Asset Enhancement
CPF INVESTMENT GUIDELINES (CPFIG)

Introduction

(I) In this document,

a) Collective Investment Schemes or a "CIS" is as defined in section 2(1) of the *Securities and Futures Act (Cap. 289).*

b) "Fund(s)" refers to a CIS or an Investment-linked Insurance Product (ILP) sub-fund included under CPFIS.

c) For a Fund which does not have a trustee, the word "trustee" in this document means the Board of Directors of the company offering the Fund, the depository of the fund or the Principal Officer of the insurance company that has appointed the Manager to manage the Fund.

d) Unless otherwise defined, the terms used or referred to in this document shall have the same meanings as assigned to them in the Code on Collective Investment Schemes.

(II) This document [*CPF Investment Guidelines* (CPFIG)] sets out the ***investment guidelines*** that Fund Management Companies (FMCs) have to comply with, ***over and above*** the investment requirements for authorised CIS set out in the Code on Collective Investment Schemes and all applicable MAS requirements (MAS Guidelines), for the following types of funds or services that are allowed under CPFIS:

a) CIS which are authorised[1] or recognised[2] by the Monetary Authority of Singapore (MAS), excluding Hedge Funds (as defined in appendix 3 of the Code on CIS) and restricted schemes[3] that are not allowed under CPFIS, must comply with the relevant MAS Guidelines in order to apply for inclusion as an eligible investment under the CPF Investment Scheme;

b) Sub-funds of Investment-linked Life Insurance Policy (ILP) that comply with MAS Notice 307 on Investment-Linked Life Insurance Policies; and,

c) Fund Management Accounts (FMAs). While the CPFIG and the MAS Guidelines may not be fully applicable to the management of an FMA, the FMC is nonetheless required to manage this type of account in a way which best suits the financial circumstances and risk profile of the individual within these guidelines.

(III) For the avoidance of doubt,

a) Any feeder fund that is included under CPFIS has to be authorised or recognised by MAS. The feeder fund must be able to meet MAS Guidelines and all CPF requirements including but not limited to CPFIG, CPF legislation, CPF disclosure requirements and CPFIS terms

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[1] For a FMC that intends to offer an authorised Fund that is wholly managed in Singapore, the FMC and its related group of companies must manage at least S$500million of discretionary funds in Singapore.
[2] For a FMC that intends to offer an authorised Fund that is sub-managed or feeds into another CIS not included under CPFIS, or a recognised Fund, the FMC and its related group of companies must manage at least S$1billion of discretionary funds globally.
[3] Restricted schemes refer to the offer of units in a collective investment scheme only to accredited investors and certain other persons (collectively defined as relevant persons) as defined in section 305(1) of the SFA.

and conditions and deed of indemnity and other directions and procedures as may be imposed by CPF Board from time to time.

b) For CPFIS-Included fund that feeds all or substantially all of its assets into one underlying fund, the underlying fund must comply with CPFIG, CPF legislation, and CPFIS terms and conditions and deed of indemnity and other directions and procedures as may be imposed by CPF Board from time to time in addition to the relevant MAS Guidelines as well as the guidelines of the jurisdiction where it is constituted and regulated.

c) For CPFIS-Included fund which feeds into several underlying funds, the underlying funds must comply with the MAS Guidelines, and the guidelines of the jurisdiction where the underlying funds are constituted and regulated and other directions and procedures as may be imposed by CPF Board from time to time. In addition, the investments of the underlying funds should be done in a manner such that at least 95% of the CPFIS-Included fund's net asset value (NAV) are invested in compliance with CPFIG.

1. List of Permissible Investments

1.1 A Fund's underlying investments may only consist of the following permissible investments:

a) cash;
b) deposits with financial institutions with Baseline Credit Assessment of above a3 by Moody's, or viability ratings of above bbb by Fitch; Updated 31 July 2015
c) money market instruments;
d) debt securities eligible under para 4.1 to para 4.3;
e) units in collective investment schemes (subject to the CPF Board's approval[4]); and
f) shares (including rights and warrants issued directly by the underlying company), and depositary receipts[5] listed and traded on an exchange. For the avoidance of doubt, a Fund can continue to hold listed shares which are subsequently suspended or delisted, and such shares are not subject to the deviation limit in paragraph 9.1. Updated 1 Jan 2013

1.2 Any other investments/activities not mentioned in these guidelines shall be prohibited, and subject to the deviation limit stated in paragraph 9.1.

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[4] For the avoidance of doubt, REITs (both local and foreign listed) and exchange-traded funds are also classified as Collective Investment Schemes under CPFIG. The Board's prior approval is required when the aggregate exposure to CIS exceeds 5%. If a Fund has a benchmark whereby REITs make up a substantial part of the benchmark, the aggregate exposure to CIS (including REITs) can be up to 5% or REITs' total weightage in the benchmark plus 2%, whichever is higher. Updated 2 Oct 2017

[5] The single entity limit of 10% and single group limit of 20% (where applicable) will be imposed on the issuer of the depositary receipts as well as the underlying shares. Non-Voting Depositary Receipts (NVDRs), CHESS Depositary Interests issued by the CHESS Depositary Nominees Pty Limited (CDIs), Taiwan Depositary Receipts (TDRs), American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), and Global Depositary Receipts (GDRs) are deemed to be "depositary receipts" under CPFIG. Other than these, the Board's prior approval should be sought.

2. Diversification

2.1 Any Fund offered by FMCs under CPFIS must be reasonably diversified (e.g. in terms of type of investment, market, industry, issuer, etc., as appropriate), taking into account the type and size of the Fund, its investment objectives, and prevailing market conditions.

2.2 FMCs must adopt appropriate investment limits or operating ranges (by market, asset class, issuer etc.) for each Fund.

3. Deposits and Account Balances with Financial Institutions[6]

For the purpose of this paragraph, a rating refers to a solicited rating and not a "pi" ("public information") rating.

3.1 Funds may place monies with financial institutions with Baseline Credit Assessment of above a3 by Moody's or viability ratings of above bbb by Fitch. Branches of a financial institution are deemed to have the same credit ratings as their head office. However, subsidiaries of financial institutions must have their own credit ratings.

Updated 31 July 2015

3.1A If a financial institution does not have the requisite ratings in para 3.1, it will be deemed to satisfy the ratings under para 3.1 as long as:

a) its parent company satisfies the requisite rating in para 3.1; and
b) its parent company provides an explicit guarantee for the financial institution such that if the financial institution fails to fulfill its financial obligation to the Fund, the parent company is liable to do so.

Amendments made effective 1 Apr 2013

3.2 Where a rated financial institution with which the Fund has placed monies ceases to meet the requisite minimum rating, the placement will be classified as a prohibited investment and will fall under the deviation limit of 5% in para 9.1. Thus, the FMC should as soon as practicable but in any event within 1 month, withdraw the monies. In the case of a fixed deposit, if the FMC satisfies the trustee that it is not in the best interest of unit holders to withdraw the deposits within 1 month, the trustee may, subject to the following conditions, extend the 1-month period:-

- the deposit must not be rolled over or renewed;
- the deposit is not put at substantial risk; and
- such extension is subject to monthly review by the trustee.

3.3 For financial institutions that are custodians or sub-custodians, these additional rules apply:

a) If the custodian or sub-custodian holds cash deposits from CPFIS funds and does not place them with other financial institutions, the custodian or sub-custodian must fulfill the requirements in para 3.1 or para 3.1A. Otherwise, the custodian or sub-custodian may obtain a guarantee from a third-party financial institution that fulfils the requirement in para 3.1 or para 3.1A.

b) If the custodian or sub-custodian does not hold cash deposits from CPFIS funds, i.e. the custodian or sub-custodian has placed the cash with other financial institutions, the other financial institutions must fulfill the requirement in para 3.1 or para 3.1A.

Updated 16 July 2012

[6] For a Fund that is a money market fund and places deposits with financial institutions, para 3 of CPFIG applies.

4. Credit Rating for Debt Securities[7]

4.1 FMCs may invest in debt securities rated at least Baa by Moody's, BBB by Standard and Poor's or BBB by Fitch Inc (including sub-categories or gradations therein). If there is inconsistency in ratings assigned by different rating agencies, the lowest rating will be used. Updated 16 July 2012

4.2 a) For government and other public debt securities that do not have the requisite ratings cited in Para 4.1 but the issuing entity or trust is, or the issue is guaranteed by, either a government, government agency or supranational, that has a minimum long-term rating of BBB by Fitch, Baa by Moody's or BBB by Standard and Poor's (including such sub-categories or gradations therein), qualify as permissible investments under these guidelines.

b) Corporate debt securities that do not have the requisite ratings cited in Para 4.1 but satisfy the following conditions qualify as permissible investments under these guidelines:

i) the issuer has a minimum long-term rating of BBB by Fitch, Baa by Moody's or BBB by Standard and Poor's (including such sub-categories or gradations therein); or

ii) the issuer's parent company satisfies the rating in para 4.2b)(i) and has provided an explicit guarantee for the issuer.

4.3 Paras 4.1 and 4.2 do not apply to unrated debt securities issued by Singapore-incorporated issuers[8] and Singapore statutory boards. FMCs may invest in all such debt securities until such time as is stated otherwise. Nevertheless, the single entity limit for these unrated corporate debt securities is lowered to 5% of the Fund's NAV as set out in section 2.8 in the appendix 1 of Code on CIS. For the avoidance of doubt, the investment in such unrated debt securities do not fall under the deviation limit of 5% in para 9.3. Updated 16 July 2012

4.4 If the credit rating of a debt security in a Fund's portfolio falls below the minimum rating, the debt security will be classified as a prohibited investment and will fall under the deviation limit of 5% in para 9.3.

4.5 For the avoidance of doubt, an unlisted debt security eligible under para 4.1 to 4.3 does not fall under the deviation limit of 5% in para 9.1 and 9.3. Updated 16 July 2012

4.6 For the avoidance of doubt, "debt securities" in this paragraph include convertible bonds, perpetual bonds and securitized debt. Updated 16 July 2012

5. Unlisted Shares

5.1 Investments in unlisted shares (excluding IPO shares which have been approved for listing) are allowed within the 5% deviation limit in para 9.1.

[7] CD is considered to be money market instrument as set out under para 3.1 of Appendix 2 of the Code on CIS. It needs to comply with both the requirements under the Code on CIS and CPFIG (i.e. para 4.1, 4.2 or 4.3 of CPFIG).

[8] Debt securities issued by Singapore-incorporated special purpose entities that are not owned or established by Singapore-incorporated entities are not deemed to be debt securities issued by Singapore-incorporated issuers and thus the credit rating requirement under para 4.1 or 4.2 will be applicable.

6. Financial Derivatives

6.1 Financial derivatives are only allowed for hedging and efficient portfolio management[9]. Otherwise, it will be considered as prohibited investment and fall under the deviation limit of 5% in para 9.1.

Updated 16 July 2012

6.2 Use of financial derivatives to replicate index performance (i.e. including but not limited to synthetic replication) is not allowed.

7. Securities Lending

7.1 Securities lending could be carried out solely for the purpose of efficient portfolio management. Up to **50%** of the Fund's NAV may be lent at any time if all the collateral, counterparty, settlement, reinvestment and liquidity requirements set out in the MAS guidelines are adhered to.

8. Borrowings

8.1 The 10% borrowing limit set out in the MAS Guidelines must be adhered to without exception. For master-feeder structures, the borrowing limit is to be applied to the feeder fund.

9. Deviation Limit

9.1 (i) Any prohibited investments (except debt securities without the requisite rating in para 4), and (ii) investments exceeding the limits set out in the CPFIG, as the case may be, will fall under the deviation limit of 5%.

9.2 An additional deviation limit of 5% over and above the deviation limit in para 9.1 is granted to Gold ETF listed on SGX. Therefore, a Fund may invest up to 10% of its NAV in Gold ETF listed on SGX if it has not utilized the deviation limit in para 9.1.

Amendments made effective 1 Apr 2013

9.3 A sub-limit of 5% is granted to non-investment grade bonds. Thus, a Fund may still invest up to 5% of its NAV in non-investment grade bonds even if it has fully utilized the deviation limit in para 9.1. Nevertheless, the investment in non-investment grade bonds must be capped at 5% in aggregate.

Amendments made effective 1 Apr 2013

Please see Appendix A for the diagram illustration of the various deviation limits.

10. Deviations from the Guidelines

This paragraph sets out the circumstances when a FMC may invest up to 5% of the value of the Fund in investments which fall outside the MAS Guidelines and/or the CPFIG. The FMC should ensure that the Fund continues to comply with the above **on a regular basis** (e.g. when periodic reports of the CIS are available), no less than once every 6 months.

10.1 For a Fund that is an Authorised Scheme (regardless of whether the authorised scheme feeds into other schemes)

The FMC of a Fund must ensure that the Fund is managed in full compliance with the MAS Guidelines and at least 95% of the Fund's NAV is invested in accordance with the CPFIG at all times. The 5% deviation may only be in respect of CPFIG.

Updated 16 July 2012

[9] For efficient portfolio management, FMCs must (i) demonstrate that they have adequate measures in place to monitor the risks of financial derivatives and (ii) obtain CPFB's prior approval.

10.2 For a Fund that is a Recognised Scheme[10]

The FMC must ensure that at least 95% of the Fund's NAV is invested in accordance with the MAS Guidelines and the CPFIG at all times.

Where a Fund invests partially in another scheme, the 5% deviation allowed applies as follows:- The total sum of the Fund's pro-rated share of the deviating investments by **the underlying CIS** and the deviating investments of the Fund, shall not exceed 5% of the NAV of the Fund. "Pro-rated share" is defined as follows:- Dollar value of investments of Fund in underlying CIS X (Dollar value of deviating investments of underlying CIS / Total dollar value of underlying CIS.)

10.3 For Underlying Scheme(s) (that a CPFIS-Included fund feeds into)

Updated 16 July 2012

The FMC must ensure that the investments of the underlying scheme(s) should be done in a manner such that the CPFIS-Included fund is in compliance with MAS Guidelines and CPFIG as per para 10.1 or 10.2.

Please see Appendix B for the diagram illustration for the application of the deviation limit under various fund structure.

11. Breach of Deviation Limits

11.1 If the 5% limits on investments which deviate from the stated guidelines in paragraph 9 are exceeded as a result of one or more of the following events:

a) the appreciation or depreciation of the Fund's NAV; or

b) any redemption of units or payments made from the Fund; or

c) change in the capital of a company (e.g. change in the total outstanding shares of a company arising from the issuance of pro-rata rights or bonuses); or

d) reduction in the weight of a constituent in the benchmark being tracked by a Fund; or

e) downgrade in or cessation of a credit rating; or

f) the underlying fund of a Fund acquiring more deviating investments

[10] The recognised scheme must fully meet the requirements stated in Chapter 8 and 9 of the Code on CIS.

the FMC shall within **3** months from the date when the limit is exceeded:-

i) For a Fund which is an Authorised Scheme, sell such securities or units to bring the Fund back in compliance as per para 10.1;

ii) For a Fund that is a Recognised Scheme, sell such securities or units in the CIS to bring the Fund back in compliance as per para 10.2.

The period may be extended if the FMC satisfies the trustee that it is in the best interest of unit holders to do so. Such extension is subject to monthly review by the trustee.

11.2 If any of the limits is exceeded other than as a result of the events stated in paragraph 11.1, or exceeded as a result of the underlying funds of a Fund acquiring more prohibited investments, the FMC/Insurer (i) should not enter into any transaction that would increase the extent of the breach, and (ii) is required to sell such investments and/or reduce such borrowings **immediately** to result in compliance with the relevant limit.

11.3 Reporting of Breaches

a) A FMC/Insurer is required to inform the CPF Board of a breach of the CPF Investment Guidelines by Funds that it manages within 14 calendar days of the occurrence of the breach. For Funds which invest in other funds that are not managed by the FMC/Insurer itself, the FMC/Insurer is required to inform the CPF Board within 14 days of the date of notification of the breach by the manager of the other fund or the date the FMC/Insurer becomes aware of the breach, whichever is the earlier.

b) In the event that the trustee agrees to an extension of the deadline (beyond that stipulated in the CPFIG) to rectify the breach, the FMC/Insurer should ensure that the trustee informs the CPF Board within 7 calendar days of its agreement to the extension[11]. The FMC/Insurer should also inform the CPF Board within 7 calendar days of the rectification of the breach.

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16 July 2012

11.4 A FMC/Insurer that is unable to adhere to Paragraph 11.2 and is unable to (or does not) obtain an extension under Paragraph 11.1(ii) set out above must take the following actions:

a) report such breach to the CPF Board within 14 calendar days of the occurrence of the breach;

b) cease to accept subscriptions for the Fund from the CPF Ordinary and Special Accounts with immediate effect and seek to exclude the Fund from CPFIS[12];

c) provide, within 3 months from the date of the breach,

- notice to each CPF member invested in the Fund;
- full disclosure on the impact of the breach; and
- each investing CPF member the right to redeem or make free switch to another fund included under CPFIS that meets the prevailing admission criteria, without any fees or charges;

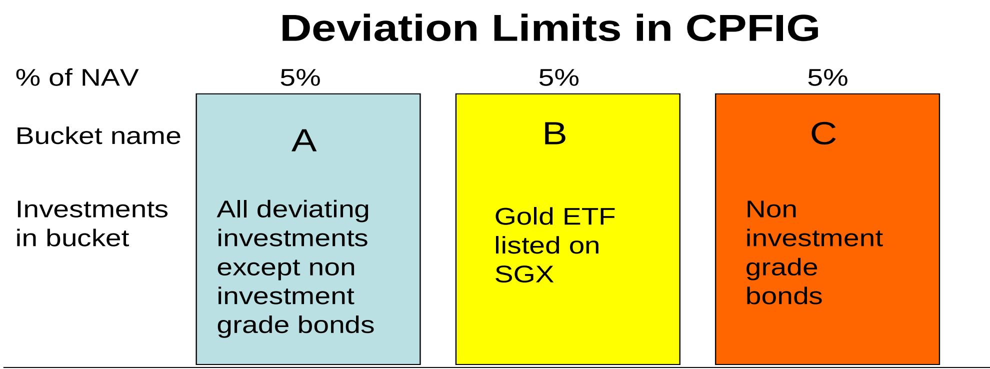
[11] Alternatively, the FMC/Insurer may provide evidence of the trustee's agreement to the extension within 7 calendar days.

[12] All requests for exclusion of Sub-Funds under CPFIS must be submitted in writing. Sub-Funds delisted from CPFIS remain subject to MAS guidelines at all times.

d) continue to monitor the breach and report to the CPF Board on a monthly basis as to the status of the breach until the breach is rectified.

- Last updated on: 2 Oct 2017

DEVIATION LIMITS



Maximum exposure for all deviating investments except non investment grade bonds	Bucket A, i.e. 5%
Maximum exposure for gold ETF listed on SGX	Bucket A + Bucket B, i.e. 10%* (*if the Fund has not used up Bucket A)
Maximum exposure for non investment grade bonds	Only Bucket C, i.e. 5%

Appendix B

APPLICATION OF DEVIATION LIMITS

1) For a Fund that is an Authorised Scheme (regardless of whether the authorised scheme feeds into other schemes)

100% of Fund's NAV invested in compliance with	95% of Fund's NAV invested in compliance with
MAS Guidelines	CPFIG

The 5% deviation may only be in respect of CPFIG.

2) For a Fund that is a Recognised Scheme

95% of Fund's NAV invested in compliance with	95% of Fund's NAV invested in compliance with
MAS Guidelines	CPFIG

The recognised scheme must fully meet the requirements stated in Chapter 8 and 9 of the Code on CIS.

3) For Underlying Scheme(s) (that a CPFIS-Included fund feeds into)

MAS Guidelines	CPFIG
Investments of the underlying scheme(s) should be done in a manner such that the CPFIS-Included fund is in compliance with MAS Guidelines (100% for authorised scheme or 95% for recognised scheme).	Investments of the underlying schemes should be done in a manner such that at least 95% of the CPFIS-Included fund's NAV are invested in compliance with CPFIG.