

IMAS GUIDANCE NOTES

**FREQUENTLY ASKED QUESTIONS
("FAQ") ON RECOMMENDED
DISCLOSURES TO SUPPORT THE
PRESENTATION OF INCOME
STATISTICS IN ADVERTISEMENTS**

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Qn	Question:	IMAS' Response:
1.	Does disclosure on " <u>historical payments</u> " (Para 2h) mean that a collective investment scheme ("CIS") has to disclose the compositions of dividends made in the past 12 months preceding 20 Oct 2016? Or, is it sufficient to start from a dividend payment date which takes place after 20 Oct 2016?	The composition of dividends in the past 12 months should be disclosed even if some payments have been made preceding 20 Oct 2016.
2.	Does " <u>average distribution since inception (per annum)</u> " (Para 2i) apply to only share classes that have been incepted for more than 1 year? How about for share classes incepted since a long time ago where distribution information may not be easily assessable?	<p>For share classes that have been incepted for less than one-year, individual fund houses have the discretion to disclose the distribution since inception. Should they decide to disclose, it should then be calculated as the cumulative distributions paid for the year since inception.</p> <p>For example, if three (3) distributions have been made since inception, the cumulative distribution since inception should be calculated by taking a simple addition of these three (3) distributions.</p> <p>For share classes that have been incepted for 1 to 5 years, the disclosure of average distribution since inception should be for the number of years that the share class has been incepted.</p> <p>For share classes that have been incepted for more than 5 years, the disclosure of average distribution since inception should be for at least the past 5 years.</p>
3.	<p>Does "strategy" in "<u>annualised volatility of total return of the strategy</u>" (Para 2i) refer to the "fund strategy" or "investment strategy"?</p> <p>(Investment strategy would typically cover a range of funds with the same strategy from an investment point of view).</p>	<p>The strategy in this disclosure refers to the investment strategy of the fund / share class.</p> <p>The disclosure of the annualised volatility of total return of the strategy, whether at the share class or fund level, should be consistent with the other disclosed income statistics (e.g. if underlying portfolio yield is disclosed at the share class level, the annualised volatility of total return of the strategy should also be disclosed at the share class level).</p> <p>For funds or share classes that have been incepted for less than one year, the disclosure of the annualised volatility of total return of the strategy should not apply.</p> <p>For funds or share classes that have been incepted for 1 to 5 years, the disclosure of the annualised volatility of total return of the</p>

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		<p>strategy should be for the number of years that the share class or fund has been incepted.</p> <p>For funds or share classes that have been incepted for more than 5 years, the disclosure of the annualised volatility of total return of the strategy should be at least for the past 5 years.</p>
4.	In an advertisement of any statement / description of income statistics (Para 3.4), should an FMC disclose actual or hypothetical yields?	An FMC should only disclose actual yields in an advertisement of any statement/ description of income statistics, so as to reduce potential investor confusion which may arise in different scenarios and corresponding assumptions.
5.	Are forward-looking income statistics (Para 3.7) strictly prohibited?	<p>Forward-looking income statistics should not be shown in advertisements.</p> <p>When the authorities permit an advertisement to include forward-looking income statistics, such as:</p> <ul style="list-style-type: none"> a. in the case of listed real estate investment trusts, advertisements stating the forward-looking income statistics should clearly refer to the bases and assumptions of such statistics in the prospectus, and include appropriate warnings about there being no assurance of such yields being achieved when that is the case. b. where dividend distribution rate/yield is already disclosed in the prospectus, that dividend distribution rate/yield may appear in an advertisement. Please refer to question 6 on the additional disclosure requirements for such advertisements.
6.	Can advertisements show dividend distribution rate/yield?	<p>Dividend distribution rate/yield may be shown in advertisements provided:</p> <ul style="list-style-type: none"> a. It relates to (i) a distribution policy that is already disclosed in the fund's prospectus; or (ii) a historical rate/yield, and b. It is accompanied by a disclosure (in close proximity to the advertised statistics) that this relates to the disclosed distribution policy as set out

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		<p>in the fund's prospectus or the historical dividend rates/yields, and</p> <p>c. Except where the dividend distribution rate/yield is fixed (i.e., without being subject to the management company's discretion), the dividend distribution rate/yield must always be accompanied with a warning statement to the effect that "the dividend amount or dividend rate is not guaranteed". Such warning statements must be of similar prominence and close proximity to the dividend distribution rate/yield and must be not displayed in fine print only and/or by way of a footnote in the advertisement.</p>
7.	Should "distributable income" (Para 4.2) take into consideration of "net realised gains"?	<p>In addition to including interest and dividend income, "distributable income" <u>may</u> include "net realised gain," depending on the accounting standards and the dividend policy of the fund. It should be disclosed whether or not the computation of distributable income takes into account "net realised gains". It should also be the net of all fees and expenses, including management fees and distribution costs. For the avoidance of doubt, where "net realised gains" are not included under "distributable income", it should be accounted for under "capital".</p> <p>"Distributable income" should not include net unrealised gains.</p> <p>"Distributable income" which is not declared and paid as dividends in a period of a financial year can be carried forward as distributable income for the next period(s) within the same financial year. Dividend that has been accrued as at the end of a financial year and is declared and paid as dividends at the next distribution date immediately after that financial year end could be treated as "distributed income" in respect of that financial year. However, dividend which has been accrued as at the end of a financial year but is not declared and paid as dividends at the next distribution date immediately after that financial year end should be included as capital for the next financial year.</p> <p>"Distributable income" does not include any income equalisation adjustments.</p>

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8.	<p>How should “underlying portfolio yield” (Para 4.3) be presented? Should it include sales charges and/or net realised gains? Does it apply to non-CIS and non-dividend paying share classes?</p>	<p>Underlying portfolio yield should be presented for CIS only. It should not include sales charges and net realised gain. This does not apply to non-CIS and non-dividend paying share classes.</p> <p>Underlying portfolio yield should be disclosed for fund or share classes, and can either be disclosed at the share class or fund level so long as the approach taken is consistent with the other disclosed income statistics (e.g. if annualised volatility is disclosed at the share class level, underlying portfolio yield should also be disclosed at the share class level).</p> <p>For funds or share classes that have been incepted for less than one year, the disclosure of the underlying portfolio yield should apply.</p> <p>For funds or share classes that have been incepted for 1 to 5 years, the disclosure of the underlying portfolio yield should be for the number of years that the share class or fund has been incepted.</p> <p>For funds or share classes that have been incepted for more than 5 years, the disclosure of the underlying portfolio yield should be at least for the past 5 years.</p>
9.	<p>How is “average payout yield” (Para 4.4) calculated?</p>	<p>The average payout yield should be calculated based on a simple average of the annual dividend yields paid to shareholders. It should be disclosed that a simple average of the annual dividend yield has been used.</p> <p>For share classes that have been incepted for less than one-year, individual fund houses have the discretion to disclose the payout yield. Should they decide to disclose, it should then be calculated as the cumulation of payout yields per payment period since inception.</p> <p>For share classes that have been incepted for 1 to 5 years, the disclosure of the average payout yield should be for the number of years that the share class has been incepted.</p> <p>For share classes that have been incepted for more than 5 years, the disclosure of the average payout yield should be at least for the past 5 years.</p>