

EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021



Dear Valued Investor,

Greetings from Eastspring Investments Berhad!

First and foremost, we would like to take this opportunity to thank you for choosing to invest with Eastspring Investments Berhad.

We are pleased to enclose a copy of the Annual Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 May 2021.

You may also download these reports from our website at www.eastspring.com/my

Should you require any assistance, please do not hesitate to contact our Client Services at 03-2778 1000.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Raymond Tang', with a stylized, flowing script.

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

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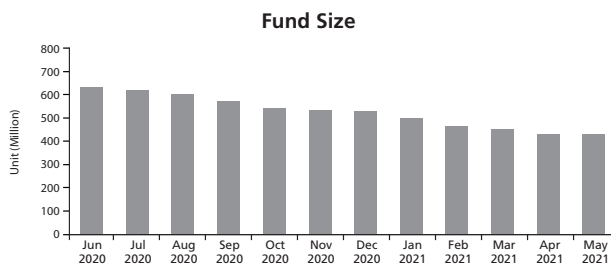
FUND INFORMATION

Name of Fund	<p>Eastspring Investments Global Target* Income Fund (the “Fund”)</p> <p>* The Fund aims (i.e. Target) to distribute income at least once a year subject to availability of income.</p>
Fund Category/ Type	<p>Bond/income</p>
Fund Objective	<p>The Fund endeavours to provide regular income**.</p> <p>ANY MATERIAL CHANGES TO THE FUND’S OBJECTIVE WOULD REQUIRE UNIT HOLDERS’ APPROVAL.</p> <p>** Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.</p>
Performance Benchmark	<p>12 month Maybank fixed deposit rate + 1 % per annum.</p> <p>Source: www.maybank2u.com.my</p> <p>Note: As the Fund will invest in global markets across various bonds of different rating, the risk profile of the Fund is not the same as the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	<p>At least once a year, subject to the availability of income.</p>

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 May 2021, the size of Eastspring Investments Global Target Income Fund stood at 415.865 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	223	19.68	637	0.15
5,001 to 10,000 units	135	11.92	992	0.24
10,001 to 50,000 units	458	40.42	11,170	2.69
50,001 to 500,000 units	270	23.83	37,262	8.96
500,001 units and above	47	4.15	365,802	87.96
Total	1,133	100.00	415,863	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	2021	2020	2019
	(%)	(%)	(%)
Unquoted fixed income securities	95.17	89.80	91.07
Derivatives	0.52	1.02	3.89
Cash and other assets	4.31	9.18	5.04
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	207,652	287,128	397,747
Units In Circulation (Units '000)	415,865	595,862	774,572
Net Asset Value Per Unit (RM)	0.4993	0.4819	0.5135
Highest Net Asset Value Per Unit (RM) [#]	0.5061	0.5333	0.5190
Lowest Net Asset Value Per Unit (RM) [#]	0.4921	0.4520	0.4838
Total Return (%)			
- Capital Growth	3.63	(6.17)	0.69
- Income Distribution	5.18	4.85	2.46
Total Return (%)	9.00	(1.62)	3.16
Gross Distribution Per Unit (RM)	0.0257	0.0249	0.0119
Net Distribution Per Unit (RM)	0.0257	0.0249	0.0119
Management Expense Ratio (MER) (%) [*]	1.36	1.36	1.35
Portfolio Turnover Ratio (PTR) (times) [^]	0.35	0.22	0.35

[#] Figure shown as ex-distribution.

^{*} There were no significant changes to the MER during the period under review.

[^] There were no significant changes to the PTR during the period under review.

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.6.2020 to 31.5.2021	3 years 1.6.2018 to 31.5.2021	Since commencement 8.8.2016 to 31.5.2021
	(%)	(%)	(%)

Average total return	9.00	3.42	3.64
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Year ended	1.6.2020 to 31.5.2021	1.6.2019 to 31.5.2020	1.6.2018 to 31.5.2019	1.6.2017 to 31.5.2018	Since commencement 8.8.2016 to 31.5.2017
	(%)	(%)	(%)	(%)	(%)

Annual total return	9.00	(1.62)	3.16	4.22	3.02
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Source: The above total return of the Fund was sourced from Lipper for Investment Management.

Bases of calculation and assumptions made in calculating returns:

$$\text{Percentage growth} = \frac{\text{NAV}_t - 1}{\text{NAV}_0}$$

NAV_t = NAV at the end of the period

NAV_0 = NAV at the beginning of the period

$$\text{Performance annualised} = (1 + \text{Percentage Growth})^{1/n} - 1$$

Adjusted for unit split and distribution paid out for the period

n = Number of years

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

MANAGER'S REPORT

Fund Performance

Since inception, the Fund registered a return of 18.77%, underperforming the benchmark return of 20.21% by 1.44%.

For the period under review, the Fund registered a return of 9.00%, outperforming the benchmark return of 2.87% by 6.13%.

The Fund's high-yield exposures and relatively short portfolio duration contributed majorly to its outperformance over the period under review, driving returns from the recovery in risk sentiment while reducing losses from rising long-term bond yields. Thailand oil & gas credits, Panama sovereign bonds, and Chile quasi-sovereign bonds were among the few performance detractors. Other segments mostly fared well, with particularly strong returns from British and Singaporean financial credits and Chinese real estate bonds. Financial credits were generally supported by the improving economic outlook and rising interest rates, while Chinese developers have demonstrated resilient operational performance against pandemic headwinds.

The fund achieved its objective to provide regular income.



MANAGER'S REPORT (CONTINUED)

Fund Performance

The performance is calculated on NAV-to-NAV basis with gross income or dividend reinvested.

Benchmark: 12 month Maybank fixed deposit rate + 1% per annum.

Source: Lipper for Investment Management, www.maybank2u.com.my, as at 31 May 2021.

Past performance of the Fund is not necessarily indicative of its future performance.

MANAGER'S REPORT (CONTINUED)

Analysis of Fund Performance

For the financial year ended 31 May 2021:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
5.18	3.63	9.00	2.87

* Capital return components (NAV per unit to NAV per unit).

Distribution/
Unit Split

Ex-date	26-Jun-20	22-Dec-20
Distribution Per Unit	(RM)	(RM)
Gross	0.0049	0.0208
Net	0.0049	0.0208

Impact on NAV arising from distribution for the financial year ended 31 May 2021.

Ex-date	26-Jun-20	22-Dec-20
	(RM per Unit)	(RM per Unit)
Net Asset Value before distribution	0.4916	0.5246
Less: distribution	(0.0049)	(0.0208)
Net Asset Value after distribution	0.4867	0.5038

No unit split were declared for the financial year ended 31 May 2021.

MANAGER'S REPORT (CONTINUED)

Investment Strategy During the Period Under Review

The Fund seeks to achieve its objective by investing in bonds such as rated bonds, non-rated bonds or bonds rated below investment grade globally, including Malaysia. Non-rated bonds are bonds that have not received a credit rating from major credit rating agencies. The Fund's investments may also include liquid assets.

The Fund is expected to invest up to 40% of the Fund's Net Asset Value ("NAV") in non-rated bonds or bonds rated below investment grade. There is a risk that this limit may be exceeded due to reasons such as market value fluctuations and rating downgrades. This may result in the Fund being exposed to higher credit risk. In the event the 40% limit is exceeded, the Manager will rectify such breach within a reasonable period of not more than three (3) months, by disposing non-rated bonds or bonds rated below investment grade, reducing this exposure to the 40% threshold.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-May 2021	31-May 2020	Changes
	(%)	(%)	(%)
Unquoted fixed income securities	95.17	89.80	5.37
Derivatives	0.52	1.02	(0.50)
Cash and other assets	4.31	9.18	(4.87)

Asset Allocation as at 31 May 2021



There were no significant changes in asset allocation of the Fund for the period under review.

State of Affairs of the Fund

There have been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

Cross-Trade Transaction

During the period under review, there were cross-trades executed through a dealer or a financial institution on an arm's length and fair value basis and in the best interest of the Fund. The investment committee for the Fund has reviewed that such trades for the period from 1 June 2020 to 31 January 2021 were transacted on an arm's length and fair value basis and in the best interest of the Fund. There were no cross-trades executed for the period from February to May 2021.

MARKET REVIEW

Global financial markets recovered steadily in the second half of 2020 from the steep sell-off brought on by COVID-19 earlier in the year, supported by unprecedented fiscal and monetary support measures worldwide. Asian and emerging-markets (“EM”) USD bonds registered another strong year of returns in 2020, one that belied a once-in-a-century health crisis and an extraordinary collapse in economic activity. As investor confidence returned, credit spreads of Asian and EM USD bonds tightened from their crisis peaks in March last year to overall around pre-pandemic levels as of end-May 2021, slightly below their long-term average.

With the calendar flipping to 2021 though, good news on the macroeconomic front suddenly started to translate to woes for financial markets, especially bonds. Driven by markedly higher US Treasury (“UST”) yields, global fixed income assets in the first quarter registered their worst start to a year in at least three decades, as measured by the Bloomberg Barclays Global Aggregate Index.

Although the tug-of-war between economic optimism and inflation concern persisted in the subsequent two months, UST yields declined over both April and May, as investors bought into the Federal Reserve’s assurance that higher inflation reflects transitory factors. Calmer UST yields drove a rally in bond markets, although returns of corporate credits lagged those of sovereign and quasi-sovereign bonds, mainly due to the former’s shorter duration—which limited gains from falling bond yields—and market developments surrounding China Huarong Asset Management, a prominent issuer in EM USD debt markets.

At the start of April, Huarong (rated Baa1/BBB+/BBB as of this writing) announced a delay in the publication of its 2020 annual results. This triggered a cascade of events that led to a brief major sell-off in Asian credit markets, particularly the IG financials sector. As of end-April, Huarong was the eighth-largest issuer in external debt EM indices, with USD 18 billion in face value of bonds outstanding.

Overall, even after retracing some of their 2020 gains in 1Q2021, the JP Morgan (“JPM”) Asia Credit Index and JPM EMBI Global Diversified Index still posted strong returns of 5.6% and 10.5% respectively in the twelve months ended May. High-yield bonds registered much stronger gains compared to their investment-grade counterpart, benefitting from both the risk rally since March last year and tightening credit spreads that mitigated the adverse impact from rising bond yields this year. Sri Lankan sovereign bonds were among the top performers after their exceptional gains in year-to-date May, as recent developments including a stronger network of bilateral swap lines improved the country’s external financing conditions. Chinese financial credits were notable laggards, weighed down by uncertainty on the Huarong situation.

REBATES AND SOFT COMMISSIONS

During the period under review, the Manager and its delegates (if any) did not receive any soft commissions from stockbrokers.

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EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

STATEMENT BY THE MANAGER

We, Tang Chee Kin and Iskander Bin Ismail Mohamed Ali, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 20 to 71 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 May 2021 and of its financial performance, changes in equity and cash flows for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
EASTSPRING INVESTMENTS BERHAD

TANG CHEE KIN
Executive Director/Chief Executive Officer

ISKANDER BIN ISMAIL MOHAMED ALI
Independent, Non-Executive Director

Kuala Lumpur
Date: 15 July 2021

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

We have acted as Trustee for Eastspring Investments Global Target Income Fund (the "Fund") for the financial year ended 31 May 2021. To the best of our knowledge, for the financial year under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:-

- a. limitations imposed on the investment powers of the Manager under the Deed(s), the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b. valuation and pricing for the Fund is carried out in accordance with the Deed(s) of the Fund and any regulatory requirements; and
- c. creation and cancellation of units for the Fund are carried out in accordance with the Deed(s) of the Fund and any regulatory requirements.

We are of the view that the distributions made during the financial year ended 31 May 2021 by the Manager are not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Trustee Operations

Gerard Ang
Chief Executive Officer

Kuala Lumpur
Date: 15 July 2021

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Global Target Income Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 May 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 71.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved

standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- d. Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur

Date: 15 July 2021

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	Note	2021	2020
		RM	RM
INVESTMENT INCOME			
Interest income from deposits			
with licensed financial institutions		143,150	99,006
Interest income from unquoted			
fixed income securities		13,572,074	20,535,224
Other income		48,287	31,170
Net loss on financial assets at			
fair value through profit or loss	7	(1,531,304)	(5,721,320)
Net gain/(loss) on forward foreign currency			
contracts		18,203,963	(12,211,437)
Net foreign currency exchange loss		(1,283,200)	(227,319)
		<u>29,152,970</u>	<u>2,505,324</u>
EXPENSES			
Management fee	3	(3,275,597)	(4,315,276)
Trustee fee	4	(183,433)	(241,655)
Audit fee		(13,000)	(12,500)
Tax agent fee		(3,400)	(3,400)
Other expenses		(93,016)	(107,368)
		<u>(3,568,446)</u>	<u>(4,680,199)</u>
PROFIT/(LOSS) BEFORE TAXATION		25,584,524	(2,174,875)
TAXATION	6	-	-
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS)		<u>25,584,524</u>	<u>(2,174,875)</u>
Profit/(loss) after taxation is made up of the following:			
Realised amount		27,533,596	14,905,307
Unrealised amount		(1,949,072)	(17,080,182)
		<u>25,584,524</u>	<u>(2,174,875)</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2021

	Note	2021	2020
		RM	RM
ASSETS			
Cash and cash equivalents	8	9,600,856	18,309,397
Financial assets at fair value through profit or loss	7	197,642,334	257,823,381
Forward foreign currency contracts at fair value through profit or loss	9	1,952,091	9,416,376
Amount due from Manager		130,319	509,237
Amount due from brokers		-	9,261,998
Other receivables		-	149,841
TOTAL ASSETS		209,325,600	295,470,230
LIABILITIES			
Forward foreign currency contracts at fair value through profit or loss	9	873,323	6,487,118
Accrued management fee		220,884	301,624
Amount due to Manager		531,904	1,057,361
Amount due to Trustee		12,369	16,891
Amount due to brokers		-	447,825
Other payables and accruals		35,177	31,262
TOTAL LIABILITIES		1,673,657	8,342,081
NET ASSET VALUE OF THE FUND		207,651,943	287,128,149
EQUITY			
Unit holders' capital		203,155,098	294,875,262
Retained earnings/(accumulated losses)		4,496,845	(7,747,113)
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		207,651,943	287,128,149
NUMBER OF UNITS IN CIRCULATION	10	415,865,225	595,862,134
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		0.4993	0.4819

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	Note	Unit holders' capital	Retained earnings/ (accumulated losses)	Total
		RM	RM	RM
Balance as at 1 June 2020		294,875,262	(7,747,113)	287,128,149
Movement in unit holders' contribution:				
Creation of units from applications		44,017,154	-	44,017,154
Creation of units from distributions		13,013,756	-	13,013,756
Cancellation of units		(148,751,074)	-	(148,751,074)
Distributions				
(Gross/Net: 2.57 sen)	5	-	(13,340,566)	(13,340,566)
Total comprehensive income for the financial year		-	25,584,524	25,584,524
Balance as at 31 May 2021		203,155,098	4,496,845	207,651,943
Balance as at 1 June 2019		386,089,877	11,656,735	397,746,612
Movement in unit holders' contribution:				
Creation of units from applications		76,354,057	-	76,354,057
Creation of units from distributions		16,947,389	-	16,947,389
Cancellation of units		(184,516,061)	-	(184,516,061)
Distributions				
(Gross/Net: 2.49 sen)	5	-	(17,228,973)	(17,228,973)
Total comprehensive loss for the financial year		-	(2,174,875)	(2,174,875)
Balance as at 31 May 2020		294,875,262	(7,747,113)	287,128,149

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	Note	2021	2020
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		142,818,337	117,363,745
Payments for purchase of investments		(75,180,969)	(27,689,599)
Net realised gain on forward foreign currency contracts		20,054,453	342,301
Other income		48,287	31,170
Interest income received from deposits with licensed financial institutions		143,150	99,006
Interest income received from unquoted fixed income securities		13,548,462	20,596,393
Management fee paid		(3,356,337)	(4,443,424)
Trustee fee paid		(187,955)	(248,831)
Payment for other fees and expenses		(105,500)	(120,187)
Net realised foreign exchange loss		(1,293,824)	(227,319)
Net cash generated from operating activities		<u>96,488,104</u>	<u>105,703,255</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from units created		44,396,072	75,981,445
Payments for cancellation of units		(149,276,531)	(186,216,054)
Distribution paid		(326,810)	(281,584)
Net cash used in financing activities		<u>(105,207,269)</u>	<u>(110,516,193)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(8,719,165)	(4,812,938)
EFFECTS OF FOREIGN EXCHANGE DIFFERENCES			
		10,624	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR			
		<u>18,309,397</u>	<u>23,122,335</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR			
	8	<u>9,600,856</u>	<u>18,309,397</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss, except as disclosed in this summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with the MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note K.

- a. Standards, amendments to published standards and interpretations that are effective:

The Fund has applied the following amendments for the first time for the financial year beginning on 1 June 2020:

Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108) effective 1 January 2020.

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements for general purposes make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments also:

- clarify that an entity assesses materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the similar effect as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of 'primary users of financial statements for general purpose' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on financial statements for much of the financial information they need.

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 June 2020 that have a material effect on the financial statements of the Fund.

- b. Standards, amendments and interpretation that have been issued but not yet effective and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 June 2020 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

B. INCOME RECOGNITION

Interest income from short term deposit with licensed financial institution is recognised on the accrual basis using the effective interest rate method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income from unquoted fixed income securities including amortisation of premium and accretion of discount are recognised using the effective interest method.

Gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on cost adjusted basis for accretion of discount or amortisation of premium.

Exit fee income is a redemption fee charged to unit holders on cancellation of units before the maturity date and is recognised upon cancellation of units.

C. TAXATION

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable income earned during the financial year.

Tax on interest income from foreign unquoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

D. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency as the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

E. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions in the Fund are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those measured at amortised cost

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies amount due from Manager, amount due from brokers, other receivables and cash and cash equivalents as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund's classifies accrued management fee, amount due to Manager, amount due to Trustee, amount due to brokers and other payables and accruals as financial liabilities measured at amortised cost.

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when the obligation under the liabilities are extinguished; i.e when the obligation specified in the contract is discharged or cancelled or expired.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the financial year in which they arise. Any unrealised gains however are not distributable.

Derivative investments are forward foreign currency contracts. Financial derivative position will be "marked to market" at the close of each valuation day.

Foreign exchange gains and losses on the derivative financial instrument are recognised in statement of comprehensive income when settled or at date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest rate method over the period from the date of placement to the date of maturity of the respective deposits.

Unquoted fixed income securities are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the Securities Commission as per the Securities Commission's (the "SC") Guidelines on Unit Trust Funds. Unquoted fixed income securities denominated in foreign

currencies are revalued on a daily basis by reference to the price obtained by Reuters. Where Reuters prices are not available on valuation day, these unquoted fixed income securities will be valued by reference to the average indicative yield quoted by three independent and reputable financial institutions.

Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA or the Reuters price for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- i. records its basis for using a non-BPA price or the Reuters price;
- ii. obtains necessary internal approvals to use the non-BPA price or the Reuters price; and
- iii. keeps an audit trail of all decisions and basis for adopting the market yield.

Financial assets and other financial liabilities are subsequently carried at amortised cost using the effective interest rate method.

- iii. Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 months expected credit losses as any such impairment would be wholly insignificant to the Fund.

- iv. Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

- v. Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

vi. Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

G. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposit with licensed financial institution that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

H. UNIT HOLDERS' CAPITAL

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net assets value;
- the units are the most subordinated class and class features are identical;
- there are no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

I. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss and accounted for in accordance with the accounting policy set out in Note F to the financial statements.

J. DISTRIBUTIONS

A distribution to the Fund's unit holders is accounted for a deduction from realised reserves. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

K. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents on the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC's Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

1. INFORMATION ON THE FUND

Eastspring Investments Global Target Income Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 15 December 2015 (the “Deed”) entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund was launched on 18 July 2016 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund seeks to achieve its objective by investing in bonds such as rated bonds, non-rated bonds and/or bonds rated below investment grade globally including Malaysia. Non-rated bonds are bonds that have not received a credit rating from one or more of the major credit rating agencies. The Fund’s investments may also include liquid assets.

The main objective of the Fund is endeavours to provide regular income.

All investments will be subject to the Securities Commission’s (the “SC”) Guidelines on Unit Trust Funds, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Manager is a company incorporated in Malaysia and is related to Prudential Plc., a public listed company in the United Kingdom. The principal activity of the Manager is the establishment and management of unit trust funds and asset management.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to market risk (inclusive of price risk, interest rate risk and foreign exchange/currency risk), country risk, fund management risk, liquidity risk, non-compliance risk, capital risk and credit/default risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed.

Financial instruments of the Fund are as follows:

	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Total
		RM	RM	RM	RM
2021					
Cash and cash equivalents	8	9,600,856	-	-	9,600,856
Unquoted fixed income securities	7	-	197,642,334	-	197,642,334
Forward foreign currency contracts at fair value through profit or loss	9	-	1,952,091	(873,323)	1,078,768
Amount due from Manager		130,319	-	-	130,319
		<u>9,731,175</u>	<u>199,594,425</u>	<u>(873,323)</u>	<u>208,452,277</u>
2020					
Cash and cash equivalents	8	18,309,397	-	-	18,309,397
Unquoted fixed income securities	7	-	257,823,381	-	257,823,381
Forward foreign currency contracts at fair value through profit or loss	9	-	9,416,376	(6,487,118)	2,929,258
Amount due from Manager		509,237	-	-	509,237
Amount due from brokers		9,261,998	-	-	9,261,998
Other receivables		149,841	-	-	149,841
		<u>28,230,473</u>	<u>267,239,757</u>	<u>(6,487,118)</u>	<u>288,983,112</u>

All liabilities except for forward foreign currency contracts are financial liabilities which are carried at amortised cost.

Market risk

i. Price risk

Price risk is the risk that fair value of the investment in unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's net asset value and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and asset allocation whereby the unquoted fixed income securities exposure will be reduced in the event of anticipated market weakness.

The table below shows assets of the Fund as at 31 May which are exposed to price risk:

	2021	2020
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities*	197,642,334	257,823,381

* Includes interest receivable of RM2,801,212 (2020: RM3,386,560).

The following table summarises the sensitivity of the Fund's net asset value and profit/(loss) after tax to movements in prices of unquoted fixed income securities at the end of the reporting financial year. The analysis is based on the assumptions that the market price of the unquoted fixed income securities increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities having regard to the historical volatility of the prices.

% Change in price	Market value	2021		2020	
		Increase/ (decrease) in profit after tax and net asset value	Market value	Increase/ (decrease) in loss after tax and net asset value	Market value
	RM	RM	RM	RM	RM
+5%	204,583,178	9,742,056	267,158,662	12,721,841	
-5%	185,099,066	(9,742,056)	241,714,980	(12,721,841)	

ii. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund's investments in deposit with licensed financial institution are short term in nature. Therefore, exposure to interest rate fluctuations is minimal.

The table below summarises the sensitivity of the Fund's profit/(loss) after tax and net asset value to movements in pricing of unquoted fixed income securities and money market instruments held by the Fund at the end of the reporting financial year as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

	2021	2020
% Change in interest rate of unquoted fixed income securities	Impact on profit after tax/change in net asset value	Impact on loss after tax/change in net asset value
	RM	RM
+1%	(381,745)	(571,741)
-1%	384,378	574,328

iii. Foreign exchange/Currency risk

As the Fund may invest its assets in unquoted fixed income securities denominated in a wide range of currencies other than Ringgit Malaysia ("RM"), the net asset value of the Fund expressed in RM may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between RM and such other currencies. The risk is minimised through investing in a wide range of foreign currencies denominated assets and thus, diversifying the risk of single currency exposure.

In the normal course of investment, the Manager will usually not hedge foreign currency exposure. The Manager may however, depending on prevailing market circumstances at particular point in time, choose to use forward or swap contracts for hedging and risk reduction purposes.

The following table sets out the foreign exchange/currency risk concentrations and counterparties of the Fund.

	Unquoted fixed income securities	Forward foreign currency contracts	Cash and cash equivalents	Total
	RM	RM	RM	RM
<u>2021</u>				
SGD	43,105,823	(546,070)	906,169	43,465,922
USD	138,851,528	1,624,838	1,368,443	141,844,809
	<u>181,957,351</u>	<u>1,078,768</u>	<u>2,274,612</u>	<u>185,310,731</u>
<u>2020</u>				
SGD	57,791,136	5,030,869	2,960,350	65,782,355
USD	189,089,940	(2,101,611)	2,911,280	189,899,609
	<u>246,881,076</u>	<u>2,929,258</u>	<u>5,871,630</u>	<u>255,681,964</u>

The table below summarises the sensitivity of the Fund's profit/(loss) after tax and net asset value to changes in foreign exchange movements at the end of the reporting financial year. The analysis is based on the assumption that the foreign exchange rate changes by 5% with all variables remain constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate having regard to historical volatility of this rate.

Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	Impact on profit/(loss) after tax	Impact on net asset value
	%	RM	RM
<u>2021</u>			
SGD	5	2,173,296	2,173,296
USD	5	7,092,240	7,092,240
<u>2020</u>			
SGD	5	3,289,118	3,289,118
USD	5	9,494,980	9,494,980

Country risk

A unit trust fund that invests in foreign countries may experience more rapid and extreme changes in value than a unit trust fund that invests exclusively in Malaysia. Nationalisation, expropriation or confiscatory, taxation, currency blockage, political changes or diplomatic developments could adversely affect a unit trust fund's investments in a foreign country. In the event of nationalisation, expropriation or other confiscation, a unit trust fund could lose its entire investment in foreign countries. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. Careful consideration shall be given to risk factors such as liquidity, political and economic environment before any investments are made in a foreign country.

Fund management risk

There is the risk that the Manager may not adhere to the investment mandate of the Funds. With close monitoring by the investment committee, back office system being incorporated with limits and controls, and regular reporting to the senior management team, the management company is able to manage such risk. The Trustee has an oversight function over management of the Fund by the management company to safeguard the interests of unit holders.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise bank balances, deposit with licensed financial institution and other instruments which are capable of being converted into cash within 7 days.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	Between 1 month to 1 year	More than 1 year	Total
	RM	RM	RM	RM
2021				
Forward foreign currency contracts at fair value through profit or loss	-	-	873,323	873,323
Accrued management fee	220,884	-	-	220,884
Amount due to Manager	531,904	-	-	531,904
Amount due to Trustee	12,369	-	-	12,369
Other payables and accruals	-	35,177	-	35,177
Contractual undiscounted cash outflows	<u>765,157</u>	<u>35,177</u>	<u>873,323</u>	<u>1,673,657</u>

2020

Forward foreign currency contracts at fair value through profit or loss	-	6,487,118	-	6,487,118
Accrued management fee	301,624	-	-	301,624
Amount due to Manager	1,057,361	-	-	1,057,361
Amount due to Trustee	16,891	-	-	16,891
Amount due to brokers	447,825	-	-	447,825
Other payables and accruals	-	31,262	-	31,262
Contractual undiscounted cash outflows	<u>1,823,701</u>	<u>6,518,380</u>	<u>-</u>	<u>8,342,081</u>

Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund are not compliant to the rules set out in the Fund's constitution or the laws that govern the Fund or applicable internal control procedures, or acts of fraudulence or dishonesty.

Non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the Manager.

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM203,155,098 (2020: RM294,875,262) and retained earnings/(accumulated losses) of RM4,496,845 (2020: RM(7,747,113)). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Credit/Default risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of interest, principals and proceeds from realisation of investments. In the case of the Fund, both the Manager and the External Fund Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the Deed.

The credit risk arising from placements of deposit in licensed financial institution is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC's Guidelines on Unit Trust Funds.

The Fund seeks to mitigate credit/default risk by investing in high quality fixed income securities and entering into forward foreign currency contracts with reputable counterparties.

The following table sets out the credit risk concentrations and counterparties of the Fund.

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Amount due from Manager	Amount due from brokers	Other receivables	Total
	RM	RM	RM	RM	RM	RM
2021						
Financial Services						
- AA1	3,598,357	-	-	-	-	3,598,357
- AA2	6,002,499	-	-	-	-	6,002,499
Unquoted fixed income securities						
- A	-	719,278	-	-	-	719,278
- A-	-	1,679,938	-	-	-	1,679,938
- A-1	-	1,789,702	-	-	-	1,789,702
- A-2	-	2,533,276	-	-	-	2,533,276
- A-3	-	3,875,688	-	-	-	3,875,688
- AA	-	824,625	-	-	-	824,625
- AA3 (S)	-	10,572,505	-	-	-	10,572,505
- B	-	4,345,275	-	-	-	4,345,275
- B+	-	865,638	-	-	-	865,638
- B2	-	10,200,533	-	-	-	10,200,533
- B3	-	2,216,953	-	-	-	2,216,953
- Ba2	-	4,257,289	-	-	-	4,257,289
- Ba3	-	2,984,688	-	-	-	2,984,688
- Baa2	-	13,730,399	-	-	-	13,730,399
- Baa3	-	60,987,835	-	-	-	60,987,835
- BB	-	16,059,871	-	-	-	16,059,871
- BB-	-	818,196	-	-	-	818,196
- BB+	-	1,587,878	-	-	-	1,587,878
- BBB	-	711,792	-	-	-	711,792
- BBB-	-	5,300,510	-	-	-	5,300,510
- BBB+	-	7,549,531	-	-	-	7,549,531

	Cash and cash equivalents		Financial assets at fair value through profit or loss		Amount due from Manager		Amount due from brokers		Other receivables		Total	
	RM		RM		RM		RM		RM		RM	
2021												
- Ca	-		3,832,691		-		-		-		3,832,691	
- Caa1	-		1,866,360		-		-		-		1,866,360	
- CCC	-		560,867		-		-		-		560,867	
- NR	-		37,771,016		-		-		-		37,771,016	
Forward foreign currency contracts												
- AAA	-		1,952,091		-		-		-		1,952,091	
Other												
- NR	-		-		130,319		-		-		130,319	
	9,600,856		199,594,425		130,319		-		-		209,325,600	

	Cash and cash equivalents	Financial assets at fair value through profit or loss		Amount due from Manager		Amount due from brokers		Other receivables		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	
2020										
Financial Services										
- AAA	12,003,534	-	-	-	-	-	-	-	-	12,003,534
- AA1	6,305,863	-	-	-	-	-	-	-	-	6,305,863
Unquoted fixed income securities										
- A-3	-	881,456	-	-	-	-	-	-	-	881,456
- AA3 (S)	-	10,942,305	-	-	-	-	-	-	-	10,942,305
- B+	-	3,131,034	-	-	-	-	-	-	-	3,131,034
- B	-	14,457,324	-	-	-	-	-	-	-	14,457,324
- B-	-	6,774,177	-	-	-	-	-	-	-	6,774,177
- B3	-	2,023,901	-	-	-	-	-	-	-	2,023,901
- Ba3	-	6,617,674	-	-	-	-	-	-	-	6,617,674
- Baa2	-	905,595	-	-	-	-	-	-	-	905,595
- Baa3	-	37,881,107	-	-	-	-	-	-	-	37,881,107
- BB+	-	45,068,741	-	-	-	-	-	-	-	45,068,741
- BB	-	11,140,890	-	-	-	-	-	-	-	11,140,890
- BBB+	-	19,626,365	-	-	-	-	-	-	-	19,626,365
- BBB	-	31,932,323	-	-	-	-	-	-	-	31,932,323
- BBB-	-	21,900,837	-	-	-	-	-	-	-	21,900,837
- CCC+	-	4,393,525	-	-	-	-	-	-	-	4,393,525
- NR	-	40,146,127	-	-	-	-	-	-	-	40,146,127
Forward foreign currency contracts										
- AAA	-	9,416,376	-	-	-	-	-	-	-	9,416,376
Other										
- NR	-	-	-	509,237	9,261,998	149,841	-	-	-	9,921,076
	18,309,397	267,239,757	509,237	9,261,998	149,841	295,470,230				

None of these assets are past due or impaired.

Fair value estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets traded in active market (such as traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

i. Fair value hierarchy

The following table analyses financial instruments carried at fair value by valuation method.

The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy of the Fund's financial assets and financial liabilities (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
2021				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	- 197,642,334		- 197,642,334	
Forward foreign currency contracts	- 1,952,091		- 1,952,091	
	<u>- 199,594,425</u>		<u>- 199,594,425</u>	
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	- 873,323		- 873,323	
2020				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	- 257,823,381		- 257,823,381	
Forward foreign currency contracts	- 9,416,376		- 9,416,376	
	<u>- 267,239,757</u>		<u>- 267,239,757</u>	
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	- 6,487,118		- 6,487,118	

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2, which include unquoted fixed income securities and forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note F to the financial statements.

- ii. The carrying value of cash and cash equivalents, amount due from Manager, amount due from brokers, other receivables and all liabilities, except for forward foreign currency contracts, are a reasonable approximation of their fair values due to their short term nature.

3. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 2.00% per annum of the net asset value of the Fund accrued and calculated on a daily basis.

For the financial year ended 31 May 2021, the Management fee is recognised at a rate of 1.25% (2020: 1.25%) per annum on the net asset value of the Fund, calculated on daily basis.

There will be no further liability to the Manager in respect of the management fee other than the amounts recognised above.

4. TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.20% per annum of the net asset value of the Fund, subject to a minimum fee of RM15,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 31 May 2021, the Trustee fee is recognised at a rate of 0.07% (2020: 0.07%) per annum on the net asset value of the Fund, excluding foreign custodian charges, calculated on daily basis.

There will be no further liability to the Trustee in respect of the trustee fee other than the amounts recognised above.

5. DISTRIBUTIONS

	2021	2020
	RM	RM
Distribution to unit holders are from the following sources:		
Interest income	12,893,149	16,290,995
Net realised gain on sale of investments	<u>3,490,816</u>	<u>6,614,617</u>
Gross realised income	16,383,965	22,905,612
Less: Expenses	<u>(3,043,399)</u>	<u>(5,676,639)</u>
	<u>13,340,566</u>	<u>17,228,973</u>
Gross distribution per unit (sen)	<u>2.57</u>	<u>2.49</u>
Net distribution per unit (sen)	<u>2.57</u>	<u>2.49</u>
Ex-Date	26 June 2020 & <u>22 December 2020</u>	8 July 2019 & <u>26 December 2019</u>

Gross distribution is derived using total income less total expenses. The distribution is made from current and prior financial years' realised income.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

During the financial year ended 31 May 2021, the Fund incurred an unrealised losses of RM1,949,072 (2020: RM17,080,182).

6. TAXATION

	2021	2020
	RM	RM

Tax charged for the financial year:

Current taxation

-

-

The numerical reconciliation between profit/(loss) before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	2021	2020
	RM	RM
Profit/(loss) before taxation	25,584,524	(2,174,875)
Tax at Malaysian statutory rate of 24% (2020: 24%)	6,140,286	(521,970)
Tax effects of:		
Investment income not subject to tax	(6,996,713)	(601,278)
Expenses not deductible for tax purposes	67,163	84,582
Restriction on tax deductible expenses for Unit Trust Funds	789,264	1,038,666
Taxation	-	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities	197,642,334	257,823,381
Net loss on financial assets at fair value through profit or loss:		
Realised loss on disposals	(1,422,098)	(1,205,500)
Change in unrealised fair value loss	(109,206)	(4,515,820)
	(1,531,304)	(5,721,320)

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%

Bond

4.375% AES Panama Generation Holdings S.R.L. 31.5.2030 (Baa3)	200,000	838,300	845,110	0.41
2.70% AIA Group Limited 31.12.2099 (A-2)	200,000	832,139	837,417	0.40
2.40% Airport Authority Hong Kong 31.12.2099 (AA)	200,000	824,508	824,625	0.40
5.95% APL Realty Holdings Pte Ltd 2.6.2024 (B3)	700,000	3,160,479	2,216,953	1.07
5.20% Ara Asset Management Limited 19.7.2022 (NR)	3,250,000	10,312,358	10,393,001	5.01

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
4.50% CCB Life Insurance Company Limited 21.4.2022 (Baa3)	3,400,000	15,064,074	14,120,331	6.80
3.425% CCCI Treasure Limited 21.11.2024 (Baa2)	200,000	849,728	831,625	0.40
7.65% Central China Real Estate Limited 27.8.2023 (BB-)	200,000	875,832	818,196	0.39
4.25% Chalco Hong Kong Investment Company Limited 7.11.2021 (BBB+)	1,000,000	4,198,624	4,155,832	2.00
8.125% Champion Sincerity Holding Limited 8.2.2022 (Ba3)	300,000	1,264,538	1,305,236	0.63
7.50% China Evergrande Group 28.6.2023 (B2)	1,400,000	6,183,644	5,132,405	2.47
8.75% China Evergrande Group 28.6.2025 (B2)	1,500,000	6,658,180	5,068,128	2.44
2.85% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A-2)	200,000	822,826	845,931	0.41

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
3.08% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A-2)	200,000	823,732	849,928	0.41
3.15% Chouzhou International Investment Ltd 11.8.2023 (Baa3)	200,000	845,935	834,412	0.40
3.875% CNAC HK Finbridge Company Limited 19.6.2029 (A-)	200,000	941,890	831,578	0.40
3.50% CNAC HK Finbridge Company Limited 19.7.2022 (A-)	200,000	824,224	848,360	0.41
4.875% CNOOC Nexen Finance (2014) ULC 30.4.2044 (A-1)	200,000	1,151,914	944,359	0.45
4.30% Coastal Emerald Limited 1.8.2024 (A-3)	200,000	835,416	830,033	0.40
4.875% Commerzbank Aktiengesellschaft 1.3.2022 (BB+)	500,000	1,601,169	1,587,878	0.76
6.60% Country Garden Real Estate Sdn Bhd 23.2.2023 (AA3 (S))	10,000,000	10,128,183	10,572,505	5.09

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
2.95% DIB Sukuk Limited 16.1.2026 (A-3)	500,000	2,160,422	2,181,739	1.05
4.85% Elect Global Investments Limited 25.8.2023 (A-3)	200,000	844,662	863,916	0.42
3.068% Empresa De Los Ferrocarriles Del Estado 18.8.2050 (A)	200,000	845,437	719,278	0.35
3.939% ESIC Sukuk Limited 30.7.2024 (Baa3)	2,600,000	10,793,915	11,362,048	5.47
4.50% First Abu Dhabi Bank PJSC 31.12.2099 (Baa3)	200,000	836,571	881,696	0.42
4.00% Franshion Brilliant Limited 21.6.2024 (BBB-)	600,000	2,575,300	2,626,409	1.26
6.25% Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd 2.8.2021 (BBB+)	400,000	1,718,884	1,693,169	0.82
3.87% Gobierno DeLa Republica De Panama 23.7.2060 (Baa2)	400,000	1,764,819	1,665,153	0.80

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
3.50% Guangxi Communications Investment Group Co., Ltd 17.9.2022 (Baa2)	200,000	847,648	832,071	0.40
3.375% Hong Kong Red Star Macalline Universal Home Furnishing Limited 21.9.2022 (BB)	300,000	1,262,501	1,136,513	0.55
6.375% HSBC Holdings Plc 30.3.2025 (Baa3)	500,000	2,050,927	2,304,821	1.11
6.375% HSBC Holdings Plc 17.9.2024 (Baa3)	2,000,000	8,234,834	9,135,211	4.40
6.00% HSBC Holdings Plc 22.5.2027 (Baa3)	500,000	2,163,092	2,272,768	1.09
4.70% HSBC Holdings Plc 6.8.2022 (Baa3)	2,000,000	6,333,618	6,507,869	3.13
6.25% HSBC Holdings Plc 23.3.2023 (Baa3)	500,000	1,981,831	2,203,839	1.06
2.0314% Huarong Finance 2017 Co., Ltd 27.4.2022 (Baa2)	400,000	1,467,133	1,210,909	0.58
3.625% Huarong Finance II Co., Ltd 22.11.2021 (BBB)	200,000	773,761	711,792	0.34
5.875% Indika Energy Capital III Pte Ltd 9.11.2021 (Ba3)	400,000	1,739,645	1,679,452	0.81
7.375% Kondor Finance Plc 19.7.2022 (B)	500,000	2,174,877	2,163,105	1.04

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
3.75% Landesbank Baden-Wuerttemberg 18.5.2022 (Baa2)	750,000	2,241,302	2,351,538	1.13
5.25% Li & Fung Limited 3.11.2021 (BB)	5,000,000	21,305,573	14,923,358	7.19
7.00% Lippo Malls Indonesia Retail Trust 27.9.2021 (NR)	9,750,000	29,985,094	22,265,537	10.72
3.905% Malaysian Banking Berhad 29.10.2021 (Baa2)	500,000	2,243,437	2,091,794	1.01
3.151% Malaysia Government 15.5.2023 (NR)	5,000,000	5,094,402	5,112,478	2.46
2.21% MAR Sukuk Limited 2.9.2025 (A-1)	200,000	839,104	845,343	0.41
6.95% Modernland Overseas Pte Ltd 13.4.2024 (Ca)	2,300,000	10,380,805	3,832,691	1.85
3.625% Nan Fung Treasury Limited 27.8.2030 (Baa3)	500,000	2,098,041	2,103,426	1.01
5.00% Pakuwon Prima Pte Ltd 14.2.2024 (Ba2)	500,000	2,218,622	2,145,730	1.03
6.00% PT Alam Sutera Realty TBK 2.11.2024 (Caa1)	394,000	1,602,543	1,311,164	0.63

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
4.75% PT Indonesia Asahan Aluminium (Persero) 15.5.2025 (Baa2)	200,000	859,978	904,458	0.44
8.25% Rail Capital Markets Plc 9.7.2024 (B)	500,000	2,195,020	2,182,170	1.05
5.60% Shimao Property Holdings Limited 15.7.2023 (BBB-)	400,000	1,712,173	1,803,219	0.87
4.60% Shimao Property Holdings Limited 13.7.2030 (BBB-)	200,000	870,993	870,882	0.42
7.00% Sri Lankan Airlines Limited 25.6.2024 (CCC)	200,000	515,756	560,867	0.27
3.70% Taiyuan Longcheng Development Investment Group Co., Ltd (Baa3)	2,000,000	8,661,332	8,416,304	4.05
3.75% Thaioil Treasury Center Company Limited 18.6.2050 (Baa2)	1,000,000	4,334,988	3,842,851	1.85
5.625% The Bank of East Asia Limited 18.5.2022 (Ba2)	500,000	2,176,186	2,111,559	1.02

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%

Bond (continued)

6.20% The Democratic Socialist Republic of Sri Lanka 11.5.2027 (Caa1)	200,000	869,840	555,196	0.27
4.00% Xian Municipal Infrastructure Construction Investment Group Corporation Ltd 24.6.2022 (BBB+)	400,000	1,697,509	1,700,530	0.82
8.30% Zhenro Properties Group Limited 15.9.2023 (B+)	200,000	874,350	865,638	0.42
	<u>67,744,000</u>	<u>222,384,618</u>	<u>197,642,334</u>	<u>95.17</u>

**ACCUMULATED
UNREALISED LOSS
ON FINANCIAL
ASSETS AT FAIR
VALUE THROUGH
PROFIT OR LOSS**

(24,742,284)

**TOTAL FAIR VALUE OF
FINANCIAL ASSETS
AT FAIR VALUE
THROUGH
PROFIT OR LOSS**

197,642,334

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond				
8.50% Agile Group Holdings Ltd 18.7.2020 (BB)	300,000	1,299,730	1,383,539	0.48
11.50% Alam Synergy Pte Ltd 26.6.2020 (CCC+)	388,371	1,659,719	1,352,018	0.47
5.95% APL Realty Holdings Pte Ltd 2.6.2021 (CCC+)	1,200,000	5,385,558	3,041,507	1.06
5.20% Ara Asset Management Limited 19.7.2022 (NR)	5,250,000	16,650,504	15,255,259	5.31
4.50% CCB Life Insurance Company Limited 21.4.2022 (BBB)	3,400,000	15,067,865	13,757,356	4.79
4.25% Chalco Hong Kong Investment Company Limited 7.11.2021 (BBB+)	4,500,000	18,792,273	19,626,365	6.84
8.125% Champion Sincerity Holding Limited 8.2.2022 (Ba3)	300,000	1,266,244	1,330,226	0.46
7.50% China Evergrande Group 28.6.2023 (B)	1,400,000	6,193,596	5,166,748	1.80
8.75% China Evergrande Group 28.6.2025 (B)	1,500,000	6,670,620	5,309,726	1.85

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
4.30% Coastal Emerald Limited 1.8.2024 (A-3)	200,000	836,056	881,456	0.31
4.875% Commerzbank AG 1.3.2022 (BB+)	3,500,000	11,206,207	9,941,830	3.46
6.60% Country Garden Real Estate Sdn Bhd 23.2.2023 (AA3 (S))	10,000,000	10,103,159	10,942,305	3.81
3.939% ESIC Sukuk Limited 30.7.2024 (Baa3)	400,000	1,669,810	1,624,316	0.57
4.00% Franshion Brilliant Limited 21.6.2024 (BBB-)	1,000,000	4,309,018	4,408,775	1.54
3.375% Hong Kong Red Star Macalline Universal Home Furnishing Ltd 21.9.2022 (BB)	300,000	1,261,578	1,126,305	0.39
6.375% HSBC Holdings Plc 30.3.2025 (Baa3)	500,000	2,053,022	2,231,271	0.78
6.375% HSBC Holdings Plc 17.9.2024 (Baa3)	5,000,000	20,597,013	22,172,626	7.72
6.00% HSBC Holdings Plc 22.5.2027 (BBB)	1,100,000	4,759,169	4,744,849	1.65
4.70% HSBC Holdings Plc 6.8.2022 (BBB)	2,500,000	7,915,421	7,703,180	2.68
6.25% HSBC Holdings Plc 23.3.2023 (Baa3)	1,000,000	3,966,295	4,374,570	1.52

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
5.875% Indika Energy Capital III Pte Ltd				
9.11.2021 (Ba3)	1,200,000	5,172,068	4,411,515	1.54
5.25% Li & Fung Limited				
3.11.2021 (BB+)	5,000,000	21,081,639	14,101,335	4.91
7.00% Lippo Malls Indonesia Retail Trust				
27.9.2021 (NR)	9,750,000	29,911,374	24,890,868	8.67
6.875% LLPL Capital Pte Ltd				
4.2.2039 (Baa3)	480,650	2,019,731	2,242,119	0.78
4.638% MAF Sukuk Ltd				
14.5.2029 (BBB)	400,000	1,662,607	1,754,842	0.61
3.905% Malayan Banking Berhad				
29.10.2021 (BBB)	500,000	2,238,769	2,209,913	0.77
4.625% Minejasa Capital B.V.				
10.8.2030 (Baa3)	300,000	1,303,188	1,314,450	0.46
5.625% Minejasa Capital B.V.				
10.8.2037 (Baa3)	400,000	1,742,943	1,772,488	0.62
6.95% Modernland Overseas Pte Ltd				
13.4.2021 (B-)	2,300,000	10,557,530	5,863,853	2.04
5.50% Nan Fung Treasury (II) Limited				
29.11.2020 (BB+)	5,000,000	21,464,168	21,025,576	7.32
5.00% Pakuwon Prima Pte Ltd				
14.2.2021 (BB)	1,500,000	6,886,189	6,508,448	2.27

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
4.75% PT Indonesia Asahan Aluminium (Persero) 15.5.2025 (Baa2)	200,000	858,591	905,595	0.32
4.625% Resorts World Las Vegas LLC 16.4.2029 (BBB-)	600,000	2,448,368	2,473,074	0.86
5.60% Shimao Property Holdings Limited 15.7.2023 (BBB-)	400,000	1,703,330	1,824,736	0.64
4.75% Sino-Ocean Land Treasure IV Limited 14.10.2029 (Baa3)	500,000	2,048,081	2,149,267	0.75
7.00% Sri Lankan Airlines Limited 25.6.2024 (B-)	200,000	448,518	436,993	0.15
7.75% SSMS Plantation Holdings Pte Ltd 23.1.2021 (B3)	900,000	3,762,732	2,023,901	0.70
7.875% Sunac China Holdings Limited 15.2.2021 (B+)	700,000	2,950,951	3,131,034	1.09
5.625% The Bank of East Asia Limited 18.5.2022 (BB)	500,000	2,176,411	2,122,598	0.74
6.20% The Democratic Socialist Republic of Sri Lanka 11.5.2027 (B-)	200,000	869,993	473,331	0.16

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
6.125% Turkiye Garanti Bankasi AS 24.5.2022 (B)	1,000,000	4,326,175	3,980,850	1.39
5.00% Westpac Banking Corporation 21.9.2027 (BBB-)	3,000,000	12,588,791	13,194,252	4.60
5.25% Wisdom Glory Group Ltd 19.7.2020 (Ba3)	200,000	875,109	875,933	0.31
4.00% Xian Municipal Infrastructure Construction Investment Group Corporation Ltd 24.6.2022 (BBB)	400,000	1,696,346	1,762,183	0.61
	<u>79,369,021</u>	<u>282,456,459</u>	<u>257,823,381</u>	<u>89.80</u>

**ACCUMULATED
UNREALISED LOSS
ON FINANCIAL
ASSETS AT FAIR
VALUE THROUGH
PROFIT OR LOSS**
(24,633,078)
**TOTAL FAIR VALUE
OF FINANCIAL
ASSETS AT FAIR
VALUE THROUGH
PROFIT OR LOSS**
257,823,381

The effective weighted average rate of return of unquoted fixed income securities per annum as at the date of the statement of financial position are as follows:

	2021	2020
	%	%
Unquoted fixed income securities	6.38	9.18

8. CASH AND CASH EQUIVALENTS

	2021	2020
	RM	RM
Bank balances with a licensed bank	3,598,357	6,305,863
Deposit with licensed financial institution	6,002,499	12,003,534
	9,600,856	18,309,397

The currency exposure profile of cash and cash equivalents are as follows:

	2021	2020
	RM	RM
- MYR	7,326,244	12,437,767
- SGD	906,169	2,960,350
- USD	1,368,443	2,911,280
	9,600,856	18,309,397

The effective weighted average interest rate of short term deposit with licensed financial institution per annum as at the date of the statement of financial position are as follows:

	2021	2020
	%	%
Deposit with licensed financial institution	1.90	2.15

The deposit has an average maturity of 1 day (2020: 1 day).

9. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 25 (2020: 28) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM126,205,195 (receivable) and RM70,649,400 (payable) (2020: RM227,469,531 (receivable) and RM206,515,190 (payable)). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in SGD and USD. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward foreign currency contracts is recognised immediately in the statement of comprehensive income.

10. UNITS IN CIRCULATION

	2021	2020
	No. of units	No. of units
At the beginning of the financial year	595,862,134	774,572,147
Creation of units during the financial year:		
Arising from applications	87,917,215	147,236,566
Arising from distributions	26,035,958	32,610,228
Cancellation of units during the financial year	(293,950,082)	(358,556,807)
At the end of the financial year	415,865,225	595,862,134

11. TRANSACTIONS WITH DEALERS

Details of transactions with the top 10 dealers are as follows:

Name of dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
<u>2021</u>				
Citigroup Global Markets Inc.	24,307,352	13.60	-	-
SGX Bond Trading Pte Ltd	21,107,272	11.81	-	-
Mizuho Securities Asia Ltd	17,617,019	9.86	-	-
HSBC Singapore	16,931,821	9.47	-	-
JP Morgan Securities Ltd	14,217,786	7.95	-	-
Marketaxess Capital Limited	12,444,963	6.96	-	-
First Abu Dhabi Bank P.J.S.C	10,745,760	6.01	-	-
CSI Global Markets Limited	8,530,000	4.77	-	-
Nomura International Plc	6,378,188	3.57	-	-
DBS Bank Limited	5,874,391	3.29	-	-
Others	40,595,611	22.71	-	-
	<u>178,750,163</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2020</u>				
HSBC Singapore	21,693,180	14.28	-	-
SGX Bond Trading Pte Ltd	12,550,347	8.26	-	-
Morgan Stanley And Co. International Plc	12,144,033	7.99	-	-
Merrill Lynch International Ltd	11,664,999	7.68	-	-
JP Morgan Securities Ltd	9,361,101	6.16	-	-
Mitsubishi	9,020,070	5.94	-	-
Mizuho Securities Asia Ltd	8,563,596	5.64	-	-
Nomura International Plc	8,345,326	5.49	-	-
Barclays Capital Inc	7,711,471	5.08	-	-
Standard Chartered Bank	6,751,496	4.44	-	-
Others	44,117,889	29.04	-	-
	<u>151,923,508</u>	<u>100.00</u>	-	-

All dealers highlighted above are not related to the Manager.

12. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties and their relationship with the Fund are as follows:

Related parties	Relationship
Eastspring Investments Berhad	The Manager
Prudential Plc	Ultimate holding company of the Manager
Eastspring Investments Group Private Limited	Immediate holding company of the Manager
Director of Eastspring Investments Berhad	Director of the Manager

Units held by Manager:

	2021		2020	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	2,379	1,188	2,262	1,090

The above units were transacted at the prevailing market price.

The units are held legally and beneficially by the Manager and are within the prescribed limit allowed by SC's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the Directors or parties related to the Manager.

In addition to the related parties disclosure mentioned in the financial statements, there were no other significant related parties transactions and balances.

13. MANAGEMENT EXPENSE RATIO ("MER")

	2021	2020
	%	%
MER	1.36	1.36

MER is derived from the following calculation:

$$\text{MER} = \frac{(A + B + C + D + E)}{F} \times 100$$

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses

F = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM262,133,691 (2020: RM345,209,650).

14. PORTFOLIO TURNOVER RATIO ("PTR")

	2021	2020
PTR (times)	0.35	0.22

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisitions for the financial year} + \text{total disposals for the financial year}) \div 2}{\text{Average net asset value of the Fund for the financial year calculated on a daily basis}}$$

where:

total acquisitions for the financial year = RM74,733,144 (2020: RM28,137,424)

total disposals for the financial year = RM107,240,562 (2020: RM123,786,084)

15. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of COVID-19, both domestically and globally, could result in the deterioration of the Fund's net asset value in the future.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 15 July 2021.

CORPORATE DIRECTORY

THE MANAGER

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