Schedule B

INVESTMENT RESTRICTIONS AND LIMITS – CORE REQUIREMENTS

General

(1) The requirements herein apply to all funds, unless otherwise specified in the respective appendices of this schedule.

(2) The investment limits and restrictions must be read together with the general requirements and prohibitions set out in Chapter 6 of these Guidelines.

Exposure limit

(3) The aggregate value of a fund's investments in–

(a) transferable securities that are not traded or dealt in or under the rules of an eligible market;

(b) CIS that do not comply with paragraphs 6.11(a), (b) and (c); and

(c) other securities,

must not exceed 15% of the fund's NAV, subject to a maximum limit of 10% of the fund's NAV in a single issuer or single CIS, as the case may be.

Investment Spread Limits

(4) The value of a fund's investments in ordinary shares issued by any single issuer must not exceed 10% of the fund's NAV.

(5) The value of a fund's investments in –

(a) transferable securities; and

(b) money market instruments,

issued by any single issuer must not exceed 15% of the fund's NAV ("single issuer limit"). In determining the single issuer limit, the value of the fund's investments in instruments in paragraph (3) issued by the same issuer must be included in the calculation.

(6) The value of a fund's placement in deposits with any single financial institution must not exceed 20% of the fund's NAV.

(7) The aggregate value of a fund's investments in, or exposure to, a single issuer through–

(a) transferable securities;

(b) money market instruments;

(c) deposits;

(d) underlying assets of derivatives; and

(e) counterparty exposure arising from the use of OTC derivatives,

must not exceed 25% of the fund's NAV ("single issuer aggregate limit"). In determining the single issuer aggregate limit, the value of the fund's investments in instruments in paragraph (3) issued by the same issuer must be included in the calculation.

(8) The value of a fund's investments in units or shares of a CIS must not exceed 20% of the fund's NAV, provided that the CIS complies with–

(a) paragraph 6.11(a);

(b) paragraph 6.11(b); or

(c) paragraph 6.11(c), excluding a CIS that invests in real estate.

(9) The value of a fund's investments in units or shares of a CIS that invests in real estate pursuant to paragraph 6.11(c) must not exceed 15% of the fund's NAV.

(10) The value of a fund's investments in transferable securities and money market instruments issued by any group of companies must not exceed 20% of the fund's NAV ("group limit"). In determining the group limit, the value of the fund's investments in instruments in paragraph (3) issued by the issuers within the same group of companies must be included in the calculation.

Exceptions to investment spread limits

Government and other public securities or money market instruments

(11) The single issuer limit in paragraph (5) may be raised to 35% of the fund's NAV if the issuing entity is, or the issue is guaranteed by, either a foreign government, foreign government agency, foreign central bank or supranational, that has a minimum long-term credit rating of investment grade (including gradation and subcategories) by an international rating agency.

(12) Where the single issuer limit is increased to 35% of the fund's NAV, the single issuer aggregate limit in paragraph (7) may be raised, subject to the group limit in paragraph (10) not exceeding 35% of the fund's NAV.

Deposits

(13) The single financial institution limit in paragraph (6) does not apply to placements of deposits arising from:

(a) Subscription monies received prior to the commencement of investment by the fund;

(b) Liquidation of investments prior to the termination or maturity of the fund, where the placement of deposits with various financial institutions would not be in the best interests of unit holders; or

(c) Monies held for the settlement of redemption or other payment obligations, where the placement of deposits with various financial institutions would not be in the best interest of unit holders.

Investment concentration limits

Transferable securities

(14) A fund's investments in shares or securities equivalent to shares must not exceed 10% of the shares or securities equivalent to shares, as the case may be, issued by a single issuer.

(15) A fund's investments in debt securities must not exceed 20% of the debt securities issued by a single issuer. This limit may be disregarded at the time of acquisition if at that time of acquisition the gross amount of debt securities in issue cannot be determined.

Money market instruments

(16) A fund's investments in money market instruments must not exceed 10% of the instruments issued by any single issuer. This limit does not apply to money market instruments that do not have a pre-determined issue size.

CIS

(17) A fund's investments in CIS must not exceed 25% of the units or shares in the CIS.

Schedule B – Appendix I

MONEY MARKET FUNDS

General

(1) A money market fund is one which invests primarily in short-term debt securities, short-term money market instruments and placement in short-term deposits.

(2) Only funds that comply with the restrictions and limits of Schedule B and this Appendix can hold itself out as a money market fund.

(3) This Appendix does not apply to funds which invests in debt securities and money market instruments or places deposits as part of a diversified portfolio and those whose objective is to invest in riskier and higher yielding debt securities.

Permissible investments

(4) The fund's assets must only consist of the following:

(a) Debt securities;

(b) Money market instruments;

(c) Placement in deposits;

(d) Units or shares in other money market funds; and

(e) Derivatives for the sole purpose of hedging arrangements.

(5) For the purpose of paragraph (1), a "short-term" debt security or money market instrument must meet the following criteria:

(a) It must meet either one of the following requirements:

(i) It has a legal maturity at issuance of 397 calendar days or less;

(ii) It has a remaining term of maturity of not more than 397 calendar days; or

(iii) Where a debt security or a money market instrument is issued by, or the issue is guaranteed by, either a government, government agency, central bank or supranational, the remaining maturity period must not be more than two years;

(b) It must be traded or dealt in under the rules of an eligible market; and

(c) It must not contain an embedded derivative.

Exposure limits

(6) A money market fund must invest at least 90% of its NAV in –

(a) short-term debt securities and short-term money market instruments; and

(b) placement in short-term deposits.

(7) A money market fund may only invest up to 10% of the fund's NAV in –

(a) high quality debt securities which have a remaining maturity period of more than 397 days but fewer than 732 days; and

(b) units or shares in other money market funds and derivatives for hedging purposes.

(8) A 'high quality' debt security is one with an issuer credit rating that has–

(a) minimum top two short-term rating (including gradation and subcategories); or

(b) minimum top three long-term rating (including gradation and subcategories),

as rated by any Malaysian or global rating agency.

Investment spread limits

(9) The value of a fund's investments in debt securities and money market instruments issued by a single issuer must not exceed 20% of the fund's NAV ("single issuer limit").

(10) The single issuer limit in paragraph (9) may be increased to 30% if the debt securities are rated by any Malaysian or global rating agency to have the highest long-term credit rating.

(11) The value of a fund's investments in debt securities and money market instruments issued by any group of companies must not exceed 30% of the fund's NAV.

Investment Concentration Limits

(12) A fund's investments in money market instruments must not exceed 20% of the instruments issued by any single issuer.

Repurchase transactions

(13) Where a fund undertakes repurchase transactions for efficient portfolio management purposes, in addition to the requirements under paragraphs 6.29, 6.30, 6.32, 6.33, 6.34, 6.35, 6.36, 6.37 and 6.38, the following requirements must also be complied with:

(a) The amount of cash received by the fund must not in aggregate exceed 10% of the fund's NAV;

(b) The aggregate amount of cash provided to the same counterparty in reverse repurchase agreements must not exceed 15% of the fund's NAV;

(c) Collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and

(d) The holding of collateral, together with other investments of the money market fund must not contravene the requirements in this Appendix and Schedule B, where applicable.

(14) For the purpose of paragraph (13), high quality money market instruments must have the top three long-term credit rating (including gradations and subcategories) provided by any Malaysian or global rating agency.

Schedule B – Appendix II

BOND OR FIXED INCOME FUNDS

PART 1: GENERAL

(1) A bond or fixed income fund is one which invests primarily in fixed income instruments. The remaining NAV of the fund may be invested in permitted investments as prescribed in paragraph 6.05 of these Guidelines.

Investment spread limits

(2) The value of a fund's investments in–

(a) transferable securities; and

(b) money market instruments,

issued by any single issuer must not exceed 20% of the fund's NAV ("single issuer limit"). In determining the single issuer limit, the value of the fund's investments in instruments in paragraph (3) of Schedule B by the same issuer must be included in the calculation.

(3) For avoidance of doubt, the single issuer aggregate limit requirement in paragraph (7) of Schedule B applies to a bond or fixed income fund.

(4) The single issuer limit in paragraph (3) may be increased to 30% if the debt security is rated by any Malaysian or global rating agency to have the highest long-term credit rating.

(5) Where the single issuer limit is increased to 30% pursuant to paragraph (4), the single issuer aggregate limit of 25% in paragraph (7) of Schedule B may be raised to 30% of the fund's NAV.

(6) The value of a fund’s investments in transferable securities and money market instruments issued by any group of companies must not exceed 30% of the fund’s NAV (“group limit”). In determining the group limit, the value of the fund’s investments in instruments in paragraph (3) of Schedule B issued by the issuers within the same group of companies must be included in the calculation.

(7) Where the debt securities or money market instruments are issued, or the issue is guaranteed by, either a foreign government, foreign government agency, foreign central bank or supranational, that has a minimum long-term credit rating of investment grade (including gradation and subcategories) by an international rating agency, the fund manager may apply the limits in paragraphs (11) and (12) of Schedule B.

PART 2: COUNTRY-SPECIFIC GOVERNMENT BOND OR FIXED INCOME FUNDS

(8) Notwithstanding the investment spread limits in paragraphs (2) to (7), a bond or fixed income fund may invest 100% of its NAV in debt securities and money market instruments where the issuer is, or the issue is guaranteed by, a foreign government, government agency, or supranational that has a minimum long-term credit rating (“Sovereign Rating”) as follows:

(a) Top two credit rating (including gradation and subcategories) provided by a rating agency; or

(b) Within top three and top four credit rating (including gradation and subcategories) provided by a rating agency, subject to compliance with paragraph (9).

(9) Where the Sovereign Rating of the issuer or guarantor falls within the range specified in paragraph (8)(b), the country-specific government bond or fixed income fund must ensure the following are being met:

(a) The foreign government, government agency, or supranational must be listed on the list of acceptable issuers or guarantors, which may be amended from time to time; and

(b) The fund must invest in at least six different issues, with investment in any one issue not exceeding 30% of the fund's NAV.

(10) A management company must ensure that any marketing communications must contain a prominent statement drawing attention to the foreign country, foreign government, government agency or supranational, the debt securities or money market instruments of which, the fund intends to invest in.

(11) In the event of any downgrade in the Sovereign Rating, a management company must notify the SC of such event, as soon as practicable.

Schedule B – Appendix III

FUND-OF-FUNDS

General

(1) A fund-of-funds is one which invests at least 85% of its NAV in other CIS.

(2) A fund-of-funds may invest up to 15% of its NAV in the following permitted investments:

(a) Money market instruments that are dealt in or under the rules of an eligible market and whose residual maturity does not exceed 12 months;

(b) Placement in short-term deposits; and

(c) Derivatives for the sole purpose of hedging arrangements.

(3) Only funds which comply with the restrictions and limits of Schedule B and this Appendix can hold itself out as a fund-of-funds.

(4) A management company or the fund manager, must ensure that the investments in other CIS comply with the general requirements set out in Chapter 6 of these Guidelines under "Investments in CIS".

(5) A fund-of-funds must not invest in–

(a) a fund-of-funds;

(b) a feeder fund; and

(c) any sub-fund of an umbrella scheme which is a fund-of-funds or a feeder fund.

(6) For a fund-of-funds that invests in a sub-fund of an umbrella scheme, the sub-fund of the umbrella scheme should be treated as if it is a separate CIS.

Investment spread limits

(7) A fund-of-funds must invest in at least five CIS at all times.

(8) The value of a fund's investments in units or shares of a CIS must not exceed 30% of the fund's NAV, provided that the CIS complies with –

(a) paragraph 6.11(a);

(b) paragraph 6.11(b); or

(c) paragraph 6,11(c), excluding CIS that invests in real estate.

Schedule B – Appendix IV

FEEDER FUNDS

General

(1) A feeder fund is one which invests at least 85% of its NAV in units or shares of a single CIS, provided that the CIS complies with –

(a) paragraph 6.11(a);

(b) paragraph 6.11(b); or

(c) paragraph 6.11(c), excluding CIS that invests in real estate.

(2) A feeder fund may invest up to 15% of its NAV in the following permitted investments:

(a) Money market instruments that are dealt in or under the rules of an eligible market, and whose residual maturity does not exceed 12 months;

(b) Placement in short-term deposits; and

(c) Derivatives for the sole purpose of hedging arrangement.

(3) Only funds which comply with the restrictions and limits of Schedule B and this Appendix can hold itself out as a feeder fund.

(4) A management company or the fund manager, must ensure that–

(a) investments in the other CIS comply with the general requirements set out in Chapter 6 of these Guidelines; and

(b) the CIS is managed by another management company or a foreign operator, unless the CIS is an ETF.

(5) "Foreign operator" in paragraph (4)(b) means a foreign-incorporated entity responsible for the management of assets held for or within a CIS, or who otherwise operates a CIS, and on whose behalf issue and offer units/shares of the CIS.

(6) A feeder fund must not invest in–

(a) a fund-of-funds;

(b) a feeder fund; and

(c) any sub-fund of an umbrella scheme which is a fund-of-funds or a feeder fund.

(7) Where a feeder fund is investing in an ETF, the prospectus of the feeder fund must contain disclosure on the difference between the feeder fund structure and direct investment in the ETF, with particular attention to the fee structure and real-time trading.

(8) For a feeder fund that invests in a sub-fund of an umbrella scheme, the sub-fund of the umbrella scheme should be treated as if it is a separate CIS.

Schedule B – Appendix V

INDEX FUNDS

General

(1) An index fund is a fund whose principal objective is to track, replicate or correspond to an index on permissible investments, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the index.

Name of fund

(2) The name of the fund should reflect the nature of an index fund. The words “index”, “tracking” or “tracker”, should appear in the name of the fund, where appropriate.

Index tracking strategies

(3) An index fund may seek to track an index by any of the following strategies:

(a) Full replication by investing all or substantially all of its assets in the constituents of the underlying index, broadly in proportion to the respective weightings of the constituents in the index;

(b) Optimisation approach by investing in a portfolio featuring high correlation to the index to minimise index tracking error;

(c) Sampling approach by stratifying or dividing an index into manageable risk elements or buckets to replicate the underlying index performance; or

(d) Synthetic replication through the use of derivatives or embedded derivatives to replicate the index performance.

(4) For the optimisation and sampling approaches where certain investments of the fund are not constituents of the index, such approaches may be used only if the resultant fund characteristics closely match or correspond to the characteristics of the index.

Acceptable indices

(5) The underlying index must–

(a) have–

(i) a clearly defined objective; or

(ii) a clear market or sector it aims to represent;

(b) be objectively calculated and rules-based;

(c) be diversified such that the maximum weight per constituent does not exceed 20% of the index. Where an index is composed solely of constituents which are non-shares, the maximum weightage of only one constituent may be increased to but not exceeding 35% of the index;

(d) contain constituents that are sufficiently liquid;

(e) be transparent and easily accessible by investors; and

(f) be constructed, maintained and reviewed by a reputable third party index provider.

Schedule B – Appendix VI

UMBRELLA FUND

General

(1) An umbrella fund is one which comprises at least two sub-funds.

(2) An umbrella fund must provide favourable switching facilities between its sub-funds, compared with switching facility involving other funds under the same management company.

(3) A sub-fund's assets must not consist of units or shares of another sub- fund within the same umbrella fund.

Investment Restrictions

(4) Each sub-fund of an umbrella fund is subject to the investment restrictions and spread limits within which it is categorised under, and will be treated as a single fund.

(5) Notwithstanding paragraph (4), the investment concentration limits will apply at the level of the umbrella fund.

Schedule B – Appendix VII

GUARANTEED FUND

General

(1) A guaranteed fund is one which guarantees investors will get back the capital invested, with some returns, if any, or guarantees investors a certain investment return payable at a pre-determined date in the future.

(2) The word “guarantee” must appear in the fund’s name. Where a fund does not comply with the requirements in this Appendix, it must not use the word “guarantee”, or any other name which may imply some form of guarantee, in its name or in its promotional materials. Such a fund is prohibited from holding itself out as a guaranteed fund.

Guarantor

(3) A guarantor must be appointed to provide a guarantee for the fund.

(4) A guarantor must be a licensed bank, licensed investment bank or a licensed Islamic bank.

(5) A guarantor must have a minimum of top three long-term credit rating (including gradation and subcategories) provided by any Malaysian or global rating agency.

(6) Where a guarantor’s rating falls below the minimum required under paragraph (5), or the guarantor ceases to be rated, the management company should, within six months or sooner, and if the trustee considers it to be in the best interest of unit holders, enter into a new agreement with a new guarantor that satisfies paragraphs (4) and (5).

Guarantee

(7) The trustee must enter into a written agreement with the guarantor and must ensure there is a guarantee at all times.

(8) The guarantee must be legally enforceable against the guarantor by the trustee, on behalf of unit holders.

(9) For a capital guaranteed fund, the guarantee must cover no less than 100% of the capital invested by a unit holder (i.e. excluding sales charge or front-end loads).

(10) No variation or modification to the guarantee agreement is permitted, unless the trustee's consent has been obtained. Notwithstanding, where the trustee is of the opinion that the variations or modifications are material, such variations or modifications can only be made with unit holders' prior approval.

(11) The guarantee may be terminated under the following circumstances:

(a) The trustee may terminate the guarantee if the guarantor is in liquidation or ceases to carry on business (excluding for the purpose of reconstruction or amalgamation);

(b) The trustee and guarantor may terminate the guarantee if any law is passed which renders the agreement illegal or null and void; and

(c) The trustee and the guarantor may terminate the guarantee if the fund is terminated voluntarily.

Investment spread and concentration limits

(12) Depending on the nature and underlying investments of the fund, the respective investment limits and restrictions prescribed in Schedule B or its relevant Appendices, whichever applicable, should apply to a guaranteed fund.