FEDERATION OF MALAYSIAN UNIT TRUST MANAGERS

(Company No. 272577 - P)

INVESTMENT MANAGEMENT STANDARD

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UNIT TRUST SCHEMES WITH FOREIGN PORTFOLIO: FOR THE PURPOSE OF DETERMINING UNIT TRUST SCHEME'S NET ASSET VALUE, FOREIGN PORTFOLIO SHOULD BE VALUED BASED ON THE LAST DONE PRICES AT THE CLOSE OF THE BUSINESS DAY OF THE RESPECTIVE MARKETS ON THE SAME CALENDAR DAY

1.0 APPLICATION AND EFFECTIVE DATE

1.1 This Investment Management Standard is made pursuance to Article 63 of the Memorandum of Association and shall come into force on or after 22 December 2006.

2.0 BACKGROUND

2.1 Currently, all unit trust schemes (the Schemes), including those with assets invested overseas, must be valued at least once every business day and at the time of the close of business of Bursa Malaysia in line with the requirements set out in Clause 11.10(3) of the Guidelines on Unit Trust Funds (Guidelines).

2.2 Unit Trust Management Companies (UTMCs) managing Schemes with assets invested in overseas markets located in different time zones may find that at the close of business of Bursa Malaysia or 5:00 pm Kuala Lumpur time, certain overseas markets in which the Schemes invested in have yet to close due to different time zones of these overseas markets.

2.3 Certain UTMCs have therefore proceeded to obtain SC's exemption on the above Clause and valued the Schemes based on the last done prices at the close of the overseas markets on the same calendar day. Others have chosen to comply with the Clause and proceed to value the Schemes at 5:00 pm, using last done prices of the respective markets as at 5:00 pm Kuala Lumpur time if the market has yet to close or the last done price at the close of the exchange of the previous day, where the market closed after Bursa Malaysia.

2.4 The above diverse approaches may cause confusion among investing public on the applicability of Scheme prices printed in major dailies as well as inconsistency in Scheme performance comparison and reporting.

2.5 Certain approaches, on some occasions may have unintentionally led the Schemes vulnerable to the potential risk of arbitraging activities on market movements that are detrimental to other existing Scheme unit holders whose value of their underlying assets in the Schemes may be diluted.

3.0 OBJECTIVES

3.1 In line with the overriding principle that UTMCs should always act in the best interest of the Scheme unit holders and in view of the aforementioned possible confusion and potential disadvantages to unit holders, this Investment Management Standard aims to standardize valuation methodology for Schemes with assets invested overseas.

3.2 For the purpose of this Investment Management Standard, valuation point is the time(s) on a business day, as UTMCs may decide, during which the Net Asset Value (NAV) of a Scheme is calculated.

4.0 SCHEME VALUATION METHODOLOGY

4.1 For the purpose of determining the Scheme's NAV, the foreign portfolio should be valued based on the last done prices as at the close of the business day of the respective markets on the same calendar day.

4.2 In this case, valuation point may be extended to 5:00 pm of the next business day of Bursa Malaysia.

4.3 Example:

For 1 Mar 200X, the Scheme valuation will start on 7:00am the following day i.e. 2 Mar 200X (Kuala Lumpur time), valuation is carried out and the following prices will be used:

a) (Kuala Lumpur): Last done prices as at 5:00 pm, 1 Mar, at the close of Bursa Malaysia.

b) (New York): Last done prices as at 4:00pm, 1 Mar, (equivalent to 5:00 am, 2 Mar, Kuala Lumpur time) at the close of the exchanges on which the equities are traded.

c) (London): Last done prices as at 4:00 pm, 1 Mar, (equivalent to 12:00 at night, 2 Mar Kuala Lumpur time) at the close of the exchanges on which the equities are traded.

d) (Japan): Last done prices as at 3:00 pm, 1 Mar (equivalent to 2:00 pm, 1 Mar Kuala Lumpur time) at the close of exchanges on which the equities are traded.

e) (Bangkok): Last done prices as at 5:00 pm, 1 Mar (equivalent to 6:00 pm, 1 Mar Kuala Lumpur time) at the close of exchanges on which the equities are traded.

The timing used for the above example is strictly for illustration purposes only.

4.4 The standardization of valuation methodology for Schemes with foreign portfolio shall benefit the industry as follows:

a) The valuation methodology is essentially based on the principle of Forward pricing whereby all material developments in the respective markets are reflected in the unit pricing and will therefore eliminate possible price manipulation and safeguard existing or long-term unit holders from detrimental short-term arbitraging or market timing activities; and

b) Standardizing the use of last done prices at the close of all exchanges on the same calendar day across different time zones as well as the availability of indices for benchmarking purposes facilitate more consistent Scheme performance comparison and reporting.

4.5 For the purpose of this Investment Management Standard, UTMCs are required to adopt the Forward pricing for purpose of valuing the Scheme's NAV to minimize the risk of any arbitraging opportunities arising from the timing differences as the price of the unit would be unknown to the investors at the time of placing the request.

5.0 EFFECTIVE DATE

5.1 This Investment Management Standard shall come into force on the date as specified in Clause 1.0 of this Investment Management Standard but earlier adoption of this Investment Management Standard is permitted and encouraged.

6.0 APPLICABILITY

6.1 This Investment Management Standard shall be applicable to all Schemes with foreign portfolio, whether existing or new.

Schemes with foreign portfolio that were launched before the effective date of this Investment Management Standard and are currently adopting valuation methodology which are varied from this Investment Management Standard will be given a grace period of one year from the effective date of this Investment Management Standard, after which the Schemes must comply fully with this Investment Management Standard.

6.2 Where the FMUTM allows any exemption or variation from this Investment Management Standard during the grace period, UTMCs will not be absolved from any other requirements as provided under any written law.

7.0 DISCLOSURES

7.1 In addition to the disclosures as required under the Guidelines and any other regulatory requirements, sufficient disclosures should also be made in the prospectus where relevant and applicable, that include, but not limited to, details on the Scheme valuation and a description on the timing of the prices published in newspapers as well as other alternative media or channels.

7.2 For example, sufficient disclosures should be made in the prospectus and also in the newspapers that unit prices are published two working days later and the latest prices are available on members' Website and/ or customer service centre.

8.0 SYSTEMS AND CONTROLS

8.1 There shall be well defined policies and procedures, controls as well as proper records in place to ensure that the valuation of assets and liabilities are objective and verifiable.

8.2 All pertinent records should be maintained and made available for checking and audit verification purposes.