

## **Chapter 16**

### **SPECIFIC REQUIREMENTS FOR INDEX FUNDS**

16.01 The following information must be disclosed in the prospectus of an index fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

#### **The fund**

16.02 The following additional information must be disclosed:

- (a) The underlying index which the fund intends to track or replicate, as well as a description of the market or sector the index represents;
- (b) The characteristics and general composition of the index and, where applicable, concentration in any economic sector or issuer;
- (c) The fund's investment strategy whether to invest in all (full replication) or a representative sample of component securities of the underlying index. Where a representative sample of component

securities of the index is used, to disclose how the sample is constituted;

- (d) A brief description of the index methodology and rules and how investors may obtain such information;
- (e) The means by which investors may obtain the latest index information and other important news of the index;
- (f) Circumstances which may affect the accuracy and completeness in the calculation of the index;
- (g) Circumstances which may lead to tracking errors and strategies employed in minimising such errors;
- (h) The risks of investing in an index fund;
- (i) The policy on rebalancing the investment portfolio;
- (j) The weightings of the top 10 component securities of the underlying index; and
- (k) In addition to subparagraph 16.02(j), where a representative sample of component

securities of the underlying index is used to track or replicate the index, the weightings of the top 10 component securities in the sample.

16.03 There must be statements displayed in bold font to the effect that–

- (a) there is no guarantee or assurance of exact or identical replication at any time of the performance of the index;
- (b) the index composition may change and component securities of the underlying index may be delisted; and
- (c) where relevant, the investment of the scheme may be concentrated in securities of a single issuer or several issuers.