

EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



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/Interim/Quarterly Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 December 2020.

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 flourish at the end.

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

TABLE OF CONTENTS

Fund Information	1
Key Performance Data	3
Manager's Report	5
Market Review	20
Rebates and Soft Commissions	21
Statement by the Manager	24
Trustee's Report to the Unit Holders of Eastspring Investments Global Emerging Markets Fund	25
Independent Auditors' Report to the Unit Holders of Eastspring Investments Global Emerging Markets Fund	26
Statement of Comprehensive Income	30
Statement of Financial Position	31
Statement of Changes in Equity	32
Statement of Cash Flows	33
Summary of Significant Accounting Policies	34
Notes to the Financial Statements	42
Corporate Directory	65

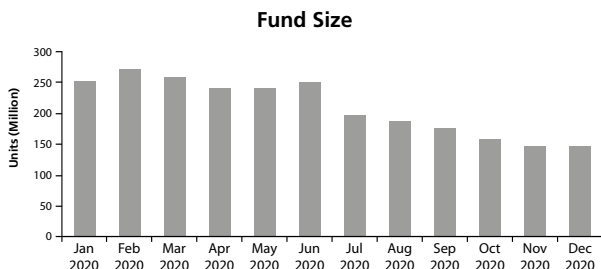
FUND INFORMATION

Name of Fund	Eastspring Investments Global Emerging Markets Fund (the "Fund")
Fund Category/Type	Feeder fund (global equity)/growth
Fund Objective	<p>The Fund seeks to achieve long-term capital growth by investing in a collective investment scheme called the Schroder International Selection Fund Emerging Markets, which in turn seeks to provide capital growth primarily through investment in equity securities of emerging markets companies.</p> <p>SHOULD THE MANAGER DECIDE TO INVEST IN ANOTHER COLLECTIVE INVESTMENT SCHEME OTHER THAN THE SCHRODER INTERNATIONAL SELECTION FUND EMERGING MARKETS FOR ANY REASON WHATSOEVER, UNIT HOLDERS' APPROVAL IS REQUIRED.</p>
Performance Benchmark	<p>The performance benchmark of the Fund is Morgan Stanley Capital International All Country Asia Pacific ex Japan Index ("MSCI EM Net TR").</p> <p>Source: www.msci.com</p> <p>Note: The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	Incidental

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 December 2020, the size of Eastspring Investments Global Emerging Markets Fund stood at 145.447 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	106	23.92	284	0.20
5,001 to 10,000 units	73	16.48	541	0.37
10,001 to 50,000 units	176	39.73	4,328	2.98
50,001 to 500,000 units	73	16.48	8,861	6.09
500,001 units and above	15	3.39	131,432	90.36
Total	443	100.00	145,446	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	2020	2019	2018
	(%)	(%)	(%)
Collective investment scheme-Foreign	97.16	99.25	98.85
Cash and other assets	2.84	0.75	1.15
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	67,421	107,639	112,998
Units In Circulation (Units '000)	145,447	274,847	344,666
Net Asset Value Per Unit (RM)	0.4635	0.3916	0.3278
Highest Net Asset Value Per Unit (RM)	0.4651	0.3988	0.4036
Lowest Net Asset Value Per Unit (RM)	0.2920	0.3471	0.3276
Total Return (%)			
- Capital Growth	18.36	18.81	(14.68)
- Income Distribution	-	-	-
Total Return (%)	18.36	18.81	(14.68)
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	1.93	1.90	1.92
Portfolio Turnover Ratio (PTR) (times)^	0.51	0.14	0.24

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

^ The high PTR was due to extreme market volatility caused by unprecedented market events in 2020 and subsequent portfolio rebalancing activities to adjust/adapt to changing market dynamics and fundamentals.

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.1.2020 to 31.12.2020	3 years 1.1.2018 to 31.12.2020	5 years 1.1.2016 to 31.12.2020
	(%)	(%)	(%)

Average total return	18.36	6.26	10.99
----------------------	-------	------	-------

Year ended	1.1.2020 to 31.12.2020	1.1.2019 to 31.12.2019	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016
	(%)	(%)	(%)	(%)	(%)

Annual total return	18.36	18.81	(14.68)	23.97	13.31
---------------------	-------	-------	---------	-------	-------

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

Bases of calculation and assumptions made in calculating returns:

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

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

For the 5-year period, the Fund recorded a return of 68.55%, underperforming the benchmark return of 71.36% by 2.81%.

During the period under review, the Fund registered a return of 18.36%, outperforming the benchmark return of 16.42% by 1.94%.

The overweight position to Korea which outperformed, contributed positively to relative returns, as did the zero weight to Saudi Arabia and underweights to Thailand, Indonesia and South Africa, all of which underperformed. South Korea was relatively successful in containing the Covid-19 pandemic via its track and trace programme. It also benefited from recovering global growth later in the year, in addition to strong performance from IT stocks. Saudi Arabia finished in positive territory but lagged by a wide margin, negatively impacted by the fall in crude oil prices. Thailand recorded a negative return as the global pandemic hit its tourist industry. The impact of Covid-19 also weighed on Indonesia's performance, amid weakness from banking stocks. This was despite progress with reforms; the omnibus law was passed in October, which incorporates a number of labour market and tax reforms.

These positives were offset by the overweight to Russia and Brazil, both of which underperformed the wider benchmark. Russia lagged due to rouble weakness, negatively impacted by crude oil price weakness and an increase in geopolitical risk. The latter related to concerns over US foreign policy under the Biden administration, the conflict in the Caucasus and links to a hack of the US government. Brazil also underperformed due to currency weakness, amid concerns over the fiscal outlook. Cash held in a rising market also detracted from relative performance.

MANAGER'S REPORT (CONTINUED)

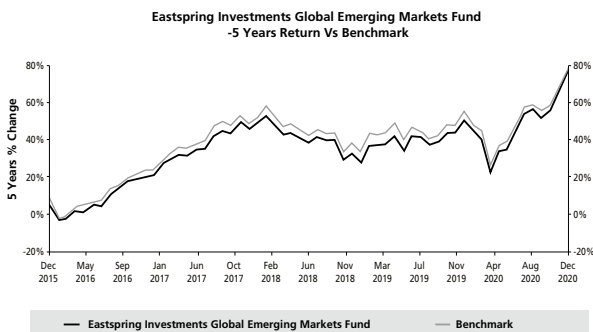
Fund Performance (continued)

Stock selection was positive in Korea (o/w Samsung SDI, LG Chemical and off-benchmark Nexon; both Samsung SDI and LG Chemical benefited from growth in electric vehicle battery demand; Nexon's stock gained as the video game publisher was defensive during the lockdown environment), Taiwan (o/w TSMC and Delta Electronics; TSMC saw improving returns and competitive advantage with more competitors cancelling leading edge investment, optimism on iPhone demand and a positive outlook for 5G; Delta Electronics gained amid a more positive outlook for the Chinese automation segment, with sales also benefitting from higher demand due to increased working from home and its fast growing EV business), South Africa (o/w Naspers; the index heavyweight held up better than the wider South African market as its holding in Chinese e-commerce and gaming company Tencent proved supportive as lockdowns reinforced demand for its services), Argentina (o/w Mercadolibre; the online marketplace operator benefitted in growth of online retail in Latin America from a low base), China (o/w Midea, Wuxi Biologics and Tencent; Midea continues to gain market share in China and overseas, supporting sales growth; Wuxi Biologics benefited from the structural growth outlook for pharmaceutical research outsourcing; Tencent continued to exhibit strong growth in gaming and better than expected advertising performance) and Russia (o/w Polyus and Yandex; Polyus benefited from higher gold prices and longer term production growth; Yandex meanwhile reached an agreement to end joint ventures with Sberbank, largely viewed as a positive after the relationship with the state owned retail bank had deteriorated). Stock selection was negative in India (u/w Reliance Industries and o/w ICICI Bank; Reliance Industries successfully de-levered after raising \$20bn from the sale of stakes in Reliance Jio; ICICI Bank underperformed in line with the Indian banking sector as concerns over asset quality deterioration crept in, despite a government led moratorium in the short term).

The fund had achieved its objective to achieve long-term capital growth.

MANAGER'S REPORT (CONTINUED)

Fund Performance (continued)



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

Benchmark: Morgan Stanley Capital International All Country Asia Pacific ex Japan Index ("MSCI EM Net TR").

Source: Lipper for Investment Management and www.msci.com, as at 31 December 2020.

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 December 2020:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	18.36	18.36	16.42

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

Distribution/ Unit Split

No distribution or unit split were declared for the financial year ended 31 December 2020.

Investment Strategy During the Period Under Review

At the start of the year, we took Poland from neutral to overweight, in line with the model. The economy is strong and valuations are reasonable. However, we applied a judgment overlay to remain at a lesser overweight than the model recommendation, owing to Swiss franc litigation risk in the banking sector and the preponderance of state-owned companies in the listed sector. We also slightly reduced the magnitude of the India underweight due to a combination of bottom-up stock opportunities. Over the quarter, as the Covid-19 virus appeared in China and then began to spread to other countries, we increased our cash position. We moved to a zero-weight position in Thailand, which the model took to underweight from neutral. The economy is materially exposed to tourism, the currency is expensive on a real effective exchange rate basis, valuations are rich and earnings revisions are negative. We reduced the magnitude of the South Korea overweight. Valuations are reasonable, the government appears to be managing the pandemic well, using a test, trace, isolate strategy and deploying fiscal stimulus, and the DRAM earnings cycle is near to trough. However, we reduced some positions that are highly exposed to global growth. We took China from neutral to a small underweight position. Despite the growth uncertainty related to the Covid-19 outbreak and trade tensions, valuations remain reasonable and stimulus is ongoing. Our move was due to bottom-up stock decisions.

MANAGER'S REPORT (CONTINUED)

Investment Strategy During the Period Under Review (continued)

During the second quarter of 2020, we reduced the magnitude of the underweight to South Africa, moving closer to the model neutral recommendation. Debt-to-GDP is elevated and rising rapidly, and reform is needed. However, valuations are attractive, the currency is cheap, and we have identified attractive stock opportunities. We increased the size of the South Korea overweight. The economy is relatively highly exposed to global growth, but valuations are attractive, and the government is providing additional fiscal support. We also increased the magnitude of the Russia overweight owing to strong stock opportunities. The changes were funded by increasing the size of the underweight to China: the country's index weight was increased following MSCI's Semi-Annual Index Review at the end of May and we moved to actual weight. We took Poland from overweight to neutral as, although valuations are reasonable, policy concerns continue to escalate. We also sold Greece and Qatar to zero, in line with the model. As a result of the above moves, cash fell slightly.

During the third quarter of 2020, we moved to overweight South Africa. The debt-to-GDP ratio is deteriorating sharply, and reform is urgently needed. However, valuations are notably attractive, and the currency is cheap, with a marked improvement in the trade balance. We also initiated a modest position in Greece. The economy has been materially impacted by Covid-19 but the EU recovery fund should be supportive, and valuations are attractive. These changes were funded by trimming the magnitude of our overweight positions in Argentina and Brazil, selling Indonesia to zero and increasing the size of our Mexico underweight, primarily as a result of bottom-up decisions. As a consequence of the above moves, the cash position fell modestly.

MANAGER'S REPORT (CONTINUED)

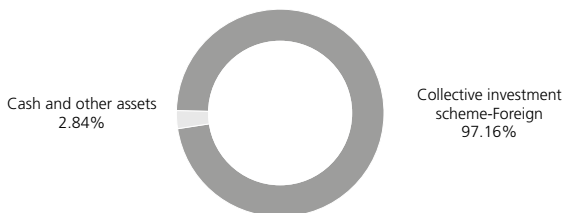
Investment Strategy During the Period Under Review (continued)

During the fourth quarter of 2020, we increased the overweight position to Taiwan. The government has been successful in managing the pandemic and the 5G cycle should be structurally supportive for the technology sector, despite some near-term concerns over end demand. We also increased the overweight position to Brazil. Valuations are reasonable and the currency is cheap. Although the fiscal deficit is large, the balance of payments is robust. These moves were funded by increasing the magnitude of the China underweight. China outperformed strongly year-to-date as the economy normalised post-lockdowns. We see better opportunities elsewhere and geopolitical tensions continue to rise. We also trimmed our overweight position to Russia.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Dec 2020	31-Dec 2019	Changes
	(%)	(%)	(%)
Collective investment scheme-Foreign	97.16	99.25	(2.09)
Cash and other assets	2.84	0.75	2.09

Asset Allocation as at 31 December 2020

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.

Effective from 15 August 2019, John Campbell Tupling has been appointed as a director on the board of directors of Eastspring Investments Berhad.

In the recently issued Eastspring Investments Fifth Supplementary Master Prospectus dated 1 October 2020, the information in relation to distribution channels, how to purchase units, purchase application and acceptance for cash, how to pay for an investment, how to redeem units, switching between funds, transfer of units, how to keep track of your investment, treatment for joint application and reinvestment policy have been revised as set out in (a) to (j) below.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

a. Distribution channels

The Fund is distributed through the Manager's head office, branch offices and Authorised Distributors. Please refer to the Directory of Sales Office and List of Distribution Channels sections at the end of this master prospectus for more information.

Should a Unit Holder wish to consider investment, subsequent investment, redemption, switching or transfer of Units, the Unit Holder must complete the relevant transaction forms which can be obtained from these distribution channels of the Manager. Upon confirming the transaction, the Unit Holder will receive a confirmation advice.

Any correspondence will ONLY be sent to the Unit Holder at the correspondence address and/or email address that is registered by the Manager as provided by the Unit Holder in the master account opening form.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

b. How to purchase units

When purchasing Units of the Fund, investors must forward the following completed documents* to the Manager:

Individual	Non-individual
<ul style="list-style-type: none"> • Master account opening form • Transaction form • Proof of payment which is acceptable by the Manager • Suitability assessment form • Certified true copy of identity card, passport or other identification 	<ul style="list-style-type: none"> • Master account opening form • Transaction form • Proof of payment which is acceptable by the Manager • Suitability assessment form • Certified true copy of board resolution • Certified true copy of latest annual return • Certified true copy of corporate structure (where applicable) • Certified true copy of identity card or passport of directors and authorised representatives • Certified true copy of form 24 / return of allotment of shares under section 78 of the Companies Act 2016 (not required for a public listed company or an entity licensed by the SC, BNM or Labuan FSA) • Certified true copy of form 49 / notification of change in the register of directors, managers and secretaries under section 58 of the Companies Act 2016

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

Individual

Non-individual

- Certified true copy of the constitution (if any)
- Certified true copy of the certificate of incorporation
- Certified true copy of form 13 / application for change of name under section 28 of the Companies Act 2016 (if applicable)
- Certified true copy of form 44 / notification of change in the registered address under section 46 of the Companies Act 2016 (if applicable)
- Personal data protection notice form for directors and authorised representatives

Note:

* *The documents listed may be subject to change from time to time.*

A Unit Holder may be required to forward to the Manager additional documents to authenticate his identification when transacting Units of the Fund. The Manager reserves the right to reject any application without providing any reason.

The Manager allows a Unit Holder the convenience of maintaining all his investments in ONE single master account regardless of the number of funds he invests with the Manager.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

c. Purchase application and acceptance for cash

2nd and 3rd paragraphs:

Note: Our approved distributors may have an earlier cut-off time for purchase of Units request.

When the purchase application is received after the cut-off time stated above, the purchase application will be deemed to have been received on the next Business Day. The Manager reserves the right to vary the terms and conditions of investment and payment modes from time to time, which shall be communicated to you in writing. The Manager reserves the right to reject any application without providing any reason. The Manager may also reject any application that is incomplete and/or not accompanied by the required documents.

d. How to pay for an investment

3rd paragraph:

Cheque can be deposited directly into the Manager's bank account by using a bank deposit slip at any branch of the Manager's principal bankers stated below. The original client's copy of the bank deposit slip (proof of payment) must be sent together with the application for Units. Unit Holders are encouraged to indicate their name and National Registration Identity Card ("NRIC") number on the bank deposit slip.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

e. How to redeem units

5th, 6th and 7th paragraphs:

Note: Our approved distributors may have an earlier cut-off time for redemption of Units request.

When the redemption application is received after the cut-off time stated above, the redemption application will be deemed to have been received on the next Business Day. The Manager reserves the right to vary the terms and conditions for redemption from time to time, which shall be communicated to you in writing.

9th paragraph:

[Deleted]

f. Switching between funds

3rd paragraph:

There is no limit on the frequency of switching and there is a minimum number of 1,000 Units for switching out of the Funds. However, the minimum switching (in or out) for Eastspring Cash Management is 10,000 Units and the minimum switching out for Eastspring Islamic Income and Eastspring Institutional Income is 10,000 Units. The Manager may at its sole discretion disallow switching into any fund which is managed by the Manager from time to time.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

7th paragraph:

Note: Our approved distributors may have an earlier cut-off time for switching of Units request.

When a switching application is received after the cut-off time stated above, the switching application will be deemed to have been received on the next Business Day. The Manager reserves the right to vary the terms and conditions of switching from time to time, which shall be communicated to you in writing.

11th paragraph:

[Deleted]

g. Transfer of units

2nd paragraph:

A transfer is subject to the minimum balance and terms and conditions applicable for the Fund. However, both the transferor and the transferee should maintain the minimum holding of Units for the Fund after a transfer is made. If the transferee does not have any account with the Manager prior to this transfer application, he must forward the completed documents listed in page 187 of this master prospectus to the Manager for account opening in addition to a transfer form.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

4th and 5th paragraphs:

Note: Our approved distributors may have an earlier cut-off time for transfer of Units request.

When the transfer application is received after the cut-off time stated above, the transfer application will be deemed to have been received on the next Business Day. The Manager reserves the right to vary the terms and conditions for transfer from time to time, which shall be communicated to you in writing.

h. How to keep track of your investment

3rd and 4th paragraphs:

A Unit Holder can also review and track the performance of his Units by checking the Unit prices published every Business Day on the Manager's website, www.eastspring.com/my.

A Unit Holder can always contact the Manager's client services personnel to assist in the following:

1. enquiry on the latest Unit price and account balance;
 2. any transaction related enquiries, for example top up investment, redemption, switching or transfer;
 3. request to change personal details, for example address or telephone no;
 4. request for confirmation advices on purchase and other transactions related to your Unit holdings, half yearly statements and copy of annual and/or interim reports; and
 5. other queries regarding the Fund's performance.
-

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

i. Treatment for joint application – under Transaction details

New paragraph added:

In the event the Units carry more than one Unit Holder's name, i.e. "Joint Application", the redemption / switching / transfer application will be signed by both joint holders. If the application specifies "Either Applicant to sign", any one Unit Holder who is eighteen (18) years old and above will have the authority to sign the application. In all cases, redemption proceeds will be paid to the principal account holder or in the names of both account holders in the register of Unit Holders.

j. Income reinvestment policy

2nd paragraph:

Should a Unit Holder elect the mode of distribution in the master account opening form or provide any written instruction to the Manager for the income distribution to be paid out, the income distribution proceeds will either be paid by cheque or credited to a Malaysian domiciled bank account via telegraphic or online transfer. Any fees or charges imposed by the bank will be borne by the Unit Holder.

MARKET REVIEW

Global equities recorded a strong return in 2020. Markets sold off sharply in the first quarter as the Covid-19 pandemic took hold. Measures to contain the virus, notably lockdowns, resulted in sharp falls in economic activity. Global central banks and governments responded with substantial monetary stimulus and fiscal support packages. This stimulus, gradual recovery in economic activity, together with optimism towards, and later on the discovery of, a Covid-19 vaccine, supported a rally in global equities. Emerging market equities posted a strong gain, with US dollar weakness also amplifying gains. The MSCI Emerging Markets Index increased in value and outperformed the MSCI World Index.

South Korea, Taiwan and China were the only index markets to outperform. Taiwan had relatively few cases of Covid-19, attributable to the government's proactive response, deploying a plan developed following the SARS outbreak in 2003. South Korea was relatively successful in containing the virus spread via its track and trace programme. Both the Taiwanese and South Korean markets also benefited from strong performance from technology stocks. China was the first country to implement lockdowns, which were successful in containing the spread of the virus. It began to lift restrictions during the northern hemisphere spring, and economic activity gradually normalised. The authorities responded with fiscal stimulus, with additional measures unveiled at the National People's Congress in May, as well as a mix of interest rate cuts. However, tensions with the US re-escalated and broadened beyond trade. This included tighter US sanctions on Chinese telecoms company Huawei, and measures against semiconductor manufacturer SMIC. President Trump announced an executive order, banning investments in companies with alleged links to the Chinese military. Meanwhile, China imposed a new security law on Hong Kong SAR which drew criticism from Western countries.

By contrast, Greece recorded a steep fall and was the weakest index market. The pandemic overshadowed the outlook for tourism, a significant contributor to GDP. Thailand underperformed on the same basis. Crude oil price declines weighed on net exporter markets Colombia and Russia, compounding the impact from Covid-19. Brazil lagged due to currency weakness, amid concerns over the fiscal outlook. Turkish equities and the lira were down as concerns over monetary policy mounted, with foreign exchange reserves continuing to ebb. This was despite some recovery towards the end as the appointment of a new central bank governor and finance minister signalled a return to policy orthodoxy. The central European markets of Poland, Hungary and the Czech Republic also lagged. India recorded a strong gain, with lower crude oil prices supportive, but underperformed. Following a strict ten-week lockdown, the economy reopened in June and activity began to normalise. The central bank eased policy and the government provided modest fiscal support. Argentina, aided by strong performance from large index stock, Globant, and Malaysia were the only other index markets to finish in positive territory.

REBATES AND SOFT COMMISSIONS

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

This page is intentionally left blank.

EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 30 to 64 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2020 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: 17 February 2021

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS FUND

We have acted as Trustee for Eastspring Investments Global Emerging Markets Fund (the "Fund") for the financial year ended 31 December 2020. 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.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Trustee Operations

Gerard Ang
Chief Executive Officer

Kuala Lumpur
Date: 17 February 2021

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Global Emerging Markets Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 December 2020, 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 December 2020, 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 30 to 64.

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: 17 February 2021

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
INVESTMENT INCOME			
Interest income from deposits with licensed financial institutions		29,099	52,385
Net gain on financial assets at fair value through profit or loss	6	12,758,688	23,547,451
Net foreign currency exchange loss		(906,648)	(417,411)
		<u>11,881,139</u>	<u>23,182,425</u>
EXPENSES			
Management fee	3	(1,471,564)	(2,147,273)
Trustee fee	4	(65,403)	(95,435)
Audit fee		(6,600)	(6,599)
Tax agent fee		(3,400)	(3,402)
Other expenses		(28,568)	(19,605)
		<u>(1,575,535)</u>	<u>(2,272,314)</u>
PROFIT BEFORE TAXATION		10,305,604	20,910,111
TAXATION	5	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>10,305,604</u>	<u>20,910,111</u>
Profit after taxation is made up of the following:			
Realised amount		5,357,103	636,812
Unrealised amount		4,948,501	20,273,299
		<u>10,305,604</u>	<u>20,910,111</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 DECEMBER 2020

	Note	2020	2019
		RM	RM
ASSETS			
Cash and cash equivalents	7	1,336,394	1,015,990
Financial assets at fair value through profit or loss	6	65,506,987	106,827,326
Amount due from Manager		1,560,812	471,463
Amount due from broker		-	4,464,775
Management fee rebate receivables		82,091	141,180
TOTAL ASSETS		68,486,284	112,920,734
LIABILITIES			
Amount due to Manager		942,016	5,075,594
Accrued management fee		99,904	170,436
Amount due to Trustee		4,440	7,575
Other payables and accruals		18,623	27,899
TOTAL LIABILITIES		1,064,983	5,281,504
NET ASSET VALUE OF THE FUND		67,421,301	107,639,230
EQUITY			
Unit holders' capital		47,958,005	98,481,538
Retained earnings		19,463,296	9,157,692
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		67,421,301	107,639,230
NUMBER OF UNITS IN CIRCULATION	8	145,447,090	274,846,846
NET ASSET VALUE PER UNIT (RM)		0.4635	0.3916

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 DECEMBER 2020

	Unit holders' capital	Retained earnings	Total
	RM	RM	RM
Balance as at 1 January 2020	98,481,538	9,157,692	107,639,230
Movement in unit holders' contribution:			
Creation of units from applications	57,525,928	-	57,525,928
Cancellation of units	(108,049,461)	-	(108,049,461)
Total comprehensive income for the financial year	-	10,305,604	10,305,604
Balance as at 31 December 2020	47,958,005	19,463,296	67,421,301
Balance as at 1 January 2019	124,750,659	(11,752,419)	112,998,240
Movement in unit holders' contribution:			
Creation of units from applications	21,723,831	-	21,723,831
Cancellation of units	(47,992,952)	-	(47,992,952)
Total comprehensive income for the financial year	-	20,910,111	20,910,111
Balance as at 31 December 2019	98,481,538	9,157,692	107,639,230

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 DECEMBER 2020

	Note	2020	2019
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		72,670,280	26,815,825
Purchase of investments		(15,335,747)	(3,027,440)
Interest income received from deposits with licensed financial institutions		29,099	52,385
Management fee paid		(1,542,096)	(2,156,151)
Management fee rebate received		1,268,358	1,770,933
Trustee fee paid		(68,538)	(95,830)
Payment for other fees and expenses		(47,844)	(31,007)
Realised foreign exchange loss		(920,772)	(411,703)
Net cash generated from operating activities		<u>56,052,740</u>	<u>22,917,012</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		56,436,579	21,572,079
Payments for cancellation of units		(112,183,039)	(44,126,665)
Net cash used in financing activities		<u>(55,746,460)</u>	<u>(22,554,586)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		306,280	362,426
EFFECT OF FOREIGN EXCHANGE DIFFERENCES			
		14,124	(5,708)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR			
		<u>1,015,990</u>	<u>659,272</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR			
	7	<u>1,336,394</u>	<u>1,015,990</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 DECEMBER 2020

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 in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), under the historical cost convention, as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with the MFRS and IFRS require 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 judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

- 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 January 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 assess 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 January 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 1 January 2020, and have 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 deposits placed with licensed financial institution is recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

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).

Realised gain or loss on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis for collective investment scheme.

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.

D. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency of 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. 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 to be 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 Fund has not taken the option to irrevocably designate any equity securities at fair value through other comprehensive income. 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, amount due from Manager, amount due from broker and management fee rebate receivables 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 Manager, accrued management fee, amount due to Trustee 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 they 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 year in which they arise.

Collective investment scheme are valued based on the last published net asset value per unit or share of such collective investment scheme or, if unavailable, on the average of the last published buying price and the last published selling price of such unit or share (excluding any sales charge included in selling in such selling price).

Foreign exchange gains and losses on the 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 financial instrument.

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

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.

F. AMOUNT DUE FROM/(TO) BROKERS

Amounts 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 amounts 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.

G. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balance and deposit with a 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. 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.

I. 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 is 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 net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

J. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS 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 judgments are continually evaluated by the Manager and the Trustee 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 Securities Commission's (the "SC") Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. INFORMATION ON THE FUND

Eastspring Investments Global Emerging Markets Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 7 December 2007 (the “Deed”), Second Supplemental Master Deed dated 30 November 2009 entered into between Eastspring Investments Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (“HSBC Trustee”). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the “Trustee”) effective 1 October 2010. A Supplemental Master Deed was entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”) on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016, Eighth Supplemental Master Deed dated 25 January 2017, Ninth Supplemental Master Deed dated 11 December 2017 and Tenth Supplemental Master Deed dated 4 June 2018 (collectively referred to as the “Deeds”).

The Fund was launched on 11 January 2008 and will continue its operations until terminated as provided under Clause 12 of the Deed.

The Fund invests in a foreign collective investment scheme primarily the Schroder International Selection Fund - Emerging Markets (the “Target Fund”), incorporated in Luxembourg.

The main objective of the Fund seeks to achieve long-term capital growth by investing in a collective investment scheme called the Schroder International Selection Fund - Emerging Markets (the “Target Fund”), which in turn seeks to provide capital growth primarily through investment in equity securities of emerging markets companies.

All investments will be subjected to the SC’s Guidelines on Unit Trust Funds, the SC requirements, the Deeds, 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 a variety of risks which include market risk (inclusive of price risk, interest rate risk and foreign exchange/currency risk), stock/issuer risk, fund management risk, liquidity risk, credit/default risk, country risk, emerging markets risk, non-compliance risk and capital 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 Deeds.

Financial instruments of the Fund are as follows:

	Note	Financial assets at amortised cost RM	Financial assets at fair value through profit or loss RM	Total RM
2020				
Cash and cash equivalents	7	1,336,394	-	1,336,394
Collective investment scheme	6	-	65,506,987	65,506,987
Amount due from Manager		1,560,812	-	1,560,812
Management fee rebate receivables		82,091	-	82,091
		<u>2,979,297</u>	<u>65,506,987</u>	<u>68,486,284</u>
2019				
Cash and cash equivalents	7	1,015,990	-	1,015,990
Collective investment scheme	6	-	106,827,326	106,827,326
Amount due from Manager		471,463	-	471,463
Amount due from broker		4,464,775	-	4,464,775
Management fee rebate receivable		141,180	-	141,180
		<u>6,093,408</u>	<u>106,827,326</u>	<u>112,920,734</u>

All liabilities are financial liabilities which are carried at amortised cost.

Market risk

i. Price risk

Price risk is the risk that the fair value of the investment in collective investment scheme 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 collective investment scheme exposure will be reduced in the event of anticipated market weakness.

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

	2020	2019
	RM	RM
Collective investment scheme designated at fair value through profit or loss	65,506,987	106,827,326

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

	2020		2019	
% Change in price	Market value	Impact on profit after tax/net asset value	Market value	Impact on profit after tax/net asset value
	RM	RM	RM	RM
+5%	68,782,336	3,275,349	112,168,692	5,341,366
-5%	62,231,638	(3,275,349)	101,485,960	(5,341,366)

ii. Interest rate risk

Interest rate is a general economic indicator that will have an impact on the management of the Fund.

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.

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

As at the end of the financial year, the Fund does not hold any other financial instruments that expose it to interest rate risk.

iii. Foreign exchange/Currency risk

As the Underlying Fund, Schroder International Selection Fund - Emerging Markets may invest its assets in securities denominated in a wide range of currencies other than Ringgit Malaysia, the net asset value of the Fund expressed in Ringgit Malaysia may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between Ringgit Malaysia and such other currencies. This 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 Fund Manager will usually not hedge foreign currency exposure. The Fund Manager may however, depending on prevailing market circumstances at a particular point in time, choose to use forward or option contracts for hedging and risk reduction purposes.

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

	Financial assets as fair value through profit or loss	Amount due from broker	Total
	RM	RM	RM
<u>2020</u>			
Euro	65,506,987	-	65,506,987
<u>2019</u>			
Euro	106,827,326	4,464,775	111,292,101

The table below summarises the sensitivity of the Fund's financial assets 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 constants. 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 price	Impact on profit after tax	Impact on net asset value
	%	RM	RM
<u>2020</u>			
Euro	5	3,275,349	3,275,349
<u>2019</u>			
Euro	5	5,564,605	5,564,605

Stock/Issuer risk

The performance of equities and money market instruments held by the Underlying Fund is also dependent on company specific factors like the issuer's business situation. If the company-specific factors deteriorate, the price of the specific security may drop significantly and permanently, possibly even regardless of an otherwise generally positive stock market trend. Risks include but are not limited to competitive operating environments, changing industry conditions and poor management.

Fund management risk

There is the risk that the management company may not adhere to the investment mandate of the respective Fund. 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 interest 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 Fund 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 cash, deposit with a 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	Total
	RM	RM	RM
2020			
Amount due to Manager	942,016	-	942,016
Accrued management fee	99,904	-	99,904
Amount due to Trustee	4,440	-	4,440
Other payables and accruals	-	18,623	18,623
Contractual undiscounted cash outflows	<u>1,046,360</u>	<u>18,623</u>	<u>1,064,983</u>
2019			
Amount due to Manager	5,075,594	-	5,075,594
Accrued management fee	170,436	-	170,436
Amount due to Trustee	7,575	-	7,575
Other payables and accruals	-	27,899	27,899
Contractual undiscounted cash outflows	<u>5,253,605</u>	<u>27,899</u>	<u>5,281,504</u>

Credit/Default risk

Credit risk refers to the ability of an issuer or a counterparty to make timely payments of interest income, principals and proceeds from realisation of investments.

The credit risk arising from placements of deposits in 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 credit/default risk is minimal as all transactions in collective investment scheme are settled/paid upon delivery using approved brokers.

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

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from Manager	Management fee rebate receivables	Total
	RM	RM	RM	RM	RM
<u>2020</u>					
Collective investment scheme					
- NR	65,506,987	-	-	-	65,506,987
Financial Services					
- AAA	-	1,290,065	-	-	1,290,065
- AA1	-	46,329	-	-	46,329
Other					
- NR	-	-	1,560,812	82,091	1,642,903
	<u>65,506,987</u>	<u>1,336,394</u>	<u>1,560,812</u>	<u>82,091</u>	<u>68,486,284</u>

	Financial assets at fair value through profit or loss					Management fee rebate receivables			Total
	RM	Cash and cash equivalents	Amount due from Manager	Amount due from broker	RM	RM	RM	RM	RM
2019									
Collective investment scheme									
- NR	106,827,326	-	-	-	-	-	-	-	106,827,326
Financial Services									
- AA1	-	1,015,990	-	-	-	-	-	-	1,015,990
Other									
- NR	-	-	471,463	4,464,775	141,180	141,180	141,180	5,077,418	
	106,827,326	1,015,990	471,463	4,464,775	141,180	141,180	141,180	112,920,734	

None of these assets are past due or impaired.

Country risk

The stock prices may be affected by the political and economic conditions of the country in which the stocks are listed. A unit trust fund that invests in foreign securities may experience more rapid and extreme changes in value than a unit trust fund that invests exclusively in securities of Malaysian companies. Nationalisation, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect a unit trust fund's investment in a foreign country. In the event of nationalisation, expropriation or other confiscation, a unit trust fund could lose its entire investment in foreign securities. Careful consideration shall be given to risk factors such as liquidity, political and economic environment before any investments are made in a foreign country.

Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated.

Emerging markets risk

Investments in securities of emerging market issuers entail significant risks in addition to those customarily associated with investing in securities of issuers in more developed markets, such as:

- i. low or non-existent trading volume, resulting in a lack of liquidity and increased volatility in prices for such securities, as compared to securities of comparable issuers in more developed capital markets;
- ii. uncertain national policies and social, political and economic instability, increasing the potential for expropriation of assets, confiscatory taxation, high rates of inflation or unfavourably diplomatic developments;
- iii. possible fluctuations in exchange rates, differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other laws or restrictions applicable to such investments;
- iv. national policies which may limit a portfolio's investment opportunities such as restrictions on investment in issuers or industries deemed sensitive to national interests; and
- v. the lack of relatively early development of legal structures governing private and foreign investments and private property.

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 RM47,958,005 (2019: RM98,481,538) and retained earnings of RM19,463,296 (2019: RM9,157,692). 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.

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 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 Fund 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.

i. Fair value hierarchy

The table below 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 judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment 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>2020</u>				
Financial assets at fair value through profit or loss:				
Collective investment scheme	65,506,987	-	-	65,506,987
<u>2019</u>				
Financial assets at fair value through profit or loss:				
Collective investment scheme	106,827,326	-	-	106,827,326

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note E to the financial statements.

- ii. The carrying value of cash and cash equivalents, amount due from Manager, amount due from broker, management fee rebate receivables and all liabilities 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 1.80% per annum on the net asset value of the Fund accrued on a daily basis for the financial year.

For the financial year ended 31 December 2020, management fee is recognised at a rate of 1.80% (2019: 1.80%) per annum on the net asset value of the Fund, calculated on a 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 0.08% per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 31 December 2020, the Trustee fee is recognised at a rate of 0.08% (2019: 0.08%) per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum, (excluding foreign custodian fees and 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

	2020	2019
	RM	RM

Tax charged for the financial year:

Current taxation - local

- -

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

	2020	2019
	RM	RM
Profit before taxation	10,305,604	20,910,111
Tax at Malaysian statutory rate of 24% (2019: 24%)	2,473,345	5,018,427
Tax effects of:		
Investment income not subject to tax	(2,851,473)	(5,563,782)
Expenses not deductible for tax purposes	23,369	28,426
Restriction on the tax deductible expenses for Unit Trust Funds	354,759	516,929
Taxation	-	-

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RM	RM
Financial assets at fair value through profit or loss:		
Collective investment scheme	65,506,987	106,827,326
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	6,615,042	1,502,289
Change in unrealised fair value gain	4,934,377	20,279,008
Management fee rebate on collective investment scheme [#]	1,209,269	1,766,154
	12,758,688	23,547,451

[#] In arriving at the fair value of collective investment scheme, the management fee initially paid to the Manager of the collective investment scheme has been considered as part of its net asset value. In order to prevent the double charging of management fee which is not permissible under SC Guidelines, management fee charged on the Fund's investments in collective investment scheme has been refunded to the Fund. Accordingly, any rebate of management fee received from the Manager of collective investment scheme is reflected as an increase in the net asset value of the collective investment scheme. The rebate of management fee is 1.50% per annum or RM1,209,269 (2019: 1.50% per annum or RM1,766,154) calculated on net asset value of Schroder International Selection Fund Emerging Markets on a daily basis.

	Quantity	Aggregate cost	Fair value as at 31.12.2020	Percentage of net asset value of the Fund
	Units	RM	RM	%
2020				
Schroder International Selection Fund Emerging Markets – Class A	793,733	49,832,946	65,506,987	97.16
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		15,674,041		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		65,506,987		

	Quantity	Aggregate cost	Fair value as at 31.12.2019	Percentage of net asset value of the Fund
	Units	RM	RM	%
2019				
Schroder International Selection Fund Emerging Markets – Class A	1,549,484	96,087,662	106,827,326	99.25
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		10,739,664		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			106,827,326	

The Target Fund is a Sub-fund of the Schroder International Selection Fund which is a SICAV (“Société d’Investissement à Capital Variable”).

Schroder International Selection Fund (“SICAV”) is an open-ended investment company organised as a “Société Anonyme” under the law of the Grand Duchy of Luxembourg and qualifies as a SICAV. The Target Fund was launched on 17 March 2006. The Investment Manager of the Target Fund is Schroder Investment Management Limited in UK.

The Target Fund seeks to provide capital growth primarily through investment in equity and equity-related securities of emerging markets companies.

7. CASH AND CASH EQUIVALENTS

	2020	2019
	RM	RM
Bank balance with a licensed bank	46,329	1,015,990
Deposit with a licensed financial institution	1,290,065	-
	<u>1,336,394</u>	<u>1,015,990</u>

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

	2020	2019
	%	%
Deposit with a licensed financial institution	<u>1.85</u>	<u>-</u>

The deposits have an average maturity of 4 days (2019: 2 days).

8. UNITS IN CIRCULATION

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	274,846,846	344,666,321
Creation of units arising from applications during the financial year	146,566,094	60,114,732
Cancellation of units during the financial year	<u>(275,965,850)</u>	<u>(129,934,207)</u>
At the end of the financial year	<u>145,447,090</u>	<u>274,846,846</u>

9. TRANSACTIONS WITH ISSUER

Details of transactions with the issuer are as follows:

Name of issuer	Value of trades	Percentage of total trades
	RM	%
<u>2020</u>		
Schroder Investment Management (Singapore) Limited	83,541,252	100.00
<u>2019</u>		
Schroder Investment Management (Singapore) Limited	32,703,917	100.00

The issuer highlighted above is not related to the Manager. There are no brokerage fees charged by the issuer.

10. 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
Director of Eastspring Investments Berhad	Director of the Manager

Units held by Manager:

	2020		2019	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,000	464	1,000	392

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 the 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.

11. MANAGEMENT EXPENSE RATIO ("MER")

	2020	2019
	%	%
MER	<u>1.93</u>	<u>1.90</u>

MER is derived from the following calculation:

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

A = Management fee (excluding management fee rebate)

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses

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

The average net asset value of the Fund for the financial year calculated on a daily basis is RM81,818,180 (2019: RM119,292,967).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2020	2019
PTR (times)	<u>0.51</u>	<u>0.14</u>

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 = RM15,335,747 (2019: RM3,027,439)

total disposals for the financial year = RM68,205,505 (2019: RM29,676,478)

13. 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.

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 17 February 2021.

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

200001028634 (531241-U)

REGISTERED OFFICE

Level 25, Menara Hong Leong

No. 6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

BUSINESS OFFICE

Level 22, Menara Prudential

Persiaran TRX Barat

55188 Tun Razak Exchange

Kuala Lumpur

TELEPHONE NO.

603-2778 3888

FAX NO.

603-2789 7220

EMAIL

cs.my@eastspring.com

WEBSITE

www.eastspring.com/my

TRUSTEE

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

200701005591 (763590-H)

REGISTERED OFFICE & BUSINESS OFFICE

Level 20, Menara IMC

No. 8, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2053 7522

FAX NO.

603-2053 7526

SALE & PURCHASE OF UNITS

Eastspring Investments Berhad

Level 22, Menara Prudential

Persiaran TRX Barat

55188 Tun Razak Exchange

Kuala Lumpur

TELEPHONE NO.

603-2778 1000

BRANCHES

Petaling Jaya

Eastspring Investments Berhad
A-17-P1 & M
Block A, Jaya One
72A, Jalan Universiti
46200 Petaling Jaya, Selangor

TELEPHONE NO.

603-7948 1288

Kota Kinabalu

Eastspring Investments Berhad
Suite E3, 9th Floor
CPS Tower, Centre Point Sabah
No. 1, Jalan Centre Point
88000 Kota Kinabalu, Sabah

TELEPHONE NO.

6088-238 613

ENQUIRIES

CLIENT SERVICES

603-2778 1000

Eastspring Investments Berhad 200001028634 (531241-U)
Level 22, Menara Prudential, Persiaran TRX Barat
55188 Tun Razak Exchange, Kuala Lumpur
T: (603) 2778 3888 F: (603) 2789 7220
eastspring.com/my

Client Services
T: (603) 2778 1000
cs.my@eastspring.com