

# REPLACEMENT INFORMATION MEMORANDUM

This Replacement Information Memorandum is dated 12 June 2018 and issued to replace the Replacement Information Memorandum dated 2 March 2018 for: -

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## InterPac Social Enterprise and Responsibility Fund

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Manager



Trustee



SOPHISTICATED INVESTORS ARE ADVISED TO READ THIS REPLACEMENT INFORMATION MEMORANDUM AND OBTAIN PROFESSIONAL ADVICE BEFORE SUBSCRIBING TO UNITS OF THE FUND.

THIS FUND IS OFFERED FOR SALE TO SOPHISTICATED INVESTORS ONLY.

THIS FUND IS A QUALIFIED SUSTAINABLE AND RESPONSIBLE INVESTMENT FUND UNDER THE GUIDELINES ON SUSTAINABLE AND RESPONSIBLE INVESTMENT FUNDS.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE SOPHISTICATED INVESTORS, SEE "GENERAL RISKS AND SPECIFIC RISKS OF THE FUND" COMMENCING ON PAGE 16.

## **Responsibility Statement**

This Replacement Information Memorandum in relation to the InterPac Social Enterprise and Responsibility Fund has been seen and approved by directors of Inter-Pacific Asset Management Sdn Bhd and they collectively and individually accept full responsibility for the accuracy of all information contained herein and confirm, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein misleading.

## **Statement of Disclaimer**

This Fund has been lodged with the Securities Commission Malaysia, the subject of this Replacement Information Memorandum, and the lodgment shall not be taken to indicate that the Securities Commission Malaysia recommends the investment.

The Securities Commission Malaysia will not be liable for any non-disclosure on the part of the Manager and takes no responsibility for the contents of this Replacement Information Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance the whole or any part of the contents of this Replacement Information Memorandum.

Additionally, prospective sophisticated investors should not treat the contents of this Replacement Information Memorandum as advice relating to investment, law or taxation and must rely on their own legal counsel, accountants, financial advisers and/or other professional as to legal, tax and related matters concerning the Fund and investment therein.

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## 1. CORPORATE DIRECTORY

<b>Manager</b>	Inter-Pacific Asset Management Sdn Bhd
Registered Address:	Lot 13-01A, Level 13, (East Wing), Berjaya Times Square, No.1 Jalan Imbi, 55100 Kuala Lumpur
Business Address:	West Wing, Level 13, Berjaya Times Square, No .1 Jalan Imbi, 55100 Kuala Lumpur
Telephone number:	03-2117 1888
Facsimile number:	03-2142 6029
<b>Board of Directors of the Manager:</b>	Mr Abdul Halim Bin Haji Noordin Mr Tan Mun Choy Mr Khoo Teik Hock Mr Lim Tze Cheng Mr Nazzrul Azman Bin Din
<b>Trustee:</b>	RHB Trustees Berhad
<b>Trustee's Delegate: (Custodian)</b>	Standard Chartered Bank Malaysia Berhad
<b>Auditors for the Fund:</b>	Ernst & Young
<b>Tax Advisers for the Fund:</b>	Ernst & Young Tax Consultants Sdn Bhd

## 2. DEFINITIONS

In this Replacement Information Memorandum, the following abbreviations or words shall have the following meaning unless otherwise stated:

Bursa Malaysia	The stock exchange managed or operated by Bursa Malaysia Securities Berhad.
Business Day	A day (other than Saturdays, Sundays and public holidays) in which Bursa Malaysia is open for trading, and the markets in which investments of the Fund amounting to at least 50% of the Net Asset Value (in aggregate value) are also open for trading.
Deed	The deed dated 6 April 2017, including any supplemental deed(s) thereto, entered into between the Manager and the Trustee.
Eligible Market	<p>A market that:</p> <ul style="list-style-type: none"><li>(a) is regulated by a regulatory authority;</li><li>(b) operates regularly;</li><li>(c) is open to the public; and</li><li>(d) has adequate liquidity for the purposes of the Fund.</li></ul> <p>“Eligible Market” shall also mean a market that is considered an Eligible Market pursuant to any relevant law.</p>
Fund	InterPac Social Enterprise and Responsibility Fund
GST	Goods and services tax.
Manager/ Management Company	Inter-Pacific Asset Management Sdn Bhd (204709-U)
Net Asset Value (NAV)	The net asset value of the Fund is determined by deducting the value of all the Fund’s liabilities from the value of all the Fund’s assets, at the valuation point.
Net Asset Value per Unit / NAV per Unit	The net asset value of the Fund divided by the total number of Units in circulation at the valuation point.
Sophisticated Investor	1. An individual whose total net personal assets or total net joint assets with his or her spouse, exceed RM3 million or its equivalent in foreign currencies, excluding the value of the individual’s primary residence;

2. An individual who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding twelve months;
3. An individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding twelve months;
4. A corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts;
5. A partnership with total net assets exceeding RM10 million or its equivalent in foreign currencies;
6. A unit trust scheme or prescribed investment scheme;
7. A private retirement scheme;
8. A closed-end fund;
9. A company that is registered as a trust company under the Trust Companies Act 1949 which has assets under the management exceeding RM10 million or its equivalent in foreign currencies;
10. A corporation that is a public company under the Companies Act 2016 which is approved by the Securities Commission Malaysia to be a trustee under the Capital Markets and Services Act 2007 and has assets under management exceeding RM10 million or its equivalent in foreign currencies;
11. A statutory body established by an Act of Parliament or an enactment of any State;
12. Pension fund approved by the Director General of Inland Revenue under section 150 of the Income Tax Act 1967;
13. A holder of a Capital Markets Services License;
14. A licensed institution;
15. An Islamic bank;
16. An insurance company licensed under the Financial Services Act 2013;
17. A takaful operator registered under the Islamic Financial Services Act 2013;

18. A bank licensee or insurance licensee as defined under the Labuan Financial Services and Securities Act 2010;

19. An Islamic bank licensee or insurance licensee as defined under the Labuan Islamic Financial Services and Securities Act 2010; and

20. Any other investor as may be defined by the Securities Commission Malaysia from time to time.

RM or Ringgit Malaysia

The lawful currency of Malaysia.

MYR

Malaysian Ringgit, the official currency of Malaysia

Trustee

RHB Trustees Berhad

Unit

A unit of the Fund and includes fractions of a unit of the Fund.

Unit Holder

The person(s) for the time being registered under the provisions of the Deed as the holder of Units, and person(s) jointly registered.

Sustainable and  
Responsible  
Investment (SRI) Fund

A fund structured in accordance with paragraph 3.01 of the Guidelines on Sustainable and Responsible Investment Funds.

### 3. KEY DATA

INFORMATION OF THE FUND	
<b>Name of fund</b>	InterPac Social Enterprise and Responsibility Fund
<b>Commencement Date</b>	14 April 2017
<b>Base Currency</b>	MYR
<b>Investment Objectives</b>	The Fund's objective is to encourage social responsibility and social enterprise participation by utilizing returns from investments.
<b>Principle Investment Strategy</b>	<p>The Fund will invest in equities and equity related securities other than those involved in gaming, alcohol, tobacco and other businesses regarded as vice. Despite the above restrictions, this Fund is NOT a Shariah fund as the Fund can still invest in other non-Shariah compliant securities.</p> <p>The Fund may also invest in money market instruments. The Fund's investments in these securities may be traded in the local and/or the foreign markets. The Fund may also make placement of deposits with local financial institutions in Ringgit Malaysia denomination.</p> <p>The Fund will disburse 20% of the gain in the financial year (measured by increase in the Fund's NAV within the financial year), either in the form of dividend declaration, capital repayment or any other methods, back to the investors. The principal objective of the disbursement is for the investors to participate in social responsibility projects and causes of their choice. However, the actual utilization of the disbursement is at the sole discretion of the investors.</p> <p>For more information, investors should also refer to section 5: Investment Strategy. Investors are also advised to refer to section 14: General Risks and Specific Risks of the Fund.</p>
<b>SRI Strategies</b>	<p>The Fund adopted SRI methodologies such as negative or exclusionary screening, sustainability themed investing, impact or community investing or corporate engagement in its investment strategy, including the selection, retention and realisation of its investments.</p> <p>The Fund excluded companies undertaking business activities or practices in gaming, alcohol, tobacco and other businesses regarded as vice in its investments.</p> <p>The Fund may invest in companies that are undertaking steps and measures to re-invent its value chain to make the value chain more sustainable and in-line with environmental and social developments.</p>



	<p>The Fund is searching to invest in companies that participate in solving social issues.</p> <p>The Fund may engage with companies to further enhance the sustainable, responsible and governance practices of the companies.</p> <p>For more information, investors should also refer to section 6: Sustainable and Responsible Investment Strategies.</p>
<b>Asset Allocation</b>	<p>Minimum 70% of the Fund's Net Asset Value to be invested in equities and/or equity related securities listed in the local and Asia Pacific markets.</p> <p>The manager may lower the equity exposure of the Fund in favor of more defensive capital preservation type of investments such as deposits placed with financial institutions, money market instruments or the Manager may just hold cash (in deposits) for purposes of capital preservation and maintaining performance in line with delivering returns of at least the targeted benchmark return of 6% growth per annum. Accordingly, the Fund's exposure to deposits and money market instruments may increase up to 100% Net Asset Value.</p>
<b>Benchmark</b>	<p>6% growth per annum in Net Asset Value per Unit over the medium term. <b>This is not a guaranteed return. It is only a measurement of the Fund's performance. The Fund may not achieve the aforesaid 6.00% per annum growth rate in any particular financial year but targets to achieve this growth over the medium term.</b></p>
<b>Financial Year End</b>	31 December
<b>Distribution Policy</b>	Incidental
<b>Distribution Mode</b>	Distributions, if any, after deduction of taxation and expenses (i.e. net distributions), will be on cash basis.
<b>FEES AND CHARGES</b>	
<b>Subscription Fee / Sales Charge</b>	None.
<b>Redemption Charge</b>	None.
<b>Switching Fee</b>	Not applicable.
<b>Transfer Fee</b>	Not applicable.
<b>Management Fee</b>	Up to 1.50% per annum of Net Asset Value calculated on a daily basis before deducting the Manager's fee for that particular day. All expenses of the Fund include Trustee fee and any other expenses incurred in the administration of the Fund such as auditor's fee, tax adviser fee and bank charges will be borne

	<p>by the Fund. The management fee will be payable monthly.</p> <p>The implementation of GST is effective from 1 April 2015 at the rate of 6% and the management fee as stated above for the Fund is exclusive of GST.</p>
<p><b>Annual Performance Fee</b></p>	<p>If the time weighted rate of return (“TWRR”) and the compound annual growth rate (“CAGR”) of the Fund outperform the hurdle rate of 6% per annum at the end of each financial year, then the Manager is entitled to an additional annual performance fee of 20% of the excess return.</p> <p>The implementation of GST is effective from 1 April 2015 at the rate of 6% and the annual performance fee as stated above for the Fund is exclusive of GST.</p> <p><b><u>Computation of the annual performance fee</u></b></p> <p>The time weighted rate of return (“TWRR”) of the fund for each financial year refers to the rate of return of the Fund during that financial year taking into account the subscriptions and withdrawals during that period.</p> <p>The compound annual growth rate (“CAGR”) of the Fund is the year-over-year growth rate of the Fund over a time period commencing the date of the initial subscription.</p> <p>The annual performance fee payable by the Fund to the Fund Manager shall be calculated as follows:</p> <p>Annual performance fee = 20% of the excess return x NAV as at the beginning of the financial year.</p> <p>Where</p> <p>Excess return (%) = time weighted rate of return (“TWRR”) less hurdle rate</p> $CAGR = [(1+TWRR1) \times (1+TWRR2) \times (1+TWRR3) \times \dots \times (1+TWRRn)]^{1/n} - 1$ <p>n = time period for the computation of performance commencing from initial subscription</p> <p>Example:</p>

Performance Period			NAV (RM mil) #		TWRR (%)	CAGR (%)	Performance fee charged?
Period (n)	Start	End	Start	End			
1	1 Jan 2017	31 Dec 2017	100.00	103.00	3.00	3.00	No. did not meet both criteria.
2	1 Jan 2018	31 Dec 2018	103.00	113.33	10.00	6.46	Yes. Met both criteria.
3	1 Jan 2019	31 Dec 2019	113.33	119.56	5.50	6.14	No. Met CAGR criteria but did not meet TWRR criteria.
4	1 Jan 2020	31 Dec 2020	119.56	127.93	7.00	6.35	Yes. Met both criteria.

# NAV stated here is for illustration purpose only. For ease of illustration, it is assumed that the NAV as at the end of the performance period is the NAV at the beginning of the next performance period.

Performance fee for period ended 31 Dec 2018

Excess return (%)

= TWRR less hurdle rate

= 10.00% – 6.00%

= 4.00%

Annual performance fee for the period ended 31 Dec 2018

= 20% x excess return x NAV as at the beginning of the financial year

= 20% x 4.00% x RM103 million

= RM824,000.00

Performance fee for period ended 31 Dec 2020

Excess return (%)

= TWRR less hurdle rate

	<p>= 7.00% – 6.00%</p> <p>= 1.00%</p> <p>Annual performance fee for the period ended 31 Dec 2020</p> <p>= 20% x excess return x NAV as at the beginning of the financial year</p> <p>= 20% x 1.00% x RM119.56 million</p> <p>= RM239,120.00</p> <p><b><u>Payment of the annual performance fee</u></b></p> <p>The annual performance fee shall be paid to the Manager within 21 Business Days upon the end of each financial year. In this regard, the amount of payment for the annual performance fee shall be notified to the Unit Holder at least 2 Business Days prior to any deduction from the Fund.</p>
<b>Annual Trustee Fee</b>	The annual trustee fee will be paid by the Fund to the Trustee at a rate of 0.05% per annum of the Net Asset Value of the Fund (before deducting the management fee and trustee fee). The fee is calculated and accrued daily and payable on monthly basis. The Fund will also pay any expenses properly incurred by the Trustee in the performance of its duties and responsibilities and for taking into custody any assets or investments of the Fund.
<b>Expenses directly related to the Fund</b>	All expenses which are directly related and necessary to the business of the Fund such as auditors' fees, other relevant professional fees, custodial charges, commission paid to the broker, other transaction costs and taxes will be payable by the Fund.
<b>Other expenses indirectly paid by an investor</b>	None.
<b>Tax and duties expenses</b>	All fees and charges payable to the Manager and the Trustee are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities from time to time.
<p><i>The Manager may from time to time at its sole discretion waive, increase or reduce the minimum limits for initial investments, additional investments, redemptions and holdings, as well as the amount of the annual management fee payable either generally (for all Unit Holders and/or investors) or specifically (for any particular Unit Holder and/or investor) in respect of the Fund.</i></p>	

<b>TRANSACTION DETAILS</b>	
<b>Initial Investment</b>	Minimum RM300,000 or such other amount as the Manager may from time to time accept.
<b>Additional Investment</b>	Minimum RM30,000 or such other amount as the Manager may from time to time accept.
<b>Minimum Holding at all times</b>	300,000 Units or such other amount as the Manager may from time to time decide.
<b>Minimum Redemption</b>	100,000 Units or such other amount as the Manager may from time to time accept.
<b>Frequency of Creation and Redemption</b>	No restrictions.
<b>Switching Facility</b>	Not allowed.
<b>Transfer Facility</b>	Not allowed.
<b>Subscription Settlement</b>	Transaction date (“T”) – by bank transfer.
<b>Redemption Settlement</b>	T + 7 Business Days – by bank transfer.
<b>Dealing Hours</b>	9.00 a.m. to 4.00 p.m. on any Business Day.
<b>Reporting to Investors</b>	<p>The Manager will send the unit holders of the Fund monthly statement of accounts; and quarterly and annual reports (within 2 months of the end of the respective financial period / year).</p> <p>The monthly statement of account details all transactions made by the investor in relation to the Fund whereas the quarterly and annual reports (in hard or soft copy format) consists of, among others, audited financial statements (annual reports only), information on the Fund’s performance, key risk factors, market outlook, asset allocation of the Fund and review on sustainability aspects of the Fund’s portfolio, where available.</p>

**Prospective investors should read and understand the contents of the Replacement Information Memorandum and, if necessary, should consult their adviser(s).**

**There are fees involved and investors are advised to consider the fees before investing in the Fund.**

#### **4. INVESTMENT OBJECTIVE**

The Fund's objective is to encourage social responsibility and social enterprise participation by utilizing returns from investments.

#### **5. INVESTMENT STRATEGY**

The Fund will invest equities and equity related securities other than those involved in gaming, alcohol, tobacco and other businesses regarded as vice. Despite the above restrictions, this Fund is NOT a Shariah fund as the Fund can still invest in other non-Shariah compliant securities.

The Fund may also invest in money market instruments. The Fund's investments in these securities may be traded in the local and/or the foreign markets. The Fund may also make placement of deposits with local financial institutions in Ringgit Malaysia denomination.

The Fund will disburse 20% of the gain in the financial year (measured by increase in the Fund's NAV within the financial year), either in the form of dividend declaration, capital repayment or any other methods, back to the investors. The principal objective of the disbursement is for the investors to participate in social responsibility projects and causes of their choice. However, the actual utilization of the disbursement is at the sole discretion of the investors.

In managing the Fund, the Manager will invest in equities and/or equity related securities issued by companies listed in the Asia Pacific markets (local and foreign markets) which are determined by the Manager that possess good growth potential as well as having the ability to pay dividends over the medium term i.e. a period of between 1 – 3 years. In determining the growth potential of such companies, the Manager will consider amongst others, factors such as a company's earnings sustainability, competitive advantage, intensity of competition, bargaining power of supplier, bargaining power of customers, and threat of substitutes, amongst others.

The risk management strategies employed by the Manager is at the pre-acquisition level, meaning to say the Manager will assess the business risk related to the investment before investing in the securities. The Manager may also manage risk by diversification of the Fund's asset allocation in terms of its exposure to various countries, industries, and sectors. Financial derivatives may also be used for hedging purposes where appropriate.

The Manager may hold cash in the Fund's account if such cash is not investable due to the smallness of the amount.

#### **6. SUSTAINABLE AND RESPONSIBLE INVESTMENT STRATEGIES**

The Fund adopted the following SRI methodologies, including the selection, retention and realisation of its investments:

1. Negative or exclusionary screening.
  - a. The Fund excluded companies undertaking business activities or practices in gaming, alcohol, tobacco and other businesses regarded as vice in its investments.

2. Sustainability themed investing.
  - a. The Fund may invest in companies that are undertaking steps and measures to re-invent its value chain to make the value chain more sustainable and in-line with environmental and social developments.
  - b. For example, the company may replace its current raw materials used in production to a more sustainable material, replacing harmful raw materials with those that are environmental friendly, new methods to control factory emissions and effluents, development of clean energy, etc.
3. Impact or community investing.
  - a. The Fund is searching to invest in companies that participate in solving social issues.
  - b. For example, the company may hire workers from the OKU communities, providing training for the unemployed, conducting projects targeted to address community and environmental issues, etc.
4. Corporate engagement
  - a. The Fund may engage with companies to further enhance the sustainable, responsible and governance practices of the companies.
  - b. For example, for the companies that the Fund invested in, the Manager will constantly advice the companies on the best SRI practices and guide the companies on the adoption of such best practices.

#### Assessment Framework

The Manager will periodically review on sustainability aspects of the Fund's portfolio to ensure the investments of the Fund consistent with the sustainable considerations adopted in the investment strategy employed at all time based on internally developed SRI assessment framework which covers the above-mentioned strategies.

The Manager will not allow any investments in the company that fall under the exclusion business activities or practices in the Fund's portfolio, even though the involvement of the company in such business activities or practices in a very low percentage.

The Manager will keep monitoring the companies that the Fund invested through meeting with the companies' key management personnel or site visit. This is to assure that the companies that the Fund's invested are in line with the sustainable considerations adopted and the overall impact of the investments with its SRI strategies is not inconsistent with any other sustainability considerations.

In the event that the invested company becomes inconsistent with the sustainable considerations adopted in the investment strategies employed, the Manager will dispose the equities and equity related securities within 10 business days in such events.

## 7. ASSET ALLOCATION

The fund's portfolio will be structured as follows:

Minimum 70% of the Fund's Net Asset Value to be invested in equities and/or equity related securities listed in the local and Asia Pacific markets.

The manager may lower the equity exposure of the Fund in favour of more defensive capital preservation type of investments such as deposits placed with financial institutions, money market instruments or the Manager may just hold cash (in deposits) for purposes of capital preservation and maintaining performance in line with delivering returns of at least the targeted benchmark return of 6% growth per annum. Accordingly, the Fund's exposure to deposits and debt instruments/bonds may increase up to 100% Net Asset Value.

## 8. FOREIGN INVESTMENTS

Investments of the Fund can be securities/instruments listed on or traded in Asia Pacific markets including but not limited to Cambodia, Indonesia, Philippines, Singapore, Vietnam, and Thailand. For investments in foreign markets, the Manager in managing the principal risks such as country risk and currency risk will always take into consideration its evaluation of the historical developments and its prior experience in such markets. Such practice will be managed through active management and constant review. Investments will ultimately be made based on the risk-reward.

When investing in foreign markets which require prior permission / approval such as in the form of an investment license / investor code / investor registration, the Fund has / will obtain such necessary permission / approval in order to invest in such markets.

## 9. BENCHMARK

6% growth per annum in Net Asset Value per Unit over the medium term. An absolute return benchmark is chosen as the investment strategy to be adopted is best represented by a target return and the target return of 6% growth per annum in the medium term is deemed a fair and reasonable rate by the Manager.

**This is not a guaranteed return and is only a measurement of the Fund's performance. The Fund may not achieve the aforesaid 6.00% per annum growth rate in any particular financial year but targets to achieve this growth over the medium term.**

## 10. FINANCIAL DERIVATIVES

The Fund may participate in futures contracts and other financial derivatives, when appropriate, to hedge the Fund's portfolio. The category of financial derivatives to be participated in shall be stock index futures contracts, stock index options contracts, single stock future contracts, forwards and swaps or any other categories/types of futures contracts or financial derivatives that may be allowable by the relevant authorities from time to time. The Fund's participation in financial derivatives is basically to hedge the portfolio from any unexpected price movement in the underlying market and also the portfolio's exposure to foreign currency as well as to hedge against any



opportunity loss arising from its uninvested cash. The primary interest is to protect the value of the portfolio. The Fund's exposure to derivatives for hedging or investment may not exceed one hundred (100) per cent of the Net Asset Value.

## **11. LEVERAGE**

The Fund will neither lend its assets nor borrow for its assets nor borrow for its investment activities. However, the Fund may borrow cash on a temporary basis (i.e. not more than one month) from financial institution to meet redemption requests. Such borrowing shall not exceed ten (10) percent of the Net Asset Value at the time the borrowing is incurred and assets of the Fund may only be pledged as collateral with financial institution for borrowing of this nature.

## **12. PERMITTED INVESTMENTS**

- a) Equities and/or equity related securities listed on Bursa Malaysia or traded in/listed on any other market considered as an Eligible Market (including foreign markets).
- b) Money market instruments.
- c) Deposits placed with financial institutions.
- d) Financial derivatives.
- e) Any other investments as agreed between the Trustee and the Manager from time to time, provided that there is no inconsistency with the Fund's objective.

## **13. INVESTMENT LIMITS**

The Fund may place deposits with any single financial institution of up to twenty-five (25) per cent of the Net Asset Value.

## **14. GENERAL RISKS AND SPECIFIC RISKS OF THE FUND**

The Fund is subject to the following General Risks and Specific Risks:

### **General Risks**

- a) Management Risk

This risk refers to the expertise of the Manager in managing the Fund. Inadequate expertise will jeopardize the Unit Holders' investment in the Fund through the risk of reduced returns and in some cases the Unit Holders may also lose the capital invested in the Fund.

b) Risk of Non-Compliance

The risk arises should the Manager not follow the provisions set out in the Deed or the law that governs the Fund or its own internal procedures whether by oversight or omission, or if the Manager acts fraudulently or dishonestly. Such non-compliance may result in the Fund being mismanaged and may affect the Unit Holders' investment.

c) Fund Management Risk

The selection of securities and placement of Ringgit Malaysia deposits which make up the assets of the Fund is a subjective process. Securities selected and the Ringgit Malaysia deposits placed by the Manager may perform better or worse than the overall market, or as compared to portfolios of a similar mandate selected by our competitors.

**Specific Risks**

a) Currency Risk

Where a percentage of the value of the Fund is invested in foreign currency or assets denominated in a foreign currency, the Fund will then be exposed to currency risk. Fluctuation in foreign exchange rates will affect the value of the Fund's foreign investments when converted into local currency and subsequently the value of the unit Holders' investments. This risk can be mitigated through investing in a wide range of foreign currency denominated asset through diversifying the risk of a single currency exposure. Hedging may be applied to mitigate the currency risk, if necessary.

b) Country Risk

In addition to currency risk, the value of the assets of the Fund may also be affected by uncertainties such as currency repatriation restrictions or other developments in the law or regulations of the countries in which the Fund may invest. Further, when investing in foreign markets, there are countries which may require prior approvals before investments can take place. For example, if a foreign market requires the Fund to obtain an investment license which is subject to renewal and if such investment license is not renewed in a timely manner, this may result in the Fund's investment account in that country being frozen by the regulator resulting in investment activities for the Fund in that country being suspended. To mitigate this, the Manager will monitor closely the adherence of investment regulatory requirements in such countries.

c) Market Risk

Market risk is a risk that arises when the prices of investments in the marketplace are affected by situational circumstances such as political and economic events. These situational circumstances, which may be a local or global event can affect a local market where the Fund is invested in and subsequently the value of the Fund's investment.

d) Particular Security Risk

The Fund's portfolio comprises of different securities, i.e. equities and/or equity-related securities. The fluctuation in performance of each individual security that the Fund invests in will affect the price of the Units. Not all companies issuing the securities (equities or equity-related securities) are successful. The success or failure of the companies will cause the value of its securities to rise or fall. Valued collectively, the performance of individual securities comprising the Fund's portfolio will cause the Unit Price to rise or fall accordingly.

e) Inflation/Purchasing Power Risk

Inflation can be defined as increase of price level of goods and services and is commonly reported using the Consumer Price Index as a measure. Inflation is one of the major risks to investors over the long term and results in uncertainty over the future value of the investments. Inflation reduces purchasing power of money. Hence, fixed income instruments are more directly affected by inflation than equities due to its fixed returns nature as compared to equity returns where its returns are variables.

f) Liquidity Risk

This refers to the case with which a security can be sold at or near its fair value depending on the volume traded on the market. Should a security become illiquid, it may be sold at a discount to its fair value, thus lowering the value of the Fund's investments and subsequently the value of the Unit Holder's investments.

g) Single Issuer Risk

Concentration risk is associated with the number / weigh of underlying investments with an issuer or financial institutions which the Fund invests in / places deposits with. As the Fund may invest up to 25% of its Net Asset Value in deposits with any single financial institution and/or money market instruments with any single issuer, it is therefore exposed to concentration risk. This is because should any of the financial institutions / issuers default on their obligations, it would have a significant impact to the Fund.

h) Returns are not guaranteed

Although the Fund has a targeted return of 6% growth per annum, there is no guarantee of returns to Unit Holders. Unlike fixed deposits which carry a specific rate of return, the Fund does not provide a fixed rate of return, but only a target rate of return of 6% growth per annum in terms of Net Asset Value per Unit.

## 15. VALUATION OF ASSETS

The Fund will be valued at least one every Business Day (a day other than Saturdays, Sundays and public holidays) on which Bursa Malaysia is open for trading and the markets in which investments of the Fund amounting to at least 50% of the Net Asset Value (in aggregate values) are also open for trading.

However, certain foreign markets in which the Fund may invest in have different time zones from that of Malaysia. Accordingly, the valuation of the Fund for a Business Day will be conducted before 5.00 p.m. on the following day in which the Manager is open for business, when the closing prices of the foreign markets for that Business Day would be available. Thus, the daily price of the Fund for a particular Business Day will be sent by the Manager to Unit Holders on the next day through electronic mail or any other form or method as determined by the Unit Holders from time to time.

In addition, the Manager shall ensure that all assets of the fund will be valued appropriately, that is at market value, failing which, such assets will be valued at fair value. Accordingly,

- a) Listed local and foreign securities will be valued daily based on the last done market price or such basis as may be prescribed by the relevant laws from time to time includes approved accounting standards.

However, if:

- i. a valuation based on the market price does not represent the fair value of the said securities, for example during abnormal market conditions; or
- ii. no market price is available, including in the event of a suspension in the quotation of the said securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee,

then the said securities will be valued at fair value, as determined in good faith by the Manager based on the methods or bases approved by the Trustee after appropriate technical consultation.

- b) Money market instruments will be valued each day by reference to the principal value of such investments and the accretion of discounts thereon for the relevant period.
- c) Cash and deposits placed with financial institutions will be valued each day by reference to the principal value of such investments and the interests/profits accrued thereon for the relevant period.
- d) Foreign exchange translation into RM for a particular Business Day is determined based on the bid rate quoted by Bloomberg at 5.00 p.m. (Malaysia time) or such other time as may be prescribed from time to time by the relevant laws.

## **16. PRICING POLICY**

Selling Price is the price (before adding any sales charge) payable by an investor or a Unit Holder for the purchase of a unit. The Selling Price shall be the Net Asset Value per Unity as at the next valuation point of the Fund's relevant Business Day ("forward pricing") after the application for Units is received by the Manager. For avoidance of doubt, no sales charge is imposed.

Repurchase Price is the price (before deducting any repurchase charge) payable by the Manager to a Unit Holder pursuant to the repurchase of a Unit. The repurchase Price shall be the Net Asset Value per Unit as at the next valuation point of the Fund's relevant Business Day ("forward pricing") after

the repurchase request is received by the Manager. For avoidance of doubt, no repurchase charge is imposed.

The NAV is determined at deducting the value of all the Fund's liabilities from the value of all the Fund's assets, at the valuation point. The NAB per Unit is determined when the NAV is divided by the total number of Units in circulation at that valuation point.

The daily NAV per unit will be sent by the Manager to the Unit Holders through electronic mail or any other form or method as determined by the Unit Holders from time to time.

## **17. POLICY ON REBATES AND SOFT COMMISSION**

It is the Manager's policy to credit all rebates to the account of the Fund. However, goods and services ("soft commissions") may be retained by the Manager only if the goods and services are of demonstrable benefit to the Unit Holders, such as research materials, which is incidental to the investment management activities of the Fund.

## **18. PARTIES TO THE FUND**

### **18.1 Background of the Manager**

Inter-Pacific Asset Management Sdn Bhd (IPAM) is a wholly owned subsidiary of Inter-Pacific Securities Sdn. Bhd. IPAM was incorporated in Malaysia on 24 September 1990 under the Companies Act, 1965.

The principal business of IPAM encompasses the management of unit trust funds and portfolio management. IPAM started its unit trust business since 25 July 2007 with the launch of the Funds.

As at 31 December 2017, the Company managed three (3) unit trust funds, two (2) wholesale funds and ten (10) private mandates with the total funds under management amounting to RM56 million.

#### **18.1.1 Functions of the Manager**

The Manager is responsible for the day-to-day administration of the Fund in accordance with the provisions of the Deed. The main responsibilities of the Manager include:

- a) Selecting and managing investments of the Fund;
- b) Executing, supervising and valuing investments of the Fund;
- c) Arrangement of sale and repurchase of Units;
- d) Keeping of proper records of the Fund;
- e) Issuing the Fund's reports to Unit Holders; and

f) Distribution of income to Unit Holders (if any).

In fulfilling these functions, the Manager has in place a strong and cohesive team of staff who are experienced in various aspects of the unit trust industry, i.e., in the administration, marketing and management functions.

### **18.1.2 Key Personnel of the Investment Team**

The investment team is jointly responsible for the overall investment decisions made on behalf of the Fund. The key member of the investment team is:

#### **Designated Person Responsible for the Fund**

##### **Mr Lim Tze Cheng**

Mr Lim Tze Cheng is the Designated Fund Manager for the Fund and his primary responsibilities include formulating and executing strategic and tactical strategies for the firm and portfolio. He has vast experience in the financial markets having served in different roles in his previous employments.

Lim Tze Cheng holds a first class honours degree in accounting from University of Malaya and is a Chartered Accountant. He has more than 10 years of experience in equity research and in the fund management industry. He started his career as an independent analyst in an independent research and fund management house. He subsequently moved on to become the head of research for an ASEAN centric boutique fund house which is partially owned by British Telecom Pension Scheme, specializing in assessing corporate governance of companies in the ASEAN region.

The Designated Person is supported by a team of experienced investment managers/fund managers who are responsible to actively manage the Fund in accordance with the investment objective of the Fund and the provisions of the Deed. The investment team shall have a discretionary authority over the investments of the Fund subject to the Fund's investment objective and strategy, and the rules and guidelines issued by the relevant authorities.

### **18.2 Trustee**

#### **RHB Trustees Berhad**

RHB Trustees Berhad was incorporated in Malaysia under the Companies Act, 1965 on 6 March 2002. It is registered as a trust company under the Trust Companies Act, 1949 and is also registered with the Securities Commission Malaysia to conduct unit trust business. The principal activity of RHB Trustees Berhad is providing retail and corporate trustee services. RHB Trustees Berhad has been in the trustee business since 2002.

##### **18.2.1 Experience in Trustee Business**

RHB Trustees Berhad undertakes all types of trustee business allowed under the Trust Companies Act, 1949, ranging from corporate trustee services to retail services. RHB Trustees Berhad offers corporate trustee services such as trustee for real estate investment trusts (REITs), unit trust funds and

custodian services. Its retail services include estate planning services (will writing, custodian and executor/trustee services) and private trustee services (private purpose trust, investment trust, charitable trust, insurance trust, business succession trust, estate administration trust, custodian and stakeholder services).

### **18.2.2 Duties and Responsibilities of the Trustee**

The Trustee's functions, duties and responsibilities are set out in the Deed. The general functions, duties and responsibilities of the Trustee include, but are not limited to, the following:

- a) Acting as trustee and safeguarding the rights and interests of the Unit Holders;
- b) Holding the assets of the Fund for the benefit of the Unit Holders; and
- c) Exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of the Fund.

The Trustee has covenanted in the Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unit Holders.

### **18.2.3 Trustee's Delegate**

RHB Trustees Berhad has appointed Standard Chartered Bank Malaysia Berhad ("SCBMB") as custodian of the quoted and unquoted investments of the Fund. The assets are held in the name of the Fund through the custodian's wholly owned subsidiary and nominee company, Cartaban Nominees (Tempatan) Sdn Bhd. The assets are also automatically registered into the name of the Funds. SCBMB was incorporated in Malaysia on 29 February 1984 under the Companies Act 1965 as a public limited company and is a subsidiary of Standard Chartered PLC (the holding company of a global banking group). SCBMB was granted a license on 1 July 1994 under the Banking and Financial Institutions Act, 1989. SCBMB has been providing custody services for more than twenty (20) years. SCBMB has been providing sub-custody services to local investors in Malaysia since 1995.

The custodian acts only in accordance with instruction from the Trustee.

### **18.2.4 Material Litigation and Arbitration**

As at 30 April 2018, RHB Trustees Berhad is not engaged in any material litigation and arbitration, including those pending or threatened, and is not aware of any fact likely to give rise to any proceedings which might materially affect the business or financial position of RHB Trustees Berhad.

## **19. RIGHTS AND LIABILITIES OF UNIT HOLDERS**

### **19.1 Rights of the Unit Holders**

Unit Holders shall have the right in respect of the Fund in which they hold Units, amongst others, to the following:

- a) To receive distributions of the Fund, participate in any increase in the capital value of the Units and to other rights and privileges as set out in the Deed;
- b) To call for the Unit Holders' meetings, and to vote for the removal of the Trustee or the Manager through a special resolution as provided for in the Deed; and
- c) To receive quarterly and annual reports of the Fund.

No Unit Holder shall be entitled to require the transfer to him of any assets comprised in the Fund or be entitled to interfere with or question the exercise by the Trustee of the Manager on his behalf of the rights of the Trustee as owner of such assets.

### **19.2 Liabilities of Unit Holders**

The liability of Unit Holders shall be limited to their investment participation in the Fund. Unit Holders shall not be liable to indemnify the Trustee of the Manager against any liabilities whatsoever arising in respect of their duties and obligations as trustee and manager of the Fund. Any claims against the Fund shall be entirely restricted to the Fund.

### **19.3 Power to call for a Meeting by Unit Holders**

Unit Holders have the right to request the Manager to call for a Unit Holders' meeting provided any such request is made in writing by not less than fifty (50) or one-tenth (1/10) of all the Unit Holders, and the request must state the purpose of the proposed meeting.

### **19.4 Termination of the Fund**

The Fund is of unlimited duration and shall continue until terminated:

- a) By the Manager at any time in its absolute discretion subject to compliance with the relevant laws, which may include but is not limited to the following situations:
  - i. Where authorization for the Fund's establishment is revoked by the Securities Commission Malaysia at any time.
  - ii. Where an approved transfer scheme as defined under the relevant laws has resulted in the Fund being left with no asset.
- b) By the Trustee if a Unit Holders' meeting is summoned by the Trustee to pass a special resolution in order to terminate and wind-up the Fund and therefore the Trustee must obtain an order from the court to confirm the said special resolution.
- c) By the Unit Holders if a Unit Holders' meeting is summoned by the Unit Holders to pass a special resolution to terminate and wind-up the Fund.



## 20. HOW TO FILE A COMPLAINT

<b>Internal Dispute Resolution</b>	
Address	Compliance Officer Inter-Pacific Asset Management Sdn Bhd West Wing, Level 13, Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur, Malaysia.
Telephone Number	+603-2117 1888
Fax	+603-2142 6029
Email Address	<a href="mailto:ipam@interpac.com.my">ipam@interpac.com.my</a>
Website	<a href="http://www.interpac-asset.com.my">www.interpac-asset.com.my</a>

If you are not satisfied with how your complaint has been handled, or the resolution provided by us, you may file your complaint to the Securities Industry Dispute Resolution Centre (“SIDREC”), Securities Commission Malaysia (“SC”) or Federation of Investment Managers Malaysia (“FIMM”), for an independent external review:

<b>Securities Industry Dispute Resolution Centre</b>	
Address	Unit A-9-1, Level 9, Tower A, Menara UOA Bangsar, No. 5, Jalan Bangsar Utama 1, 59000, Kuala Lumpur, Malaysia.
Telephone Number	603-2282 2280
Fax	603-2282 3855
Email Address	<a href="mailto:info@sidrec.com.my">info@sidrec.com.my</a>
Website	<a href="http://www.sidrec.com.my">www.sidrec.com.my</a>
<b>* Securities Commission Malaysia</b>	
Address	Consumer & Investor Office Securities Commission Malaysia No. 3, Persiaran Bukit Kiara, Bukit Kiara, 50490, Kuala Lumpur, Malaysia.
Telephone Number	603-6204 8999

Fax	603-6204 8991
Email Address	<a href="mailto:aduan@seccom.com.my">aduan@seccom.com.my</a>
Website	<a href="http://www.sc.com.my">www.sc.com.my</a>
<b>Federation of Investment Managers Malaysia</b>	
Address	Legal, Secretarial & Regulatory Affairs Federation of Investment Managers Malaysia 19-06-1, 6th Floor, Wisma Tune, 19, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.
Telephone Number	603-2092 3800
Fax	603-2093 2700
Email Address	<a href="mailto:complaints@fimm.com.my">complaints@fimm.com.my</a>
Website	<a href="http://www.fimm.com.my">www.fimm.com.my</a>

\* You can also direct your complaint to the SC even if you have initiated a dispute resolution process with SIDREC.