

FIRST SUPPLEMENTAL PROSPECTUS FOR PRINCIPAL DEPOSIT FUND

Manager : **Principal Asset Management Berhad** (199401018399 (304078-K))

Trustee : **HSBC (Malaysia) Trustee Berhad** (193701000084 (1281-T))

This First Supplemental Prospectus is dated 16 May 2023 and is to be read in conjunction with the Prospectus issue No. MI for the Principal Deposit Fund dated 25 June 2021 ("Prospectus").

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS AND THIS FIRST SUPPLEMENTAL PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

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RESPONSIBILITY STATEMENTS

This First Supplemental Prospectus has been reviewed and approved by the directors of the Principal Malaysia and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in this First Supplemental Prospectus false or misleading.

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia has authorised the Fund and a copy of this First Supplemental Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Fund, and registration of this First Supplemental Prospectus, should not be taken to indicate that Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in the Prospectus or First Supplemental Prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the Principal Malaysia who is responsible for the Fund and takes no responsibility for the contents in this First Supplemental Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this First Supplemental Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE UNABLE TO MAKE YOUR OWN EVALUATION, YOU ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.

ADDITIONAL STATEMENTS

You should note that you may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in the First Supplemental Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the First Supplemental Prospectus or the conduct of any other person in relation to the Fund.

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1.0. GENERAL

- 1.1 This First Supplemental Prospectus is issued to reflect the amendments made to the Prospectus as stated under paragraph 2 to 14 below.
- 1.2 All terms used in this First Supplemental Prospectus shall have the same meanings as those defined in the Definitions Chapter of the Prospectus unless where the context otherwise requires.
- 1.3 All information provided herein is practicable as at 30 November 2022 and shall remain current and relevant as at such date.
- 1.4 All reference to the Customer Care Centre's contact number, wherever they appear in the Prospectus, are hereby amended to (603) 7723 7260.
- 1.5 All references to policy on rounding adjustment for units entitlement are hereby amended to "rounded to two (2) decimal places".

2.0. ABOUT THIS DOCUMENT

- 2.1 The second paragraph under the section of "About this document" at page i has been replaced and read as below:

If you have any questions about the information in this Prospectus or would like to know more about investing in the Principal Malaysia family of unit trust funds, please contact our Customer Care Centre under the "Corporate Directory" section during business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays.

3.0. CORPORATE DIRECTORY

- 3.1 The Trustee's information under the section of "Corporate Directory" at page iv has been replaced and read as below:

The Trustee

HSBC (Malaysia) Trustee Berhad

Business / Registered address

Level 19, Menara IQ, Lingkaran TRX,
55188 Tun Razak Exchange,
Kuala Lumpur, Malaysia
Tel : (603) 2075 7800
Fax : (603) 8894 2611

- 3.2 The Customer Care Centre's information under the section of "Corporate Directory" at page iv has been replaced and read as below:

The Manager

Principal Asset Management Berhad

Customer Care Centre

Ground Floor Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur MALAYSIA
Tel : (603) 7723 7260
Fax : (603) 7718 3003
Whatsapp : (6016) 299 9792

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4.0. FUND INFORMATION

- 4.1. The information under the section 1.1 of “**Investment Policy and Strategy**” at page 1 to 2 has been replaced and read as below:

Investment Policy and Strategy

The Fund will place at least 95% of its NAV in Deposits. Up to 5% of the Fund's NAV may be invested in money market instruments, short-term bonds and/or notes with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance or “BBB-” by S&P or equivalent rating by any other international rating agencies, all of which have a remaining maturity period of less than 397 days. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation*.

**The Fund is neither a capital guaranteed fund nor a capital protected fund.*

The Fund will be actively managed by undertaking duration strategies (i.e. placing in short-term versus long-term deposits) according to our assessment of the interest rate outlook and market conditions at that point in time. In addition, we also analyze the Fund injection and redemption patterns to actively manage the liquidity of the Fund.

**The Fund is neither a capital guaranteed fund nor a capital protected fund.*

The asset allocation strategy for this Fund is as follows:

- at least 95% of the Fund's NAV in Deposits; and
- up to 5% of the Fund's NAV in money market instruments and short-term bonds and/or notes.

The investment strategy adheres to the GUTF pertaining to investments for a money market fund.

We formulate an interest rate outlook by considering factors such as the Malaysian inflation rate, monetary policies and economic growth. With an interest rate outlook and yield curve analysis, we identify the weighting of the investment tenure and credit for the Fund.

In the unlikely event of a credit rating downgrade, we reserve the right to deal with the security in the best interest of you. As an active fund manager, we have in place flexible tolerance limits to cater to such situations. For example, we can continue to hold the downgraded securities if the immediate disposal of the securities would not be in the best interest of you.

Risk management is at the core of our investment process. Every proposed decision made by the investment team is considered in the context of the overall portfolio risk-return trade-off. The Fund adopts a liquidity risk management framework which sets out the governance standards, methodology and process for the oversight and management of liquidity risk. The framework outlines the responsibilities to assess and monitor liquidity risk of the Fund, and to ensure appropriate measures are taken to mitigate the risk. The liquidity risk management framework that we have put in place is as follows:

- Regular review by the designated fund manager on the Fund's investment portfolio including its liquidity level.
- Periodic assessments are carried out on the Fund's liquidity profile (under both normal and stress market conditions) and on the concentration of unitholders. These assessments allow the Fund to be proactively managed to mitigate liquidity concerns that may arise in the ordinary course of portfolio management as well as in relation to the Fund's ability to meet unitholders' withdrawal requests.
- Suspension of withdrawal requests due to exceptional circumstances where a material portion of the Fund's asset value cannot be determined (for example financial distress of banks resulting in the suspension of bank withdrawal) During the suspension period, withdrawal requests will not be accepted and in the event we have earlier accepted the withdrawal requests prior to the suspension is declared, the withdrawal requests will be dealt on the next Business Day once the suspension is lifted. The action to suspend withdrawal requests from Unit holders shall be exercised only as a last resort by the Manager.

Note: Please refer to “Temporary Suspension” for more information.

The Fund will only invest in liquid assets and short-term bonds and/or notes. Our investment committee reviews the counterparties on a regular basis to ensure that the Fund invests in accordance with the Fund's objective. Hence, the Fund is constructed to be managed within the internal guidelines such as risk-return trade-off, which will be monitored regularly by the investment team.

If the Fund is an EPF-MIS approved fund, the investments made by the Fund will be subject to EPF's requirements. Please note there may be changes to the status of the Fund, you may refer to our website at www.principal.com.my or www.kwsp.gov.my for updated information.

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- 4.2. The information under the section 1.3 of **"Investment Restrictions and Limits"** at page 2 has been replaced and read as below:

The Fund is subject to the following investment restrictions/limits:

Exposure limits

- The value of the Fund's investments in permitted investments which have a remaining maturity period of not more than 397 days must not be less than 90% of the Fund's NAV;
- The value of the Fund's investments in permitted investments which have a remaining maturity period of more than 397 days but fewer than 732 days must not exceed 10% of the Fund's NAV.

Investment spread limits

- The value of the Fund's investments in debt securities and money market instruments issued by any single issuer must not exceed 20% of the Fund's NAV. This single issuer limit may be increased to 30% if the debt securities are rated by any domestic or global rating agency to be of the best quality and offer highest safety for timely payment of profit and principal;
- The value of the Fund's placement in Deposits with any single financial institution must not exceed 20% of the Fund's NAV;
- The value of the Fund's investments in debt securities and money market instruments issued by any group of companies must not exceed 30% of the Fund's NAV.

Investment concentration limits

- The Fund's investments in debt securities must not exceed 20% of the securities issued by any single issuer;
- The Fund's investments in money market instruments must not exceed 20% of the instruments issued by any single issuer.

5.0. FEES, CHARGES AND EXPENSES

- 5.1. The section 2.3 **"Rebates and Soft Commissions"** at page 6 has been replaced and read as below:

We and the Trustee will not retain any form of rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Fund. Accordingly, any rebate or shared commission will be directed to the account of the Fund.

We may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and we will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

6.0. TRANSACTION INFORMATION

- 6.1. The section 3.8 **"Cooling-Off Period"** at page 12 has been replaced and read as below:

Individual investors have six (6) Business Days after your initial investment (i.e. the date the complete application is received and accepted by us or our Distributors) to reconsider its appropriateness and suitability for your investment needs. Within this period, you may withdraw your investment at the same NAV per unit when the units were purchased or prevailing NAV per unit at the point of cooling-off (whichever is lower) ("Refund amount"). We will pay the Refund amount including the Application Fee (if any) to you in the currency of the respective Class within seven (7) Business Days, from the date we receive the complete documentations. Please note that the cooling-off right is only given to first time investor investing with us or our Distributors. However, Principal Malaysia's staff or a person(s) registered with a body approved by the SC to deal in unit trust funds are not entitled to the cooling-off right.

In addition, if you have invested via the EPF-MIS (where available), your cooling-off right is subject to the EPF's terms and conditions.

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7.0. TRANSACTION INFORMATION

- 7.1. The section 3.11 **“Temporary Suspension”** at page 12 has been replaced and read as below:

We and/or the Trustee may temporarily suspend the dealing in units of the Class or Fund, subject to the GUTF and/or the Deed. Please note that during the suspension period, there will be no NAV per unit available and hence, we will not accept any transactions for the applications, withdrawals, switches and/or transfers of units. If we have earlier accepted your request for withdrawals and switches of units, please note that there may be delay in processing those transactions and you will be notified accordingly. You will also be notified once the suspension is lifted. In such case, you will not be able to redeem your units and will be compelled to remain invested in the Fund for a longer period of time than original timeline and until the suspension is lifted. Hence, your investments will continue to be subjected to the risk inherent to the Fund (please refer to the “Risk Factors” section in the Prospectus)

8.0. ADDITIONAL INFORMATION

- 8.1. The fifth paragraph under the section 4.2. **“Information on your investment”** at page 14 has been replaced and read as below:

If you have any questions about the information in the Principal Malaysia family of unit trust funds, please contact our Customer Care Centre under the “Corporate Directory” section during business hour between 8:45 am to 5:45 pm (Malaysian time) from Mondays to Fridays.

If you wish to write-in, please address your letter to:

Principal Asset Management Berhad
Customer Care Centre
Ground Floor Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur MALAYSIA

- 8.2. The section 4.3. **“Deed”** at page 14 has been replaced and read as below:

The Fund is governed by a Master Deed dated 15th May 2008, a First Supplemental Master Deed dated 25th June 2008, a Fifth Supplemental Master Deed dated 16th July 2009, a Thirteenth Supplemental Master Deed dated 26th June 2012, a Fourteenth Supplemental Master Deed dated 21st September 2012, the Eighteenth Supplemental Master Deed dated 25th March 2015, a Twentieth Supplemental Master Deed dated 21st October 2019, a Twenty Second Supplemental Master Deed dated 7 May 2021 and a Twenty Third Supplemental Master Deed dated 27 June 2022.

- 8.3. The third paragraph under the section 4.6. **“Potential Conflicts of Interests and Related Party Transactions”** at page 15 has been removed as per revised GUTF.

9.0. THE MANAGER

- 9.1. The information under the section 5.1.1. **“The Board of Directors”** at page 17 has been replaced and read as below:

The name and designation of each of the directors can be found in our website at www.principal.com.my/en/about-us/leadership.

- 9.2. The information under the section 5.1.2. **“The Investment Committee”** at page 17 has been removed.

10.0. THE TRUSTEE

- 10.1. The first paragraph under the section 6.1 **“About HSBC (Malaysia) Trustee Berhad”** at page 19 has been replaced and read as below:

HSBC (Malaysia) Trustee Berhad is a company incorporated in Malaysia since 1937 and registered as a trust company under the Trust Companies Act 1949, with its registered address at Level 19, Menara IQ, Lingkaran TRX, 55188 Tun Razak Exchange, Kuala Lumpur.

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11.0. SALIENT TERMS OF DEED

11.1. The fifth point under the section 7.2.1 “**Expenses permitted by the Deed**” at page 21 has been replaced and read as below:

- Remuneration and out of pocket expenses of the person(s) undertaking the oversight functions of the Fund, unless we decide to bear the same;

11.2. To include the following provision at the end of section 7.5 “**Termination of the Fund and/or Classes**” at page 22:

“Notwithstanding the above, the Fund and/or any of the Class may be terminated or wound-up, without the need to seek Unit Holders’ prior approval, as proposed by the Manager with the consent of the Trustee (which consent shall not be unreasonably withheld) upon the occurrence of any of the following events, by giving a notice in writing to the Unit Holders of such period not less than that specified in the GUTF as hereinafter provided (i) if any law shall be passed which renders it illegal or (ii) if in the reasonable opinion of that Manager it is impracticable or inadvisable to continue the Fund and/or the Class, and in any case the termination of the Fund and/or Class is in the best interest of the Unit Holders.”

11.3. The second paragraph under section 7.6 “**Meeting of Unit Holders**” at page 22 shall be replaced with the following:

“Where we or the Trustee convene a meeting, the notice of the time and place of the meeting and terms of resolution to be proposed shall be given to the Unit holders by sending by post a notice of the proposed meeting at least fourteen (14) days before the date of the proposed meeting, to each Unit holder of the Fund or that Class, as the case may be, last known address or, in the case of joint Unit holders, to the joint Unit holder of the Fund or that Class, as the case may be, whose name stands first in our records at the joint Unit holder’s last known address.”

11.4. The fourth paragraph under section 7.6 “**Meeting of Unit Holders**” at page 23 shall be replaced with the following:

“The quorum for a meeting of Unit holders of the Fund or Class, as the case may be, is five (5) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be present in person or by proxy, provided that for a meeting which requires a Special Resolution the quorum for that meeting shall be five (5) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be, whether present in person or by proxy, holding in aggregate at least twenty five per centum (25%) of the Units in issue of the Fund (irrespective of the Class) or Class, as the case may be, at the time of the meeting. If the Fund or Class, as the case may be, has five (5) or less Unit holders, the quorum required shall be two (2) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be, whether present or by proxy and if the meeting requires a Special Resolution the quorum for that meeting shall be two (2) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be, whether present in person or by proxy, holding in aggregate at least twenty five per centum (25%) of the units in issue for the Fund (irrespective of the Class) or Class, as the case may be, at the time of the meeting. For the avoidance of doubt, the same quorum requirements shall apply to a meeting of Unit Holders of a particular Class. Where a Fund has only one (1) remaining Unit Holder, such Unit Holder, whether present in person or by proxy, at the meeting shall constitute a quorum required for the meeting of Unit Holders. For the avoidance of doubt, the same quorum requirements shall apply to a meeting of Unit Holders of a particular Class.”

12.0. TAXATION REPORT

12.1. The entire section 8 “**Taxation Report**” at page 24 has been replaced and read as below:

Ernst & Young Tax Consultants Sdn Bhd

Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

The Board of Directors

Principal Asset Management Berhad
10th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

30 November 2022

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Dear Sirs

Taxation of the unit trust fund and unit holders

This letter has been prepared for inclusion in this First Supplemental Prospectus in connection with the offer of units in the unit trust fund known as Principal Deposit Fund (hereinafter referred to as "the Fund").

The purpose of this letter is to provide prospective unit holders with an overview of the impact of taxation on the Fund and the unit holders.

Taxation of the Fund

The taxation of the Fund is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.

Subject to certain exemptions, the income of the Fund comprising profits and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.

Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows unit trusts a deduction for a portion of other expenses (referred to as 'permitted expenses') not directly related to the production of income, as explained below.

"Permitted expenses" refer to the following expenses incurred by the Fund which are not deductible under Section 33(1) of the MITA:

- the manager's remuneration,
- maintenance of the register of unit holders,
- share registration expenses,
- secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage.

These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:

$$A \times \frac{B}{4C}$$

where A is the total of the permitted expenses incurred for that basis period;

B is gross income consisting of dividend¹, interest and rent chargeable to tax for that basis period; and

C is the aggregate of the gross income consisting of dividend¹ and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,

provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.

Exempt income

The following income of the Fund is exempt from income tax:

- **Malaysian sourced dividends**

All Malaysian-sourced dividends should be exempt from income tax.

- **Malaysian sourced interest**

- (i) interest from securities or bonds issued or guaranteed by the Government of Malaysia;
- (ii) interest from debentures or sukuk, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission;

¹ Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.

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- (iii) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia;
 - (iv) interest derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013²;
 - (v) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002³;
 - (vi) interest from sukuk originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)⁴; and
 - (vii) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.
- **Discount**

Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.

Foreign sourced income

Pursuant to the Finance Act 2021, income derived by a resident person from sources outside Malaysia and received in Malaysia from 1 January 2022 will no longer be exempt from tax.

The Guidelines issued by the Malaysian Inland Revenue Board on 29 September 2022 define the term "received in Malaysia" to mean transferred or brought into Malaysia, either by way of cash⁴ or electronic funds transfer⁵.

Foreign-sourced income (FSI) received in Malaysia during the transitional period from 1 January 2022 to 30 June 2022 will be taxed at 3% of gross. From 1 July 2022 onwards, FSI received in Malaysia will be taxed at the prevailing tax rate(s) of the taxpayer and based on applicable tax rules. Bilateral or unilateral tax credits may be allowed if the same income has suffered foreign tax, and where relevant conditions are met.

Income Tax (Exemption) (No. 6) Order 2022 has been issued to exempt a "qualifying person"⁶ from the payment of income tax in respect of dividend income which is received in Malaysia from outside Malaysia, effective from 1 January 2022 to 31 December 2026. The exemption will however not apply to a person carrying on the business of banking, insurance or sea or air transport. As the definition of "qualifying person" does not include unit trust funds, it would mean that resident unit trust funds would technically not qualify for the exemption, unless there are further updates thereto.

Gains from the Realisation of investments

Pursuant to Section 61(1) (b) of the MITA, gains from the Realisation of investments will not be treated as income of the Fund and hence, are not subject to income tax. Such gains may be subject to real property gains tax (RPGT) under the Real Property Gains Tax Act 1976 (RPGT Act), if the gains are derived from the disposal of chargeable assets, as defined in the RPGT Act.

Implementation of Sales and Service Tax ("SST")

Sales and Service Tax ("SST") was re-introduced effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable

² Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the MITA shall not apply to a wholesale fund which is a money market fund.

³ Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

⁴ "Cash" in this context is defined as banknotes, coins and cheques.

⁵ "Electronic funds transfer" means bank transfers (e.g., credit or debit transfers), payment cards (debit card, credit card and charge card), electronic money, privately-issued digital assets (e.g., crypto-assets, stablecoins) and central bank digital currency.

⁶ "Qualifying person" in this context means a person resident in Malaysia who is:

- (a) An individual who has dividend income received in Malaysia from outside Malaysia in relation to a partnership business in Malaysia;
- (b) A limited liability partnership which is registered under the Limited Liability Partnerships Act 2012; or
- (c) A company which is incorporated or registered under the Companies Act 2016.

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goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax at the rate of 6% is charged on certain prescribed taxable services performed by taxable persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.

Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration. Where the Fund incurs expenses such as management fees, the management services provided by asset and fund managers who are licensed or registered with Securities Commission Malaysia for carrying out the regulated activity of fund management under the Capital Markets and Services Act 2007, are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to 6% service tax provided they fall within the scope of service tax (i.e. are provided by a "taxable person", who exceeds the required annual threshold (in most cases RM 500,000 per annum) and the services qualify as "taxable services").

Taxation of unit holders

For Malaysian income tax purposes, unit holders will be taxed on their share of the distributions received from the Fund.

The income of unit holders from their investment in the Fund broadly falls under the following categories:

1. taxable distributions; and
2. non-taxable and exempt distributions.

In addition, unit holders may also realise a gain from the sale of units.

The tax implications of each of the above categories are explained below:

1. Taxable distributions

Distributions received from the Fund will have to be grossed up to take into account the underlying tax paid by the Fund and the unit holder will be taxed on the grossed up amount.

Such distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at source exceed the tax liability of the unit holder, the excess is refundable to the unit holder.

Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.

2. Non-taxable and exempt distributions

Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Fund will not be subject to Malaysian income tax in the hands of the unit holders.

A retail money market fund is exempted from tax on its interest income derived from Malaysia, pursuant to Paragraph 35A of Schedule 6 of the ITA. Pursuant to the Finance Act 2021, with effect from 1 January 2022, distributions by a retail money market fund from such tax exempt interest income, to a unit holder other than an individual, will no longer be exempt from tax. The distribution to unit holders other than individuals will be subject to withholding tax at 24%. This would be a final tax for non-residents. Malaysian residents are required to include the distributions in their tax returns and claim a credit in respect of the withholding tax suffered. Individuals will continue to be exempt from tax on such distributions.

Rates of tax

The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:

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| Unit holders | Malaysian income tax rates |
|--|--|
| <p>Malaysian tax resident:</p> <ul style="list-style-type: none"> • Individual and non-corporate unit holders (such as associations and societies) • Co-operatives⁷ • Trust bodies • Corporate unit holders <ul style="list-style-type: none"> (i) A company with paid up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment) and gross income from a source or sources consisting of a business not exceeding RM50 million for the basis period for the year of assessment^{8 9} (ii) Companies other than (i) above | <ul style="list-style-type: none"> • Progressive tax rates ranging from 0% to 30% • Progressive tax rates ranging from 0% to 24% • 24% • First RM600,000 of chargeable income @ 17% • Chargeable income in excess of RM600,000 @ 24% • 24% |
| <p>Non-Malaysian tax resident (Note 1):</p> <ul style="list-style-type: none"> • Individual and non-corporate unit holders • Corporate unit holders and trust bodies | <ul style="list-style-type: none"> • 30% • 24% |

Note 1:

Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.

Gains from sale of units

Gains arising from the realisation of investments will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders / dealers in securities.

Unit splits and reinvestment of distributions

Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are as follows:

⁷ Pursuant to Paragraph 12(1), Schedule 6 of the MITA, the income of any co-operative society—

(a) in respect of a period of five years commencing from the date of registration of such co-operative society; and
 (b) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit, is exempt from tax.

⁸ A company would not be eligible for the 17% tax rate on the first RM600,000 of chargeable income if:-

(a) more than 50% of the paid up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
 (b) the company owns directly or indirectly more than 50% of the paid up capital in respect of the ordinary shares of a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
 (c) more than 50% of the paid up capital in respect of the ordinary shares of the company and a related company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.

⁹ The above excludes a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.

THIS IS A FIRST SUPPLEMENTAL PROSPECTUS WHICH HAS TO BE READ IN CONJUNCTION WITH THE PROSPECTUS

- Unit splits – new units issued by the Fund pursuant to a unit split will not be subject to income tax in the hands of the unit holders.
- Reinvestment of distributions – unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Fund.

.....

We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Fund. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Fund.

Yours faithfully
Ernst & Young Tax Consultants Sdn Bhd

Bernard Yap
Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this First Supplemental Prospectus and has not withdrawn such consent before the date of issue of this First Supplemental Prospectus.

13.0. DISTRIBUTORS OF THE FUND

- 13.1. The information of **Central Branch, Ampang Branch and Sri Petaling Branch** under the section 9.1. "**Our Branches**" at page 29 has been removed.

14.0. ANNEXURE – CLASS AI

- 14.1. The information under the annexure – Class AI at page 35 has been replaced and read as below:

| CLASS INFORMATION | | |
|---------------------|---|------|
| | Class AI | Page |
| Distribution policy | Annually, depending on the level of income (if any) the Fund generates. | 13 |

The remainder of this page is intentionally left blank