

# ANNOUNCEMENT

## NOTICE

**To all Unit Holders of AmInstitutional Income Bond SRI**

**RE: Issuance of the Third Supplementary Information Memorandum in respect of AmInstitutional Income Bond SRI (formerly known as AmInstitutional Income Bond) dated 8 March 2024**

Dear Valued Unit Holders,

We wish to inform you that we have lodged the Third Supplementary Information Memorandum in respect of AmInstitutional Income Bond SRI dated and effective 8 March 2024 (the "Third Supplementary Information Memorandum") with Securities Commission Malaysia. This Third Supplementary Information Memorandum has to be read in conjunction with the Information Memorandum dated 18 February 2019, the First Supplementary Information Memorandum dated 22 June 2021 and the Second Supplementary Information Memorandum dated 31 January 2024 for AmInstitutional Income Bond SRI.

The Third Supplementary Information Memorandum is issued to include the following, but is not limited to:

- update on the change of Fund's name;
- update on the Fund's investment strategy;
- insertion of new section in relation to the Fund's ESG assessment methodology;
- update made to asset allocation; and
- insertion of new specific risks associated with the investment portfolio of the Fund.

We also wish to inform you that the Fund is a qualified Sustainable and Responsible Investment (SRI) fund.

For further details, kindly refer to the summary list of key amendments below. Should you require further information and clarification, please do not hesitate to contact us at:

Tel: +603-2032 2888

Fax: +602-2031 5210

Email: [enquiries@aminvest.com](mailto:enquiries@aminvest.com)

**AmFunds Management Berhad**

8 March 2024

**Summary List of Key Amendments for the Third Supplementary Information Memorandum in respect of AmInstitutional Income Bond SRI dated 8 March 2024 (the “Third Supplementary Information Memorandum”). This Third Supplementary Information Memorandum has to be read in conjunction with the Information Memorandum dated 18 February 2019, the First Supplementary Information Memorandum dated 22 June 2021 and the Second Supplementary Information Memorandum dated 31 January 2024 for AmInstitutional Income Bond SRI.**

Details	Prior disclosure in the Information Memorandums	Revised disclosure in the Third Supplementary Information Memorandum
General	AmInstitutional Income Bond	The name of the Fund, whichever it appears in the Information Memorandums, is hereby updated to be as “AmInstitutional Income Bond SRI”.
Definition	<p><b>Deed</b> The deed dated 9 January 2019 and supplemental deeds (if any) entered into between the Manager and the Trustee in relation to the Fund.</p> <p><b>Sophisticated Investor(s)</b> Means any person who comes within any of the categories of investors set out in part 1, Schedule 6 and 7 of the CMSA.</p>	<p><b>Deed</b> The deed dated 9 January 2019 in respect of the Fund and entered into between the Manager and the Trustee as modified by the supplemental deed dated 28 February 2024 all entered into between the same parties and as may be modified by any other subsequent supplemental deed.</p> <p><b>Sophisticated Investor(s)</b> Means any person who:- (a) is determined to be a sophisticated investor under the <i>Guidelines on Categories of Sophisticated Investors</i>; or (b) acquires any capital market product under the <i>Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework</i> where the consideration is not less than two hundred and fifty thousand ringgit or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise.</p>
	-	<p><i>Inserted the following:</i></p> <p><b>ESG</b></p>

		<p>Environmental, social and governance.</p> <p><b>ESG Assessment Methodology</b> Refers to the ESG Assessment Methodology on pages 6 to 8 of the Third Supplementary Information Memorandum.</p> <p><b>SRI</b> Sustainable and Responsible Investment.</p>
Investment Strategy	<p>The Fund seeks to achieve its investment objective by investing up to 100% of the NAV in fixed income instruments i.e. corporate bonds or Sukuk and/or Government securities and any other securities guaranteed by the Malaysian government, BNM or other related government agencies with a minimum credit rating of:</p> <ul style="list-style-type: none"> <li>• RM-denominated fixed income instruments: A3 or its equivalent as rated by a local rating agency; and</li> <li>• Non-RM-denominated fixed income instruments: BBB- or its equivalent as rated by a global rating agency.</li> </ul> <p>In the unlikely event of a credit rating downgrade below than the stipulated minimum, the Manager reserves the right to hold the affected fixed income instruments until its maturity if it is in the best interest of the Unit Holders. A credit downgrade generally will have no impact on the fixed income instruments upon its maturity if credit default does not occur.</p> <p>The Fund will place up to 30% of its NAV in cash, deposits and short-term money market instruments with a</p>	<p>The Fund seeks to achieve its investment objective by investing up to 100% of its NAV in fixed income instruments i.e. corporate bonds or Sukuk and/or Government securities and if the issuing entity is, or the issue is guaranteed by the Malaysian government, BNM or other related government agencies with a minimum bond credit rating of:</p> <ul style="list-style-type: none"> <li>• RM-denominated fixed income instruments: A3 or its equivalent as rated by a local rating agency; and</li> <li>• Non-RM-denominated fixed income instruments: BBB- or its equivalent as rated by a global rating agency.</li> </ul> <p>In the unlikely event of a bond credit rating downgrade below than the stipulated minimum, the Manager reserves the right to hold the affected fixed income instruments until its maturity if it is in the best interest of the Unit Holders. A credit downgrade generally will have no impact on the fixed income instruments upon its maturity if credit default does not occur.</p> <p>The Fund may invest up to 30% of the Fund’s net asset value in Malaysian government securities. The Fund will place up to 30% of its NAV in cash, deposits and short-term money market instruments with a financial institution with a minimum credit rating of P1 by any local rating agency for RM-denominated short-term money</p>

	<p>minimum credit rating of P1 by any local rating agency for RM-denominated short-term money market instruments and its equivalent as rated by any global rating agency for investment in non-RM-denominated short-term money market instruments.</p> <p>The Fund may invest up to 10% of its NAV in foreign markets where the regulatory authority is an ordinary or associate member of IOSCO.</p>	<p>instruments and its equivalent as rated by a global rating agency for investment in non-RM-denominated short-term money market instruments.</p> <p>The Fund may invest up to 10% of its NAV in foreign markets where the regulatory authority is an ordinary or associate member of IOSCO.</p> <p>Notwithstanding the above, the aggregate value of the Fund's investment in Malaysian government securities, cash, deposits and short-term money market instruments must not exceed 30% of the Fund's NAV.</p> <p>The Fund may increase its exposure in cash, deposits and money market instruments which may differ from the Fund's strategies and asset allocation for defensive purposes during periods of market volatility to protect the portfolios from a drop in market value as well as for liquidity to meet any large redemptions in a bear market. The Manager will ensure that at least two-thirds (2/3) of the Fund's NAV are in line with the sustainability considerations during the temporary defensive position.</p> <p>For instruments issued by sovereign issuers, the Manager will evaluate the sovereign issuers on the sustainability considerations as disclosed under the third and fourth paragraph in the section "ESG Assessment Methodology".</p> <p>The Fund also incorporates sustainability considerations in securities or instruments selection (including instruments issued under their respective green, social and sustainability ("GSS") bond framework), by investing in companies which are well governed and with positive environmental and social impact. The issuer of such</p>
--	---	---

		<p>securities or instruments are evaluated based on the sustainability considerations as disclosed in the section “ESG Assessment Methodology” and their disclosure of information pertaining to environmental and social impact.</p> <p>As a SRI qualified Fund, the investments of the Fund are subject to the integration of the sustainability considerations. At least two thirds (2/3) of the Fund’s NAV is maintained in securities or instruments that are subjected to sustainability considerations. A greater proportion of the Fund’s holdings would be securities or instruments with better ESG scores. The Manager will ensure that at least two thirds (2/3) of the investments of the Fund are in line with the sustainability principles adopted and the overall impact of such investments of the Fund is not inconsistent with any other sustainability principles by continuously monitoring and rebalancing the investments throughout the lifecycle of the Fund.</p> <p>If the Fund’s investments become inconsistent with its investment strategies or the Fund breaches the two thirds (2/3) asset allocation threshold in investments that are subjected to sustainability considerations, the Manager will dispose and/or replace the investment(s) within seven (7) business days from the date of the breach. The seven-business day period may be extended to three (3) months if it is in the best interest of Unit Holders and Trustee’s consent is obtained. However, any breach as a result of:-</p> <ul style="list-style-type: none"><li>(i) any appreciation or depreciation in value of the Fund’s investments; or</li><li>(ii) repurchase of Units or payment made out of the Fund,</li></ul> <p>need not be reported to the SC and must be rectified as soon as practical within three (3) months from the date of the breach. The</p>
--	--	--

		<p>three-month period may be extended if it is in the best interest of Unit Holders and Trustee's consent is obtained. Such extension must be subject to at least a monthly review by the Trustee.</p> <p>The Manager will as soon as practicable notify SC of any changes to the Fund immediately at its best efforts to provide, without prior request, the relevant information which may include but is not limited to any event that could impact the Fund's ability to comply with the Guidelines on Sustainable and Responsible Investment Funds to the SC.</p> <p>When the Fund is found to be no longer in compliance with the Guidelines on Sustainable and Responsible Investment Funds, the SC may revoke the Fund's SRI qualification.</p>
ESG Assessment Methodology	-	<p><i>Inserted the following:</i></p> <p>All issuers or depository financial institutions of the permitted investments undergo ESG evaluation by the Manager using information obtained publicly and through engagement with sovereign or corporate issuers and depository financial institutions, which we may supplement with data and references of external parties including credit rating agencies, research companies, as well as service and index providers. The Manager will assess the ESG factors of each sovereign or corporate issuers and depository financial institutions before proposing the ESG scores to an internal committee. The committee has the discretion to exclude a recommendation or request for further information before considering exclusion. ESG scores are reviewed by an internal committee. On a case-by-case basis, the committee will restrict investment in a company where the committee has unmitigated</p>

		<p>concerns on any one of the company's E, S or G aspects. The ESG evaluation is reviewed annually to ensure its continued relevance.</p> <p>The general considerations of ESG factors considered under each of the ESG pillars may include:</p> <p>Environmental (E) – climate change, energy sustainability, natural resources, pollution and waste, and environmental opportunities;</p> <p>Social (S) – human capital, human rights, product liability, consumer protection, stakeholder opposition, social opportunities; and</p> <p>Governance (G) – corporate governance, management structure and behaviour, employee relations and executive compensation.</p> <p>For instruments issued by sovereign issuers, the Manager will evaluate the sovereign issuers more specifically on the sustainability considerations as below and subjected to applicability:</p> <p><u>Environment</u></p> <ol style="list-style-type: none"><li>1. Environmental vulnerability – The risk of disruption to a country's economic output caused by degree of exposure to natural disasters or adverse weather conditions.</li><li>2. Environmental readiness – Considerations being given to country's available resources and institutional capability to leverage private and public sector investment for adaptive action to climate change and other natural disasters. There is also consideration of existing efforts to transition towards carbon neutrality, climate change adaptation strategies, resilience records.</li></ol> <p><u>Social</u></p> <ol style="list-style-type: none"><li>1. Human development - Considerations are given to a country's Human Development Index adjusted by inequality factor, as well as</li></ol>
--	--	--

		<p>Gender Inequality Index by the United Nations Development Programme (“UNDP”).</p> <p>2. Safety- The population safety aspect supplements the Human Development Index assessment. Violent deaths (homicides) per 100,000 people is used as a proxy for overall violence of a country as recognised by United Nations Office on Drugs and Crime (UNODC).</p> <p><u>Governance</u></p> <p>The Manager assesses the standard Sovereign Credit factors for governance.</p> <p>1. Institutional strength - Includes assessment of a government institutions and policymaking relating to delivery sustainable public finances, promotion balanced economic growth, and responding to economic or political shocks.</p> <p>2. Monetary policy effectiveness - Reflecting monetary policy credibility, including the independence of the central bank, its policymaking tools and effectiveness, track record on price stability, and role as a lender of last resort.</p> <p>The sustainability considerations of ESG factors considered for sovereign issuers are updated and reviewed annually. These ESG factors are based on multi-national sources gathered from the United Nations Development Programme (UNDP), United Nations Office on Drugs and Crime (UNODC), World Bank, International Monetary Fund, Eurostat and United Nations Statistics Division and publicly available global rankings and the data is verified against government data. The Manager also continuously seeks verification on the relevant data from government institution websites, public speeches, public announcements, newflash, central banks and/or</p>
--	--	--



		<p>national statistics agency of the respective sovereigns in our investment universe. Where available and necessary, the Manager will seek in-person engagement with representatives of the government institutions for details and data.</p> <p>As for instruments issued by corporate issuers or depository financial institutions, the Manager will evaluate the corporate issuers or depository financial institutions more specifically on the sustainability considerations as below and subjected to applicability:</p> <ul style="list-style-type: none"><li>• Environment<ol style="list-style-type: none"><li>1. Climate change and biodiversity – Do the activities of the company impact the climate and natural habitats which in turn affects biodiversity? How does the company manage transition risks and progress towards environmental targets?</li><li>2. Pollution and natural resources – Do the activities of the company impact pollution such as water, air soil, noise pollution etc.? Does the company have good track record on energy consumption and uses natural resources efficiently?</li><li>3. Waste management – What is the company’s waste related policies such as disposal of chemical waste.</li></ol></li> <li>• Social<ol style="list-style-type: none"><li>1. Responsibility towards customers – How does the company treat its customers and fulfill its social obligations? Has the company been involved in misrepresentation or mis-selling of products? Are the customers’ data well protected?</li><li>2. Labour standards – Does the company treat its workforce fairly? Do the working conditions meet the standards of the labour department? Is there diversity in the workforce? Does</li></ol></li></ul>
--	--	---

the company have an inclusion culture? Are there any human rights violation issues?

3. Health and safety – Does the company provide a safe and healthy environment to work in? What is the trend in worksite incidents/ fatalities?
4. Community engagements – Does the company engage with the community they serve or operate in, especially in providing employments and corporate social responsibility initiatives to give back to the community?
5. Supply chain management – is the company aware of the social environment of its suppliers, such as forced labour and human rights violation?
6. Employee relations and diversity – How is the company regarded by its employees? Is the company recognized as one of the top employers in its industry? Does the company have policies to protect employee rights? What is the gender/ ethnic breakdown and trends towards labour diversity?

- Governance

1. Corporate governance – Does the company have good corporate governance structure in place? What is the proportion of independent directors? How transparent is the company in its reporting to shareholders?
2. Risk management – How compliant is the company with regards to regulatory requirements? Has there been any regulatory breach?
3. Corruption/Mismanagement – Are there policies in place against bribery and corruption? Is the company or its management involved in any scandals relating to issues such as bribery or misappropriation of funds? What are the

rectification and mitigation measure to address these scandals?

The assessment of each sovereign or corporate issuer and depository financial institution's performance is not absolute but is explicitly intended to be relative to the standards and performance of its peers. The weightage of each of the E, S and G pillars could differ across sectors and companies, to reflect their relative importance and absolute impact on the factors under the ESG pillars consideration. For example, "E" would be given a higher weight for an oil and gas company with no exposure to renewables business compared with a telecommunications provider. However, "G" is given a higher weight across all sectors to reflect our emphasis on corporate governance.

The ESG assessment methodology rates each sovereign or corporate issuer and depository financial institution of the investment with an ESG score, on a scale of 1 to 5, with 1 as the lowest and 5 as the highest. A higher ESG score is assigned to a sovereign issuer, corporate issuer or depository financial institution with stronger ESG characteristics and vice versa for a sovereign issuer, corporate issuer or depository financial institution with weaker ESG characteristics. A sovereign issuer, corporate issuer or depository financial institution with a neutral ESG will be assigned an ESG score of 3. Accordingly, the Manager reviews the ESG scores and data points at least annually to ensure its continued relevance. The Manager also constantly monitors relevant news that may affect the ESG score and re-assigns the ESG scores accordingly.

The Fund would maintain at least two thirds (2/3) of the portfolio in investments with ESG scores of at least 3.

<p>Performance benchmark</p>	<p>TR BPAM Corporates (3 – 7 years) All Bond Index + 50 bps</p> <p><i>Note:</i>  <i>The risk profile of the Fund may not be the same as the risk profile of the performance benchmark.</i>  <i>TR BPAM refers to Thomson Reuters Bond Pricing Agency Malaysia.</i></p>	<p>Refinitiv BPAM Corporates (3-7 years) All Bond Index + 50 bps</p> <p><i>Note: The risk profile of the Fund may not be the same as the risk profile of the performance benchmark.</i>  <i>BPAM refers to Bond Pricing Agency Malaysia</i></p>
<p>Asset allocation</p>	<ul style="list-style-type: none"> <li>• Up to 100% of the Fund’s NAV in fixed income instruments; and</li> <li>• Up to 30% of the Fund’s NAV in cash, deposits and short-term money market instruments.</li> </ul> <p><i>Note:</i>  <i>The Manager may deviate from the above stipulated asset allocation in response to certain conditions which include but are not limited to unfavourable market, economic political conditions, insufficient funds to form an efficient portfolio and/or period of high fund redemptions. In such situations, the Manager may allocate its fixed income security investments into cash, deposits and short-term money market instruments.</i></p>	<ul style="list-style-type: none"> <li>• Between 70% and 100% of the Fund’s NAV in fixed income instruments; and</li> <li>• Up to 30% of the Fund’s NAV in cash, deposits and short-term money market instruments.</li> </ul> <p><i>Note:</i>  <i>Notwithstanding the above, the aggregate value of the Fund’s investment in Malaysian government securities, cash, deposits and short-term money market instruments must not exceed 30% of the Fund’s NAV.</i>  <i>The Manager may deviate from the above stipulated asset allocation in response to certain conditions which include but are not limited to unfavourable market, economic political conditions, insufficient funds to form an efficient portfolio and/or period of high fund redemptions. In such situations, the Manager may allocate its fixed income security investments into cash, deposits and short-term money market instruments.</i></p>
<p>Specific risks associated with the investment portfolio of the Fund</p>	<p>-</p>	<p><i>Inserted the following:</i></p> <p><b>Sustainability and Responsible Investment and Impact Risk</b></p> <p>As the Fund has an intention to generate positive sustainable and responsible impact alongside a financial return (“impact”), the investor must be able to accept temporary capital losses due to the potentially restricted number of companies that the Fund can invest</p>

		<p>in due to those companies which may not meet the sustainability considerations requirement and, consequently, should view investment in the Fund as a long-term investment.</p> <p>The Fund may seek to exclude holdings deemed inconsistent with the sustainability considerations. As a result, the investments of the Fund will be more limited than other funds that do not apply sustainability considerations. The Fund may be precluded from purchasing, or required to sell, certain investments that are inconsistent with its investment policy and sustainability considerations which might otherwise be advantageous to hold. The incorporation of sustainability considerations could result in performance that is better or worse than the performance of the other funds depending on the performance of the excluded investments and the investments included in place of such excluded investments.</p> <p>This risk is mitigated via investment strategy of the Fund such as by imposing minimum credit rating, active tactical duration management and by analyzing general market conditions. In addition, the Manager will use models that analyze and compare expected returns and assumed risk.</p> <p>The Manager will also focus on securities or instruments that would deliver better returns and will consider obligations with more favourable or improving credit or industry outlook that provides the potential for capital appreciation.</p>
--	--	--

	-	<p><i>Inserted the following:</i></p> <p><b>Greenwashing Risk</b></p> <p>Greenwashing is defined as making false, misleading or unsubstantiated claims in relation to environmental, social and governance credential of an investment product. The Fund may inadvertently invest into such products, without prior knowledge of the fraudulent claims. As greenwashing could result in reputational risk, regulatory fines, and/or withdrawal of the products, there could be a negative impact on the value of the Fund.</p> <p>In mitigating the greenwashing risk, there are governance and guidelines in place for assessing the sustainability of the sovereign or corporate issuer and depository financial institution. The ESG score prescribed to the sovereign or corporate issuer and depository financial institution are reviewed and approved by appropriate approving authorities internally, and updated periodically, i.e. at least once a year.</p>
--	---	--