



INVESTMENT MANAGEMENT
ASSOCIATION OF SINGAPORE

IMAS GUIDANCE NOTES

RECOMMENDED DISCLOSURES TO SUPPORT
THE PRESENTATION OF INCOME STATISTICS IN
ADVERTISEMENTS

20 OCTOBER 2016

Please note that this document is intended only for fund management companies (“FMCs”) in Singapore, and does not factor in considerations of other financial institutions (“FIs”), including banks, insurance firms, and other participants of capital markets in Singapore. It is by no means comprehensive; neither is it mandatory nor definitive in nature. It should not be viewed as a substitute for FMCs to perform their own assessments based on their specific circumstances. IMAS accepts no liability for any errors or omissions, or for any actions or decisions taken or not taken as a result of using this document.

1. Introduction

In 2016, the IMAS Risk and Performance Committee (“RPC”) drafted the **IMAS Guidance Notes on Recommended Disclosures to Support the Presentation of Income Statistics in Advertisements (“Guidance”)** to provide guidance to the industry on best practices when illustrating income statistics, such as yield and dividend payment rate, in advertisements.

2. Disclosure

Income statistics should only be shown in advertisements, *if and only if* the following disclosures of the collective investment scheme (“CIS”) are made available. Where such disclosures are made on the website, a prominent statement should be inserted in the advertisement to refer investors to the disclosures on the website.

Disclosures that should, at the minimum, be made available in the advertisements:

- (a) Plain language defining clearly the description of what the advertised income statistic represents, with similar prominence, in close proximity to the income statistics;
- (b) A warning statement, to the effect of similar prominence and in close proximity to the advertised statistics, on whether historical payments comprise of only distributed income, only capital, or both;
- (c) A disclaimer reflecting that past payout yields and payments do not represent future payout yields and payments; and
- (d) A disclosure that any distribution is expected to result in an immediate reduction of the net asset value per share/unit.

Disclosures that should, at the minimum, be made on the FMC's website, in addition to the disclosures in the advertisements:

- (e) Historical payments made to investors and their compositions for the last 12 rolling months.
 - The composition of historical payments should be presented as the proportions of payout from distributed income and capital.
- (f) The currency in which the payments are made, and the payment frequency, whether discretionary or on a fixed schedule;
- (g) The underlying portfolio yield, average payout yield of the portfolio, date of last distribution, average distribution since inception (per annum), as well as annualised volatility of total return of the strategy; and
- (h) Whether or not the payment amount is discretionary or formulaic, an explanation illustrating the basis of the payment amount should be provided.

3. Guidance

3.1 Disclosure for Non-Incepted CIS

Any CIS which has yet to be incepted should not disclose any income statistic.

3.2 Comparison vs. Benchmark

Where a benchmark is used, the FMC may, if it wishes to, disclose comparative benchmark statistics as long as it is clear and unambiguous that these statistics are benchmark statistics, and have been computed with consistent formulae for both the CIS and the benchmark.

3.3 Frequency of Updates on Disclosures

For updated information on disclosures (e) and (g), the FMC should update regularly so as to enable investors to make a more timely and informed investment decision. The frequency of the updates should be aligned with the frequency of dividend distribution.

3.4 Basis of Good Faith

In an advertisement, any statement / description of income statistics should be made on the basis of good faith and genuine intention of the FMC to make regular payments / distributions.

The income statistics shown in an advertisement should be within reasonable contemplation of the FMC to continue to make payments as advertised. The FMC should be able to justify and demonstrate the fund's ability to continue to make regular payments / distributions as advertised and as an explicit part of the investment strategy of the fund.

3.5 Material Change in Ability to Make Payouts

A FMC should keep investors informed in a reasonably timely manner should there be any changes that may materially impair the fund's ability to make such payment distributions.

3.6 Annualised Income Statistics

The income statistics shown in advertisements should be annualised. The disclosed calculation methodology should also be consistently adopted by the CIS.

3.7 Forward-looking Statistics

Income statistics that are predictions, projections, or forecasts; and words such as “targeted”, “expected”, “potential”, and any other forward-looking language to describe an income statistic should not be used in advertisements.

4. Glossary of Terms

- 4.1 Income statistics encompass numbers, percentages, ratios, and figures describing the investment returns of a CIS. Examples include dividend payment rate, yield, etc.
- 4.2 Distributed income refers to the interest and dividend income a CIS receives from its portfolio holdings and pays to its investors. It should be net of management fees and distribution cost.
- 4.3 Underlying portfolio yield is an annualised percentage measure of interest and dividend income earned by the portfolio net of fee and expenses.
- 4.4 Average payout yield is the annualised rate of return of the dividends paid to shareholders since inception.

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