
Sent via email: mavis.tan@asx.com.au

**AIMA AUSTRALIA
SUBMISSION TO ASX
Simplifying, clarifying and enhancing the integrity and efficiency of ASX Listing Rule**

Background on AIMA members

AIMA, the Alternative Investment Management Association, is the global representative of the alternative investment industry, with more than 1,900 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than \$2 trillion in assets. AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry. AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 80 members that manage \$500 billion of private credit assets globally. AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialised educational standard for alternative investment specialists. AIMA is governed by its Council (Board of Directors). For further information, please visit AIMA's website, www.aima.org.

Executive summary

AIMA supports clarification to the listing rules to ensure consistency of the application of the rules to a particular type of vehicle to enable investors to compare and understand differences between particular funds. However, AIMA does not support the proposed amendments to the rules that destroy value to the shareholders/unitholders by disclosing too much information. Such rule changes will act as significant deterrent to managers proceeding to list vehicles. Also, this submission should be read with and emphasised that generally speaking materiality should be at the centre of any disclosures relating to LICs/LITs

Proposal to amend rule 4.10.20 to require a LIC/LIT to disclose in its annual report “the value of its individual investments (including derivatives)”:

AIMA members are concerned this requirement will provide the market with full position weightings across the LIC's entire portfolio and this could have unintended consequences on LIC shareholders, such as restricting the ability of the Manager to generate positive returns for shareholders. For example, the Manager's ability to build a position or to exit a position could be impeded, by crowding out the Manager's trades. Managers may be less likely to bring a LIC or a LIT to market if their internally generated IP is going to be shared publicly. We note this requirement creates an uneven playing field with unlisted managed investment schemes who are not required to disclose this information.

In addition, AIMA members submit that detailed disclosure of the values allocated to “difficult to value” assets (such as derivatives and unlisted positions) is unlikely to be helpful to investors, given investors are not in a position to form their own view of the value of such assets. Even if the valuation inputs are disclosed, investors are unlikely to have access to all of the information which would enable them to properly challenge or test the validity of these inputs (for e.g. derivatives are valued using complex models and also require an understanding of the detailed terms upon which the derivative instrument was written). Also, in the case of derivatives, there is a risk that disclosing the value allocated to the derivative could actually mislead investors as to the real risks and exposures relating to holding the investment.

If the ASX does not agree, AIMA members submit this enhanced disclosure should only be required for very material positions within the portfolio, as to do so for an entire portfolio which contains a large number of derivative positions would be an “information overload” and could lead to the annual report running to hundreds of pages.

Proposal to require the disclosure of Level 1, Level 2 and Level 3 inputs:

As discussed above – AIMA members question the utility of providing such detailed information where the

investors do not have the ability to properly challenge the valuation inputs being used, especially for complex derivative instruments.

In addition, AIMA members are concerned this change could require the disclosure of private and confidential financial information in relation to investments in unlisted companies.

If the ASX does not agree, AIMA members submit this enhanced disclosure should only be required for very material positions within the portfolio, as to do so for an entire portfolio which contains a large number of unlisted or derivative positions would be an "information overload" and could lead to the annual report running to hundreds of pages.

Proposal to require the LIC to provide an explanation of any change in the NTA backing of its quoted securities over the reporting period:

AIMA members request further clarity from the ASX in relation to the level of explanation required in the annual report format. E.g. A general commentary explaining the market trends impacting the NTA over the past 12 months would be possible, although this type of commentary is usually shared with investors in other forums such as presentations to shareholders in the AGM. Given the dynamic nature of many portfolios, changes in NTA backing are often reported to the market on a regular basis for e.g. via monthly NTA statements. Given the annual reporting period covers a period of 12 months, any detailed explanation in an annual report in relation to the previous 12 months is less likely to be timely or useful to investors.

Automatic suspension for failure to lodge monthly NTA on time:

AIMA members submit this is too onerous for an ongoing monthly filing requirement. Automatic suspension has a material impact on a listed entity therefore it is currently only reserved for very material quarterly, six monthly and annual filings. We consider that ASX should have the discretion (rather than being automatic suspension) to provide some flexibility when the failure arises because of the one-off failure of another service provider.

Contact points

We would be happy to meet with ASX to discuss any aspect of our submission or provide further information.

The AIMA contacts in respect of this Submission are:

Michael Gallagher
General Manager
AIMA Australia
Email : mgallagher@aima-australia.org

Nikki Bentley
Chair, Regulatory Committee
AIMA Australia
Partner
Norton Rose Fulbright
Email: nikki.bentley@nortonrosefulbright.com

Yours faithfully

Michael Gallagher

Nikki Bentley

Michael Gallagher
Director, General Manager, AIMA Australia



M: +61 4 1222 4400
E: mgallagher@aima.org



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