

## **Schedule E**

### **CONTENTS OF A FUND'S REPORT**

- (1) The purpose of a fund's report is to provide information to enable unit holders to evaluate the performance of a fund.
- (2) The information required by the SC under this schedule is the minimum that must be included in a fund's report.
- (3) A fund's report need not adopt the terms used under this schedule. Where possible, the report must avoid unnecessary jargon and use terms which are easily understood by unit holders.
- (4) For umbrella funds, a report must be prepared for each sub-fund.
- (5) For a fund with multiple classes of units, that fund's report must contain information with respect to each class of units in issue.

### **Fund Information**

- (6) This section must disclose the following information:
  - (a) Name, type and category of the fund;
  - (b) The fund's investment objective;
  - (c) Duration of the fund and its termination date, where applicable;
  - (d) The fund's performance benchmark; and
  - (e) The fund's distribution policy.

## **Fund Performance**

- (7) The following information must be disclosed in this section:
- (a) A comparative table covering the last three financial years, or since inception if shorter, showing for the end of each financial year—
    - (i) portfolio composition of the fund, e.g. distribution among industry sectors, markets and category of investments;
    - (ii) NAV of the fund;
    - (iii) NAV per unit and the number of units in circulation as at the end of each year;
    - (iv) highest and lowest NAV per unit;
    - (v) total return of the fund, and the breakdown into capital growth and income distribution;
    - (vi) distribution per unit (gross and net) for interim and final distribution, if any, and any other forms of distribution made and proposed during the period. The date of each distribution and the effects of the income and additional distribution in terms of NAV per unit before and after distribution must be disclosed;
    - (vii) where the distribution is made out of the fund's capital, the breakdown of distribution sourced from income and capital, in value and percentage of total distribution amount;

- (viii) total expense ratio (TER) of the fund and an explanation for the difference in TER, where applicable;
  - (ix) where performance fee is charged, the following must also be disclosed:
    - (A) the TER excluding this remuneration; and
    - (B) the TER including this remuneration;
  - (x) portfolio turnover ratio (PTR) of the fund and an explanation for the difference in PTR, where applicable;
- (b) Average total return of the fund measured over the following periods, to the date of the report:
- (i) one year, or since inception if shorter;
  - (ii) three years; and
  - (iii) five years; and
- (c) Annual total return of the fund for each of the last five financial years, or since inception if shorter.
- (8) The fund's performance, it must be calculated based on a NAV-to-NAV basis with distributions reinvested at the NAV per unit.
- (9) TER can be calculated based on the ratio of the sum of fees and the recovered expenses of the unit trust fund to the average value of the unit trust fund calculated on a daily basis, i.e.

Fees of the unit trust  
fund + Recovered  
expenses of the unit  
trust fund X 100

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Average value of the  
unit trust fund  
calculated on a daily  
basis

Where:

Fees = All ongoing fees deducted/deductible directly from the unit trust fund in respect of the period covered by the management expense ratio expressed as a fixed amount, calculated on a daily basis. This would include the annual management fee, the annual trustee fee and any other fees deducted/deductible directly from the unit trust fund;

Recovered = All expenses recovered from/ charged to the unit trust fund, as a result of the expenses incurred by the operation of the unit trust fund, expressed as a fixed amount. This must not include expenses that would otherwise be incurred by an individual investor (e.g. brokerage, taxes and levies); and

Average value of the unit trust fund = The NAV of the unit trust fund, including unit trust net income value of the fund, less expenses on an accrued basis, in respect of the period covered by the management expense ratio, calculated on a daily basis.

- (10) PTR can be calculated based on the ratio of the average sum of acquisitions and disposals of the unit trust fund for the year to the average value of the unit trust fund for the year calculated on a daily basis, i.e.

$$\frac{[\text{Total acquisitions of the fund for the year} + \text{Total disposals of the fund for the year}] / 2}{\text{Average value of the unit trust fund for the year calculated on a daily basis}}$$

- (11) A fund's report may include other performance data for any other period aside from those mentioned in (7) above. However, all other performance data presented must comply with the following requirements:
- (a) The bases of calculation and any assumption made must be consistently applied, adequately disclosed and independently verified; or
  - (b) The data used must be obtained from independent sources.
- (12) There must be a warning statement that past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

## **Manager's report**

- (13) A management company must prepare a report containing an operational review of the fund, the result of those operations and details of significant changes in the state of affairs of the fund during the financial period.
- (14) In selecting a format for the presentation of the report, consideration must be given, not only to the completeness and accuracy of the data, but also to the clarity of the overall presentation.
- (15) A fund's report must include the following:
  - (a) Fund's performance in the last five financial years, or since inception if shorter, and should be illustrated in graphical form;
  - (b) Where the fund has a performance benchmark, the fund's performance in (a) must also include comparison between the fund's performance and the performance of the benchmark disclosed in the prospectus;
  - (c) Description of the strategies and policies employed during the period under review. To state any change in strategy adopted which was not in line with the strategy disclosed in the prospectus;
  - (d) Where applicable, an explanation on the differences in portfolio composition between the current and previous year;
  - (e) A statement on whether the fund has undertaken any securities lending or repurchase transactions (collectively referred to as '**securities financing transactions**');)

- (f) A write-up of the analysis of the fund's performance based on NAV per unit adjusted for income distribution, if any, since the last review period or in the case of newly launched funds, since commencement;
- (g) Review of the markets in which the fund invests in during the period. Information on returns on investments in each market is encouraged. Focus must be given on instruments comprising major asset allocation, e.g. equity-general, equity-small cap;
- (h) Details of any unit split exercise carried out during the period. State clearly effects on NAV per unit before and after the unit split exercise;
- (i) Description and explanation of significant changes in the state of affairs of the fund during the period and up to the date of manager's report, not otherwise disclosed in the financial statements;
- (j) Details of any change in the fund's prospectus other than a significant change under paragraph 9.71(a), which include the following:
  - (i) Change made to the fund, highlighting the current and revised positions; and
  - (ii) Effective date of the change.
- (k) Circumstances which materially affect any interest of unit holders;
- (l) A statement on whether cross trade transactions have been carried out during the reported period and that the persons undertaking the oversight functions has reviewed that such transactions are in the best interest

of the fund and transacted on an arm's length and fair value basis;

- (m) A statement whether any soft commission has or has not been received by the management company or fund manager for the period under review from any broker or dealer by virtue of transactions conducted for the fund. If any soft commission is received, the following must be disclosed:
  - (i) Description of the goods or services received; and
  - (ii) Manner in which the goods or services received were utilised;
- (n) Where soft commission has been received, a statement to the effect that the broker or dealer had also executed trades for other funds or investments managed by the management company or fund manager, and disclose the arrangements in such a way that unit holders of the fund are able to assess the scope of the arrangements and how the soft commissions will benefit other clients' accounts;
- (o) A confirmation that the soft commissions received were for the benefit of the fund and there was no churning of trades;

***For Feeder Funds only***

- (p) The target fund's top 10 holdings at market value and as a percentage of NAV as at the end of the period under review and a year ago, unless the details are not disclosed in the latest available report of the target fund;



***For Index Funds only***

- (q) The characteristics and general composition of the index and, where applicable, concentration in any economic sector and/or issuer; and
- (r) Comparison and explanation of the fund's performance, and the actual underlying index's performance over the relevant period.

**Trustee's report**

- (16) A trustee must prepare a report stating its opinion whether the management company has operated and managed the fund in accordance with the following:
  - (a) Limitations imposed on the investment powers of the management company under the deed, securities laws and these Guidelines;
  - (b) Valuation and pricing is carried out in accordance with the deed and any regulatory requirement; and
  - (c) Creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.
- (17) If the trustee is of the opinion that the management company has not done so, the trustee must disclose the shortcomings which may have an impact on the decision of existing or potential unit holders to remain invested or to invest in the fund. The trustee must also highlight steps taken to address the shortcomings and to prevent the recurrence of the shortcomings.

- (18) The report by the trustee must be prepared in the form provided in Appendix I of this Schedule;
- (19) The report prepared by a trustee must state its opinion on whether the distribution of income by the fund is appropriate and reflects the investment objective of the fund.
- (20) [Deleted]
- (21) [Deleted]

### **Financial statements**

- (22) The financial statements must give a true and fair view of the fund, and must be prepared in accordance with applicable approved accounting standards, applicable statutory requirements, the deed and any regulatory requirement. The disclosure requirements set out for financial statements in this schedule must be complied with unless superseded by approved accounting standards.
- (23) For semi-annual report, it must be clearly stated whether the financial statements in the semi-annual report are audited or unaudited.
- (24) For the purpose of paragraph (23) where unaudited financial statements are used, the financial statements must include a declaration by the director(s) of the management company that the financial statements give a true and fair view of the fund. A signed copy of the declaration, which must be identical to the declaration printed in the report, must be submitted to the SC.
- (25) Additional Disclosure Requirements in Financial Statements

**A     *Balance sheet***

- (a) NAV of the fund;
- (b) Number of units in circulation;
- (c) NAV per unit (ex-distribution, where applicable); and
- (d) Net assets/liabilities attributable to unit holders.

**B     *Classification of investments***

- (a) Investment (including cash and cash equivalents) must not be classified as current or non-current, but must be presented in an order that reflects each category's relative liquidity; and
- (b) The carrying amount of investments, where applicable, to be categorised as follows:
  - (i) Fixed income and other debt securities;
  - (ii) Quoted and unquoted equity securities;
  - (iii) Derivatives (e.g. futures, options);
  - (iv) Other CIS;
  - (v) All foreign investments;
  - (vi) Any other investment, with significant items to be disclosed separately;
  - (vii) Cash and cash equivalents; and
  - (viii) Significant items included in other assets, disclosed separately.

***C Income statement***

**(a) Income, by category:**

- (i) Interest income;
- (ii) Dividend income;
- (iii) Net realised gains or losses on sale of investments including derivatives;
- (iv) Net realised gain on sale of instrument in Shariah non-compliant securities (for Islamic funds);
- (v) Dividend income from Shariah non-compliant securities (for Islamic funds); and
- (vi) Other material income items, such as income from securities financing transactions;

**(b) Expenses, by category:**

- (i) Fees and charges paid to management company, including performance fee, with each type of fee and charge shown separately;
- (ii) Trustee's fees and any requirement of trustee's expenses, including the basis for the fees charged by the trustee;
- (iii) Auditor's fees;
- (iv) Tax agent's fee;
- (v) Administrative fees and expenses;

- (vi) Payment made to charitable bodies (for Islamic funds); and
- (vii) Other material expenses items, such as expenses relating to securities financing transactions;
- (c) Net income before and after taxation;
- (d) For net income after tax, the break down into 'realised' and 'unrealised' portions; and
- (e) Total amount for distribution (net) and distribution per unit (gross and net) for the interim and final distribution, including the date for each distribution.

***D Statement of Changes in NAV***

Movement in the NAV of the fund during the period, separately categorising those changes arising from investment and those arising from transactions with unit holders. The following, where applicable, must be shown separately under the appropriate categories:

- (a) NAV at the beginning and end of the period;
- (b) Net income for the period;
- (c) Amounts received from units created;
- (d) Amounts paid for units cancelled;
- (e) Distributions to unit holders; and
- (f) Changes in unrealised reserves.

***E Cash flow statement***

***F Notes to the financial statements***

- (a) The basis of income recognition;
- (b) The basis for fees and charges paid to the management company;
- (c) The basis for fees and charges paid to the trustee;
- (d) Movements in the number of units created or cancelled during the period, highlighting the number of units created as additional distribution, if any;
- (e) Transactions with the top 10 brokers or dealers disclosed as follows:
  - (i) Broker or dealer transactions by value of trade and percentage; and
  - (ii) The aggregate amount of brokerage fees or commissions paid by the fund, as well as the amount of fees or commissions paid to each broker or dealer expressed in both value and percentage;
- (f) The total number and value of units held by the management company and its related parties and whether the units are held legally or beneficially;
- (g) The composition of the investment portfolio of the fund as at the date of the financial report must be disclosed. It must be grouped appropriately, based on categories (e.g. sector, market) that would facilitate a meaningful analysis. For each category, the following must be stated:
  - (i) Quantity held;

- (ii) Cost of the investment;
- (iii) Market value of the investment; and
- (iv) Market value of each holding as a percentage of NAV.

A list of suspended counters, including valuation method and Shariah non-compliant securities (for Islamic funds) must be separately identified. Actions to be taken by the managers on these suspended counters must be disclosed;

- (h) Details in respect of derivatives:
  - (i) The market value of derivatives and as a percentage of the fund's NAV as at the end of the period under review;
  - (ii) The net gains or losses on derivatives realised during the period under review; and
  - (iii) The net gains or losses on outstanding derivatives marked to market as at the end of the period under review;
- (i) Auditor's verification on total expense ratio and portfolio turnover ratio (applicable only for annual report); and

- (j) Additional statements on distributions are required, when—
  - (i) there are unrealised losses (be they arising during the year or period or brought forward from previous year or period) within the fund; and/or
  - (ii) distributions are made from previous year's realised gains.

**Additional contents of a fund's annual or semi-annual report**

- (26) If applicable, a fund's annual or semi-annual report must also contain information pertaining to the following:
- (a) Derivative investments;
  - (b) Securities financing transactions; and
  - (c) Collateral held by the fund as a result of (a) and (b).

For avoidance of doubt, the information in paragraphs (27) and (28) does not need to be provided if, during the year or period under review, the fund had only utilised derivatives for the sole the purpose of hedging.



***Information on derivative investments***

(27) Details in respect of derivative investments:

- (a) The underlying assets of derivatives; and
- (b) The name of the issuers/counterparties of the derivatives.

(28) Details on global exposure arising from derivatives for the period.

***Information on securities financing transactions***

(29) Details in respect of securities financing transactions:

- (a) Details of the securities involved in each type of securities financing transactions;
- (b) The amount of securities on loan as a proportion of the fund's total lendable assets and of the fund's NAV;
- (c) The respective absolute amounts of each type of securities financing transactions and as a proportion of the fund's NAV;
- (d) The top 10 largest collateral issuers across all securities financing transactions with details on the amounts of collateral received by the fund;
- (e) The top 10 counterparties of each type of securities financing transactions, including name of counterparty and gross amounts of outstanding transactions;
- (f) The aggregate transaction data for each type of securities financing transactions:

- (i) The amount (including the currency denomination);
  - (ii) Maturity tenor, including open transactions;
  - (iii) Identity and country of the counterparties;
  - (iv) Settlement and clearing means (e.g. tri-party, central counterparty, bilateral); and
  - (v) Collateral received by the fund to limit counterparty exposure with details required under paragraphs (30)(a) and (e);
- (g) Details on re-investment of cash collateral require under paragraph (30)(f); and
- (h) Details on custody/safe-keeping arrangement of collateral under paragraph (30)(g).

***Information on collateral***

(30) Description of holdings of collateral, including:

- (a) Nature of the collateral, including asset types and currency denomination;
- (b) Identity of counterparty providing the collateral;
- (c) Value of the fund (by percentage) secured/covered by collateral, with breakdown by asset class/nature and credit rating (if applicable);
- (d) Credit rating of the collateral (if applicable);
- (e) Maturity tenor of the collateral, including open transactions;

- (f) Data on re-investment of cash collateral:
  - (i) Share of cash collateral received that is re-invested, compared to the maximum amount specified in the prospectus; and
  - (ii) Returns from re-investment of cash collateral; and
- (g) Custody/safe-keeping arrangement, including the following:
  - (i) Number and names of custodians and the amount of collateral received/held by each of the custodian for the fund; and
  - (ii) The proportion of collateral posted by the fund that are held in segregated accounts, pooled accounts, or in any other account.

## **Schedule E – Appendix I**

### **TRUSTEE'S REPORT**

To the unit holders of [NAME OF FUND] (Fund),

We have acted as Trustee of the Fund for the financial [period/year]\* ended XX XX 20XX and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, [name of management company] has operated and managed the Fund during the [period/year]\* covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and the *Guidelines on Unit Trust Funds*;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement<sup>^1</sup>

We are of the opinion that the distribution of income by the Fund [is/is not]\* appropriate and [does not reflect/reflects]\* the investment objective of the Fund.<sup>^2</sup>

For [name of trustee]

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[Name of signatory]  
[Designation of signatory]

Date: [Date of report]

Notes:

^1 If the Fund has not been operated or managed according to (1), (2) or (3), to amend the confirmation to disclose the shortcoming(s) which may have an impact on the decision of existing or potential unit holders to remain invested or to invest in the Fund. The report must also state the steps taken to address the shortcoming and to prevent the recurrence of the shortcoming.

^2 To exclude this paragraph if there was no distribution during the period covered by these financial statements.

\* To delete words that are not applicable.

## **Schedule E – Appendix II**

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