

# EASTSPRING INVESTMENTS TARGET INCOME FUND 12

## INTERIM REPORT

FOR THE FINANCIAL PERIOD FROM 26 OCTOBER 2020  
(LAUNCH DATE) TO 31 AUGUST 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 Interim Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 August 2021.**

You may also download these reports from our website at [www.eastspring.com/my](http://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 flourish at the end.

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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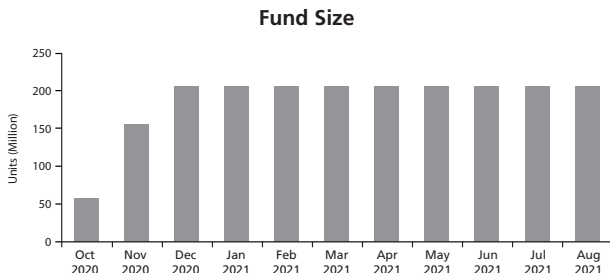
## FUND INFORMATION

<b>Name of Fund</b>	<p>Eastspring Investments Target* Income Fund 12 (the “Fund”)</p> <p>* The Fund aims (i.e.Target) to distribute income on an annual basis from the coupon payments received from the bonds investments.</p>
<b>Fund Category/ Type</b>	Bond (close-ended)/income
<b>Fund Objective</b>	<p>The Fund endeavours to provide regular income** during the tenure of the Fund.</p> <p>** Income declared will be paid out either by way of E-payment (i.e. telegraphic, online transfer or other forms of electronic payment) according to Unit Holders’ instructions in the account opening form.</p>
<b>Termination Date</b>	10 December 2023
<b>Duration of the Fund</b>	Three (3) years close-ended bond fund
<b>Performance Benchmark</b>	<p>3-year Maybank fixed deposit rate as at Commencement Date.</p> <p>Please note that investors may obtain information on the benchmark from the Manager upon request.</p> <p>As the Fund will invest in local and foreign markets across various bonds of different ratings, the risk profile of the Fund is not the same as the risk profile of the performance benchmark.</p>
<b>Fund Income Distribution Policy</b>	Subject to the availability of income, distribution of income, if any, will be on annual basis, after deduction of taxation and expenses.

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 31 August 2021, the size of Eastspring Investments Target Income Fund 12 stood at 203.976 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	178	19.67	604	0.30
5,001 to 10,000 units	207	22.87	1,942	0.95
10,001 to 50,000 units	357	39.45	10,082	4.94
50,001 to 500,000 units	156	17.24	21,409	10.50
500,001 units and above	7	0.77	169,938	83.31
<b>Total</b>	<b>905</b>	<b>100.00</b>	<b>203,975</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	Since commencement 10.12.2020 to 31.8.2021
	(%)
Unquoted fixed income securities	85.55
Derivatives	(0.59)
Cash and other assets	15.04
<b>Total</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	207,617
Units In Circulation (Units '000)	203,976
Net Asset Value Per Unit (RM)	1.0179
Highest Net Asset Value Per Unit (RM)	1.0179
Lowest Net Asset Value Per Unit (RM)	0.9963
Total Return (%)	
- Capital Growth	1.73
- Income Distribution	-
Total Return (%)	1.73
Gross Distribution Per Unit (RM)	-
Net Distribution Per Unit (RM)	-
Management Expense Ratio (MER) (%)	0.07
Portfolio Turnover Ratio (PTR) (times)	0.72

## KEY PERFORMANCE DATA (CONTINUED)

	Since commencement 10.12.2020 to 31.8.2021
	(%)

Average total return 2.39

Year ended	Since commencement 10.12.2020 to 31.8.2021
	(%)

Annual total return 1.73

**Source:** The above total return of the Fund was sourced from Lipper for Investment Management.

**Bases of calculation and assumptions made in calculating returns:**

$$\begin{aligned} \text{Percentage growth} &= \frac{\text{NAV}_t - 1}{\text{NAV}_0} \\ \text{NAV}_t &= \text{NAV at the end of the period} \\ \text{NAV}_0 &= \text{NAV at the beginning of the period} \\ \text{Performance annualised} &= (1 + \text{Percentage Growth})^{1/n} - 1 \\ &\quad \text{Adjusted for unit split and distribution paid out for the period} \\ n &= \text{Number of years} \end{aligned}$$

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

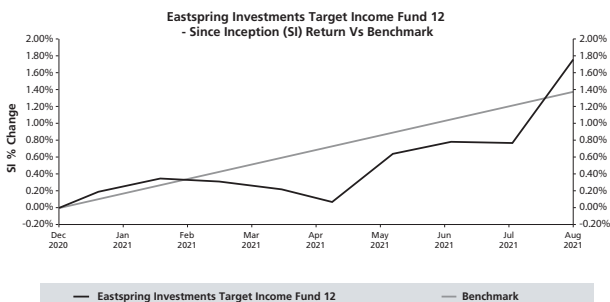
# MANAGER'S REPORT

## Fund Performance

Since inception, the Fund registered a return of 1.73%, outperforming the benchmark return of 1.38% by 0.35%.

The Fund produced returns that were largely within expectation over the period under review, notwithstanding mounting market pressures in recent months among China high-yield (HY) credits. Duration detracted slightly from performance due to rising risk-free rates over the period, although this was largely mitigated by the Fund's short duration.

The Fund's Chinese bond holdings were resilient on the whole, bucking the weak market trend. Positive credit selection effects from Chinese financials and industrials credits, and robust returns from Chinese quasi-sovereign bonds, overshadowed losses from Chinese real estate bonds. Metals & mining and oil & gas credits were notable return contributors, buoyed by robust commodity and energy prices this year. Accrual income from the Fund's bond investments and term deposits also supported its performance.





## MANAGER'S REPORT (CONTINUED)

### Fund Performance (continued)

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

**Benchmark:** 3-year Maybank fixed deposit rate as at the Commencement Date.

**Fund performance is sourced from Lipper for Investment Management, 31 August 2021 and the benchmark is obtainable from Eastspring Investments Berhad upon request.**

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

## MANAGER'S REPORT (CONTINUED)

### Analysis of Fund Performance

For the financial period ended 31 August 2021:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	1.73	1.73	1.38

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

### Distribution/ Unit Split

No distribution or unit split were declared for the financial period ended 31 August 2021.

### Investment Strategy During the Period Under Review

As this is a close-ended bond fund with a fixed tenure, the Fund will be managed primarily with a semi-active management strategy. The Fund's bond investments will be typically held to maturity. At the maturity of these debt securities held by the Fund, the issuers will be obligated to pay the face value of the bonds, provided there is no occurrence of credit events e.g. default.

Nevertheless, the Fund Manager continues to monitor the Fund's investments and may trade and rebalance its investments under the following scenarios:

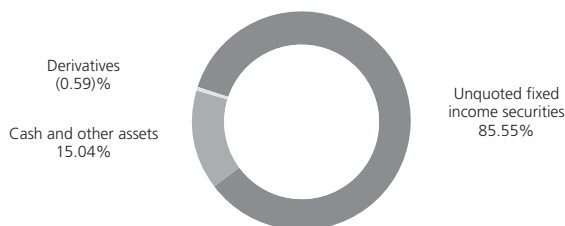
- Increased default risk and/or uptrend interest rate concerns;
- Hedging transactions in the event that the sale of the security at risk is not possible; and
- Reinvesting proceeds from maturing securities.

## MANAGER'S REPORT (CONTINUED)

## Asset Allocation

Asset Allocation	31-Aug 2021	Changes
	(%)	(%)
Unquoted fixed income securities	85.55	85.55
Derivatives	(0.59)	(0.59)
Cash and other assets	15.04	15.04

## Asset Allocation as at 31 August 2021



During the period under review, as the Fund employs hedging, the negative derivative position was due to the mark to market effect of the Fund's derivative holdings.

## 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. There were no cross-trades executed for the period from 26 October 2020 to 28 February 2021. The investment committee for the Fund has reviewed that such trades for the period from 1 March 2021 to 30 June 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 1 July 2021 to 31 August 2021.

## MARKET REVIEW

After the strong returns of last year, inflation worries and concerns over central banks pulling back their exceptional policy support took hold in financial markets in early 2021, sending two- and ten-year US Treasury ("UST") yields during the first quarter to their highest levels since before the onset of COVID-19. Market gauges of inflation expectations surged to the highest in more than a decade, as worries grew over whether aggressive fiscal easing by the Biden administration would lead to runaway inflation.

Although the tussle between economic optimism and inflation concern persisted over the subsequent months, long-term UST yields fell steadily, a sign that the first-quarter surge perhaps went too far, too quickly. The Federal Reserve surprised markets in June by bringing forward its forecasts for raising interest rates, anticipating two rate hikes by the end of 2023. Short-maturity yields rose after the Fed's June meeting, with two-year UST yields closing August at 0.21%, up from 0.12% at the start of the year. Long-term bond yields nonetheless largely resumed their downward consolidation, as market participants interpreted the Fed hawkish pivot as reducing the risk of a sustained rise in US inflation.

Asian and emerging economies rebounded strongly from last year's pandemic-induced recession during the period under review, although recent data highlighted the variegated recovery path of individual countries. Southeast Asian countries face near-term headwinds from being one of the worst-hit regions by the spread of the delta variant and their generally higher focus on domestic consumption and contact-intensive services segments, while high trade-to-GDP economies like South Korea and Singapore benefit from resilient external demand. The mutating nature of COVID-19 continues to be a source of uncertainty on global growth outlook, but the speed of vaccination in Asian and emerging countries has accelerated, and the world has become more used to thinking of the virus as being endemic.

China is showing signs of a more balanced and stable, albeit slowing, growth after the record expansion in the first quarter. The country's economic activity expanded 5.5% in the second quarter on a two-year average growth basis, which took out base effects from last-year's pandemic. Consumer spending picked up as retail sales increased 13.9% in the second quarter and 12.1% in June from a year earlier, both topping forecasts.

China's economic growth is likely to weaken moving forward as the government sticks to its COVID-zero approach and amid tightening regulatory curbs on the country's property and other private sectors. But Beijing's counter-cyclical easing measures should lessen the impact of these growth headwinds. The People's Bank of China in July cut the reserve requirement ratio, the amount of cash most banks must hold in reserve, by 50 bps. Besides loosening monetary policy, China's authorities signalled that they will unleash fiscal support for the economy, during the quarterly Politburo economic meeting in the same month.

Asian and emerging-markets ("EM") USD bonds posted returns of 1.11% and 1.91% respectively over the period under review, as proxied by the JP Morgan Asia Credit Index and Emerging Markets Bond Index Global Diversified. Turkish bonds were an unexpected outperformer among EM bonds, despite the country's surprising replacement of its central bank governor in March, which spurred a steep fall in the lira. In Asia, Chinese bonds underperformed following the selloff in Chinese high-yield real estate credits. Risk sentiment towards highly leveraged Chinese developers soured following the default of China Fortune Land and amidst news reports about a liquidity crunch at China Evergrande Group. Indonesian and Indian dollar bonds, on the other hand, were among outperformers amid an improving COVID situation in the two countries.

## REBATES AND SOFT COMMISSIONS

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

# EASTSPRING INVESTMENTS TARGET INCOME FUND 12

## UNAUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 26 OCTOBER 2020  
(LAUNCH DATE) TO 31 AUGUST 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 14 to 60 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 August 2021 and of its financial performance, changes in equity and cash flows for the financial period from 26 October 2020 (launch date) to 31 August 2021 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: 8 October 2021

## TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS TARGET INCOME FUND 12

We have acted as Trustee for Eastspring Investments Target Income Fund 12 (the "Fund") for the financial period from 26 October 2020 (date of launch) to 31 August 2021. To the best of our knowledge, for the financial period 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.

For Deutsche Trustees Malaysia Berhad

**Soon Lai Ching**

Senior Manager, Trustee Operations

**Gerard Ang**

Chief Executive Officer

Kuala Lumpur

Date: 8 October 2021



# UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 26 OCTOBER 2020  
(LAUNCH DATE) TO 31 AUGUST 2021

	Note	Financial period from 26.10.2020 (launch date) to 31.8.2021
		RM
<b>INVESTMENT INCOME</b>		
Interest income from deposits with licensed financial institutions		1,012,022
Interest income from unquoted fixed income securities		3,822,205
Exit fee income		1,563
Net loss on financial assets at fair value through profit or loss	6	(149,747)
Net loss on forward foreign currency contracts		(1,195,044)
Net foreign currency exchange gain		288,154
		<u>3,779,153</u>
<b>EXPENSES</b>		
Trustee fee	4	(89,344)
Audit fee		(7,428)
Tax agent fee		(2,912)
Other expenses		(38,742)
		<u>(138,426)</u>
<b>PROFIT BEFORE TAXATION</b>		3,640,727
<b>TAXATION</b>	5	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>3,640,727</u>
Profit after taxation is made up of the following:		
Realised amount		4,374,325
Unrealised amount		(733,598)
		<u>3,640,727</u>

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

# UNAUDITED STATEMENT OF FINANCIAL POSITION

## AS AT 31 AUGUST 2021

	Note	Financial period from 26.10.2020 (launch date) to 31.8.2021
		RM
<b>ASSETS</b>		
Cash and cash equivalents	7	32,817,657
Financial assets at fair value through profit or loss	6	177,632,035
Forward foreign currency contracts at fair value		
through profit or loss	8	342,992
Tax recoverable		5,803
<b>TOTAL ASSETS</b>		<u>210,798,487</u>
<b>LIABILITIES</b>		
Forward foreign currency contracts at fair value		
through profit or loss	8	1,538,036
Amount due to Trustee		10,533
Amount due to brokers		1,600,505
Other payables and accruals		32,606
<b>TOTAL LIABILITIES</b>		<u>3,181,680</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>207,616,807</u>
<b>EQUITY</b>		
Unit holders' capital		203,976,080
Retained earnings		3,640,727
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>207,616,807</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>203,975,723</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.0179</u>

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

# UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 26 OCTOBER 2020  
(LAUNCH DATE) TO 31 AUGUST 2021

	Unit holders' capital	Retained earnings	Total
	RM	RM	RM
Balance as at 26 October 2020 (launch date)	-	-	-
Movement in unit holders' contribution:			
Creation of units from applications	206,039,470	-	206,039,470
Cancellation of units	(2,063,390)	-	(2,063,390)
Total comprehensive income for the financial period	-	3,640,727	3,640,727
Balance as at 31 August 2021	203,976,080	3,640,727	207,616,807

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

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 26 OCTOBER 2020

(LAUNCH DATE) TO 31 AUGUST 2021

	Financial period from 26.10.2020 (launch date) to 31.8.2021
Note	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Proceeds from sale of investments	112,223,262
Payments for purchase of investments	(286,993,741)
Interest income received from deposits with licensed financial institutions	1,012,022
Interest income received from unquoted fixed income securities	2,411,407
Exit fees income received	1,563
Trustee fee paid	(78,811)
Payment for other fees and expenses	(16,476)
Tax paid	(5,803)
Net realised foreign currency exchange gain	288,209
Net cash used in operating activities	<u>(171,158,368)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash proceeds from units created	206,039,470
Payments for cancellation of units	<u>(2,063,390)</u>
Net cash generated from financing activities	<u>203,976,080</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	32,817,712
<b>EFFECTS OF FOREIGN EXCHANGE DIFFERENCES</b>	(55)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD (LAUNCH DATE)</b>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	7 <u>32,817,657</u>

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL PERIOD FROM 26 OCTOBER 2020  
(LAUNCH DATE) TO 31 AUGUST 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 period. 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 period beginning on 26 October 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, financiers 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 period beginning on 26 October 2020 that have a material effect on the financial statements of the Fund.

- b. Standards, amendments and interpretations 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 26 October 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 deposits with licensed financial institutions is recognised on an 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 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 period.

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 period-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 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 classifies 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” including the effects of currency translation 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 period in which they arise.

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 security 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 period.

## **G. CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits with licensed financial institutions 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 asset 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 period 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 net asset value 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. AMOUNT DUE FROM/(TO) BROKERS**

Amount due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amount due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12 months expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

**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 UNAUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 26 OCTOBER 2020  
(LAUNCH DATE) TO 31 AUGUST 2021

## 1. INFORMATION ON THE FUND

Eastspring Investments Target Income Fund 12 (the “Fund”) was constituted pursuant to the execution of a Deed dated 25 August 2020 entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund was launched on 26 October 2020 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund is a 3-years close-ended bond fund, in which, to achieve its objective, the Fund will invest a minimum of 70% of the Fund's NAV in local and/or foreign bonds. Not more than 40% of the Fund's NAV may be invested either in non-rated bonds and/or bonds rated below investment grade by RAM, MARC or other rating agencies (i.e. lower than BBB3 rating by RAM or its equivalent rating by MARC or below investment grade rating by other rating agencies) while the remainder will be invested in investment grade bonds. Non-rated bonds are bonds that have not received a credit rating from one or more of the abovementioned credit rating agencies. Although the Fund is expected to invest up to 40% of the Fund's NAV in non-rated bonds and/or bonds rated below investment grade, there is a risk that this limit may be exceeded if investment grade bonds held within the portfolio were downgraded to below investment grade. This may result in the Fund being exposed to higher credit risk. In the event the 40% limit is exceeded, the External Investment Manager will rectify such breach within a reasonable period of not more than three (3) months by disposing of the non-rated bonds and/or bonds rated below investment grade to 40% of the Fund's NAV. In addition, up to 30% of the Fund's NAV may be invested in liquid assets.

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

All investments will be subjected 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
<u>2021</u>					
Cash and cash equivalents	7	32,817,657	-	-	32,817,657
Unquoted fixed income securities	6	-	177,632,035	-	177,632,035
Forward foreign currency contracts at fair value through profit or loss	8	-	342,992	(1,538,036)	(1,195,044)
		<u>32,817,657</u>	<u>177,975,027</u>	<u>(1,538,036)</u>	<u>209,254,648</u>

All liabilities except 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 August which are exposed to price risk:

	2021
	RM
Financial assets at fair value through profit or loss:	
Unquoted fixed income securities*	<u>177,632,035</u>

\* Includes interest receivable of RM2,064,794.

The following table summarises the sensitivity of the Fund's net asset value and profit after tax to movements in prices of unquoted fixed income securities at the end of the reporting financial period. 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	Impact on profit after tax/net asset value
	RM	RM
<u>2021</u>		
+5%	184,345,603	8,778,362
-5%	166,788,879	(8,778,362)

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 net asset value 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 net asset value 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 benchmarked against interest rates. 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 deposits with licensed financial institutions are short term in nature. Therefore, exposure to interest rate fluctuations is minimal.

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to movements in pricing of unquoted fixed income securities held by the Fund at the end of the reporting financial period 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
<b>% Change in interest rate of unquoted fixed income securities</b>	<b>Impact on profit after tax/net asset value</b>
	<b>RM</b>
+1%	(196,074)
-1%	197,633

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.

	<b>Unquoted fixed income securities</b>	<b>Forward foreign currency contracts</b>	<b>Cash and cash equivalents</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2021</u>				
SGD	2,329,003	15,947	772,216	3,117,166
USD	111,051,854	(1,210,991)	13,286,973	123,127,836
	<u>113,380,857</u>	<u>(1,195,044)</u>	<u>14,059,189</u>	<u>126,245,002</u>

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements at the end of the reporting financial period. 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.

	<b>Change in foreign exchange rate</b>	<b>Impact on profit after tax</b>	<b>Impact on net asset value</b>
	<b>%</b>	<b>RM</b>	<b>RM</b>
<u>2021</u>			
SGD	5	155,858	155,858
USD	5	6,156,392	6,156,392

### 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 management company may not adhere to the investment mandate of the respective 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, deposits with licensed financial institutions 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
<b>2021</b>				
Forward foreign currency contracts at fair value through profit or loss	-	-	1,538,036	1,538,036
Amount due to Trustee	10,533	-	-	10,533
Amount due to brokers	1,600,505	-	-	1,600,505
Other payables and accruals	-	32,606	-	32,606
Contractual undiscounted cash outflows	1,611,038	32,606	1,538,036	3,181,680

### 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 RM203,976,080 and retained earnings of RM3,640,727. 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 deposits with licensed financial institutions 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 unquoted 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	Total
	RM	RM	RM
<b>2021</b>			
Financial Services			
- AA1	17,810,925	-	17,810,925
- AA2	15,006,732	-	15,006,732
Unquoted fixed income securities			
- AAA IS	-	15,817,258	15,817,258
- AA3	-	5,067,945	5,067,945
- AA1 (S)	-	17,783,293	17,783,293
- AA1	-	10,300,493	10,300,493
- A-2	-	2,559,044	2,559,044
- A-1	-	829,562	829,562
- A-	-	2,553,065	2,553,065
- BBB+	-	5,072,466	5,072,466
- Baa2	-	4,645,002	4,645,002
- BBB	-	1,670,390	1,670,390
- Baa3	-	11,605,053	11,605,053
- BBB-	-	9,381,363	9,381,363
- Ba2	-	2,545,586	2,545,586
- Ba1	-	3,230,880	3,230,880
- Ba3	-	8,016,969	8,016,969

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Total
	RM	RM	RM
<u>2021 (continued)</u>			
- BB+	-	12,653,879	12,653,879
- BB-	-	10,073,746	10,073,746
- B+	-	4,098,428	4,098,428
- B2	-	14,242,756	14,242,756
- B3	-	3,337,674	3,337,674
- B	-	2,584,219	2,584,219
- B-	-	840,868	840,868
- Caa2	-	595,111	595,111
- NR	-	28,126,985	28,126,985
Forward foreign currency contracts			
- AAA	-	342,992	342,992
	<u>32,817,657</u>	<u>177,975,027</u>	<u>210,792,684</u>

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 period 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 period 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 (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2021</u>				
Financial assets at fair value through profit or loss since inception:				
Unquoted fixed income securities	-	177,632,035	-	177,632,035
Forward foreign currency contracts	-	342,992	-	342,992
	-	177,975,027	-	177,975,027
Financial liabilities at fair value through profit or loss since inception:				
Forward foreign currency contracts	-	1,538,036	-	1,538,036

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, these 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 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 0.40% per annum of the net asset value of the Fund accrued and calculated on a daily basis.

For the financial period ended 31 August 2021, the management fee is recognised at a rate of 0.40% 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 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 0.06% 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 period ended 31 August 2021, the Trustee fee is recognised at a rate of 0.06% 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. TAXATION

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	RM

Tax charged for the financial period:

Current taxation

-

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

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	RM
Profit before taxation	3,640,727
Tax at Malaysian statutory rate of 24%	873,774
Tax effects of:	
Investment income not subject to tax	(906,997)
Expenses not deductible for tax purposes	31,440
Restriction on tax deductible expenses for Unit Trust Funds	1,783
Taxation	-



## 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	RM
Financial assets at fair value through profit or loss at inception:	
Unquoted fixed income securities	177,632,035
Net loss on financial assets at fair value through profit or loss:	
Realised loss on disposals	(611,247)
Change in unrealised fair value gain	461,500
	(149,747)

### Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.8.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
4.40% 1MDB Global Investments Limited 9.3.2023 (NR)	1,000,000	4,054,342	4,278,704	2.06
4.65% Abu Dhabi National Energy Company P.J.S.C 3.3.2022 (AA1)	10,000,000	10,092,139	10,300,493	4.96
5.375% AIMS APAC REIT Limited 31.12.2099 (NR)	250,000	772,825	772,025	0.37
7.75% Aydem Yenilenebilir Enerji Anonim Sirketi 2.2.2027 (B+)	200,000	839,962	829,955	0.40

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.8.2021	Percentage of net asset value of the Fund
				%
3.875% Bluestar Finance Holdings Limited 31.12.2099 (Baa3)	600,000	2,442,515	2,560,415	1.23
4.30% Cagamas Berhad 27.10.2023 (AAA IS)	15,000,000	15,654,823	15,817,258	7.62
3.425% CCCI Treasure Limited Limited 21.11.2024 (Baa2)	200,000	814,015	849,383	0.41
7.75% Central China Real Estate Limited 24.5.2024 (BB-)	200,000	801,981	661,378	0.32
4.25% Chalco Hong Kong Investment Company Limited 7.11.2021 (BBB+)	200,000	809,970	844,863	0.41
8.125% Champion Sincerity Holdings Limited 8.2.2022 (Ba3)	200,000	840,631	849,856	0.41
5.375% China Aoyuan Group Limited 13.9.2022 (B2)	400,000	1,643,250	1,653,828	0.80
8.50% China Aoyuan Group Limited 23.1.2022 (B2)	1,000,000	4,164,453	4,187,086	2.02
2.85% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A-2)	600,000	2,474,453	2,559,044	1.23
2.45% China Overseas Grand Oceans Finance IV (Cayman) Limited 9.2.2026 (BBB)	200,000	809,425	834,222	0.40

Unquoted fixed income securities (continued)

<b>Name of counter</b>	<b>Nominal value</b>	<b>Aggregate cost</b>	<b>Fair value as at 31.8.2021</b>	<b>Percentage of net asset value of the Fund</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>%</b>
4.25% Clean Renewable Power (Mauritius) Pte Ltd 25.3.2027 (Ba2)	200,000	821,000	859,808	0.41
3.50% CNAC (HK) Finbridge Company Limited 19.7.2022 (A-)	600,000	2,462,830	2,553,065	1.23
3.125% Country Garden Holdings Company Limited 22.10.2025 (Baa3)	200,000	825,390	834,073	0.40
4.75% Country Garden Holdings Company Limited 25.7.2022 (Baa3)	800,000	3,355,444	3,381,339	1.63
5.375% Export Credit Bank of Turkey Limited 24.10.2023 (B2)	200,000	819,120	872,726	0.42
6.95% Fantasia Holdings Group Co., Limited 17.12.2021 (B+)	200,000	821,815	731,565	0.35
7.375% Fantasia Holdings Group Co., Limited 4.10.2021 (B3)	600,000	2,513,476	2,474,588	1.19
3.25% Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd 3.11.2023 (BBB+)	400,000	1,632,937	1,683,860	0.81
4.98% GENM Capital Berhad 11.7.2023 (AA1 (S))	17,400,000	17,675,415	17,783,293	8.57

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.8.2021	Percentage of net asset value of the Fund
				%
	RM	RM	RM	
4.75% GMR Hyderabad International Airport Limited 2.2.2026 (Ba2)	200,000	808,800	834,180	0.40
3.75% HBIS Group Hong Kong Co., Limited 18.12.2022 (BBB+)	200,000	804,094	840,435	0.40
3.85% Hong Leong Assurance Berhad Limited 31.1.2030 (AA3)	5,000,000	5,009,626	5,067,945	2.44
1.979% Huarong Finance 2017 Co., Ltd 27.4.2022 (Baa3)	200,000	688,538	805,546	0.39
3.75% Huarong Finance 2017 Co., Ltd 27.4.2022 (Baa3)	200,000	824,596	831,346	0.40
2.125% Huarong Finance 2019 Co., Ltd 30.9.2023 (Baa3)	200,000	819,685	796,857	0.38
1.253% Huarong Finance 2019 Co., Ltd 24.1.2023 (Baa3)	400,000	1,635,060	1,554,433	0.75
2.875% Huarong Finance II Co., Ltd 31.12.2099 (Baa3)	200,000	831,584	841,044	0.41
3.625% Huarong Finance II Co., Ltd 22.11.2021 (BBB)	200,000	799,667	836,168	0.40
1.90% Huarong Leasing Management Hong Kong Company Limited 12.1.2022 (BBB-)	200,000	806,000	820,684	0.40

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.8.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.375% India Green Energy Holdings 29.4.2024 (Ba3)	250,000	1,064,519	1,105,713	0.53
7.375% Kondor Finance Plc 19.7.2022 (B)	400,000	1,673,419	1,726,160	0.83
5.20% KWG Group Holdings Limited 21.9.2022 (BB-)	200,000	846,248	851,244	0.41
7.875% KWG Group Holdings Limited 1.9.2023 (BB-)	400,000	1,695,604	1,760,681	0.85
7.50% LMIRT Capital Pte Ltd 9.2.2026 (B+)	200,000	806,352	868,049	0.42
6.50% Logan Group Company Limited 16.7.2023 (BB-)	600,000	2,515,689	2,563,116	1.23
7.50% Logan Group Company Limited 25.8.2022 (BB-)	400,000	1,663,389	1,701,473	0.82
4.048% Malaysia Government 30.9.2021 (NR)	15,000,000	15,026,715	15,282,189	7.36
7.25% MC Brazil Downstream Trading S.A R.L. 30.6.2031 (Ba3)	200,000	839,800	867,818	0.42
4.125% NWD Finance (BVI) Limited 31.12.2099 (NR)	200,000	826,400	848,061	0.41
4.875% Oman Sovereign Sukuk SAOC 15.6.2030 (Ba3)	200,000	823,800	879,025	0.42
7.50% Pakistan Water and Power Development Authority 4.6.2031 (B-)	200,000	826,400	840,868	0.41

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.8.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
3.90% Powerlong Real Estate Holdings Limited				
13.4.2022 (B+)	200,000	841,802	839,178	0.40
7.125% Powerlong Real Estate Holdings Limited				
8.11.2022 (B2)	400,000	1,732,235	1,740,720	0.84
4.25% PT Adaro Indonesia				
31.10.2022 (Ba1)	750,000	3,134,522	3,230,880	1.56
4.45% PT Saka Energy Indonesia				
5.5.2024 (B2)	400,000	1,502,577	1,586,111	0.76
7.875% Rail Capital Markets PLC				
15.7.2026 (B)	200,000	837,800	858,059	0.41
6.25% Republic of Turkey				
26.9.2022 (B2)	200,000	829,335	886,481	0.43
3.90% Republic of Uzbekistan				
19.10.2031 (BB-)	200,000	838,498	832,704	0.40
7.875% RKP Overseas 2019 (A) Limited				
1.2.2023 (Ba3)	800,000	3,498,268	3,445,534	1.66
5.25% Ronshine China Holdings Limited				
3.12.2021 (NR)	400,000	1,620,021	1,666,709	0.80
8.10% Ronshine China Holdings Limited				
9.12.2021 (NR)	200,000	823,666	781,929	0.38
0.946% SA Global Sukuk Limited				
17.6.2024 (A-1)	200,000	823,700	829,562	0.40
11.50% Scenery Journey Limited				
24.10.2022 (Caa2)	400,000	715,353	595,111	0.29

Unquoted fixed income securities (continued)

<b>Name of counter</b>	<b>Nominal value</b>	<b>Aggregate cost</b>	<b>Fair value as at 31.8.2021</b>	<b>Percentage of net asset value of the Fund</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>%</b>
4.80% Shandong Iron and Steel Xinheng International Company Limited 28.7.2024 (NR)	200,000	845,000	845,044	0.41
6.125% Shimao Property Holdings Limited 21.2.2022 (BBB-)	1,400,000	5,966,241	6,001,407	2.89
4.75% Shimao Property Holdings Limited 3.7.2022 (BB+)	3,000,000	12,532,652	12,653,879	6.09
6.375% Shimao Property Holdings Limited 15.10.2021 (BBB-)	600,000	2,454,341	2,559,272	1.23
3.29% Sime Darby Plantation Global Berhad 29.1.2023 (Baa2)	700,000	2,966,392	2,971,482	1.43
7.25% Sunac China Holdings Limited 14.6.2022 (BB-)	200,000	854,025	854,274	0.41
3.80% Suntec Real Estate Investment Trust 31.12.2099 (NR)	250,000	770,583	776,450	0.37
5.30% Times China Holdings Limited 20.4.2022 (BB-)	200,000	823,366	848,876	0.41
5.55% Times China Holdings Limited 4.6.2024 (B+)	200,000	827,530	829,681	0.40
5.25% Turkey Garanti Bank Inc. 13.9.2022 (B2)	200,000	833,983	876,466	0.42

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.8.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.50% Türkiye İş Bankası Anonim Şirketi 21.4.2022 (B3)	200,000	826,883	863,086	0.42
3.30% Vertex Venture Holdings Ltd 28.7.2028 (NR)	250,000	778,725	780,528	0.38
2.95% Vigorous Champion International Limited 25.2.2031 (Baa2)	200,000	803,546	824,137	0.40
4.95% West China Cement Limited 8.7.2026 (Ba2)	200,000	832,471	851,598	0.41
4.00% Xi'An Municipal Infrastructure Construction Investment Group Corporation Ltd 24.6.2022 (BBB+)	400,000	1,668,280	1,703,308	0.82
6.80% Yanlord Land (HK) Co., Limited 27.2.2022 (Ba3)	200,000	862,237	869,023	0.42
5.95% Zhenro Properties Group Limited 18.11.2021 (NR)	300,000	1,237,161	1,267,720	0.61
6.50% Zhenro Properties Group Limited 1.9.2022 (NR)	200,000	827,626	827,626	0.40



## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.8.2021	Percentage of net asset value of the Fund
	RM	RM	RM	%
7.10% Zhenro Properties Group Limited				
10.9.2024 (B2)	600,000	2,418,727	2,439,338	1.17
	<u>89,750,000</u>	<u>175,105,742</u>	<u>177,632,035</u>	<u>85.55</u>

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

2,526,293

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

177,632,035

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:

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	%
Unquoted fixed income securities	<u>3.80</u>

## 7. CASH AND CASH EQUIVALENTS

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	RM
Bank balances with a licensed bank	17,810,925
Deposit with licensed financial institution	15,006,732
	<u>32,817,657</u>

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

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	RM
- MYR	18,758,468
- SGD	772,216
- USD	13,286,973
	<u>32,817,657</u>

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

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	%
Deposit with licensed financial institution	<u>1.82</u>

The deposit has an average maturity of 1 day.

## 8. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 26 forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM57,042,578 (receivable) and RM86,084,995 (payable). The forward foreign currency contracts entered into during the financial period were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in USD and SGD. As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward foreign currency contracts is recognised immediately in the statement of comprehensive income.

## 9. UNITS IN CIRCULATION

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	No. of units
At the beginning of the launch date	-
Creation of units arising from applications during the financial period	206,037,840
Cancellation of units during the financial period	<u>(2,062,117)</u>
At the end of the financial period	<u>203,975,723</u>

## 10. TRANSACTIONS WITH DEALERS

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

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2021</u>				
BNP Paribas	51,703,181	17.77	-	-
HSBC Singapore	49,002,962	16.84	-	-
CIMB Bank Berhad	35,141,600	12.07	-	-
Hong Leong Bank Singapore	33,513,400	11.52	-	-
Nomura International Plc	20,975,688	7.21	-	-
Ambank (M) Berhad	15,283,200	5.25	-	-
Marketaxess Capital Limited	12,787,644	4.39	-	-
Merrill Lynch International Ltd	10,056,725	3.46	-	-
Goldman Sachs International London	10,014,494	3.44	-	-
Barclays Capital Inc	9,152,037	3.14	-	-
Others	43,402,007	14.91	-	-
	<u>291,032,938</u>	<u>100.00</u>	-	-

All dealers highlighted above are not related to the Manager.

## 11. 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:

	Financial period from 26.10.2020 (launch date) to 31.8.2021	
	No. of units	RM
Eastspring Investments Berhad	971	988

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.

## 12. MANAGEMENT EXPENSE RATIO ("MER")

	Financial period from 26.10.2020 (launch date) to 31.8.2021
	%
MER	<u>0.07</u>

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 period calculated on a daily basis is RM205,074,962.

### 13. PORTFOLIO TURNOVER RATIO ("PTR")

	Financial period from 26.10.2020 (launch date) to 31.8.2021
PTR (times)	<u>0.72</u>

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM288,594,249

total disposals for the financial period = RM5,123,835

### 14. COMPARATIVES

There are no comparatives as this is the Fund's first set of financial statements.

### 15. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

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 8 October 2021.

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

200001028634 (531241-U)

REGISTERED OFFICE

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BUSINESS OFFICE

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cs.my@eastspring.com

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## **TRUSTEE**

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

200701005591 (763590-H)

REGISTERED OFFICE & BUSINESS OFFICE

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FAX NO.

603-2053 7526

## **SALE & PURCHASE OF UNITS**

**Eastspring Investments Berhad**

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Persiaran TRX Barat

55188 Tun Razak Exchange

Kuala Lumpur

TELEPHONE NO.

603-2778 1000



**BRANCHES**

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**ENQUIRIES**

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