeping as well as corporate related services including cash and security reporting, income collection and corporate events processing. All investments are registered in the name of the Trustee or to the order of the Trustee. The custodian acts only in accordance with instructions from the Trustee.

The Trustee shall be responsible for the acts and omissions of its delegate as though they were its own acts and omissions.

However, the Trustee is not liable for the acts, omissions or failure of third party depository such as central securities depositories, or clearing and/or settlement systems and/or authorised depository institutions, where the law or regulation of the relevant jurisdiction requires the Trustee to deal or hold any asset of the Fund through such third parties.

#### Particulars of the Trustee's Delegate

Local and foreign assets:

The Hongkong And Shanghai Banking Corporation Limited  
6/F, Tower 1,  
HSBC Centre,  
1 Sham Mong Road, Hong Kong.  
Telephone No: (852)2288 1111

For local assets (for quoted and unquoted local investments of the Fund):  
The Hongkong and Shanghai Banking Corporation Limited (as Custodian) and assets held through HSBC Nominees (Tempatan) Sdn Bhd (Registration No.: 199301004117 [258854-D])  
No 2 Leboh Ampang  
50100 Kuala Lumpur  
Telephone No: (603) 2075 3000  
Fax No: (603) 8894 2588

The Hongkong And Shanghai Banking Corporation Limited (as Custodian) and assets held through HSBC Bank Malaysia Berhad  
(Registration No.: 198401015221 [127776-V])  
No. 2, Leboh Ampang,  
50100 Kuala Lumpur.  
Tel: (03) 2075 3000  
Fax: (03) 8894 2588  
Website: www.hsbc.com.my

## **7.5 Material Litigation**

As at 21 January 2021, the Trustee 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 and any of its delegates.

## **7.6 Trustee's Statement of Responsibility**

The Trustee has given its willingness to assume the position as trustee of the Fund and all the obligations in accordance with the Deed, all relevant laws and rules of law. The Trustee shall be entitled to be indemnified out of the Fund against all losses, damages or expenses incurred by the Trustee in performing any of its duties or exercising any of its powers under this Deed in relation to the Fund. The right to indemnity shall not extend to loss occasioned by breach of trust, wilful default, negligence, fraud or failure to show the degree of care and diligence required of the Trustee having regard to the provisions of the Deed.

## **7.7 Anti-Money Laundering and Anti-Terrorism Financing Provisions**

The Trustee has in place policies and procedures across the HSBC Group, which may exceed local regulations. Subject to any local regulations, the Trustee shall not be liable for any loss resulting from compliance of such policies, except in the case of negligence, wilful default or fraud of the Trustee.

## **7.8 Statement of Disclaimer**

The Trustee is not liable for doing or failing to do any act for the purpose of complying with law, regulation or court orders.

## **7.9 Consent to Disclosure**

The Trustee shall be entitled to process, transfer, release and disclose from time to time any information relating to the Fund, Manager and Unit Holders for purposes of performing its duties and obligations in accordance to the Deed, the CMSA, the ETF Guidelines and any other legal and/or regulatory obligations such as conducting financial crime risk management, to the Trustee's parent company, subsidiaries, associate companies, affiliates, delegates, service providers, agents and any governing or regulatory authority, whether within or outside Malaysia (who may also subsequently process, transfer, release and disclose such information for any of the above mentioned purposes) on the basis that the recipients shall continue to maintain the confidentiality of information disclosed, as required by law, regulation or directive, or in relation to any legal action, or to any court, regulatory agency, government body or authority.

## **7.10 Related-Party Transactions/ Conflict of Interest**

As trustee for the Fund, there may be related party transaction involving or in connection with the Fund in the following events:-

- 1) Where the Fund invests in instruments offered by the related party of the Trustee (e.g. placement of monies, etc);
- 2) Where the Fund is being distributed by the related party of the Trustee as Institutional Unit Trust Adviser (IUTA);
- 3) Where the Fund Assets are being custodised by the related party of the Trustee both as sub-custodian and/or global custodian of the Fund (Trustee's delegate); and
- 4) Where the Fund obtains financing as permitted under the ETF Guidelines, from the related party of the Trustee.

The Trustee has in place policies and procedures to deal with conflict of interest, if any. The Trustee will not make improper use of its position as the owner of the Fund Assets to gain, directly or indirectly, any advantage or cause detriment to the interests of Unit Holders. Any related party transaction is to be made on terms which are best available to the Fund and which are not less favourable to the Fund than an arms-length transaction between independent parties.

Subject to the above and any local regulations, the Trustee and/or its related group of companies may deal with each other, the Fund or any Unit Holder or enter into any contract or transaction with each other, the Fund or any Unit Holder or retain for its own benefit any profits or benefits derived from any such contract or transaction or act in the same or similar capacity in relation to any other scheme.

## 8. SALIENT TERMS OF THE DEED

The Deed is a complex document and the following is a summary only. You should refer to the Deed itself to confirm specific information or for a detailed understanding of the Fund. The Deed is available for inspection at the registered office of the Manager.

The Deed dated 18 January 2007 had been entered into among the Manager, the Trustee and the Unit Holders. The Fund is constituted by the Deed and regulated primarily by the CMSA and the ETF Guidelines. Subsequently, a supplemental deed dated 14 May 2007, a second supplemental deed dated 4 June 2007, a third supplemental deed dated 29 June 2009, a fourth supplemental deed dated 24 February 2015 and a fifth supplemental deed dated 16 November 2020 were entered into between the Manager, the Trustee and the Unit Holders. The deed dated 18 January 2007, the supplemental deed dated 14 May 2007, the second supplemental deed dated 4 June 2007, the third supplemental deed dated 29 June 2009, the fourth supplemental deed dated 24 February 2015 and the fifth supplemental deed dated 16 November 2020 shall collectively be referred to as the Deed. The terms and conditions of the Deed and of any deed supplemental thereto is binding on each of you as if you had:-

- (a) been a party to and had executed the Deed;
- (b) thereby covenanted for yourself and for all such persons to observe and be bound by all the provisions thereof; and
- (c) thereby authorised the Trustee and the Manager respectively to do all such acts and things as the Deed may require.

### 8.1 Altering the Deed

All alterations, modifications or variation to the terms of the Deed must be made through a deed supplemental to the Deed and will take effect upon registration of the supplementary deed with the SC. The Manager must submit any such supplementary deed to the SC for such registration pursuant to the CMSA. In addition to the foregoing, any material change to the Deed, including any material change to the investment objective of the Fund must be approved by Unit Holders by way of a resolution of not less than two-thirds of all Unit Holders at a meeting of Unit Holders duly convened and held in accordance with the provisions of the Deed.

### 8.2 Rights and Limitations of Unit Holders

Each Unit held in the Fund entitles you to an equal and proportionate beneficial interest in the Fund. However, you do not own or have a right to any particular asset held by the Fund and cannot participate in management decisions except in very limited circumstances as set out in the Deed.

You have the right to:-

- (i) receive income distribution (if any);
- (ii) sell your Units;
- (iii) call, attend and vote at meetings (the rules governing the holding of meetings are set out in the Deed); and
- (iv) receive annual reports of the Fund. Copies of the interim reports of the Fund can be obtained from the office of the Manager, downloaded from the Fund's website at [www.fbmklcietf.com.my](http://www.fbmklcietf.com.my) or sent to you by post upon a written request to the Manager.

### 8.3 Liabilities of the Unit Holders

The Deed limits your liability to the value of your investments in the Fund. Accordingly, if the Fund's liabilities exceed its assets, you will not be personally liable to indemnify the Trustee or the Manager or any of their respective creditors.

### 8.4 Fees and Charges Permitted by the Deed

#### (a) Manager's Fee

The amount of the Manager's Fee chargeable to the Fund shall not exceed a maximum of one per cent (1%) per annum of the NAV of the Fund as stipulated in the Deed. The current level of the Manager's Fee shall be stated in this Prospectus and the Manager's Fee shall not be higher than that disclosed in this Prospectus unless:-

- (i) the higher Manager's Fee does not exceed the maximum rate stipulated in the Deed;
- (ii) the Manager has notified the Trustee in writing of the higher Manager's Fee and the Trustee agrees after considering the matters required under the ETF Guidelines;
- (iii) the Manager has announced to Bursa Securities of the higher Manager's Fee and its effective date;
- (iv) thirty (30) days have elapsed since the date of the announcement in this Section 8.4(a)(iii); and
- (v) a supplementary or replacement prospectus stating the higher Manager's Fee and its effective date, has been registered, lodged and issued

Any increase of the maximum rate of the Manager's Fee as stated in Section 8.4(a) above may only be made by way of a supplementary deed and in accordance with the requirements of the CMSA.

#### (b) Trustee's Fee

The amount of Trustee's Fee chargeable to the Fund shall not exceed a maximum of zero point five per cent (0.5%) per annum of the NAV of the Fund as stipulated in the Deed. The current level of the Trustee's Fee shall be stated in this Prospectus and the Trustee's Fee shall not be higher than that disclosed in this Prospectus unless:-

- (a) the higher Trustee's Fee does not exceed the maximum rate stipulated in the Deed;
- (b) the Trustee has notified the Manager in writing of the higher Trustee's Fee and the Manager agrees after considering the matters required under the ETF Guidelines;
- (c) the Manager has announced to Bursa Securities of the higher Trustee's Fee and its effective date;
- (d) thirty (30) days have elapsed since the date of announcement in this Section 8.4(b)(iii); and
- (e) a supplementary or replacement prospectus stating the higher Trustee's Fee and its effective date, has been registered, lodged and issued.

Any increase of the maximum rate of the Trustee's Fee as stated in Section 8.4(b) above may only be made by way of a supplementary deed and in accordance with the requirements of the CMSA.

(c) Other Fees and Charges

The Trustee and the Manager shall be entitled to pay the following fees, costs and expenses from the Fund Assets to extent they have been incurred in relation to the Fund:-

- any costs, fees and expenses to be paid under any license and data supply contracts in relation to the Index Licensor entered into by the Trustee and/or the Manager in respect of the Fund;
- the processing of handling fees levied by any person for rendering services to effect any acquisition, disposal or any other dealings whatsoever in the Fund Assets and any expenses in relation thereto including commissions or fees paid to brokers and/or dealers in effecting dealings in the Permitted Investments;
- all fees, charges, expenses and disbursements of any legal adviser or counsel, accountant, auditor, investment adviser, valuer, banker, tax adviser, computer expert or other professional advisers employed or engaged by the Trustee or the Manager in the establishment of the Fund, in maintaining, preserving and protecting the Fund Assets and in the ongoing performance of their respective duties and obligations under the Deed;
- all fees, charges, expenses and disbursements incurred in relation to the safe-custody, acquisition, holding, registration, realisation of or other dealing with any Fund Assets or the holding of any Fund Assets or the custody of the documents of title thereto (including insurance of documents of title against loss in shipment, transit or otherwise and charges made by agents of the Trustee for retaining documents in safe custody), any applicable fees and expenses of the custodian, joint-custodian and/or sub-custodian appointed pursuant to the provisions of the Deed and all transactional fees as may be agreed from time to time between the Manager and the Trustee in relation to all transactions involving the whole or any part of the Fund Assets;
- all charges and expenses incurred for any meeting of Unit Holders other than convened by and for the benefit of the Manager and the Trustee;
- the fees and expenses incurred by the Manager and the Trustee in obtaining and/or maintaining the listing and quotation of the Units on Bursa Securities, and/or the authorisation or other official approval or sanction of the Fund under the CMSA or any other applicable law or regulation;
- the fees and expenses incurred in connection with depositing and holding Units with the Bursa Depository and Clearing House (and in any other securities depository or clearing system);
- all, charges, costs and expenses incurred by the Manager and the Trustee in respect of and/or in connection with the maintenance of a website or webpages (as the case may be) dedicated entirely to the Fund and communications with and/or notification to the Unit Holders, the registrar and/or any relevant authorities including notifications made in relation to the Fund in Bursa Securities, newspaper(s) in Malaysia and such other forms of communication permitted or acceptable under the ETF Guidelines and as the Manager may from time to time determine;
- all fees, costs and expenses incurred in respect of preparing any deeds supplemental to the Deed and in respect of preparing any agreement in connection with the Fund other than those for the benefit of the Manager or the Trustee;
- all costs incurred in respect of the preparation, publication and distribution of the audited accounts and unaudited semi-annual accounts and of all cheques, statements, notices and other documents relating to the Fund;
- all fees and expenses properly incurred by the auditor in connection with the Fund;
- all fees and expenses incurred in connection with the removal of the Manager, the Trustee, or the auditor or the appointment of a new manager, a new trustee or new auditor;
- all expenses incurred in the collection of Income (including expenses incurred in obtaining tax repayments or relief and agreement of tax liabilities) or the determination of taxation;
- all expenses associated with the distributions declared pursuant to the Deed including without limitation fees for the revalidation or reissuance of any distribution cheque or warrant or telegraphic transfer;
- all fees and expenses incurred by the Manager and the Trustee in terminating the Fund;

- fees for the valuation of the Fund by independent valuers for the benefit of the Fund;
- all fees and expenses of the independent members of the investment committee; and
- such other charges, costs, expenses and disbursements (including but not limited to any tax and other duties imposed by any government and other authorities) as permitted or required (as the case may be) under the applicable laws which the Manager or Trustee is entitled to charge to the Fund.

## **8.5 Powers of the Manager to remove and replace the Trustee and the Retirement of the Trustee**

The Trustee covenants, subject to the provisions of the CMSA and the regulations thereunder, that it will retire as trustee of the Fund if and when required to do so by the Manager by notice in writing if:-

- the Trustee goes into liquidation or provisional liquidation (except for the purpose of amalgamation or reconstruction or some similar purpose) or is placed under official management or ceases to carry on business or if a receiver, or receiver and manager, is appointed in relation to all or substantially all of the property of the Trustee and is not removed or withdrawn within 30 days of the appointment;
- the approval of the Trustee to act under provisions of the CMSA and the regulations is revoked;
- the Unit Holders by special resolution resolve that the Trustee should be removed;
- the Trustee has contravened its obligation to the Unit Holders in a manner that, in the reasonable opinion of the Manager, adversely affects the Unit Holders and, within such period as is specified by the Manager in a written notice to the Trustee, the contravention(s) have not been remedied;
- the Trustee ceased to exist;
- the Trustee has not been validly appointed;
- the Trustee is not eligible to be appointed or to act as trustee under any applicable law;
- the Trustee has failed or refused to act as trustee in accordance with the provisions or covenants of the Deed or any applicable law;
- a receiver is appointed over the whole or a substantial part of the assets or undertaking of the Trustee and has not ceased to act under that appointment, or a petition is 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 applicable law.

## **8.6 Retirement or Removal or Replacement of the Manager**

The Manager covenants that it will retire from the management of the Fund when required to do so by the Trustee in writing, if:-

- the Manager goes into liquidation or provisional liquidation (except for the purpose of amalgamation or reconstruction or some similar purpose) or is placed under official management or ceases to carry on business or if a receiver, or a receiver and manager is appointed in relation to the property of the Manager and is not removed or withdrawn within 30 days of the appointment;
- the Manager has contravened its obligations to the Unit Holders in a manner that, in the reasonable opinion of the Trustee, adversely affects the Unit Holders and, within such period as is specified by the Trustee in a written notice to the Manager, the contravention(s) have not been remedied;
- the Unit Holders by special resolution resolve that the Manager must be removed; or



- (iv) the approval of the Manager to act under provisions of the CMSA and the regulations is revoked.

## **8.7 Termination of the Fund**

- (a) The Fund may be terminated by the Trustee, with the approval of the Manager (except in the case of Sections 8.7 (v), (vi), (vii) and (viii) hereof), in accordance with the provisions of the CMSA as hereinafter provided in any of the following event, namely:-
  - (i) if it becomes illegal or in the opinion of the Trustee impossible or impracticable to continue the Fund;
  - (ii) if the Fund shall become liable to taxation (whether in Malaysia or elsewhere) in respect of income or capital gains at a rate considered by the Manager to be excessive in relation to the rate which would be borne by the Unit Holders if they owned directly the relevant Fund Asset in question;
  - (iii) if the Units cease to be listed on Bursa Securities;
  - (iv) if the Licence Agreement is terminated and a new Licence Agreement relating to the Benchmark is not entered into by the Trustee and the Manager;
  - (v) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or insolvent or appoints liquidators or if a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or the Manager is the subject of any analogous proceedings or procedure in each case under the law of Malaysia or such other law as may be applicable in the circumstances where, after the expiration of a period of three (3) months, the Trustee has not appointed a new management company;
  - (vi) if on the expiration of three (3) months after notifying the Manager that in the Trustee's opinion a change of management company is desirable in the interests of the Unit Holders and the Trustee has not found another company ready to accept the office of management company of the Fund of which the Trustee and the SC shall approve;
  - (vii) if, in the opinion of the Trustee, the Manager has ceased to carry on business; or
  - (viii) if, in the opinion of the Trustee, the Manager has to the prejudice of Unit Holders failed to comply with the provisions of the Deed or contravened any of the provisions of any relevant law.

Upon a special resolution to terminate the Fund is passed by the Unit Holders at a meeting of Unit Holders summoned by the Trustee pursuant to Sections 8.7(a)(v), (vi), (vii) and (viii), the Trustee shall apply to the court for an order confirming such special resolution.

- (b) The Fund may be terminated by the Trustee or the Manager by notice in writing to the Unit Holders in the event the Fund ceases to be approved under the CMSA.
- (c) The decision of the Trustee and/or the Manager in any of the events specified in this Section (with the exception of Section 8.7(a)(v) hereof) shall be final and binding upon all parties concerned but the Trustee and the Manager shall be under no liability on account of any failure to terminate the Fund pursuant to this Section or otherwise.
- (d) Notwithstanding the termination of the Fund, the Unit Holder of any Unit in respect of which any amount remains unpaid shall remain liable for such amount until payment to that Unit Holder by the Trustee of the final distribution to be made in accordance with this Section.

- (e) Upon the occurrence of any of the events in Sections 8.7(a) and (b) above, all dealing in Units shall cease.

In the event that the Fund is terminated:-

- (a) The Trustee shall as soon as practicable after the determination of the Fund give each of you notice of such impending distribution;
- (b) The Trustee shall sell all Permitted Investments then remaining in his hands and repay out of the Fund Assets any Liabilities for the time being outstanding and pay out of the Fund Assets all outstanding Liabilities and such sale, repayment and payment shall be carried out and completed in such manner and within such period after the termination of the Fund as the Trustee thinks advisable;
- (c) The Trustee shall from time to time distribute to you pro rata to the number of Units held by you all net cash proceeds derived from the realisation of the Fund Assets and available for the purposes of such distribution and any available cash provided that the Trustee shall not be bound to distribute any of the moneys for the time being in his hands the amount of which is insufficient to pay one sen (RM0.01) in respect of each Unit Holder and provided also that the Trustee shall be entitled to retain out of any moneys in his hand under the provisions of the Deed full provisions for all fees, costs, charges, taxes, expenses, claims and demands incurred made or apprehended by the Trustee in connection with or arising out of the liquidation of this Fund and out of the money so retained to be indemnified and saved harmless against any such fees, costs, charges, taxes, expenses, claims and demands. Every such distribution shall be made only against production of such evidence as the Trustee may require to prove your title to the Units;
- (d) In the event of the Fund being determined as herein provided, the Trustee shall be at liberty to call upon the Manager to grant to it a full and complete release from and to the Deed and to indemnify it against any claims arising out of its execution of the Fund provided that such claims are not caused by the gross negligence, dishonesty or fraud of the Trustee;
- (e) Any unclaimed cash held by the Trustee at such time shall be dealt with in accordance with the Unclaimed Moneys Act, 1965; and
- (f) No further Units shall be issued and no outstanding Units may be redeemed from the time of commencement of liquidation and upon liquidation of the Fund.

### **8.8 Unit Holders' Meeting**

- (1) The Trustee or the Manager may respectively at any time convene a meeting of Unit Holders at such time or place in Malaysia (subject as hereinafter provided) as the party convening the meeting may think fit and the following provisions of the Deed shall apply thereto. The Manager shall call for a meeting of Unit Holders if not less than fifty (50) Unit Holders or ten per cent (10%) of all Unit Holders, whichever is less, direct the Manager to do so in writing delivered to the registered office of the Manager for the purpose of:
  - (a) considering the most recent financial statement of the Fund;
  - (b) giving the Trustee such directions as the meeting thinks proper; or
  - (c) considering any other matter related to the Deed.
- (2) Where the meeting is convened to pass:
  - (a) an ordinary resolution, at least fourteen (14) days' written notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of such meeting shall be given to the Unit Holders by the Manager or the Trustee in the manner provided in the Deed;

- (b) a special resolution, at least twenty one (21) days' written notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of such meeting shall be given to the Unit Holders by the Manager or the Trustee in the manner provided in the Deed; or
  - (c) where resolution which requires approval by not less than two-thirds of all Unit Holders at a meeting of Unit Holders, at least twenty one (21) written days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of such meeting shall be given to the Unit Holders by the Manager or the Trustee in the manner provided in the Deed.
- (3) The notice shall be in the form of a circular and shall specify the place, time of meeting, the general nature of the business to be transacted and the terms of any resolution to be proposed thereat. A copy of the notice shall be sent to the Trustee unless the meeting is convened by the Trustee. The accidental omission to give notice to or the non-receipt of notice by any of the Unit Holders shall not invalidate the proceedings at any meeting. The Manager shall publish an advertisement giving the relevant notice of the meeting of Unit Holders in at least one nationally circulated Bahasa Malaysia or English daily newspaper. The meeting of Unit Holders shall be held not later than two (2) months after the notice was given at the place and time specified in the notice and advertisement.
- (4) At any meeting, at least (5) Unit Holders present in person or by proxy shall form a quorum for the transaction of business except for the purpose of passing a special resolution. The quorum for passing a special resolution shall be at least five (5) Unit Holders present in person or by proxy registered as holding not less than twenty five per cent (25%) of the Units in issue provided that if there are only five (5) or less than five (5) Unit Holders, the quorum at any meeting shall be by all the Unit Holders for the time being. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.
- (5) Every Unit Holder (being an individual) who is present in person or by proxy or (being a corporation) is present by one of its representatives or by proxy shall have one vote for every Unit of which he or it is the Unit Holder and need not cast all the votes to which he or it is entitled in the same way
- (6) Each Unit Holder shall be entitled to attend and vote at any meeting of Unit Holders, and shall be entitled to appoint an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia as his proxy to attend and vote. Where the Unit Holder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with units standing to the credit of the said securities account. Where a Unit Holder appoints two (2) proxies in accordance with this provision the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Such proxy shall have the same rights as the member to vote whether on a poll or a show of hands, to speak and to be reckoned in a quorum.
- (7) Any Unit Holder being a corporation may by resolution of its directors or other governing body authorise any person to act as its representative at any meeting of Unit Holders, and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Unit Holder.
- (8) In the case of an equality of votes the chairman of a meeting of Unit Holders shall have a casting vote in addition to his votes (if any) as a Unit Holder both on a show of hands and on a poll.
- (9) Every question arising at a general meeting of Unit Holders shall be decided by a poll.
- (10) Upon any question decided by a poll, each Unit Holder present in person or by proxy shall have one vote for each fully paid Unit.

- (11) Subject to any applicable laws, the Manager and/or the Trustee shall have the power to convene a virtual meeting of Unit Holders by video conference, web-based communication, electronic or such other communication facilities or technologies available from time to time, subject to the fulfilment of the following conditions:
- (a) the Manager and/or the Trustee shall:
    - (i) ensure that there is reliable infrastructure to enable the conduct of a virtual meeting including enabling the Unit Holders to exercise their rights to speak and vote at the virtual meeting;
    - (ii) provide guidance to the Unit Holders on the requirements and method of participating in the virtual meeting using the selected platform;
    - (iii) identify a broadcast venue as the place of meeting and to state the online platform that will be used for the virtual meeting in the written notice to the Unit Holders;
    - (iv) ensure only Unit Holders are allowed to participate in the virtual meeting; and
    - (v) observe the applicable directive, safety and precautionary requirements prescribed by the relevant authorities;
  - (b) the broadcast venue shall be a physical venue in Malaysia where the chairman of the meeting shall be physically present;
  - (c) participation by a Unit Holder in a Unit Holders' meeting by any of the communication facilities referred to in this Section 8.8(11) shall be deemed as present at the said Unit Holders' meeting and shall be counted towards the quorum notwithstanding the fact that the Unit Holder is not physically present at the main venue of where the Unit Holders' meeting is to be held; and
  - (d) the provisions of the First Schedule of the Deed shall apply *mutatis mutandis* to a virtual meeting of Unit Holders.

Unless otherwise prescribed by the relevant laws, a Unit Holders' meeting summoned pursuant to this Section 8.8(11) shall not be deemed to have proceeded for such period or periods where any of the communication facilities referred to in this Section 8.8(11) have been disconnected. The chairman of the meeting shall have the discretion to adjourn the meeting which had been disconnected and which cannot be reconnected within a reasonable time, to another date and time to be agreed by the Holders present at the meeting.

## **9. APPROVALS AND CONDITIONS**

### **9.1 Approvals on Variations**

- (a) The SC had vide its letter dated 4 August 2006, granted the Manager a variation to Paragraph 9.02(2) of the Guidelines on Exchange-traded Funds issued on 21 June 2005 whereby the SC permitted the indicative optimised portfolio value to be calculated based on the In-Kind Creation Basket instead of the NAV of the Fund.
- (b) In addition, the SC had vide its letter dated 14 May 2007, granted the Manager the following variations to the Guidelines on Exchange-traded Funds issued on 21 June 2005:-
  - (i) variation to Paragraph 11.05(3) whereby the SC has permitted the Fund to hold options and warrants the value of which would be up to 50% of the Fund's NAV or RM50 million, whichever is lower;
  - (ii) variation to Paragraph 13.01(3) whereby the SC has permitted the Fund to distribute interim reports of the Fund to all Unit Holders through alternative methods, without having to print and post such interim reports to each Unit Holder; and
  - (iii) variation to Paragraph 1.0(3) of Schedule G whereby the SC has permitted a summary prospectus to be published in a widely-circulated Bahasa Melayu newspaper and English newspaper.

## **10. CONFLICT OF INTEREST**

### **10.1 Existing and Potential Related Party Transactions**

#### **10.1.1 The Manager**

All transactions with related parties are to be executed on terms which are best available to the Fund and which are not less favourable to the Fund than an arm's length transaction between independent parties. The Fund may have dealings with parties related to the Manager. The related parties defined are AmIslamic Funds Management Sdn Bhd ("AIFM"), AmInvestment Bank Berhad, AmInvestment Group Berhad, AmBank (M) Berhad and AmBank Islamic Berhad.

#### **10.1.2 The Trustee**

Any related party transaction is to be made on terms which are best available to the Fund and which are not less favourable to the Fund than an arms-length transaction between independent parties.

Subject to the above and any local regulations, the Trustee and/or its related group of companies may deal with each other, the Fund or any Unit Holder or enter into any contract or transaction with each other, the Fund or any Unit Holder or retain for its own benefit any profits or benefits derived from any such contract or transaction or act in the same or similar capacity in relation to any other scheme.

### **10.2 Conflict of Interest**

As at 21 January 2021, save as disclosed in Section 10.1 above, the Manager is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the Manager to the Fund.

### **10.3 Policies on Dealing with Conflict of Interest Situation**

#### **10.3.1 Manager**

Trading in securities by an employee is allowed, provided that the policies and procedures in respect of the personal account dealing are observed and adhered to. The directors, investment committee members and employees are required to disclose their portfolio holdings and dealing transactions as required under the Conflict of Interest Policy. Further, the abovementioned shall make disclosure of their holding of directorship and interest in any company.

#### **10.3.2 Trustee**

The Trustee has in place policies and procedures to deal with conflict of interest, if any. The Trustee will not make improper use of its position as the owner of the Fund Assets to gain, directly or indirectly, any advantage or cause detriment to the interests of Unit Holders. Any related party transaction is to be made on terms which are best available to the Fund and which are not less favourable to the Fund than an arms-length transaction between independent parties.

Subject to the above and any local regulations, the Trustee and/or its related group of companies may deal with each other, the Fund or any Unit Holder or enter into any contract or transaction with each other, the Fund or any Unit Holder or retain for its own benefit any profits or benefits derived from any such contract or transaction or act in the same or similar capacity in relation to any other scheme.

#### 10.4 Details of the Directors of the Manager's Direct and Indirect Interest in Other Corporations Carrying on a Similar Business

The directors of the Manager may have direct or indirect interest through their directorship in AIFM. Following are the details of the directors:

- Sum Leng Kuang is the independent director of AIFM.
- Tai Terk Lin is the independent director of AIFM.
- Goh Wee Peng is the non-independent director of AIFM.

#### 10.5 Details of the Substantial Shareholders of the Manager's Direct and Indirect Interest in other Corporations Carrying on a Similar Business

Save as disclosed below, as at 21 January 2021, the substantial shareholder of the Manager does not have any direct or indirect interest in other corporations carrying on a similar business:

Name	Business/Corporations	Nature of interest	Direct Interest	Indirect Interest
AmlInvestment Bank Berhad	AmlIslamic Funds Management Sdn Bhd	Shareholder	% 100.0	% -

#### 10.6 Declaration of Conflict of Interest

As at 21 January 2021, save as disclosed in Section 7.10, Section 10.1 and Section 10.3 of this Prospectus, none of the advisers (i.e. the Trustee, tax adviser, auditor and solicitor) have any existing or potential conflicts of interest in an advisory capacity with the Fund and/or us.

# 11. TAXATION

**Private & Confidential / Sulit**

11 February 2021

The Board of Directors  
**AmFunds Management Berhad**  
9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur

Dear Sirs

## **FTSE Bursa Malaysia KLCI etf Taxation of the Fund and Unit Holders**

1. This letter has been prepared for inclusion in the Prospectus in connection with the offer of units in the FTSE Bursa Malaysia KLCI etf (hereinafter referred to as “the Fund”).

The following is general information based on Malaysian tax law in force at the time of lodging the Prospectus with the Securities Commission Malaysia (“SC”) and investors should be aware that the tax law may be changed at any time. To an extent, the application of tax law depends upon an investor’s individual circumstances. The information provided below does not constitute tax advice. The Manager therefore recommends that an investor consult his accountant or tax adviser on questions about his individual tax position.

## **2. Taxation of the Fund**

### **2.1 Income Tax**

As the Fund’s Trustee is resident in Malaysia, the Fund is regarded as resident in Malaysia. The taxation of the Fund is governed principally by Sections 61 and 63B of the Malaysian Income Tax Act, 1967 (“MITA”).

Pursuant to the Section 2(7) of MITA, any reference to interest shall apply, mutatis mutandis, to gains or profits received and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of Shariah. The effect of this is that any gains or profits received and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of Shariah, will be accorded the same tax treatment as if they were interest.

The income of the Fund in respect of dividends, interest or profits from deposits and other investment income (other than income which is exempt from tax) derived from or accruing in Malaysia is liable to income tax. The Fund may be receiving income such as exit fee which will be subject to tax at the prevailing tax rate applicable on the Fund. Gains on disposal of investments by the Fund will not be subject to income tax.

The income tax rate applicable to the Fund is 24%.

Tax exempt interest as listed in the Appendix attached received by the Fund are not subject to income tax.

...2/-



With effect from 1 January 2014, Malaysia has fully moved to a single-tier income tax system. The Fund is not liable to tax on any Malaysia sourced dividends paid, credited or distributed to the Fund under the single tier tax system, where the company paying such dividend is not entitled to deduct tax under the MITA. The tax deductibility of other deductions by the Fund against such dividend income will be disregarded in ascertaining the chargeable income of the Fund.

In addition to the single-tier dividend that may be received by the Fund, the Fund may also receive Malaysian dividends which are tax exempt from investments in companies which had previously enjoyed or are currently enjoying the various tax incentives provided under the law. The Fund is not subject to income tax on such tax exempt dividend income.

The Fund may also receive dividends, profits and other income from investments outside Malaysia. Income derived from sources outside Malaysia and received in Malaysia by a unit trust is exempted from Malaysian income tax. However, such income may be subject to foreign tax in the country from which the income is derived.

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

Generally, income from distribution by the Malaysia Real Estate Investment Trusts ("REIT") will be received net of withholding tax of 10%. No further tax will be payable by the Fund on the distribution. Distribution from such income by the Fund will also not be subject to further tax in the hands of the Unit Holders.

Expenses being manager's remuneration, maintenance of register of Unit Holders, share registration expenses, secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage, which are not allowed under the general deduction rules, qualify for a special deduction, subject to a minimum of 10% and a maximum of 25% of such expenses pursuant to Section 63B of the MITA.

## **2.2 Gains on Disposal of Investments**

Gains on disposal of investments by the Fund will not be subject to income tax but where the investments represent shares in real property companies, such gains may be subject to Real Property Gains Tax ("RPGT") under the RPGT Act, 1976. A real property company is a controlled company which owns or acquires real properties or shares in real property companies with a market value of not less than 75% 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.

## **2.3 Service Tax**

The issuance of units by the Fund to investors will not be subject to Service Tax. Any distributions made by the Fund to Unit Holders are also not subject to Service Tax. The Fund would not be required to pay Service Tax on the acquisition of fund management services from the Fund Manager.

To the extent that the Fund invests in any financial services products (e.g. securities, derivatives, units in a fund or unit trust), the acquisition of these interests will also not be subject to Service Tax.

If the Fund acquires any imported taxable services from a service provider outside of Malaysia, these services would be subject to 6% Service Tax. The Fund would be required to file an SST-02A return on an ad hoc basis and report and pay this amount of tax to the Royal Malaysian Customs Department.

### 3. Taxation of Unit Holders

#### 3.1 Taxable Distribution

Unit Holders will be taxed on an amount equivalent to their share of the total taxable income of the Fund to the extent such income is distributed to them. Unit Holders are also liable to pay income tax on the taxable income distributions paid by the Fund. Taxable income distributions carry a tax credit in respect of the tax chargeable on that part of the Fund. Unit Holders will be subject to tax on an amount equal to the net taxable income distribution plus attributable underlying tax paid by the Fund.

Income distributed to Unit Holders is generally taxable as follows in Malaysia :-

Unit Holders	Malaysian Tax Rates for Year of Assessment 2020	Malaysian Tax Rates for Year of Assessment 2021
<p>Malaysian tax residents:</p> <ul style="list-style-type: none"> <li>▪ Individual and non-corporate Unit Holders</li> <li>▪ Co-operative societies</li> </ul> <p>Malaysian tax residents:</p> <ul style="list-style-type: none"> <li>▪ Trust bodies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Progressive tax rates ranging from 0% to 30%</li> <li>▪ Progressive tax rates ranging from 0% to 24%</li> <li>▪ 24%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Progressive tax rates ranging from 0% to 30%</li> <li>▪ For tax resident individual within the chargeable income band of RM50,000 to RM70,000, the tax rate will be reduced by 1%</li> <li>▪ Progressive tax rates ranging from 0% to 24%</li> <li>▪ 24%</li> </ul>

Unit Holders	Malaysian Tax Rates for Year of Assessment 2020	Malaysian Tax Rates for Year of Assessment 2021
<ul style="list-style-type: none"> <li>• Corporate Unit Holders                             <ul style="list-style-type: none"> <li>i. A company with paid up capital in respect of ordinary shares of not more than RM2.5 million where the paid up capital in respect of ordinary shares of other companies within the same group as such company is not more than RM2.5 million (at the beginning of the basis period for a year of assessment) and having gross income from source or sources consisting of a business of not more than RM50 million for the basis period of a year assessment.</li> <li>ii. Companies other than those in (i) above.</li> </ul> </li> <li>Non-Malaysian tax residents:                             <ul style="list-style-type: none"> <li>iii. Individual and non-corporate Unit Holders</li> <li>iv. Co-operative societies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ 17% for every first RM600,000 of chargeable income</li> <li>▪ 24% for chargeable income in excess of RM600,000</li> <li>▪ 24%</li> <li>• 30%</li> <li>• 24%</li> </ul>	<ul style="list-style-type: none"> <li>▪ 17% for every first RM600,000 of chargeable income</li> <li>▪ 24% for chargeable income in excess of RM600,000</li> <li>▪ 24%</li> <li>• 30%</li> <li>• 24%</li> </ul>

The tax credit that is attributable to the income distributed to the Unit Holders will be available for set off against tax payable by the Unit Holders. There is no withholding tax on taxable distributions made to non-resident Unit Holders.

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

### **3.2 Tax Exempt Distribution**

Tax exempt distributions made out of gains from realisation of investments and other exempt income earned by the Fund will not be subject to Malaysian tax in the hands of Unit Holders, whether individual or corporate, resident or non-resident. All Unit Holders do not pay tax on that portion of their income distribution from the Fund's distribution equalisation account.

### **3.3 Distribution Voucher**

To help complete a Unit Holder's tax returns, the Manager will send to each Unit Holder a distribution voucher as and when distributions are made. This sets out the various components of the income distributed and the amount of attributable income tax already paid by the Fund.

### **3.4 Sale, Transfer or Redemption of Units**

Any gains realised by a Unit Holder on the sale, transfer or redemption of his units are generally tax-free capital gains unless the Unit Holder is an insurance company, a financial institution or a person trading or dealing in securities. Generally, the gains realised by these categories of Unit Holders constitute business income on which tax is chargeable.

### **3.5 Reinvestment of Distribution**

Unit Holders who receive their income distribution by way of investment in the form of the purchase of new units will be deemed to have received their income distribution after tax and reinvested that amount in the Fund.

### **3.6 Unit Splits**

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

Yours faithfully

**Mark Chan Keat Jin**  
Executive Director

### Tax Exempt Income of Unit Trusts

1. Interest or discount paid or credited to any individual, unit trust and listed closed-end fund in respect of the following will be exempt from tax: -
  - Securities or bonds issued or guaranteed by the Government; or
  - Debentures or sukuk, other than convertible loan stock, approved or authorized by, or lodged with, the SC; or
  - Bon Simpanan Malaysia issued by the Central Bank of Malaysia.

2. Income of a unit trust in respect of interest derived from Malaysia and paid or credited by any bank or financial institution licensed under the Financial Services Act 2013 (“FSA”) or the Islamic Financial Services Act 2013 (“IFSA”) or any development financial institution regulated under the Development Financial Institutions Act 2002 (“DFIA”).

Provided that the exemption shall not apply to the interest paid or credited to a unit trust that is a wholesale fund which is a money market fund.

In addition to the above, the Minister of Finance (“MoF”) has informed vide their letter dated 23 January 2020 to the SC that the tax exemption on interest income received by corporate investors for investment in retail money market fund will be withdrawn with effective from 1 July 2020. However, the MoF has agreed to defer the expiry date to 1 July 2021 vide its letter to SC dated 17 April 2020.

3. Interest in respect of any savings certificates issued by the Government.
4. Interest paid or credited to any person in respect of Sukuk originating from Malaysia, other than convertible loan stock, issued in any currency other than RM and approved or authorized by, or lodged with, the SC or approved by the Labuan Financial Services Authority.
5. Interest received in respect of bonds and securities issued by Pengurusan Danaharta Nasional Berhad within and outside Malaysia.
6. Interest income derived from bonds (other than convertible loan stocks) paid or credited by any company listed in Malaysia Exchange of Securities Dealing and Automated Quotation Berhad (“MESDAQ”) (now known as Bursa Malaysia Securities Berhad ACE Market).
7. Income derived from the Sukuk Issue which has been issued by the Malaysia Global Sukuk Inc.
8. Discount or profit received from the sale of bonds or securities issued by Pengurusan Danaharta Nasional Berhad or Danaharta Urus Sendirian Berhad within and outside Malaysia.
9. Income derived from the Sukuk Ijarah, other than convertible loan stock, issued in any currency by 1Malaysia Sukuk Global Berhad.

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10. Gain or profit received from the investment in Islamic securities, other than convertible loan stock, which are issued in accordance with the principles of *Mudharabah*, *Musyarakah*, *Ijarah*, *Istisna'* or any other principle approved by the Shariah Advisory Council established by the SC under the Capital Markets and Services Act 2007.
11. Gains or profits in lieu of interest, derived from the Sukuk Wakala in accordance with the principle of *Al-Wakala Bil Istithmar*, other than a convertible loan stock, issued in any currency by Wakala Global Sukuk Berhad.
12. Income derived from Sukuk Kijang is exempted from the payment of income tax pursuant to Income Tax (Exemption) (No. 10) Order 2013. For the purpose of this order, "Sukuk Kijang" means the Islamic Securities of nominal value of up to two hundred and fifty million United States dollars (USD\$250,000,000) issued or to be issued in accordance with the Shariah principle of *Ijarah* by BNM Kijang Berhad.
13. Gains or profits derived, in lieu of interest, derived from the Sukuk Wakala with the nominal value up to one billion and five hundred million United States Dollar (USD1,500,000,000.00) in accordance with the principle of *Wakala Bil Istithmar*, other than a convertible loan stock, issued by the Malaysia Sovereign Sukuk Berhad.
14. Gains or profits derived, in lieu of interest from the Sukuk Wakala with the nominal value up to one billion and five hundred million United States Dollar (US\$1,500,000,000.00) in accordance with the principle of *Wakala*, other than a convertible loan stock, issued by the Malaysia Sukuk Global Berhad (formerly known as 1Malaysia Sukuk Global Berhad).
15. Income received by the Fund from Malaysia Building Society Berhad ("MBSB").

## 12. FURTHER INFORMATION

### 12.1 Material Contracts

No material agreement or contract out of the course of ordinary business has been entered into by the Manager in relation to the Fund as at the date of this Prospectus.

### 12.2 Consents

The Trustee and Trustee's delegate (custodian) have given their consent to the inclusion of their names and statements in the form and context in which they appear in this Prospectus and have not been subsequently withdrawn such consent before the issue of this Prospectus.

The tax adviser has given its consent to the inclusion of its name and tax adviser's letter in the form and context in which they appear in this Prospectus and have not been subsequently withdrawn such consent before the issue of this Prospectus.

### 12.3 Documents for Inspection

Copies of the following documents may be inspected at the principal office of the Manager and/or Trustee during normal business hours:-

- (a) The Deed or the supplemental deed (if any);
- (b) The latest annual report of the Fund;
- (c) The material contracts referred to in Section 12.1 of this Prospectus, if any;
- (d) The tax adviser's letter referred to in Section 11 of this Prospectus;
- (e) Each consent given by the parties as disclosed in this Prospectus;
- (f) This Prospectus and the supplementary prospectuses; and
- (g) The audited financial statements of the Manager and the Fund for the three (3) most recent financial years or such shorter period that the Fund has been in existence, preceding the date of this Prospectus.

### 12.4 Avenue for Advice

All queries, notices and communications to the Manager should be made in writing and sent to the following addresses:

9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur

Tel. No.: 03 – 2032 2888  
Fax No.: 03 – 2031 5210  
E-mail: [enquiries@aminvest.com](mailto:enquiries@aminvest.com)

Information of the Fund's website can be obtained at the Fund's website, [www.fbmkciETF.com.my](http://www.fbmkciETF.com.my).

### 12.5 Cross Trade

The Manager may conduct cross trades between funds and private mandates it currently manages provided that all criteria imposed by the regulators are met.

Notwithstanding, cross trades between the personal account of an employee of the Manager and the Fund's account and between the Manager's proprietary trading accounts and the Fund's account are strictly prohibited. The execution of cross trade will be reported to the investment committee and disclosed in the Fund's report accordingly.



**AmFunds Management Berhad**

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