

# EASTSPRING INVESTMENTS TARGET INCOME FUND 5

## PRODUCT HIGHLIGHTS SHEET

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### **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.

### **STATEMENT OF DISCLAIMER**

The Securities Commission Malaysia has authorised the issuance of Eastspring Investments Target Income Fund 5 and a copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia.

The authorisation of the Eastspring Investments Target Income Fund 5 and lodgement of this Product Highlights Sheet should not be taken to indicate that the Securities Commission Malaysia recommends the Eastspring Investments Target Income Fund 5 or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the Eastspring Investments Berhad responsible for the Eastspring Investments Target Income Fund 5 and takes no responsibility for the contents of this Product Highlights Sheet. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Product Highlights Sheet, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

**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 5 (the "Fund")

|                      |                    |                    |                               |
|----------------------|--------------------|--------------------|-------------------------------|
| <b>Fund Category</b> | Bond (close-ended) | <b>Launch Date</b> | 22 February 2016              |
| <b>Fund Type</b>     | Income             | <b>Manager</b>     | Eastspring Investments Berhad |

#### PRODUCT SUITABILITY

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

The Fund is suitable for investors who:

- ▶ seek regular income distribution;
- ▶ have five (5) years investment horizon; and
- ▶ have a moderate risk tolerance.

Refer to "Investor's Profile" in the "Key Data" 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.

Refer to "Fund Objective" in the "Fund Information" section of the Fund's prospectus.

##### Investment Strategy

- ▶ The Fund seeks to achieve its objective by investing in local and/or foreign bonds.
- ▶ The Fund will invest a minimum of 70% of the Fund's Net Asset Value ("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 Rating Services Berhad ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), Standard & Poor's, Moody's Investors Service ("Moody's"), Fitch

Refer to "Investment Strategy" in the "Fund Information" section of the Fund's prospectus.

\* Income declared will be paid out either by way of E-payment according to Unit Holders' instructions in the account opening form or by cheque.

Ratings (“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 abovementioned credit rating agencies.

- ▶ Although the Fund is expected to invest up to 40% of the Fund’s NAV in non-rated bonds and/or bonds rated 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 of the non-rated bonds and/or bonds rated below investment grade to 40% of the Fund’s NAV.
- ▶ In addition, up to 30% of the Fund’s NAV may be invested in liquid assets.
- ▶ The Fund has an Early Termination feature where the Manager may terminate the Fund before the Maturity Date.

### **Asset Allocation**

- ▶ 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 & 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.
- ▶ Up to 30% of the Fund’s NAV may be invested in liquid assets.
- ▶ The Manager may deviate from the above asset allocation near\* the Early Termination Date or Maturity Date as the Manager intends to invest proceeds from maturing or liquidated bonds in liquid assets to preserve the amount of proceeds received near the Early Termination Date or Maturity Date.

Refer to “Asset Allocation” in the “Fund Information” section of the Fund’s prospectus.

### **Income Distribution**

Distribution of income, if any, will be on annual basis, after deduction of taxation and expenses.

Refer to “Distribution” in the “Transaction Information” section of the Fund’s prospectus.

\* less than nine (9) months before the Fund’s Early Termination Date or Maturity Date.

## Parties Involved

### WHO ARE YOU INVESTING WITH?

- ▶ The Manager is Eastspring Investments Berhad (company no.: 531241-U) incorporated in November 2000 and is part of Prudential plc (United Kingdom) group.
- ▶ The Trustee of the Fund is Deutsche Trustees Malaysia Berhad (company no.: 763590-H).
- ▶ The Manager has appointed Eastspring Investments (Singapore) Limited (company no.: 199407631H) as the external investment manager.

Refer to “Corporate Directory” section of the Fund’s prospectus.

### Possible Outcomes of Investing in the Fund

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.

Refer to “Risk Factors” section of the Fund’s prospectus.

## KEY RISKS

### WHAT ARE THE KEY RISKS ASSOCIATED WITH THE FUND?

#### Credit or Default risk

- ▶ 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 principal, especially if the issuer is highly leveraged.
- ▶ 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.
- ▶ In the event the issuer is unable to meet its debt obligations and defaults in payments of interest and/or principal, the value of the Fund will be adversely affected.
- ▶ If there is a default in the bonds held by the Fund, the Manager may institute recovery proceedings and the proceedings may extend beyond the Early Termination Date or Maturity Date. As such, a Unit Holder should be aware that the proceeds that they will receive upon the Early Termination of the Fund or Maturity of the Fund may not be the full amount payable and the remaining amount payable can only be made upon successful recovery.

Refer to “Specific Risks” in the “Risk Factors” section of the Fund’s prospectus.

### **Counterparty risk**

- ▶ The Fund will be exposed to credit risk of the counterparties with whom the Fund trades with. The Fund may place deposits, invest in bonds and 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. Counterparty risk may be mitigated by conducting credit evaluation on the counterparty to ascertain the creditworthiness of the counterparty.
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### **Interest rate risk**

- ▶ 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.
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### **Country risk**

- ▶ 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.
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### **Currency risk**

- ▶ The Fund will invest in foreign markets hence, investments will be denominated in foreign currencies. As the Fund is denominated in Ringgit Malaysia, investments in foreign currencies will cause the Fund to be exposed to currency risk. Fluctuations in the exchange rates between the foreign currencies and Ringgit Malaysia may affect the value of the Unit Holders' investments in the Fund. Hedging may be applied to mitigate the currency risk, if any. Should the Fund employ hedging, it will limit the potential upside where Unit Holders would not be able to enjoy additional returns when these currencies move favourably against Ringgit Malaysia.
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### **Taxation risk**

- ▶ Unit Holder 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.

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### **Income distribution risk**

- ▶ 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.
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### **Asset mismatch risk**

- ▶ The risk arises when there is a mismatch between the Early Termination Date or 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. For example:
    - (i) Upon Maturity of the Fund  
Assuming that the Fund matures on 1 June 2021 (5 years from the Commencement Date of 1 June 2016) but the Fund is holding a bond that matures only in 2022. Upon Maturity, the Fund is forced to sell that bond at the prevailing market price (as at 1 June 2021) which may be lower than the purchase price of the bond.
    - (ii) Upon Early Termination of the Fund  
Assuming that the Fund early terminates on 1 June 2018 (2 years from the Commencement Date of 1 June 2016) but the Fund is holding a bond that matures only in 2022. Upon Early Termination, the Fund is forced to sell that bond at the prevailing market price (as at 1 June 2018) which may be lower than the purchase price of the bond.
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### **Concentration risk**

- ▶ The Fund has a restrictive mandate of a fixed tenure of 5 years. This 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 the price of a particular bond will lead to higher volatility in relation to the Fund's NAV.
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### **Reinvestment risk**

- ▶ The Fund has an Early Termination feature where the Manager may terminate the Fund before the Maturity Date. If the Fund early terminates, Unit Holder may face the risk of being unable to reinvest proceeds of Early Termination in another investment that can match the returns of the Fund.

**Ratings downgrade risk**

- ▶ 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. However, a downgrade does not necessarily represent a default by the bond issuer. Thus, the Fund may continue to hold the bond until the Fund's Early Termination Date or Maturity Date, provided the investment limit of 40% in non-rated bonds and/or bonds rated below investment grade is not exceeded. In the event the 40% limit is exceeded, the Manager will rectify such breach by disposing of the non-rated bonds and/or bonds below investment grade to 40% the Fund's NAV.
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**Derivative risk**

- ▶ The Manager may invest in derivatives for hedging purposes. Derivatives are highly volatile instruments and their market values may be subject to wide fluctuations and expose the Fund to potential gains and losses due to mark-to-market value.

## FEES AND CHARGES

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

All fees, charges and expenses payable by the Unit Holders are subject to Goods and Services Tax ("GST") at a rate of 6% or such other prescribed rate as may be imposed from time to time, and incurred by the Unit Holder directly when purchasing or redeeming Units of the Fund and indirectly when investing in the Fund. The fees, charges and expenses disclosed are exclusive of GST or any other taxes or duties that may be imposed by the government or other authorities from time to time.

Refer to "Fees, Charges and Expenses" section of the Fund's prospectus.

This table describes the fees and charges that you may **directly** incur when purchase or redeem Units of the Fund.

#### Payable directly by you

| Sales charge  | Authorised Distributors   | Sales charge as a percentage of the offer price during the offer period |
|---|---|---|
|   | Manager   | Up to 3.00%   |
|   | IUTA  |   |
|   | UTCs or CUTA  |   |
| <i>The sales charge is negotiable due to the different levels of services provided by each Authorised Distributor and/or the size of the investment undertaken.</i> |   |   |
| <b>Repurchase charge</b>  | 3.00% of NAV per Unit of the Fund.<br><br>The repurchase charge is non-negotiable and will be retained by the Fund.<br><br>No repurchase charge will be imposed on the Early Termination Date or Maturity Date. |   |
| <b>Switching Fee</b>  | Not applicable, as switching facility is not available for this Fund.   |   |

#### Payable indirectly by you

|                              |  |
|------------------------------|--|
| <b>Annual management fee</b> | Up to 0.20% of the NAV of the Fund per annum.  |
| <b>Annual trustee fee</b>    | Up to 0.06% of the NAV of the Fund per annum subject to a minimum of RM15,000 per annum. (excluding foreign custodian fees and charges). |

## 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" in the "Fund Information" section and "Transaction Information" section 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. Redemption application 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) after the redemption application is received by the Manager.
- ▶ When the redemption application is received after the cut-off time stated above, the redemption 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 via E-payment according to your payment instruction from the date the Manager receives the duly completed transaction form.

Refer to "Transaction Information" and "Fees, Charges and Expenses" sections of the Fund's prospectus.

## CONTACT INFORMATION

- 1) To lodge a complaint or for an internal dispute resolution, you can contact our client services personnel at:

|                   |   |
|-------------------|---|
| (a) via phone to  | : (603) 2332 1000   |
| (b) via fax to    | : (603) 2052 3366   |
| (c) via email to  | : cs.my@eastspring.com  |
| (d) via letter to | : Eastspring Investments Berhad<br>Level 12, Menara Prudential<br>No. 10, Jalan Sultan Ismail<br>50250 Kuala Lumpur |

- 2) Investor can contact Federation of Investment Managers Malaysia (FIMM) Complaints Bureau:

|                               |   |
|-------------------------------|---|
| (a) via phone to              | : (603) 2092 3800   |
| (b) via fax to                | : (603) 2093 2700   |
| (c) via email to              | : legalcomp@fimm.com.my   |
| (d) via online complaint form | : www.fimm.com.my   |
| (e) via letter to             | : Legal, Secretarial & Regulatory Affairs<br>Federation of Investment Managers Malaysia<br>19-06-1, 6 <sup>th</sup> Floor, Wisma Tune<br>No. 19, Lorong Dungun<br>Damansara Heights<br>50490 Kuala Lumpur |

- 3) 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). You may do so within 180 days of receiving the final answer from us or within 90 days from filing the complaint, irrespective of whether a final answer has been sent by us.

|                   |  |
|-------------------|--|
| (a) via phone to  | : (603) 2282 2280  |
| (b) via fax to    | : (603) 2282 3855  |
| (c) via email to  | : info@sidrec.com.my   |
| (d) via letter to | : Securities Industry Dispute Resolution Center (SIDREC)<br>Unit A-9-1, Level 9, Tower A<br>Menara UOA Bangsar<br>No. 5, Jalan Bangsar Utama 1<br>59000 Kuala Lumpur |

4) 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      | : (603) 6204 8999   |
| (b) via fax to                             | : (603) 6204 8991   |
| (c) via email to                           | : <a href="mailto:aduan@seccom.com.my">aduan@seccom.com.my</a>  |
| (d) via online complaint form available at | : <a href="http://www.sc.com.my">www.sc.com.my</a>  |
| (e) via letter to                          | : Investor Affairs & Complaints Department<br>Securities Commission Malaysia<br>No. 3, Persiaran Bukit Kiara<br>Bukit Kiara<br>50490 Kuala Lumpur |

## APPENDIX: GLOSSARY OF TERMS

|  |   |
|--|---|
| <b>Authorised Distributor</b>            | 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.   |
| <b>Business Day</b>                      | 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.   |
| <b>Commencement Date</b>                 | Means the next Business Day immediately after the expiry of the offer period.   |
| <b>Early Termination</b>                 | Means the termination of the Fund prior to the Maturity Date.   |
| <b>Early Termination Date</b>            | Means a date which falls on a Business Day when the Fund terminates and all the Fund's assets are fully liquidated (please refer to Chapter 5: "Investment Strategy" for further details).  |
| <b>Maturity Date or Maturity</b>         | Means the date which falls on the fifth (5 <sup>th</sup> ) 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 in respect of the Fund, "Maturity Date" or "Maturity" shall mean the date of such early termination. |
| <b>Net Asset Value (NAV) of the Fund</b> | means the value of all the Fund's assets less the value of all the Fund's liabilities, at the valuation point. For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund should be inclusive of the management fee and trustee fee for the relevant day.   |
| <b>NAV per Unit</b>                      | Means the NAV of the Fund divided by the number of Units in circulation, at the valuation point.  |
| <b>Offer Period</b>                      | Means the period during which Units of the Fund are offered for sale.   |
| <b>Offer Price</b>                       | Means the price per Unit (excluding sales charge) payable by an investor for the purchase of Units during the Offer Period.   |
| <b>Unit(s)</b>                           | 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.  |
| <b>Unit Holder(s) or you</b>             | Means the person for the time being who is registered pursuant to the Deed as a holder of units of the Fund, including jointholder.   |