

Mutual Fund Product Development and Distribution Policy

The Company recognizes the importance of the design, development, and distribution of mutual funds, taking into consideration the need and the best interest of the investors. In doing so, the Company must thoroughly understand the features and the risks inherent in mutual funds so as to appropriately and efficiently identify target investors, screen the selling agents, prepare sales documents, and communication plans.

The Company will also review whether the distributed mutual fund products were appropriate and review performance of the selling agents to take appropriate actions to solve any problems.

Organizational Structure, Roles, Duties, and Responsibilities

1. The Board of Directors is responsible for establishing the product governance structure and principle as a company culture to ensure the quality of product and create sustainable business growth as well as to avoid the risk of mis-selling or mis-buying
2. The Product Development and Distribution Committee shall consist of members from relevant departments

Mutual Fund Product Development Procedure

Issuance and distribution of new mutual funds shall follow below procedure.

1. Mutual Fund Product Idea Generation

In generating idea for issuance and distribution of new mutual fund products, the Company may consider several factors such as ideas, recommendations from the sales representatives and the selling agents to learn the needs and the type of products in need by the clients, analysis of the onshore and offshore mutual fund industry to find product gaps, the economic overview and cycle as well as the market condition to find which types of assets are suitable at the time

2. Mutual Fund Product Design

Members of the committee shall work together to design mutual fund products by deciding on the investment policy, the master assets in which the fund will invest, the fund objectives, ensuring the best interest of the investors and no breach of relevant rules or conflict of interest which may result in loss of interest to investors from investment in the mutual funds to be distributed.

After completion of the due diligence process, the committee shall establish the fund features based on factors including target clients, suitable and unsuitable types of investors, types of funds, risk level, comments and suggestions from investors or the sales representatives or the selling agents, restriction or specific features of the securities to be invested i.e. liquidity, settlement period after redemption.

3. Product Test

Before distribution, the product must have undergone the Stress Test / Scenario Analysis, using appropriate assumptions, to consider whether the risk and return are suitable and fair to the target investors.

4. Identify Target Investors

The committee shall identify target clients for the products to be distributed, based on product design, and features as well as the characteristics of target clients to identify the clients who are suitable or unsuitable to the products.

5. Product Distribution Guideline

Product distribution involves selection of suitable selling agents, preparation of sales documents, printed materials, communication plans with comprehensive details of the funds, provision of training to sales representatives and selling agents to ensure that they have sufficient knowledge in the funds for presentation to the clients which will prevent mis-selling / mis-buying.

5.1 Selecting Selling Agents

Conduct distributor due diligence for the assessment of their suitability, knowledge in the funds they are going to offer, familiarity or experience in offering funds to target customers; in order to ensure that the selling agents are capable of offering the funds to target customers appropriately, as well as conduct any other assessment that is appropriate for each type of selling agent.

5.2 Preparation of Sales documents and Communication Plans for Selling agents and Investors

The committee shall prepare sales documents and communication plans in line with the features and the complexity of the funds to provide the investors and the selling agents with sufficient information to make investment decision.

5.3 Training and testing before distribution

Before distribution, the committee must organize training and testing for the sales representatives who will make direct contacts with investors, and the selling agents to ensure they understand the product.

Monitoring and Review

Monitoring and review process of the mutual fund products for each target clients is divided into two parts – suitability of the mutual fund products, and performance of the selling agents.

1. Monitoring Mutual Fund Products

The mutual funds shall be monitored monthly in terms of performance and risk and to check on other related information to analyze whether the mutual funds are still suitable to the target investors or according to the intent of the establishment of the fund. If any mutual fund is found to be unsuitable for target investors or there is an event that may affect the decision of investors or that may have significant impact on the fund, the Company shall closely monitor the situation and/or take any actions to rectify or mitigate the effect as well as communicate to the selling agents and the unitholders as appropriate.

2. Monitoring Performance of the Selling Agents

The committee shall organize an annual performance evaluation for each selling agent. If in doubt or any selling agent is found to be unsuitable to sell the mutual fund products, a discussion must be held with such selling agent to find a mutual solution. In case the selling agent does not cooperate in rectification or improvement, the Company may terminate the selling agent from selling the fund or all funds.