



Please read this letter carefully as it describes changes to the accounting treatment of your Fund.

29 August 2017

## **EASTSPRING INVESTMENTS' APPROACH ON ACCRUAL OF INDIA CAPITAL GAINS TAX ON THE SICAV PLATFORM**

Dear Valued Investor

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In the interests of all shareholders, the Board of Directors (the "Board") of Eastspring Investments SICAV Funds (the "Fund") has approved the adoption, of an accrual of capital gains tax ("CGT") in the calculation of net asset value on a daily basis, for the Fund's accounting treatment.

In accordance with the Fund's articles of incorporation, the Fund may include an appropriate provision for future taxes based on the capital at Valuation Day. This is determined from time to time by the Fund and approved by the Board.

The implementation of CGT accrual is now an accepted standard in the market. The purpose of providing for an accrual for CGT is to protect existing shareholders in the Fund, where all shareholders equally bear the cost of any known tax liability. The accrual of CGT is part of the net asset valuation process and does not impact the investment management of sub-funds. The adoption of the accrual of Indian CGT was introduced on 28 August 2017.

For further information, please refer to the section on Question & Answer or contact us at directly on (65) 6349 9711 during business hours or email us at [unittrusts.query.sg@eastspring.com](mailto:unittrusts.query.sg@eastspring.com).

We appreciate your ongoing support of Eastspring Investments as we continue to help you achieve high-quality investment outcomes.

Eastspring Investments (Singapore) Limited

## **QUESTION & ANSWER**

### **Q1) What is the current fund accounting treatment for CGT?**

- Currently, the fund accounting treatment for the SICAV Funds does not accrue for CGT and it is charged to the Fund on an incurred basis. The purpose of providing for an accrual for CGT is to protect existing investors in the Fund, where all shareholders equally bear the cost of any known tax liability.

### **Q2) How will the India CGT accrual work?**

- We have engaged an external consultant to perform the India CGT accrual calculation on the unrealised capital gains positions on the Funds on a daily basis. They will work with our SICAV fund administrator, BNY Mellon to obtain the daily position data and provide BNY Mellon with the India CGT accrual amount. BNY Mellon will accrue the India CGT amount in the daily NAV calculation.

### **Q3) Why are we accruing CGT now and what are the benefits of doing so?**

- During the course of our review on our Fund's accounting treatment regarding taxes, it was established that the Fund should adopt a prudent approach by accruing the CGT, especially for countries with a known tax liability that will be in the best interest of all shareholders. The Fund auditors agreed with this approach.

### **Q4) Which Funds are affected?**

- There are 13 SICAV Recognised Funds in Singapore that currently have India investments and will be affected by this accounting treatment. This list of funds may be subject to change, as new funds are launched or existing funds begin to invest in India securities.
  - 1) Eastspring Investments - Asian Bond Fund
  - 2) Eastspring Investments - Asian Dynamic Fund
  - 3) Eastspring Investments - Asian Equity Fund
  - 4) Eastspring Investments - Asian Equity Income Fund
  - 5) Eastspring Investments - Asian High Yield Bond Fund
  - 6) Eastspring Investments - Asian Infrastructure Equity Fund
  - 7) Eastspring Investments - Asian Local Bond Fund
  - 8) Eastspring Investments - Global Emerging Markets Bond Fund
  - 9) Eastspring Investments - Global Emerging Markets Dynamic Fund
  - 10) Eastspring Investments - Global Market Navigator Fund
  - 11) Eastspring Investments - India Discovery Fund
  - 12) Eastspring Investments - India Equity Fund
  - 13) Eastspring Investments - World Value Equity Fund

**Q5) How will the NAV be impacted with the CGT accrual?**

- ▶ There will be a one off NAV adjustment for the CGT accrual on the implementation date, this will be notably higher given the initial accrual (but will be adjusted ongoing on a daily basis) especially for Funds that are primarily invested in India such as; India Discovery Fund and India Equity Fund.

**Q6) Is CGT accrual an industry practice for Funds?**

- ▶ There is a growing trend for industry players to accrue CGT not only in India but also in other applicable countries.

**Q7) How about the treatment of CGT for other countries that the SICAV Funds invests in?**

- ▶ The CGT accrual exercise will be performed in two phases. Phase 1 will be on India CGT accrual on 28th August 2017, and Phase 2 will be on the remaining countries applicable for CGT that is targeted for Q4 2017.
- ▶ India CGT accrual has been included in Phase 1 as it has been established that we have a tax liability on India securities held by our SICAV Funds whilst CGT applicability in the other markets is dependent on several factors which requires a longer time for analysis and review.

**Q8) Will the accrual impact the authorised funds?**

- ▶ The implementation of the India CGT accrual on the authorised funds will be evaluated and assessed and will be implemented in future if required and will be subject to local laws and regulations

**Q9) Is this a material change and are there any regulatory notification requirements to shareholders?**

- ▶ This is not a material change and there will be no change to the prospectus. There is also no regulatory requirement to inform shareholders.

**Q10) Why has this change been only communicated to distributors post implementation date?**

- ▶ In order to prevent any attempt by shareholders placing any trades prior to the implementation of accruals, hence, we are unable to provide any prior notification, to limit any arbitrage by shareholders.