



FIMM GUIDANCE ON SIMPLE LANGUAGE AND EFFECTIVE DRAFTING PRACTICES FOR PROSPECTUS

1st Issued: 30 November 2015

Revision 1: 19 August 2016
Revision 2: 1 March 2022

CONTENTS

Page

1 INTRODUCTION

- **Background** 1
- **Scope and Application** 1 - 2

PART I

2 SIMPLE LANGUAGE AND EFFECTIVE DRAFTING PRACTICES

- GUIDANCE 1: Use less legal, financial and technical terms or jargon 3
- GUIDANCE 2: Use common everyday words 3 - 4
- GUIDANCE 3: Use active voice 4
- GUIDANCE 4: Use personal pronouns 5
- GUIDANCE 5: Use positive sentences and avoid multiple negatives 5 - 6
- GUIDANCE 6: Avoid “cutting and pasting” 6
- GUIDANCE 7: Use clear and concise sentences 7
- GUIDANCE 8: Avoid vague or subjective disclosures 7 - 8
- GUIDANCE 9: Practise consistency in disclosures 8 - 9
- GUIDANCE 10: Limiting repetitive information 9 - 10
- GUIDANCE 11: Present information in a logical order and balanced manner 10 - 11
- GUIDANCE 12: Use defined terms sparingly and effectively 11
- GUIDANCE 13: Use effective presentation of information 11 - 13
- GUIDANCE 14: Ensure disclosures are true, accurate and not misleading 13 - 14
- GUIDANCE 15: Disclose all relevant and material risks 15 - 16
- GUIDANCE 16: Adopt Islamic Capital Market Disclosure for Islamic fund 16
- GUIDANCE 17: Understand the information you need to disclose and test it 16 - 17

CONTENTS

Page

PART II

3 GLOSSARY OF FINANCIAL/INVESTMENT TERMINOLOGY 17 - 20

PART III

4 STANDARD RISK DISCLOSURES 21 - 24

5 REFERENCES 24

1. INTRODUCTION

Background

- 1.1 The Securities Commission Malaysia (SC) and Federation of Investment Managers Malaysia (FIMM), together with key representatives of the unit trust industry formed a Working Group in December 2014 to initiate a Fund Disclosure Project. The Working Group was formed to, among others, improve the quality of information disclosed in the prospectuses of unit trust schemes and to achieve the common goal shared by the SC and FIMM. This Guidance is the deliverable of this project.
- 1.2 Prospectuses that are written and presented in a clear, concise and effective manner will improve the readability of the documents and facilitate investors' understanding of the information disclosed in the documents. Using plain and simple language in the documents will allow you to clearly communicate the message to your investors more easily and in a friendlier manner.
- 1.3 The use of clear, concise and effective disclosure will enhance the quality of information in prospectuses that helps investors to make informed investment decisions.

Scope and Application

- 1.4 This Guidance is issued pursuant to Clause 3(3)(a) of FIMM's Memorandum of Association. As the name suggests, it is intended to act as a guide to FIMM members, hence the adherence to this Guidance is strongly encouraged.
- 1.5 This Guidance is issued to assist you in complying with Clause 1.08¹ of the Prospectus Guidelines for Collective Investment Schemes (Guidelines) issued by the SC.
- 1.6 While the Guidelines prescribes the minimum content of the prospectus, this Guidance serves as a reference for you to use simple language and adopt effective practices when drafting prospectuses and other disclosure documents, e.g. Product Highlights Sheet (PHS).

¹ Paragraph 1.08 of the Prospectus Guidelines for Collective Investment Schemes (revised: 21 December 2021) provides as follows:

Information given to investors must be presented in a manner that can be easily understood to enable them to assess and make an informed investment decision in relation to a fund. In drafting a fund's prospectus, persons responsible for the content of the prospectus must ensure that–

- (a) all information is written in a clear and concise manner, and easy-to-understand sentences are used;
- (b) plain and simple language is used. Legal or financial jargon, technical terms, or complicated methodologies or analyses are avoided, unless they can be clearly explained;
- (c) comparative information is meaningful and presented in a fair and balanced way, and the source of information is disclosed; and
- (d) key information is prominently presented.

1.7 This Guidance consists of 3 parts:

Part I sets out the general principles on simple language and effective drafting practices (including examples and illustrations) that aim to improve the readability of prospectuses and facilitate investors' understanding on the information disclosed in these documents;

Part II sets out a standardised **Glossary of Financial/Investment Terminology** so that all parties (from product issuers to the regulator and investors) have the same understanding whenever the terminology is used in prospectuses; and

Part III sets out **Standard Risk Disclosures** so that all parties (from product issuers to the regulator and investors) have the same understanding whenever the risk disclosures are used in prospectuses.

1.8 You are advised to adopt effective drafting practices and ensure the quality of prospectuses for investors to make an informed investment decision.

1.9 You should be judicious in using this Guidance and the use of this Guidance alone will not reduce your liability or your responsibility to investors. Your paramount duty is to disclose relevant, important and material information to ensure that investors are able to understand the prospectus to make an informed investment decision.

1.10 The general principles on simple language and effective drafting practices (including examples for illustrative purposes), glossary of financial/investment terminology and standard risk disclosures in this Guidance are not exhaustive and may be subject to review from time to time. Unit Trust Management Companies (UTMCs) and their professional advisers will need to consider how this Guidance can be appropriately applied to their respective individual circumstances.

PART I

2. SIMPLE LANGUAGE AND EFFECTIVE DRAFTING PRACTICES

GUIDANCE 1: Use less legal, financial and technical terms or jargon

Whenever possible, you should always use plain, everyday words to get your explanation across to investors. It is difficult for investors who are not familiar with legal and financial terms to comprehend jargon or technical terminologies.

These are some of the common jargon and technical terms found in prospectuses:

- a) Inter alia
- b) Rank pari passu
- c) Duration (in the context of a fixed income portfolio)
- d) Bottom-up approach or top-down approach
- e) Yield to maturity (YTM)
- f) Efficient portfolio management (EPM)
- g) Investment grade
- h) Thinly traded market
- i) Leverage

If you must use legal, financial or technical jargons in your disclosure, you should explain the meaning of these terms clearly when you first use them and consider putting these terms in a glossary, for ease of reference. The explanation can also be in the form of brackets after the use of such terms or as footnotes or by cross-referencing to a glossary or definition section. You may consider adopting the glossary of investment terminology set out in Glossary of Financial/Investment Terminology (Part II) when drafting the disclosure document.

Your explanation for such terms should be clear and simple so that investors would be able to understand them properly.

GUIDANCE 2: Use common everyday words

It is always easier to read plain, everyday words that are commonly understood. You should avoid using complex, abstract, uncommon or superfluous words whenever there are simpler and clearer alternatives.

Use common everyday words in your disclosures, so that the investors are not confused but can better digest the complex information which is important for making investment decisions.

You should opt to use simpler everyday words, for example:

Complex Drafting	Simple Drafting
<i>Not later than</i>	<i>By/Before</i>
<i>Dispatch</i>	<i>Send</i>
<i>Utilise</i>	<i>Use</i>
<i>Whilst</i>	<i>While</i>
<i>Due to the fact that</i>	<i>Because/since/as</i> <i>(Note: "Because" should not be used at the beginning of a sentence.)</i>
<i>In the event that</i>	<i>If</i>
<i>In order to</i>	<i>To</i>
<i>Spread risk across a basket of multiple securities</i>	<i>Spread risk across more securities</i>
<i>Subsequent to</i>	<i>After</i>
<i>Prior to</i>	<i>Before</i>
<i>Despite the fact that</i>	<i>Although</i>
<i>Because of the fact that</i>	<i>Because, since, as</i>
<i>In light of</i>	<i>Because, since, as</i>
<i>Owing to the fact that</i>	<i>Because, since, as</i>

GUIDANCE 3: Use active voice

Investors tend to understand sentences that are written in the active voice more quickly and easily as compared to those written in the passive voice. In many cases, the passive voice requires more words and is less engaging. Also, the passive voice often fails to emphasise who will take action.

Examples include:

Passive	Active
<i>The stock is bought by the fund manager.</i>	<i>The fund manager buys the stock.</i>
<i>Payments should be made by way of cheques or bank draft.</i>	<i>Please pay by cheque or bank draft.</i>

GUIDANCE 4: Use personal pronouns

Using personal pronouns creates an engaging tone that allows you to speak clearly and directly to potential investors and may shorten the length of your sentences.

You should use the personal pronouns consistently to ensure your investors are clear about the identities of the parties mentioned in prospectuses. To avoid confusion, explain at the outset who or whom the pronouns refer to. For example, where reference is made to “the management company”, the prospectus should be drafted using “we”, “us” and “our” and where reference is made to the investors, the prospectus should be drafted using “you” to be more direct and engaging.

Third person pronouns	Using personal pronouns
<p><i>The following prospectus summary is only a summary of the salient information about the fund. Investors should read and understand the entire prospectus prior to deciding whether to invest in the fund. The following information should be read in conjunction with the more detailed information appearing elsewhere in this prospectus.</i></p>	<p><i>This is a summary of the salient information in the prospectus. You should read carefully and understand the entire prospectus before you decide to invest in this fund.</i></p>

GUIDANCE 5: Use positive sentences and avoid multiple negatives

Positive sentences are normally shorter and easier to understand as compared to negative sentences.

Below are some of the examples for negative sentences:

Negative sentence	Positive sentence
<p><i>Persons other than a unit holder may not vote in a unit holders' meeting.</i></p>	<p><i>Only a unit holder may vote in a unit holders' meeting.</i></p>
<p><i>We will not accept application from any person who has not attained the age of 18 years.</i></p>	<p><i>We will reject your application if you are under 18 years old.</i></p>

You should also avoid using multiple negative phrases in sentences as they can be confusing to investors. Below are some of the examples for multiple negative phrases:

Multiple negative phrases	Positive phrases
<p><i>Manager's risk arises when the manager does not adhere to the investment mandate of the fund.</i></p>	<p><i>Manager's risk arises when the manager deviates from the investment mandate of the fund.</i></p>
<p><i>Unit holders should be aware that investing in the fund is not the same as placing money in fixed deposit.</i></p>	<p><i>Unit holders should be aware that investing in the fund is different from placing money in fixed deposit.</i></p>

List of multiple negative words that may be replaced with positive words are as follows:

Multiple negative words	Positive words
<i>Not uncommon</i>	<i>Common</i>
<i>Must not be under 18 years of age</i>	<i>Must be 18 years of age or above</i>
<i>Does not include</i>	<i>Excludes</i>
<i>Not many</i>	<i>Few</i>
<i>Not often</i>	<i>Rarely</i>
<i>Not the same</i>	<i>Different</i>
<i>Not.... unless</i>	<i>Only if</i>
<i>Not....except</i>	<i>Only if</i>
<i>Not....until</i>	<i>Only when</i>

GUIDANCE 6: Avoid “cutting and pasting”

You should not copy the information from other sources in its entirety as some of the information may not be relevant to the fund. In addition, you should avoid using lengthy contractual terms taken from legal documents.

a) Information from the target fund’s prospectus

The fund’s prospectus should only disclose relevant and material information pertaining to the fund. For example, in the case of a feeder fund’s prospectus, where the feeder fund only invests in one of the classes of the target fund, risks pertaining to other classes of the target fund may not be relevant to the feeder fund.

b) Information from other documents

If you have recycled certain disclosures from other documents and not knowing the rationale of writing it in that manner, you should reconsider the need for such disclosures.

c) Contractual terms from legal documents

Investors may find the reproduction of lengthy contractual terms difficult to read and understand. Where possible, you should summarise the key points of the legal documents in plain and simple language to facilitate easier understanding by investors. In cases where you have to refer to certain contractual terms, you should summarise the key points of the contractual terms in plain and simple language to facilitate easier understanding by investors.

GUIDANCE 7: Use clear and concise sentences

Long and complex sentence structures are difficult to read and understand. Breaking long sentences into short, straightforward sentences will enable investors to read and understand easily.

Example of long sentences that can be rephrased into a shorter sentences:

Long sentence	Shorter sentence
<i>The following summary is intended only to highlight certain information contained elsewhere in this Prospectus.</i>	<i>This summary highlights some information from this Prospectus.</i>
<i>This Second Supplemental Master Prospectus is not intended to and will not be issued and distributed in any country or jurisdiction other than Malaysia ("Foreign Jurisdiction").</i>	<i>This Second Supplemental Master Prospectus is intended to be issued and distributed in Malaysia only.</i>

Examples of sentences or phrases which are difficult to read and understand:

Difficult sentences or phrases	Explanations
<i>The Fund may invest in bonds issued and/or offered by issuers based/domiciled or have an operating presence in the Asia-pacific region where...</i>	<i>"based" and "domiciled" have different meanings and cannot be used interchangeably.</i>
<i>These include reducing exposure in the respective authorized investments in bonds, CIS and/or equities and increasing the fund's exposure in cash (local/foreign) and short-term fixed income securities/funds (local/foreign).</i>	<i>It is unclear what fixed income securities/funds are being referred to in this context. Are the terms "bonds" and "fixed income securities" used interchangeably? What does "short-term fixed income funds" mean?</i>

GUIDANCE 8: Avoid vague or subjective disclosures

You should avoid disclosures which may be subject to different interpretations.

Examples of words or phrases which may be subject to different interpretations:

Vague or subjective disclosures	Explanations
<i>Primarily, principally, mainly, preponderantly, substantially, significantly</i>	<p><i>It is recommended to clearly define these subjective words with percentages. For example: "up to X%" or "at least X%"</i></p> <p><i>Alternatively, if the subjective words are used and not defined by percentages, you should state that the allocation will be at the manager's discretion.</i></p>

Vague or subjective disclosures	Explanations
<i>Adjectives such as: strong, good, bad, major, high, low, attractive, superior</i>	<i>Avoid the usage of such terms if clear explanations cannot be provided.</i>
<i>within a specified period</i>	<i>To define the period.</i>
<i>double digit growth</i>	<i>May be interpreted as anywhere between 10% and 99%.</i>
<i>Well-known in the region</i>	<i>Avoid the usage of such phrase if clear explanations cannot be provided.</i>
<i>...relatively smaller capitalised companies...</i>	<i>A comparative disclosure should be made or to explain what is "smaller capitalised companies".</i>
<i>"providing income" in the context of an "income fund"</i>	<i>May be interpreted as providing cash to unit holders.</i> <i>If the distribution policy of the fund is to reinvest the income distribution into additional units of the fund instead of cash payment to unit holders, a clear explanation of the intention should be disclosed.</i>
<i>Transfer of Fund's units is allowed at a fee of RM50 (per transfer) only at manager's discretion.</i>	<i>Possible confusion on whether the transfer of Fund's units or the transfer fees is at manager's discretion.</i>
<i>The Fund will be invested in bonds with tenure that match (i.e. 3 years) or are similar to the tenure (i.e. shorter or longer than 3 years) of the Fund.</i>	<i>Despite "similar to the tenure" has been further clarified as "shorter or longer than 3 years", the disclosure remains unclear i.e. how much shorter or how much longer than 3 years.</i>

GUIDANCE 9: Practise consistency in disclosures

Inconsistent disclosures within the same document or across different documents (PHS vs. prospectus; deed vs prospectus) will result in confusion to investors.

Examples:

Inconsistent disclosures	Explanations
<i>One section of the prospectus states: ... the Fund is permitted to also invest in deposits, money market instruments (i.e. negotiable instruments of deposits (NIDs)) and...</i>	<i>Investors will not have a clear view on the types of money market instruments in which the fund will invest in.</i>

Inconsistent disclosures	Explanations
<p>Another section of the prospectus states:</p> <p>The money market instruments that the Fund may invest in include but are not limited to bankers' acceptances, repurchase agreements, Bank Negara bills and NIDs...</p>	
<p>Minimum balance: 50,000 Units or such other amount as may be decided by the Manager at its discretion.”</p> <p>Note: The Minimum Balance amount may be reduced subject to the Manager’s discretion.</p>	<p>The footnote changes the meaning of the statement.</p> <p>Assuming the footnote is correct. The disclosure may be redrafted as follows:</p> <p>“Minimum balance: 50,000 Units or such other lower amount as decided by the Manager.</p>
<p>It is disclosed that the Fund does <u>not</u> charge an Annual Management Fee (AMF).</p>	<p>However, definition of NAV and examples on the computation of the Fund’s NAV reflect imposition of an AMF.</p> <p>If AMF is not charged, to remove the reference to AMF in the definition and examples.</p>
<p>Certain sections of the prospectus use the investment terminology as “fixed income securities” while other sections use “fixed income instruments” and “bonds” interchangeably.</p>	<p>If these terms mean the same, you should just choose one terminology and use it consistently throughout the prospectus.</p>

GUIDANCE 10: Limiting repetitive information

Repeating the same information in different sections of the prospectus will:

- a) add length to the document but does not add value to the disclosure;
- b) bore the investors when they need to read the same information a few times; and
- c) put investors off.

You should only include information that would help investors to make informed investment decisions.

You should group related information together. This helps you to identify and eliminate repetitious information. Where appropriate, use cross-references to avoid repetitive disclosures.

Examples of repetitive information that should be avoided:

Repetitive information	Explanations
<p><i>“Subject to the availability of income, the Fund will distribute income on an annual basis (if any).”</i></p>	<p>The reference to “(if any)” is repetitive.</p>
<p><i>“ABC Banking Group is the X largest fully integrated financial products and services group in Malaysia. Their businesses are offered through its main subsidiaries ABC Bank Berhad, ABC Investment Bank Berhad and ABC Insurance Berhad. The Manager has appointed ABC Bank Berhad and ABC Capital Berhad as its delegates to carry out certain functions. Both institutions are part of the ABC Banking Group., which is the X largest fully integrated financial products and services group in Malaysia.”</i></p>	<p>The first sentence and last sentence are repetitive.</p>

GUIDANCE 11: Present information in a logical order and balanced manner

You should organize information so that all related information is presented together in a logical sequence, with the most important information presented first for easier navigation. For example, the investment policy and strategies of the key asset classes of a fund should be disclosed first before disclosing the investment strategies for other asset classes.

Example	Logical order
<p><u>Investment strategy</u></p> <p><i>A minimum of 70% and up to a maximum of 98% of the Fund’s NAV may be invested in:</i></p> <ul style="list-style-type: none"> <i>i. RM-denominated Sukuk carrying at least a “BBB3” or “P2” rating by RAM or its equivalent rating by MARC; and/or</i> <i>ii. Non RM-denominated Sukuk carrying at least a “BBB” rating by S&P or its equivalent rating by Moody’s or Fitch.</i> <p><i>The rest of the Fund is maintained in the form of Islamic liquid assets to meet any redemption payments to Unit Holders.</i></p> <p><i>In line with its objective, the investment strategy and policy of the Fund is to invest in a diversified portfolio of RM-denominated and/or non RM- denominated Sukuk that will provide a steady stream of income.</i></p>	<p><u>Investment strategy</u></p> <p><i>In line with its objective, the investment strategy and policy of the Fund is to invest in a diversified portfolio of RM-denominated and/or non RM- denominated Sukuk that will provide a steady stream of income.</i></p> <p><i>A minimum of 70% and up to a maximum of 98% of the Fund’s NAV may be invested in:</i></p> <ul style="list-style-type: none"> <i>i. RM-denominated Sukuk carrying at least a “BBB3” or “P2” rating by RAM or its equivalent rating by MARC; and/or</i> <i>ii. Non RM-denominated Sukuk carrying at least a “BBB” rating by S&P or its equivalent rating by Moody’s or Fitch.</i> <p><i>The rest of the Fund is maintained in the form of Islamic liquid assets to meet any redemption payments to Unit Holders.</i></p>

You must also present information in a realistic, fair and balanced manner, i.e. equal consideration must be given to both positive and negative information. This is particularly important when highlighting key information in the prospectus. For example, the prospectus must highlight the positive aspects as well as the potential risks and unfavourable facts of the fund.

GUIDANCE 12: Use defined terms sparingly and effectively

You should use defined terms in moderation to avoid overwhelming investors with new vocabulary. If defining a term is necessary, the definition should be meaningful, short, specific and intuitive to make reading easier.

Terms are usually defined and listed down in the “definition” or “glossary” section. The need to memorise the defined terms and to flip through pages over and over again is overwhelming and some investors may eventually give up reading.

You should avoid the following:

- a) define commonly understood terms and using terms in a manner inconsistent with terms generally understood by investors;
- b) use the defined term within its own definition;

Example:

Poor Drafting	Preferred Drafting
<p><i>Applicants should ensure their application is submitted by the Closing Date.</i></p> <p><i>(Closing Date is defined as ‘The date on which the offer closes.’)</i></p>	<p><i>Applicants should ensure their application is submitted by 30 June 2015.</i></p>

- c) define a term that refers to other definitions except those defined in the statutes; and
- d) include important information about the fund in a definition as such information will not likely be given appropriate attention and may be missed.

GUIDANCE 13: Use effective presentation of information

You must present information in an effective manner that will improve the flow and readability of information.

Example:

“The Fund is permitted to also invest in deposits, money market instruments (i.e. negotiable instruments of deposits (NIDs)) and/or debt securities with maturity periods of more than 365 days but no longer than 732 days in Malaysia and these investments are limited to 10% of the Fund’s NAV.”

With regard to the “maturity periods of more than 365 days but no longer than 732 days”, it is unclear which instrument is being referred to, is it debt securities only or all instruments?

When presenting information, you should use the following tools to reduce text and increase clarity:

Tools	Explanations
<i>Table of contents with page numbers</i>	<i>To locate key information on specific topics.</i>
<i>Tables</i>	<i>Information is easier to read and understand.</i>
<i>Bullets</i>	<i>Bullet points convey a large amount of information more efficiently and clearly rather than perusing long narrative paragraphs.</i>
<i>Diagrams, charts, graphs and other visuals</i>	<p><i>Diagrams, charts, graphs and other visuals reduce the text necessary to convey the same information.</i></p> <p><i>Use of such visuals should:</i></p> <ul style="list-style-type: none"> <i>(a) be to scale and presented without distortion;</i> <i>(b) be simple, clearly labelled and accurate; and</i> <i>(c) facilitate fair comparisons.</i>
<i>Headings or sub-headings</i>	<i>Group information into meaningful headings and sub-headings to clearly organise information and manage the flow of information.</i>
<i>Examples</i>	<p><i>Examples can illustrate complicated information or concepts and help an investor understand and relate to the information.</i></p> <p><i>Examples should be provided on a consistent basis and accompanied by clear explanation with assumptions on which they are based.</i></p>
<i>Glossary definitions</i> or	<p><i>You should consider creating and placing all such defined terms in a “glossary” or “definition” section and place it at the beginning of the prospectus.</i></p> <p><i>If the prospectus includes other reports, where possible, same terms should be used consistently in the prospectus to avoid confusion.</i></p>
<i>Effective layout</i>	<p><i>Use of an effective layout improves the flow and presentation of information in the prospectus. You should use spacing and margin widths between paragraphs and sentences, so that the contents in the prospectus appear less cluttered.</i></p> <p><i>You may also use the following formatting tools to distinguish and emphasize important information:</i></p> <ul style="list-style-type: none"> <i>(a) Font type and size</i> <i>(b) Underline, bold and italics</i> <i>(c) Colour</i> <i>(d) Borders and shadings</i>

Tools	Explanations
Symbols	<p>Symbols such as asterisks used for annotation are useful to provide further explanation for a term or a phrase. The explanatory note for the symbols should be disclosed on the same page where the symbols can be found.</p> <p>You should not use the same symbol more than once on the same page if the symbols provide different explanation for different terms or phrases.</p>

GUIDANCE 14: Ensure disclosures are true, accurate and not misleading

Disclosures should be true, accurate and not misleading.

Examples of disclosures that may be inaccurate or misleading:

Disclosures	Remarks
<p><i>Interest rate risk of a close-ended fund with redemption: "Interest rate risk arises from adverse fluctuations in bond prices due to interest rate movements. Generally, bond prices will decline when interest rate rises and vice versa. However, such risk can be mitigated as the Fund will be managed with a buy and hold strategy."</i></p>	<p><i>The last sentence of the disclosure may be accurate from the fund's perspective but it is not accurate from investor's perspective. Even though the fund will be managed with a "buy and hold" strategy, the determination of the fund's NAV will be based on the prevailing market value of the bonds. Therefore, any redemption by the investor prior to the maturity period of the fund will be based on the prevailing NAV.</i></p>
<p><i>Sukuk may not be as liquid as deposits.</i></p>	<p><i>This disclosure is incorrect as Sukuk is not as liquid as deposits.</i></p>
<p><i>An open-ended fund with the following disclosure:</i></p> <p><i>"Termination of the Fund – Other than the Fund reaching the maturity date, the Fund may also be terminated...."</i></p>	<p><i>An open-ended fund should not have a maturity date.</i></p>
<p><i>Deed states: Maximum repurchase charge is 3% of the NAV per Unit.</i></p> <p><i>Prospectus states: Deed sets maximum repurchase charge of 1% of the NAV per Unit.</i></p>	<p><i>Information in deed and prospectus is inconsistent.</i></p>
<p><i>The notional amount is the Offer Price and the Sales Charge. Where-</i></p> <p><i>Offer Price – defined as RM1.00 per unit during Offer Period; and</i></p>	<p><i>The definition of "notional amount" is inaccurate.</i></p>

Disclosures	Remarks
<i>Sales Charge – means a fee imposed on the purchase of Units of the Fund.</i>	
<i>Currency risk - This risk is associated with investments denominated in currencies different from the base currency of the Fund. As the Fund is denominated in USD, investments in countries other than United States of America will cause the Fund to be exposed to currency risk.</i>	<i>This disclosure is inaccurate as investments denominated in USD are available in other countries besides the United States of America.</i>
<i>The Fund complies with the permitted investments and restrictions imposed by the Securities Commission, which ensures diversification in the Fund’s investment and.....</i>	<i>Compliance with SC Guidelines does not ensure diversification in all aspects of a Fund’s investments.</i>
<i>Unit Holders may potentially obtain the full notional value of those bonds on the maturity date...</i>	<i>The correct terminology for bonds is “principal amount”, “face value” or “nominal value”. The term “Notional value” is used for derivatives.</i>
<i>Loan Financing Risk - ...the Units may be sold at a lower NAV per Unit as compared to the NAV per unit at the point of purchase in order to settle the loan....</i>	<i>The explanation is inaccurate as the sale of units may not be able to fully settle the loan.</i>
<i>Credit/default risk -For money market instruments, the risk is that the issuer of such instruments may not make timely payment of interest and principal. In the event of any default in the payment of the interest and principal, the value of the Fund may be adversely affected...</i>	<p><i>This disclosure is inaccurate where:</i></p> <p>(a) <i>“...payment of interest and principal” should be written as “payment of interest and/or principal”</i></p> <p><i>The default in payment can occur on:</i></p> <ul style="list-style-type: none"> <i>- interest and principal;</i> <i>- solely on interest; or</i> <i>- solely on principal.</i> <p>(b) <i>“...value of the Fund may be adversely affected...” should be written as “...value of the Fund will be adversely affected...”</i></p> <p><i>The consequence of default is definitive, therefore, the use of the word “may” is inaccurate.</i></p>

GUIDANCE 15: Disclose all relevant and material risks

You should help investors to make informed investment decisions by identifying all relevant and material risks of investing in a fund. Firstly, you must be clear about what risk is. Consider risk as an uncertainty which may affect the value of the fund and hence the investment value of investors. It is not a risk if your investors can lose their capital or returns as a predictable consequence of their own actions, for example deduction of redemption charge when the investor exits a fund.

The risk description should be brief and easily understandable. It is recommended that you consider the following comments when drafting risk disclosures:

- a) Identify and define all relevant and material risk of investing in a fund. When identifying the risk, you have to take into consideration the nature of the investment and the structure of the fund. Some risks may be remote and have limited impact to the value of the fund. You need not disclose such risks if it confuses the investors. On the other hand, some risks may be remote but have significant impact to the value of the fund. You will need to disclose such risks.
- b) Describe the risk in a manner that is easily understood by investors. In describing a risk, you should also ensure that the risk description matches the risk title, e.g. a risk is disclosed with title “credit and default risk”, the risk disclosure should describe both credit and default risks. Although both risks are linked, they are not interchangeable as each risk impacts the fund differently.
- c) Describe how the risk impacts the fund and hence the investors’ investment in the fund and, if possible, the severity of the impact if they do happen.
- d) Rank and disclose the risks in order of significance as some risks are likely to be more significant than others. Where risks are considered significant, you may briefly highlight the steps to be taken to manage such risks.
- e) Organise the risk disclosure logically. Where necessary, you may categorise the risks to ease the understanding of investors, such as “risk specific to the instrument” or “risk specific to the industry”.

Example of risk disclosures are set out in *Part III*.

Funds with specific features

You should consider highlighting the following risks in the disclosure documents if your fund contains such a feature. It is important to note that this table is not intended to be exhaustive. Also, these risks should not be included automatically just because they are listed in the following.

Fund Feature	Risk for Consideration
<i>Close-ended bond fund with either one or a combination of the following features:</i> <ul style="list-style-type: none">• <i>Can be terminated earlier before maturity when certain threshold is met</i>• <i>Invests in bonds maturing after maturity date of the fund</i>	<i>You should disclose mismatch risk coupled with liquidity risk. A fund investing in bonds which are maturing after the maturity date of the fund are also subject to interest rate risks as the bonds cannot be held to maturity.</i>
<i>Fund invests in a particular sector or industry.</i>	<i>You should disclose risks associated with such sector or industry.</i>

Fund Feature	Risk for Consideration
<i>Fund invests in multiple countries, sectors or industries, with a focus in a specific country, sector or industry.</i>	<i>You should disclose concentration risk in relation to the focus country, sector or industry.</i>
<i>Fund invests in a country with certain requirements and restrictions, e.g. the requirement to obtain a license or permit to invest in such country.</i>	<i>You should consider disclosing the risk and its impact to the fund if such license or permit can be revoked or not renewed.</i>
<i>Fund invests in non-investment grade instruments.</i>	<i>You should disclose that the fund is subject to a higher default risk as compared to a fund that invests in investment grade instruments only.</i>
<i>Fund that invests in warrants and convertibles</i>	<i>You should disclose that such investments have an expiry date and may experience time decay, and the erosion of value accelerates as the instrument advances to its expiry date.</i>

GUIDANCE 16: Adopt Islamic Capital Market Disclosure for Islamic Fund

When drafting disclosures for an Islamic fund, you are encouraged to adopt the definitions of Islamic Capital Market (ICM) terms provided by the SC on its various ICM products and services guidelines or on its website. In adopting any definition, you should consider the appropriateness of the definition in the overall context of the fund, e.g. the definition of “Sukuk” provided for in the “Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework” should be adopted by a fund investing in local sukuk. However, if the fund invests in both local and foreign sukuk, a more general definition should be used, i.e. “Sukuk” means a document or certificate, documenting the undivided pro-rated ownership of underlying assets.

Also, you should disclose the Shariah screening methodology in detail for all types of investments which the fund invests in.

GUIDANCE 17: Understand the information you need to disclose and test it

Before finalizing the contents of the prospectus, you may want to go through the prospectus again and check for the following:

- a) Does the content of the document flow logically?
- b) Does the document highlight information that is important and material for investors to know?
- c) Have you explained all pertinent fund features?
- d) Is every piece of information in the document essential for investors to make an informed investment decision?
- e) Does the document contain unnecessary repetition?
- f) Can any information be deleted or further summarized?

- g) Have you read the document from a layperson's perspective? Will the investors understand the information that you are trying to get across?

PART II

3. GLOSSARY OF FINANCIAL/INVESTMENT TERMINOLOGY

Definitions of financial/investment terminology are provided in the table below. However, if the definition is inconsistent with the Capital Markets and Services Act 2007 (CMSA) and SC's guidelines, the definitions in the CMSA or SC's guidelines will prevail. You should also refer to the definitions provided by Bank Negara Malaysia (BNM) for products regulated by BNM.

No	Financial/Investment Terminology	Definition
1	asset-backed securities (ABS)	means corporate bonds or sukuk that are issued pursuant to a securitisation transaction. Such ABS shall exclude any corporate bonds or sukuk with convertible or exchangeable features; Examples of such excluded securities include exchangeable bonds and corporate bonds or sukuk with attached warrants.
2	bankers acceptance	a bill of exchange drawn on and accepted by a bank in Malaysia in accordance with the Guidelines on Bankers Acceptances issued by Bank Negara Malaysia.
3	Bank Negara monetary note(s)	refers to a debt instrument issued by Bank Negara Malaysia for managing liquidity in the conventional and Islamic financial markets.
4	bills of exchange	is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay, on demand or fixed or determinable future time, a sum certain in money to or to the order of a specified person or to bearer.
5	call warrant(s)	means a contract under which a person has an actual, contingent or prospective right to: (a) buy a specified number of units of underlying securities at a specified price on or by a specified future date; or (b) receive a cash amount or other property, depending on the fluctuations in the value or price of an underlying security, and the amount will be calculated in accordance with the contract.

No	Financial/Investment Terminology	Definition
6	cash / cash placement	should be the same as deposits.
7	convertible securities	means securities which are convertible or exercisable, by their terms of issue, into other securities.
8	debt securities	<p>includes debenture stock, bonds, notes and any other evidence of indebtedness of a corporation for borrowed monies, whether or not constituting a charge on the assets of the corporation, but shall not be construed as applying to any of the following:</p> <ul style="list-style-type: none"> (a) any instrument acknowledging or creating indebtedness for, or for money borrowed to defray the consideration payable under, a contract for sale or supply of goods, property or services or any contract of hire in the ordinary course of business; (b) a cheque, banker's draft or any other bill of exchange or a letter of credit; (c) a banknote, guarantee or an insurance policy; (d) a statement, passbook or other document showing any balance in a current, deposit or savings account; (e) any agreement for a loan where the lender and borrower are signatories to the agreement and where the lending of money is in the ordinary course of business of the lender, and any promissory note issued under the terms of such an agreement; or (f) any instrument or product or class of instruments or products as the Ministry may, on the recommendation of the Securities Commission Malaysia, prescribed by order published in the <i>Gazette</i>;
9	deposit	<p>as per the definition of "deposit" in the Financial Services Act 2013 and "Islamic deposit" in the Islamic Financial Services Act 2013.</p> <p>Note: To exclude structured deposits.</p>
10	derivative(s)	means any agreement, including an option, a swap, futures or forward contract whose market price, value, delivery or payment obligations is derived from, referenced to or based on, but not limited to, securities, commodities, assets, rates (including interest rates or exchange rates) or indices.

No	Financial/Investment Terminology	Definition
11	equity-related securities	<p>are securities where the underlying asset is an equity. The return on equity-related securities is dependent upon the performance of the underlying equities.</p> <p>Examples: Warrant, American Depositary Receipt (ADR), Global Depositary Receipt (GDR) and rights issue.</p>
12	forward contract(s)	<p>is an agreement to buy or sell its underlying instrument or asset at a specific time in the future at a given price. Forward contracts are private agreements between two parties and the terms and conditions can be customised.</p>
13	government securities	<p>are marketable debt instruments issued by any government. In the context of Malaysia, these may include:</p> <ul style="list-style-type: none"> (a) Malaysian Government Securities (MGS) - long-term interest-bearing bonds issued by the Government of Malaysia to raise funds from the domestic capital market for development expenditure. (b) Malaysian Treasury Bills (MTB) - short-term securities issued by the Government of Malaysia for working capital. (c) Government Investment Issues (GII) and Malaysian Islamic Treasury Bills (MITB) - long-term and short-term non interest-bearing Government securities, which are issued based on Islamic principles by the Government of Malaysia
14	Islamic derivative(s)	<p>means any agreement, including an option, a swap, futures or forward contract, made in accordance with Shariah principles, whose market price, value, delivery or payment obligations is derived from, referenced to or based on, but not limited to, Islamic securities, commodities, assets, rates (including profit rates or exchange rates) or indices.</p>
15	Islamic interbank money market instruments	<p>are:</p> <ul style="list-style-type: none"> (a) Mudarabah Interbank Investment (MII) (b) Wadiah Acceptance (c) Government Investment Issue (GII) (d) Bank Negara Monetary Notes-i (BNMN-i) (e) Sell and Buy Back Agreement (SBBA) (f) Cagamas Mudharabah Bonds (SMC) (g) When Issue (WI) (h) Islamic Accepted Bills (IAB)

No	Financial/Investment Terminology	Definition
		(i) Islamic Negotiable Instruments (INI) (j) Islamic Private Debt Securities (k) Ar Rahn Agreement-I (RA-i) (l) Sukuk BNM Ijarah (SBNMI)
16	ISSBNT	means Islamic securities selling and buying negotiated transactions.
17	liquid asset/ cash equivalent	assets that can be converted into cash quickly with minimal impact to the price received.
18	money market instruments	the investment in money market : (a) has a maturity at issuance of up to and including 397 days; (b) has a residual maturity of up to and including 397 days.
19	warrants	means securities that give the holder the right but not the obligation to buy or sell certain securities at a certain price before the expiry date.

PART III

4. STANDARD RISK DISCLOSURES

When drafting risk disclosures, you are recommended to consider the following:

No	Risk	Risk Disclosures
1	Market Risk	Market risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the fund's Net Asset Value ("NAV").
2	Liquidity Risk	<p>Liquidity risk refers to the ease of liquidating an asset depending on the asset's volume traded in the market. If the Fund holds assets that are illiquid, or are difficult to dispose of, the value of the Fund will be negatively affected when it has to sell such assets at unfavourable prices.</p> <p>Note: This risk disclosure may not be applicable to all types of assets. Some assets do not qualify under this risk disclosure. For example, deposits are not traded in the market.</p>
3	Inflation Risk	This is the risk that investors' investment in the unit trust fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce investors' purchasing power even though the value of the investment in monetary terms has increased.
4	Reclassification of Shariah Status Risk	<p>This risk refers to the risk that the currently held Shariah-compliant equities in the fund may be reclassified as Shariah non-compliant in the periodic review of the equities by the SACSC, the Shariah adviser or the Shariah boards of the relevant Islamic indices. If this occurs, the Manager will take the necessary steps to dispose such equities. There may be opportunity loss to the Fund due to the Fund not being allowed to retain the excess capital gains derived from the disposal of the Shariah non-compliant equities.</p> <p>Note:</p> <p>(a) Where the Shariah non-compliant equities are disposed of at a price lower than the investment cost, you should disclose how the value of the fund may be affected.</p> <p>(b) Please ensure reference is made to the section in the prospectus on the fund's Shariah methodology on the</p>

No	Risk	Risk Disclosures
		treatment of gains and losses as a result of the reclassification of Shariah non-compliant equities.
5	Manager's Risk	This risk refers to the day-to-day management of the fund by the manager which will impact the performance of the fund. For example, investment decisions undertaken by the manager, as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the fund.
6	Stock Specific Risk	Prices of a particular stock may fluctuate in response to the circumstances affecting individual companies such as adverse financial performance, news of a possible merger or loss of key personnel of a company. Any adverse price movements of such stock will adversely affect the fund's NAV.
7	Credit and Default risk	<p>Credit risk relates to the creditworthiness of the issuers of the debt instruments and their expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuer may impact the value as well as liquidity of the debt instrument. In the case of rated debt instruments, this may lead to a credit downgrade. Default risk relates to the risk that an issuer of a debt instrument either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the debt instruments. This could adversely affect the value of the fund.</p> <p>Note: This risk description is relevant to debt instruments. For other type of instruments, different description will apply.</p>
8	Interest Rate Risk	Interest rate risk refers to the impact of interest rate changes on the valuation of debt instruments. When interest rates rise, debt instruments prices generally decline and this may lower the market value of the fund's investment in debt instruments. The reverse may apply when interest rates fall.

No	Risk	Risk Disclosures
		<p>In order to mitigate interest rate risk, the Manager will need to manage the debt portfolio taking into account the coupon rate and time to maturity of the debt instruments.</p> <p>Note: You should consider disclosing interest rate risk for other instruments such as deposits or money market instruments if the portfolio of the fund has a substantial investment in those instruments. Interest rate may impact such instruments differently, i.e. the principle of inverse relationship may not apply.</p>
9	Currency Risk	<p>As the investments of the Fund may be denominated in currencies other than the base currency, any fluctuation in the exchange rate between the base currency and the currencies in which the investments are denominated may have an impact on the value of these investments. Investors should be aware that if the currencies in which the investments are denominated depreciate against the base currency, this will have an adverse effect on the NAV of the Fund in the base currency and vice versa. Investors should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.</p> <p>Note: For multi-class funds, if you wish to explain currency risk in two levels, you may consider including the following in the currency risk disclosure:</p> <p>(a) Currency risk at the fund’s portfolio level</p> <p style="padding-left: 40px;">The impact of the exchange rate movement between the base currency of the fund and the currency of the underlying investments may result in a depreciation of the value of the investments as expressed in the base currency of the fund; and</p> <p>(b) Currency risk at the class level</p> <p style="padding-left: 40px;">The impact of the exchange rate movement between the base currency of the fund and the currency of the respective classes may result in a depreciation of the investor’s holdings as expressed in the base currency of the fund.</p> <p>For feeder funds, the currency risk disclosure at the feeder fund level should make reference to the risk disclosure at the target fund level, if applicable.</p> <p>If you intend to hedge the currency exposure either at any or all levels, you should disclose the extent of hedging and its impact on the investment value of the investors,</p>

No	Risk	Risk Disclosures
		including not being able to enjoy any upside from any currency appreciation.
10	Country Risk	Investments of the Fund in any countries may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the Fund invests in. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the Fund in those affected countries. This in turn may cause the net asset value of the Fund or prices of units to fall.
11	Loan Financing Risk	This risk occurs when investors take a loan/financing to finance their investment. The inherent risk of investing with borrowed money includes investors being unable to service the loan repayments. In the event units are used as collateral, an investor may be required to top-up the investors' existing instalment if the prices of units fall below a certain level due to market conditions. Failing which, the units may be sold at a lower net asset value per unit as compared to the net asset value per unit at the point of purchase towards settling the loan.

5. REFERENCES

For reference and to further understand the principles of simple language and effective drafting practices, we encourage you to browse through the following websites:

- <http://www.sc.com.my/> (Securities Commission Malaysia);
- <http://www.fimm.com.my/> (Federation of Investment Managers Malaysia);
- <http://asic.gov.au/> (Australian Securities & Investments Commission);
- <http://www.sec.gov/> (US Securities and Exchange Commission);
- <http://www.mas.gov.sg/> (Monetary Authority of Singapore); and
- <https://fma.govt.nz/> (New Zealand Financial Markets Authority).