

## EASTSPRING INVESTMENTS TARGET INCOME FUND 3

# PRODUCT HIGHLIGHTS SHEET

### **RESPONSIBILITY STATEMENT**

This Product Highlights Sheet has been reviewed and approved by the directors of Eastspring Investments Berhad 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, there are no false or misleading statements, or omission of other facts which would make any statement in the Product Highlights Sheet false or misleading.

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The Securities Commission Malaysia has authorised the issuance of Eastspring Investments Target Income Fund 3 and a copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia.

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This Product Highlights Sheet only highlights the key features and risks of the Fund. Investors are advised to request, read and understand the Fund's Prospectus before deciding to invest.

## PRODUCT HIGHLIGHTS SHEET

### Eastspring Investments Target Income Fund 3 (the "Fund")

Fund Category	<b>Bond (close-ended)</b>	Launch Date	<b>16 April 2014</b>
Fund Type	<b>Income</b>	Manager	<b>Eastspring Investments Berhad</b>

#### PRODUCT SUITABILITY

##### WHO IS THE PRODUCT SUITABLE FOR?

The Fund is suitable for investors who:

- ▶ seek regular income distribution
- ▶ have 3 years investment horizon
- ▶ have a moderate risk tolerance

Refer to "Investor's Profile" section of the Fund's Prospectus.

#### KEY PRODUCT FEATURES

##### WHAT ARE YOU INVESTING IN?

You are investing in a bond fund which endeavours to provide regular income\* during the tenure of the Fund.

*\*Income distribution proceeds will be paid out by way of cheque.*

Refer to "Fund Objective" section of the Fund's Prospectus.

<b>Investment Strategy</b>	
<ul style="list-style-type: none"> <li>▶ The Fund seeks to achieve its objective by investing in local and/or foreign bonds.</li> <li>▶ The Fund will invest a minimum of 70% of the Fund's NAV in local and/or foreign bonds. Not more than 40% of the Fund's NAV may be invested either in non-rated bonds and/or bonds rated below investment grade by RAM, MARC, Standard &amp; Poor's, Moody's, Fitch or other rating agencies (i.e. lower than BBB3 rating by RAM or below investment grade rating by other rating agencies) while the remainder will be invested in investment grade bonds. Non-rated bonds are bonds that have not received a credit rating from one or more of the major credit rating agencies.</li> <li>▶ Although the Fund is expected to invest up to 40% of the Fund's NAV in non-rated bonds and/or bonds below investment grade, there is a risk that this limit may be exceeded if investment grade bonds held within the portfolio were downgraded to below investment grade. This may result in the Fund being exposed to higher credit risk. In the event the 40% limit is exceeded, the Manager will rectify such breach by disposing non-rated bonds and/or bonds below investment grade to 40% of the Fund's NAV.</li> <li>▶ In addition, up to 30% of the Fund's NAV may be invested in liquid assets including money market instruments and deposits with financial institution.</li> <li>▶ The Fund may exercise Early Repayment.</li> </ul>	<p>Refer to "Investment Strategy" section of the Fund's Prospectus.</p>
<b>Asset Allocation</b>	
<ul style="list-style-type: none"> <li>▶ Minimum of 70% of the Fund's NAV will be invested in local and/or foreign bonds. Not more than 40% of the Fund's NAV may be invested either in non-rated bonds and/or bonds rated below investment grade by RAM, MARC, Standard &amp; Poor's, Moody's, Fitch or other rating agencies (i.e. lower than BBB3 rating by RAM or below investment grade rating by other rating agencies) while the remainder will be invested in investment grade bonds;</li> <li>▶ Up to 30% of the Fund's NAV may be invested in liquid assets including money market instruments and deposits with financial institution.</li> <li>▶ The Manager may deviate from the above asset allocation near* the Maturity Date as the Manager intends to invest proceeds from maturing bonds in liquid assets to preserve the amount of proceeds received as the Maturity Date is imminent.</li> </ul> <p><i>* less than 9 months before the Fund's Maturity Date.</i></p>	<p>Refer to "Asset Allocation" section of the Fund's Prospectus.</p>
<b>Distribution</b>	
<p>The Fund's income distribution is non-guaranteed and subject to the availability of income. Distribution of income, if any, after deduction of taxation and expenses, will be declared semi-annually.</p>	<p>Refer to "Distribution" section of the Fund's Prospectus.</p>
<b>Parties Involved</b>	
<p><b>WHO ARE YOU INVESTING WITH?</b></p> <ul style="list-style-type: none"> <li>▶ The Manager is Eastspring Investments Berhad (company no.: 531241-U) incorporated in November 2000 and is part of Prudential plc (United Kingdom) group.</li> <li>▶ The Trustee of the Fund is Deutsche Trustees Malaysia Berhad (company no.: 763590-H).</li> <li>▶ The Manager has appointed Eastspring Investments (Singapore) Limited (company no.: 199407631H) as the external fund manager.</li> </ul>	<p>Refer to "Corporate Directory" section of the Fund's Prospectus.</p>
<b>Possible Outcomes of Investing in the Fund</b>	
<p>Investment involves risk. The value of the Fund and its distributions (if any) may rise or fall. These risk factors, among others, may cause you to lose some or all of your investment.</p>	<p>Refer to "Risk Factors" section of the Fund's Prospectus.</p>

<b>KEY RISKS</b>	
<b>WHAT ARE THE KEY RISKS ASSOCIATED WITH THE FUND?</b>	Refer to “Specific Risks” section of the Fund’s Prospectus.
<b>Credit/Default risk</b>	
<ul style="list-style-type: none"> <li>› Investments in bonds are subject to adverse changes in the financial condition of the issuer, or economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and/or interest and /or principal, especially if the issuer is highly leveraged.</li> <li>› Issuer’s ability to meet its debt obligations may also be affected by the adverse changes to business forecasts, or the unavailability of additional financing.</li> </ul>	
<b>Counterparty risk</b>	
<ul style="list-style-type: none"> <li>› The Fund will be exposed to credit risk of the counterparties with whom the Fund trade with. The Fund may place cash deposits and invest in money market instruments, and also enter into derivative contracts for hedging purposes. In the event that the counterparty is not able to fulfil its obligations especially in the event of bankruptcy, this may lead to a loss to the Fund.</li> </ul>	
<b>Interest rate risk</b>	
<ul style="list-style-type: none"> <li>› Generally, the value of bonds will move inversely with interest rate movements. Therefore, the prices of bonds may fall when interest rates rise and vice versa. Bonds with longer maturity and lower coupon rates are more sensitive to interest rate changes.</li> </ul>	
<b>Country risk</b>	
<ul style="list-style-type: none"> <li>› The Fund may be affected by risks specific to the countries in which it invests. Such risks may be caused by but not limited to changes in the country’s economic fundamentals, social and political stability, currency movements and foreign investment policies. These factors may have an impact on the prices of the Fund’s investment in that country and consequently may also affect the Fund’s NAV.</li> </ul>	
<b>Currency risk</b>	
<ul style="list-style-type: none"> <li>› This risk is associated with investments denominated in currencies different from the base currency of the Fund.</li> </ul>	
<b>Taxation risk</b>	
<ul style="list-style-type: none"> <li>› Unit Holders should also be aware that the proceeds from the sale of bonds in some markets or the receipt of any coupons and other income may be subject to tax, levies, duties or other charges imposed by the authorities in that market, including taxation levied by withholding at source. Tax law and practice in certain countries may not be clearly established. It is therefore possible that the current interpretation of the law or understanding of practice might change, or that the law might be changed with retrospective effect to the detriment of the Fund.</li> </ul>	
<b>Income distribution risk</b>	
<ul style="list-style-type: none"> <li>› It should be noted that the distribution of income is not guaranteed. The distribution of income is made from realised gains and/or realised income. As such, the Fund may not be able to distribute income if it does not receive such cash flows.</li> </ul>	

<b>Liquidity risk</b>	
<ul style="list-style-type: none"> <li>▶ This refers to the ease at which a bond or derivative contract can be sold at or near its fair value in the market. Should the investment's liquidity worsen because of factors such as negative investor sentiment or low trading volume in the market, the investment may be sold at a discount to its fair value. This may adversely affect Unit Holders' investment in the Fund.</li> </ul>	
<b>Asset mismatch risk</b>	
<ul style="list-style-type: none"> <li>▶ The risk arises when there is a mismatch between the Maturity Date of the Fund and the bonds which the Fund holds. A mismatch of maturity may potentially result in a loss to the Fund.</li> </ul>	
<b>Concentration risk</b>	
<ul style="list-style-type: none"> <li>▶ The Fund has a restrictive mandate of 3 years fixed tenure with targeted yield*, which may limit the available investable universe and lead to investment concentration whereby the Fund may have to focus a greater portion of its assets in a smaller selection of bonds. As a result, changes in price of a particular bond will lead to higher volatility in the Fund's NAV.</li> </ul> <p><i>*Targeted yield means the projected return of the Fund as may be determined internally by the Manager and the External Fund Manager. Such yield is not the same as the performance benchmark.</i></p>	
<b>Reinvestment risk</b>	
<ul style="list-style-type: none"> <li>▶ This risk arises when an issuer of bond decides to pay the principal and interest earlier than the Fund's Maturity Date and the Manager decides to exercise Early Repayment. As a result, Unit Holders may face the risk of being unable to reinvest the proceeds of the cancelled Units in another investment that can match the returns of the Fund to date or at the Fund's maturity.</li> </ul>	
<b>Ratings downgrade risk</b>	
<ul style="list-style-type: none"> <li>▶ The Fund invests in bonds which may be downgraded at any time. If this occurs, there may be an adverse price impact on the bonds.</li> </ul>	
<b>Derivative risk</b>	
<ul style="list-style-type: none"> <li>▶ The Manager does not intend to use derivative transactions for speculation or leverage but may use them for hedging.</li> <li>▶ The Manager may hedge the foreign currency exposure of the Fund by entering into one or more foreign exchange forward contracts and/or cross currency swap transactions. The Manager may also hedge the interest rate and credit exposure of the Fund by entering into one or more interest rate swap and credit default swap contracts respectively.</li> <li>▶ To the extent these hedging transactions are imperfect, there is no guarantee that it will be possible to remove all currency, interest rate or credit exposures. In the event the hedging strategy does not meet its intended objective, this could have an adverse impact on the NAV of the Fund.</li> </ul>	

## FEES AND CHARGES

### WHAT ARE THE FEES AND CHARGES OF THE FUND?

#### Payable directly by you.

**Sales charge** Up to 3.00% of the Offer Price for all distribution channels. Sales charge is negotiable due to the different levels of services provided by each Authorised Distributor and/or the size of the investment undertaken.

(The sales charge is payable for every new subscription.)

**Repurchase charge** 3.00% of NAV per Unit of the Fund.

The repurchase charge is non-negotiable and will be retained by the Fund.

No repurchase charge will be imposed on the Maturity Date.

**Switching Fee** Not applicable.

#### Payable indirectly by you.

**Annual management fee** Nil.

**Annual trustee fee** Up to 0.06% of the NAV of the Fund per annum subject to a minimum of RM15,000 per annum calculated and accrued daily (excluding foreign custodian fees and charges).

Refer to “Fees, Charges and Expenses” section of the Fund’s Prospectus.

## VALUATION AND EXITING FROM THE FUND

### HOW OFTEN ARE VALUATIONS AVAILABLE FOR THE FUND?

The Fund will be valued at least once every Business Day. The latest Unit prices are published daily on the Manager’s website, [www.eastspringinvestments.com.my](http://www.eastspringinvestments.com.my) and one national English newspaper, or you may contact the Manager directly at (03) 2332 1000 to obtain the latest price of Units.

Refer to “Valuation Of The Fund” and “Transaction Information” sections of the Fund’s Prospectus.

### HOW CAN YOU EXIT FROM THE FUND AND WHAT ARE THE RISKS AND COSTS INVOLVED?

- ▶ You may redeem all or some of the Units held on any Business Day by completing a **Transaction Form – Sell**. Redemption requests should be made before the cut-off time 4.00 p.m. on any Business Day. The Units will be repurchased at the NAV per Unit calculated at the next valuation point (i.e. forward pricing).
- ▶ When the redemption application is received after the cut-off time stated above, the application will be deemed to have been received on the next Business Day.
- ▶ The Manager shall despatch the redemption proceeds to you within ten (10) calendar days either via E-payment or cheque according to your payment instruction from the date of acceptance of the duly completed Transaction Form.

Illustration : Computation of the repurchase price.

Assume that the redemption is made before the Maturity Date, the repurchase price is RM1.0200:

	Units intended for redemption		10,000 Units
	Repurchase amount (10,000 Units X RM1.0200)	RM	10,200.00
Less:	Repurchase charge (3.00% X RM10,200)	RM	<u>(306.00)</u>
	Net amount payable to you	RM	<u>9,894.00</u>

Refer to “Transaction Information” section of the Fund’s Prospectus.

## CONTACT INFORMATION

1) To lodge a complaint or for an internal dispute resolution, you may contact our customer service personnel:

- (a) via phone to : (03) 2332 1000
- (b) via fax to : (03) 2052 3366
- (c) via email to : [cs@eastspringinvestments.com.my](mailto:cs@eastspringinvestments.com.my)
- (d) via letter to : Eastspring Investments Berhad  
Level 12, Menara Prudential  
No. 10, Jalan Sultan Ismail  
50250 Kuala Lumpur

2) If you are an individual or a sole proprietor investor and dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the Securities Industry Dispute Resolution Center (SIDREC):

- (a) via phone to : (03) 2282 2280
- (b) via fax to : (03) 2282 3855
- (c) via email to : [info@sidrec.com.my](mailto:info@sidrec.com.my)
- (d) via letter to : Securities Industry Dispute Resolution Center (SIDREC)  
Unit A-9-1, Level 9, Tower A  
Menara UOA Bangsar  
No. 5, Jalan Bangsar Utama 1  
59000 Kuala Lumpur

3) You can also direct your complaint to the Securities Commission Malaysia (SC) even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Investor Affairs & Complaints Department:

- (a) via phone to the Aduan Hotline at : (03) 6204 8999
- (b) via fax to : (03) 6204 8991
- (c) via email to : [aduan@seccom.com.my](mailto:aduan@seccom.com.my)
- (d) via online complaint form available at : [www.sc.com.my](http://www.sc.com.my)
- (e) via letter to : Investor Affairs & Complaints Department  
Securities Commission Malaysia  
No. 3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur

**APPENDIX: GLOSSARY OF TERMS**

Authorised Distributor	Means Institutional Unit Trust Advisers (IUTA), Corporate Unit Trust Advisers (CUTA), Unit Trust Consultants (UTC), the Manager and any other entities authorised by the Manager to market and distribute the Fund.
Business Day	Means a day (other than Saturdays, Sundays and public holidays) on which Bursa Malaysia and foreign markets (in which investments of the Fund having at least 50% of the Fund's Net Asset Value invested therein) are open for trading.
Early Repayment	Means the Manager may repay the principal and interest from bonds, if any, to Unit Holders before the Fund's Maturity Date. Should any bonds in the portfolio are called back before the Fund's Maturity Date, the Manager will attempt to reinvest the proceeds to meet the Fund's targeted yield. However, the Manager may exercise Early Repayment if the reinvestment options of the said bonds (called back) are unable to meet the portfolio targeted yield for the remaining maturity tenure of the Fund. Hence, Unit Holders will receive payment of principal and interest from the said bonds, if any, via Units cancellation whereby there will be no adjustment to NAV per Unit of the Fund. Unit Holders will be informed via postal mail if the Manager has decided to exercise Early Repayment.
Maturity Date or Maturity	Means the date which falls on the third (3rd) anniversary of the Commencement Date; if that date does not fall on a Business Day, it shall be the following Business Day. If the Fund is terminated earlier in accordance with the provisions of the Deed, "Maturity Date" or "Maturity" shall mean the date of such early termination.
Net Asset Value (NAV) of the Fund	Is determined by deducting the value of all the Fund's liabilities from the value of all the Fund's assets, at the valuation point. For the purpose of computing the annual management fee and annual trustee fee, if any, the NAV of the Fund should be inclusive of the management fee and trustee fee, if any, for the relevant day.
NAV per Unit	Means the NAV of the Fund divided by the number of Units in circulation, at the same valuation point.
Offer Price	Means the price per Unit (excluding sales charge) payable by an investor for the purchase of Units during the Offer Period.
Unit(s)	Means an undivided share in the beneficial interest and/or right in the Fund and a measurement of the interest and/or right of a Unit Holder in the Fund and means a Unit of the Fund.
Unit Holder	Means the person for the time being who is registered pursuant to the Deed as a holder of Units of the Fund.