

The Fund In Detail



Investments

Investment Objective and Strategy of INF

To achieve medium to long term capital appreciation, by seeking to match the performance of the KLSE Composite Index (KLCI).

Investment Limits

The Fund shall invest from a minimum of 60% to a maximum of 99.5% of the Fund's Net Asset Value in equities which make up the components of the Kuala Lumpur Composite Index (KLCI). Aside from that, the Fund may also invest in futures, other securities related to the components of the Kuala Lumpur Composite Index and must at all times maintain a minimum of 0.5% of the Net Asset Value in liquid assets. Due to market movements, the 99.5% limit may be breached, however the Manager will seek to adjust this within a time frame approved by the Trustee.

60% - 99.5%	Investment in KLCI component stocks
0% - 10%	Investment in futures
0.5%	Minimum investment in liquid assets

Permitted Investments

The Fund may from time to time invest in any other investments as may be approved by the SC and this may include amongst others futures, collective investment schemes (on condition they share similar objective as the INF), fixed income securities and private debt securities, including securities relating to the component stocks of the KLCI. All investments will be subject to the Guidelines and SC requirements including the objective of the Fund.

Are there any specific limitations restricting INF?

The investment limits are subject to the Guidelines, the Regulations and the Trust Deed, except where exemptions have been approved by the Securities Commission.

The investment limits adopted by the Investment Manager are as follows:

The value of the holdings of any class of security of any single issuer in the KLCI	Must not exceed 10% of the security issued
The value of the holdings of the share capital of any single issuer in the KLCI	Must not exceed the maximum weightings of the component stock in the KLCI*

The value of the holding of securities of and the securities relating to any single issuer in the KLCI	Must not exceed the maximum weightings of the component stock in the KLCI. In addition, the Fund is also permitted to invest up to 5% above the maximum weightings in other securities of the KLCI to meet liquidity requirements**
The value of the holdings of securities of and relating to any group of companies	Must not exceed 30% of the NAV of the Fund***
The value of the holdings of collective investment schemes	Must not exceed 10% of the NAV of the Fund
The value of the holdings in futures contracts	Must not exceed 10% of the NAV of the Fund.
Securities issued or guaranteed by the Malaysian Government or Bank Negara Malaysia	No limit. Subject to asset allocation restrictions

A 5% allowance in excess of any limit or restriction may be permitted where the limit or restriction is breached through the appreciation in the value of the Fund's investment/instruments.

Variations from Guidelines on Unit Trust

- * Clause 10.8.1 of the Guidelines provides that the value of the Fund's holding of the share capital of any single issuer must not exceed 10% of the Fund's NAV;

The Fund has been granted a variation from the above Clause 10.8.1 to permit the Fund to invest up to the maximum weightings of the component stocks in the KLCI.

- ** Clause 10.8.2 provides that the value of the Fund's holding of the securities of, and the securities relating to, any single issuer must not exceed 15% of the Fund's NAV;

The Fund has been granted a variation from Clause 10.8.2 to permit the Fund to invest up to the maximum weightings of the component stocks in the KLCI. In addition, up to 5% above the maximum weightings is permitted for investments in securities related to the component stocks of the KLCI in order to meet liquidity requirements.

- *** Clause 10.8.3 provides that the value of the Fund's holding of the securities of, and the securities relating to any group of companies should not exceed 20% of the Fund's NAV.

The fund has been granted a variation from the above Clause to permit the Fund to invest up to 30% of the NAV of the Fund.

Strategy behind investments in Listed Securities

In line with its objective, the Fund shall invest from a minimum of 60% to a maximum of 99.5% in the equity investments which make up the components of the KL Composite Index.

Strategy behind investment in Futures Contracts

The Fund may invest up to 10% of the NAV of the Fund in futures contracts for hedging purposes.

Trading of futures is a means of protecting against declines in the values of stocks or against increases in the cost of stocks to be acquired. Overall, it serves to reduce the transaction costs to the Fund and hedge against market volatility. Investment in futures shall not be used for speculative purposes.

Strategy behind investment in Collective Investment Schemes

The Manager may also invest in collective investment schemes as an alternative investment when found to be profitable. The criteria laid out in the Guidelines on Unit Trust Funds will be used as a basis when selecting such investments and they include amongst others the fact that the investments in the target scheme must be relevant and consistent with the objective of the INF. They may include the collective investments schemes as laid out below:

- Investments in Money Market Funds set up in Malaysia as one of its means to maintain daily cash positions.
- Investments in other unit trust funds with similar objectives as the INF, which is to match the performance of the KLCI.

Overall Investment Strategy

The investment manager will be adopting a passive investment strategy. Passive investment approach would involve constantly adjusting the portfolio according to their weightings in the KLCI. No extensive research is needed for the Fund as the investment of the Fund will comprise a certain number of counters that make up the KLCI.

The Investment Manager of the Fund intends to replicate the performance of the Kuala Lumpur Composite Index as closely as possible. In order to do this, the Investment Manager will invest in the component stocks of the Kuala Lumpur Composite Index. The component stocks of the KL Composite Index represent a broad spectrum of Malaysian industries. The investments of the Fund will be rebalanced from time to time to reflect any changes in the composition of the weighting of the shares in the KLCI.

Valuation for INF

Listed equity securities will be valued based on the last done market price on the KLSE while unlisted securities of the KLCI components shall be valued at cost less provision for any permanent diminution in value. The basis of valuation of investments for unlisted securities will be verified by the auditors and approved by the Trustee.

Where no market price is available including in the event of suspension in the quotation of securities for a period exceeding 14 days or such shorter period as agreed by the Trustee, the securities should be valued at fair value, as determined in good faith by the Manager, verified by the auditor of the fund and specifically approved by the Trustee.

Investment Risks

Despite the prudent investment strategy adopted by the Fund Manager for the Fund, all investments carry with it a certain element of risk. Please refer to page 25 on the risks of investing in the INF. Accordingly, these risk factors may affect your total investment and we cannot guarantee that by following the investment strategies, the Fund would achieve its desired objective.

Specific Benefits Associated with the INF

a) Diversification

The INF portfolio will hold securities from several issuers at any one time. This effectively means, the effect of market factors on isolated issuers will only slightly affect you as compared to individuals who could lose most or all of their investments.

b) Market Upside

With the fund being highly exposed to equities, it maximises the potential gains on an upside market of which active fund management would not be able to capitalise in time during a Bull Run.

c) Affordable Investment Amounts

INF enables you to benefit from a broad scale investment in equities that represent the KL Composite Index with a minimal initial investment amount of just RM1,000. Additional investments may be made at any time with a minimum of RM200.

d) Liquidity

You are able to redeem your unitholdings at any one time by instructing the Manager. You may not be able to liquidate your investments immediately.

e) Investment Opportunity

INF provides you the opportunity to obtain a broad-based ownership of shares across component stocks of the KL Composite Index (KLCI).

Specific Risks Associated With the INF

a) **Market Risk**

Investments in the stock market itself are risky, and the INF intends to represent this market, in particular as represented by the KL Composite Index. This fund will mirror this market risk as well and any downside or decline will effect the unitholder's investments in this fund.

b) **Returns not guaranteed**

As a result of the above risk, the Manager is not able to guarantee the dividends and capital appreciation of the Fund.

c) **Manager's risks**

The performance of any unit trust fund also depends on the experience, knowledge, expertise and investment techniques adopted by the Investment Manager.

d) **Futures Contracts Risk**

There are risks associated with the participation of the fund in futures contracts. The most prominent risk would be the effects of gearing. As trading of futures is conducted on an initial margin basis, a relatively small price movement in a futures contract may result in an immediate and substantial loss (or gain) for the Fund.

The Fund shall not use futures for speculative purposes.

Managing Risks for the INF

The Manager will take reasonable steps to ensure that the above potential risks are managed by:

- compounding the returns on investments over the long term period and capitalising on the market cycles to manage short term fluctuations;
- constructing an efficient portfolio of assets as diversification reduces the risk significantly in comparison with investing in one or two counters only on the Kuala Lumpur Composite Index (KLCI).
- participation in Futures Contracts for hedging purposes to reduce the overall risk in Fund's portfolio.
- minimize tracking error to allow the performance of the Fund to closely monitor the performance of the Kuala Lumpur Composite Index (KLCI). (Tracking error would measure the Fund's range of deviation from the KLCI's return through time)

Net Asset Value



What is the Net Asset Value of the Fund?

It is determined by deducting the value of the Fund's liabilities from the value of the Fund's assets at the valuation point.

How is the Net Asset Value calculated?

The calculation of the NAV* is summarised below:

	RM
Investment in component stocks of the KLCI	38,000,000
Value of Quoted PDS - to meet liquidity requirements	4,000,000
Value of Unquoted PDS - to meet liquidity requirements	3,000,000
Add: Investment in Liquid Assets or equivalent	1,000,000
Add / (Less): Asset / (Liabilities)	<u>4,000,000</u>
Net Asset Value	<u>50,000,000</u>

* The value of investments is for illustration purposes only.

Fees & Charges



What are the Fees and Charges incurred for INF?

Annual Management Fee

An annual fee of 1.0% which is paid out of the Fund, and is calculated daily based on the Gross Net Asset Value of the Fund.

Fees Payable to Trustee

An annual fee of 0.08% which is paid out of the Fund, and is calculated daily based on the Gross Net Asset Value of the Fund.

Sales Charge

Between 5% to 10% of the Net Asset Value per unit.

Repurchase Charge

INF does not charge an exit fee.

Transfer Fee

You are entitled to transfer (either fully or partially) the units registered in your name to another person in the form as approved by the Manager. However, you are required to maintain a minimum of 1,000 units in order to maintain an account with the Manager.

For each transfer, a fee of RM3.00 is charged by the Manager.

Fund’s Expenses

Only the expenses that are directly related and necessary to the business of the Fund are payable or reimbursable out of the assets. This would include all expenses allowed under the trust deed and would amongst others cover fees for valuation, auditor, sale, purchase and other dealing with assets, preparation and audit of tax returns and accounts.

What are the Fees and Charges incurred by the Manager?

Fees Payable to the Local Investment Manager

Other than the remuneration provided for in the Trust Deed, the Manager pays the Investment Manager a fee of 0.25% pa based on the month-end portfolio valuation. The fee is borne by the Manager.

Sales Commission Payable to Agents

The Manager has allocated selling commissions of up to a maximum of 4.2% of the Selling Price to agents as sales commission. This commission is borne by the Manager.

Sales & Repurchase of Units



What is the Selling Price?

The Selling Price of each Unit shall be based on the Net Asset Value per unit of the Fund as at the next valuation point after the Manager received (or is taken to have received) the application for units plus a sales charge of between 5% to 10%. As the basis of calculation is forward pricing, the Selling Price on any Business Day will be the published Selling Price on the following day.

Assuming that the NAV of the Fund on 8 June 2000 is RM4,690,000, units in issue on 8 June 2000 amount to 10,000,000 units and the sales charge is 6.5%, the Selling Price per Unit published on 9 June 2000 is as illustrated below:

NAV per Unit	=	$\frac{\text{NAV}}{\text{Units in Issue}}$
	=	$\frac{\text{RM4,690,000}}{10,000,000}$
	=	RM0.4690
Selling Price per Unit	=	(NAV per Unit + Sales Charge)
	=	(RM0.4690+6.5% of NAV) and rounded to 4 decimal points
	=	RM0.4995

What about the Redemption Price?

The Redemption Price per Unit is the Net Asset Value per unit of the Fund and there is no repurchase charge. As the basis of calculation is forward pricing, the Redemption Price on any business day will be the published Redemption Price on the following day.

As illustrated below:

The Redemption Price per Unit for INF published on 9 June 2000 is RM0.4690 and the request to repurchase received by the Manager is 1000 units. The redemption Price per Unit for INF is the NAV per unit of Fund. There will be no repurchase charge imposed on any request to repurchase the units.

NAV per unit	=	RM0.4690
Repurchase Charge	=	RM0.00
Redemption Price per unit	=	NAV per unit
	=	RM0.4690

What is the Cooling-off Period?

There will be six (6) Business Days for Unitholders to exercise the withdrawal of investment. On the day the cooling-off right is exercised, Unitholder will receive the higher of the Net Asset Value per unit or the Repurchase Price per unit. Additionally, the sales charge or fee paid by the Unitholders on his original investment will be refunded.

The Cooling-off Period does not apply to EPF investors based on Clause 3 of EPF 9F (AHL) Form which states that “An EPF investor is not permitted to cancel his/her application.”

Units can be purchased at the following offices referred to on pages 47-49.

What is the Portfolio Turnover Ratio (PTR)?

PTR is the ratio of the average of the acquisitions and disposals of the unit trust scheme for the year calculated on a daily basis.

It tells an investor the average of acquisitions and disposals of securities of the Fund. For example, a portfolio turnover of 200% or two times per annum means that the Fund has been turned over twice for that particular period.

A Fund with a high PTR would reflect that the Fund Manager is taking a short term view on the investments of the Fund and vice versa.

$$\text{PTR} = \frac{(\text{Total acquisitions} + \text{Total disposals}) / 2}{\text{Average Fund Size}}$$

MANAGEMENT EXPENSE RATIO (MER)

What is the MER?

MER is the ratio of the sum of the fees and the recovered expenses of the unit trust scheme to the average value of the unit trust scheme calculated on a daily basis.

The MER is the fees and expenses that you pay during the time your money is invested in the Fund and is paid directly from the Fund. The MER is made up of 3 components – Manager's Fee, Trustee's Fee and the Fund expenses – and pays for expenses incurred in the administration and investment of the Fund.

The higher the ratio, the more expenses are incurred by the Fund when it is compared to other funds within the same category. The lower the MER, the more beneficial it is to the investor. A lower MER is an indication of how well the Manager is managing the expenses of the Fund.

The MER is calculated in accordance with the following formula:

$$\text{MER} = \frac{(\text{Fees} + \text{Recovered Expenses}) \times 100}{\text{Average Fund Size}}$$

As at the commencement of the Fund, the MER is nil.