

RHB ASIAN INCOME FUND

INTERIM REPORT 2021

For the financial period ended 31 January 2021

GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

Fund Name - RHB Asian Income Fund

Fund Category - Feeder Fund

Fund type - Income Fund

Investment Objective, Policy and Strategy

Objective of the Fund

The Fund aims to provide income[^] and capital growth over the medium to long term* by investing in one target fund, i.e. the Schroder Asian Income.

Note: [^] The income is in the form of units.

*“medium to long term” in this context refers to a period of between 3-10 years.

Strategy

The Fund will invest principally in one of the sub-funds of the Schroder International Opportunities Portfolio, that is, the Schroder Asian Income (“Schroder AI”) denominated in Singapore Dollars and managed by Schroder Investment Management (Singapore) Ltd. (“Schroder Singapore”). The Schroder AI is an open-ended collective investment scheme domiciled in Singapore and was launched on 21 October 2011. Schroder Singapore is regulated by the Monetary Authority of Singapore and Schroder AI is authorised under Section 286 of the Securities and Futures Act (Chapter 289), Singapore. The investment objective of Schroder AI is to provide income and capital growth over the medium to longer term (i.e. between 3-10 years) by investing primarily in Asian equities (including real estate investment trusts) and Asian fixed income securities.

The asset allocation of the Fund will be as follows:-

At least 95% of - Investments in the units of Schroder AI.
Net Asset Value

2% - 5% of - Investments in liquid assets including money market
Net Asset Value instruments and deposits with financial institutions.

Performance Benchmark

The performance of the Fund is benchmarked against the 50% MSCI AC Asia Pacific ex Japan Net (RM) and 50% JP Morgan Asia Credit Index (SGD Hedged) (RM).

Permitted Investments

This Fund may invest in one collective investment scheme i.e. Schroder AI, trade in financial derivatives, money market instruments and deposits with any financial institutions, liquid assets, and any other investment permitted by the Securities Commission Malaysia from time to time.

In undertaking the Fund's investments, the Fund must not invest in a fund-of-funds, a feeder fund, or any sub-fund of an umbrella scheme which is a fund-of-funds or a feeder fund.

Distribution Policy

The Fund will declare distributions, if any, to unit holders depending on the level of income generated at each relevant period. Distributions, if any, after deduction of taxation and expenses (i.e. net distributions) are generally declared quarterly.

MANAGER'S REPORT

MARKET REVIEW

Despite the rise in COVID-19 infections, global equities rose over the 6-month period, supported by strong government support measures as well as a number of vaccine breakthroughs in the fourth quarter which fostered hopes of a return to economic normality. Emerging market equities also registered a robust return, despite ongoing trade tensions between the United States ("US") and China with regard to tech names, benefiting from a softer US Dollar ("USD") and recovery in commodity prices. Other key highlights include Joe Biden winning the US presidential election. Over the review period, the Morgan Stanley Capital International ("MSCI") AC Asia Pacific ex-Japan Index delivered a return of +20.90% in Singapore Dollar ("SGD") terms, while the MSCI AC Asia Pacific ex-Japan High Dividend Index registered a return of +9.99%.

In fixed income, optimism over supportive policy and signs of economic recovery were pitted against continued fears over new COVID-19 infections. Credit spreads widened in September and reversed the gains in August. Weak investor sentiment, oversupply and aggressive pricing strategies hurt the Asian dollar bond market over the month. There has been a surge in Asian bonds issuance in September as companies race to tap global debt markets ahead of the US election on concerns that volatility could spike and push up borrowing costs if the outcome is uncertain. However, Asian credit performance returned flat in January 2021, delivering 0.00% as the rise in Treasury yields offset the returns from carry and spread tightening. Over the 6-month period, the US 10-year yield closed at 1.06% on 31 January 2021, 53 basis points (bps) higher than end-July at 0.54%. Over the review period, the JACI (unhedged) Index declined -1.65% in SGD terms.

ECONOMIC REVIEW AND OUTLOOK

News during fourth quarter of year 2020 ("4Q2020") that a COVID-19 vaccine was on its way - earlier than expected - provided a further boost to the outlook for the world economy and spurred a significant rally in equity markets, as investors looked forward to the 'light at the end of the tunnel' as the vaccine should eventually bring a return to normal social behaviour and an end to the restrictions which remain in place in many parts of the world. The Target Fund Manager's Economist team expects global Gross Domestic Product ("GDP") in year 2021 to increase by 5.20% and improve in the second half of this year following the arrival of a vaccine, which is likely to be distributed in the third quarter, subsequently reviving potential spending on services. US-China tensions should ease somewhat, although remain high as China falls short of its phase-1 commitment on purchases from the US.

The Target Fund Manager sees the economic recovery extending into year 2022 as fiscal and monetary policy remains loose while activity normalises. Growth is expected to continue at an above trend rate throughout the forecast. Inflation should remain relatively contained allowing central banks to keep monetary policy loose. The Target Fund

Manager expects a modest pick-up in inflation in response to higher commodity prices. Firmer oil prices and stronger business activity is expected to push global inflation up slightly to 2.20% in year 2021 and 2.40% in year 2022.

REVIEW ON TARGET FUND PERFORMANCE AND STRATEGY

The Schroder Asian Income Fund returned 9.19%, net of fees over the 6-month period, with equities as a key performance contributor, while bonds detracted marginally.

Within equities, stock selection within Information Technology contributed most to absolute return, as the sector continues to benefit from work-from-home requirements, and the upcoming Internet-of-Things powered by 5G communication technology. Stock selection within Real Estate also helped, led by an Australian diversified property development company, due to better than expected FY20 results. Select Financials, in particular Australian banks, also contributed positively to returns, due to the potential reinstatement of dividends that led to the share price rally. On the flip side, stock selection within Communication Services detracted most, led by Hong Kong's dominant mobile services provider and China's largest telecoms operator. The latter was part of the executive order by former US President Donald Trump, which restricted ownership of companies with purported ties to the Chinese military.

Moving onto fixed income, the target portfolio recorded a negative return over the period. Select Chinese names detracted most from target portfolio performance, in particular names which were affected by the US executive order. Chinese real estate also declined as regulators tightened bank loans to developers and property mortgages in an effort to curb rising home prices. Indonesian sovereign bonds also detracted over the period. On the flip side, several off-benchmark Mexican names contributed to performance, led by a REIT. From a credit rating perspective, non-investment grade bonds delivered better returns than investment grade bonds due to the higher risk appetite over this period.

TARGET PORTFOLIO POSITIONING

As at 31 January 2021, the target portfolio held 65.00% equities, 23.00% fixed income, 5.00% global allocation and the remaining in cash.

Since the onset of the pandemic, the market environment has not been friendly for income investors while COVID-19-beneficiary stocks have surged. Over the last few months, the Target Fund Manager has increased the market upside participation rate of the strategy by upping equity exposure by 6.00% through MSCI China, Korean and Taiwanese equity index futures and adding quality growth-oriented names to the target equity portfolio.

Within equities, the Target Fund Manager continued strengthening their positions in technology to add more growth exposure, such as various internet names and hardware producers across the region. The target fund manager also initiated several consumer names within China, including a leading food delivery platform and an apparel

manufacturer which would benefit from the continuous recovery of the economy. The target fund manager also increased a China insurance name in view of a recovery in revenue as the economy emerges from a slowdown following COVID-19 disruptions which dented sales volume and margin. The company also runs non-insurance operations through fintech and healthtech segments which has helped to boost revenue. On the other hand, the Target Fund Manager continues to trim their holdings within utilities across the region to fund the purchase in other sectors. From a style perspective, the Target Fund Manager believes that maintaining the exposures to growth and technology remains a viable approach given the acceleration of trends triggered by COVID-19, but the target fund manager also believes that balancing that with exposures offering leverage to the normalization of the economy post-pandemic with cheap valuations should help reduce risks given the expectation of sector/style rotation over the medium term.

Within fixed income, the Target Fund Manager added to several new issues, including a Hong Kong real estate developer given its strong credit profile and relatively attractive pricing and a long-term paper by a Japan insurance giant which provides a stable yield and diversification to the target portfolio. The target fund manager also increased their holdings in several financial names across Singapore and Korea on the back of a broader economic recovery. Elsewhere, the Target Fund Manager made some rotations within the China real estate names focusing on higher quality names given the headwinds from tightening measures from the Authority. The Target Fund Manager remains constructive on the sector as the recent policy to deleverage should be conducive to long-term growth in a sustainable way. Overall, duration remained at 2.0 years.

REVIEW OF FUND PERFORMANCE DURING THE PERIOD UNDER REVIEW

During the period under review, the Fund has generated a return of 8.70%* as compared with the benchmark return of 11.08%*. The Fund is working to meet its objective of providing income and capital growth over the medium to long term (3-10 years).

**Source: Lipper Investment Management ("IM"), 18 February 2021*

MARKET OUTLOOK AND STRATEGY GOING FORWARD

Going into the New Year, the Target Fund Manager expects the themes of economic revival and sector rotation to dominate markets as the world continues to battle COVID-19 with vaccines and various measures. While the recent resurgence in cases might cause some slight volatility, the Target Fund Manager believes the positive momentum could continue and will benefit the “leave home” (vs “stay home”) sectors such as retail, travel and hospitality. These names were previously most impacted by COVID-19, and therefore exhibit more attractive valuations as compared to the technology winners which outperformed last year.

With the economy gradually normalizing, the Target Fund Manager believes the money flow, which previously piled into growth / tech names, could also move back into dividend plays as companies start resuming payouts, presenting a tactical opportunity. While the Target Fund Manager does not expect central banks to reverse anytime soon in 2021, the target fund manager belief is that even if central banks start to reverse / reduce their monetary support for the economy, rising yields / tapering would in fact be supportive of dividend stocks. Therefore, striking a balance between different styles and actively managing the exposures would be the focus of the target fund manager strategy going forward.

For fixed income, valuations remain expensive despite a modest normalization in yields. The Target Fund Manager maintains a positive view on credit despite valuations that begin to look stretched. Specifically, the increasing probability of a vaccinated recovery coming through in the second quarter of year 2021 (“2Q2021”) has positive implications for both fundamentals and risk appetite. Within EM and local markets, the target fund manager prefers higher quality corporate credits based on more favourable valuations and a weaker USD. Changes in fiscal and monetary policy will likely see high volatility in government bond yields in the coming months, and management of duration risk will be more important going forward.

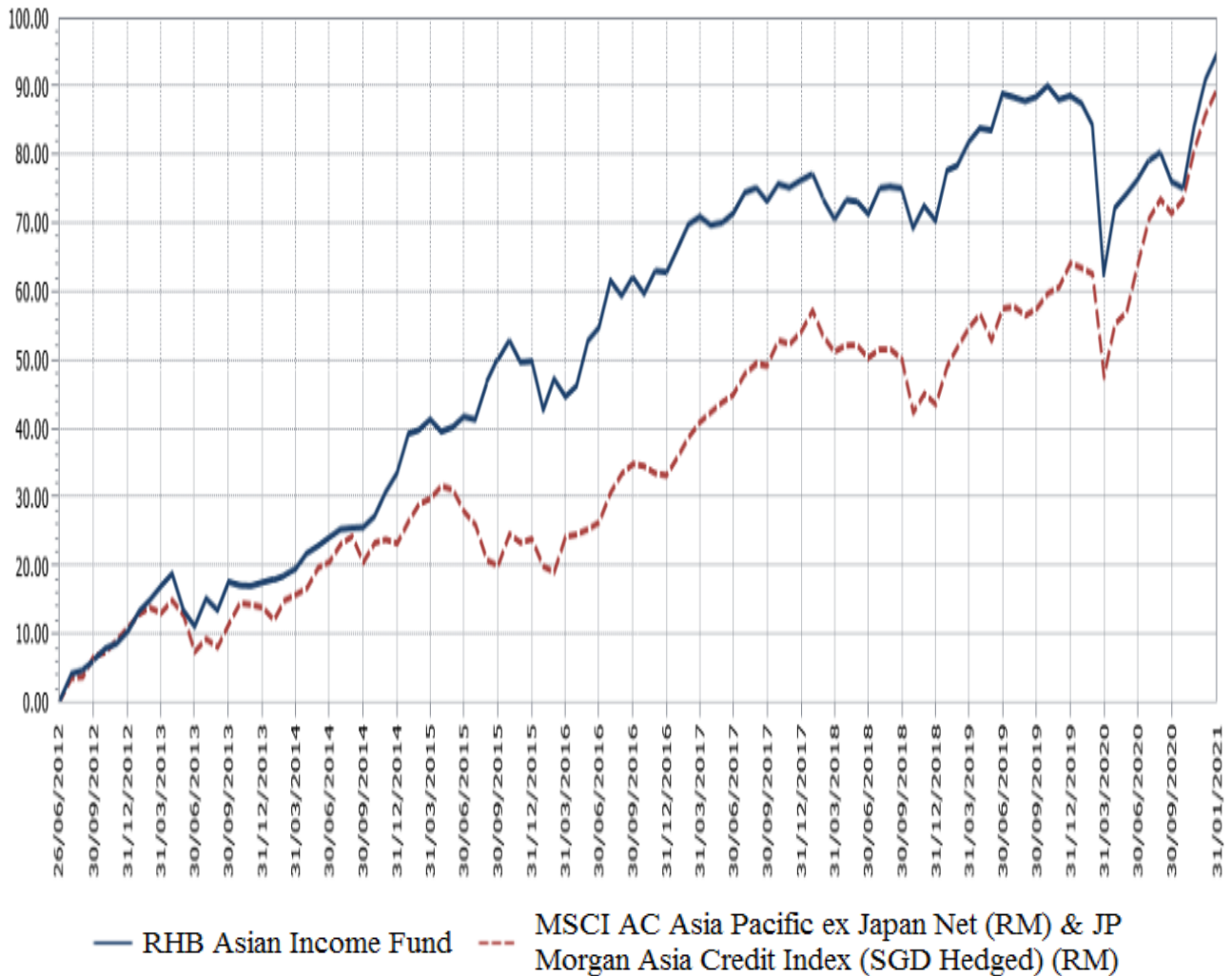
All in all, the Target Fund Manager continues to emphasize the importance of security selection and risk management as uncertainties remain and could weigh on markets. With the transitioning of the US presidency, we may see further developments and changes on the fiscal and political front, especially in regard to the ongoing tensions between US and China following moves from the previous Trump administration to de-list and ban various Chinese companies.

PERFORMANCE DATA

	31.07.2020- 31.01.2021 %	Annual Total Returns				
		Financial Year Ended 31 July				
		2020 %	2019 %	2018 %	2017 %	2016 %
RHB Asian Income Fund						
- Capital Return	6.59	(10.03)	1.74	(4.76)	3.91	9.50
- Income Return	1.98	5.69	5.81	5.39	3.84	4.43
- Total Return	8.70	(4.91)	7.65	0.37	7.90	14.35
MSCI AC Asia Pacific ex Japan Net (RM) & JP Morgan Asia Credit Index (SGD Hedged) (RM)	11.08	8.15	4.11	2.35	13.26	3.72

	Average Annual Returns			
	1 Year 31.01.2020- 31.01.2021 %	3 Year 31.01.2018- 31.01.2021 %	5 Year 31.01.2016- 31.01.2021 %	Since Launch 26.06.2012**- 31.01.2021 %
RHB Asian Income Fund	3.86	3.22	6.40	8.05
MSCI AC Asia Pacific ex Japan Net (RM) & JP Morgan Asia Credit Index (SGD Hedged) (RM)	15.95	6.42	9.57	7.71

**Performance of RHB Asian Income Fund
for the period from 26 June 2012** to 31 January 2021
Cumulative Return Over The Period (%)**



**** Being the last day of the Initial Offer Period**

Source: Lipper IM, 18 February 2021

The abovementioned performance figures are indicative returns based on daily Net Asset Value of a unit (as per Lipper Database) since inception.

The calculation of the above returns is based on computation methods of Lipper.

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

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits whenever applicable.

Fund Size	As at 31.01.2021	As at 31 July		
		2020	2019	2018
Net Asset Value (RM million)*	3,342.76	3,820.03	3,486.10	3,309.21
Units In Circulation (million)*	5,329.21	6,491.44	5,329.21	5,147.16
Net Asset Value Per Unit (RM)*	0.6273	0.5885	0.6541	0.6429

Fund Size	As at 31.01.2021	As at 31 July		
		2020	2019	2018
Unit Prices				
NAV - Highest (RM)*	0.6502	0.6612	0.6706	0.6836
- Lowest (RM)*	0.5698	0.5246	0.6104	0.6346
Unit Split	-	-	-	-
Others				
Management Expense Ratio (MER) (%) #	0.33	0.64	0.68	0.74
Portfolio Turnover Ratio (PTR) (times) ##	0.11	0.14	0.11	0.07

* The figures quoted are ex-distribution

The MER for the financial period was higher compared with previous financial period due to lower average net asset value for the financial period under review.

The PTR for the financial period was higher compared with previous financial period due to more investment activities during the financial period under review.

Distribution Date	Financial Period Ended 31 January			
	Gross Distribution Per Unit (sen)	Net Distribution Per Unit (sen)	NAV before distribution (cum)	NAV after distribution (ex)
01.08.2020-31.01.2021				
27.10.2020	0.6000	0.6000	0.5885	0.5818
26.01.2021	0.6000	0.6000	0.6502	0.6381
Total	1.2000	1.2000		
	Financial Year Ended 31 July			
2020				
29.10.2019	1.0000	1.0000	0.6608	0.6504
23.01.2020	0.8000	0.8000	0.6515	0.6427
24.04.2020	0.8000	0.8000	0.5702	0.5604
24.07.2020	0.8000	0.8000	0.5999	0.5886
Total	3.4000	3.4000		
2019				
25.10.2018	1.0000	1.0000	0.6247	0.6123
29.01.2019	1.0000	1.0000	0.6385	0.6291
25.04.2019	0.8000	0.8000	0.6533	0.6449
25.07.2019	0.8000	0.8000	0.6643	0.6568
Total	3.6000	3.6000		
2018				
26.10.2017	0.4500	0.4500	0.6794	0.6763
29.01.2018	1.0000	1.0000	0.6825	0.6723
20.04.2018	1.0000	1.0000	0.6543	0.6406
26.07.2018	1.0000	1.0000	0.6473	0.6397
Total	3.4500	3.4500		

DISTRIBUTION

For the financial period under review, the Fund has declared a total net distributions of 1.2000 sen per unit, which is equivalent to a net yield of 2.00% based on the average net asset value for the financial period.

PORTFOLIO STRUCTURE

The asset allocation of the Fund as at reporting date was as follows:

Sectors	As at	As at 31 July		
	31 January 2021	2020	2019	2018
	%	%	%	%
Collective investment scheme - foreign	96.42	97.70	95.69	97.02
Liquid assets and other net current assets	3.58	2.30	4.31	2.98
	100.00	100.00	100.00	100.00

The asset allocation has been structured to meet the Fund's intended objective.

BREAKDOWN OF UNIT HOLDINGS BY SIZE

Size of Holdings	Account Holders		No. Of Units Held*	
	No.	%	('000)	%
5,000 and below	798	18.95	2,091	0.04
5,001 to 10,000	704	16.72	5,264	0.10
10,001 to 50,000	1,777	42.20	43,050	0.82
50,001 to 500,000	875	20.78	105,432	2.00
500,001 and above	57	1.35	5,123,345	97.04
Total	4,211	100.00	5,279,182	100.00

* Excluding Manager's stock

SOFT COMMISSION

The Fund Manager may only receive soft commission in the form of research and advisory services that assist in the decision-making process relating to the Fund's investments.

During the financial period under review, the soft commission received from the brokers had been retained by the Manager as the goods and services provided are demonstrable benefit to the unitholders.

RHB ASIAN INCOME FUND
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2021

	<u>Note</u>	<u>31.01.2021</u> RM	<u>31.07.2020</u> RM
ASSETS			
Bank balances	6	129,844	126,036
Deposits with licensed financial institutions	6	97,043,400	109,554,327
Investments	5	3,223,108,358	3,732,075,386
Amount due from fund manager of collective investment scheme		34,016,268	-
Forward foreign currency contracts	7	11,436,504	-
Other receivables		<u>3,227,000</u>	<u>3,857,588</u>
TOTAL ASSETS		<u>3,368,961,374</u>	<u>3,845,613,337</u>
LIABILITIES			
Forward foreign currency contracts	7	-	11,726,871
Amount due to Manager		20,705,425	7,775,621
Accrued management fee		5,309,975	5,873,392
Amount due to Trustee		177,008	195,789
Other payables and accruals		<u>7,727</u>	<u>10,200</u>
TOTAL LIABILITIES		<u>26,200,135</u>	<u>25,581,873</u>
NET ASSET VALUE		<u>3,342,761,239</u>	<u>3,820,031,464</u>
UNITHOLDERS' FUNDS			
Unitholders' capital		3,345,376,523	4,048,960,528
Accumulated losses		<u>(2,615,284)</u>	<u>(228,929,064)</u>
		<u>3,342,761,239</u>	<u>3,820,031,464</u>
UNITS IN CIRCULATION (UNITS)	8	<u>5,329,213,674</u>	<u>6,491,441,492</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>0.6273</u>	<u>0.5885</u>

The accompanying notes are an integral part of the financial statements.

RHB ASIAN INCOME FUND
UNAUDITED STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2021

	<u>Note</u>	01.08.2020- 31.01.2021 RM	01.08.2019- 31.01.2020 RM
INCOME/(LOSS)			
Distribution income		82,297,629	88,982,863
Interest income from deposits with licensed financial institutions		696,328	1,839,057
Net gain/(loss) on investments	5	177,252,149	(117,486,789)
Net gain on forward foreign currency contracts	7	46,161,215	19,192,396
Net foreign currency exchange loss		(741,938)	(713,397)
		<u>305,665,383</u>	<u>(8,185,870)</u>
EXPENSES			
Management fee	9	(10,737,617)	(10,885,420)
Trustee's fee	10	(1,079,423)	(1,169,218)
Audit fee		(3,947)	(3,935)
Tax agent's fee		(1,281)	(1,277)
Other expenses		(19,384)	(20,060)
		<u>(11,841,652)</u>	<u>(12,079,910)</u>
Net income/(loss) before taxation		293,823,731	(20,265,780)
Taxation	11	-	-
Net income/(loss) after taxation		<u>293,823,731</u>	<u>(20,265,780)</u>
Net income/(loss) after taxation is made up of the following:			
Realised amount		53,813,409	86,339,283
Unrealised amount		240,010,322	(106,605,063)
		<u>293,823,731</u>	<u>(20,265,780)</u>

The accompanying notes are an integral part of the financial statements.

RHB ASIAN INCOME FUND
UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2021

	Unitholders' capital RM	Retained earnings/ (accumulated losses) RM	Total net asset value RM
Balance as at 1 August 2019	3,281,916,589	204,183,363	3,486,099,952
Movement in net asset value:			
Net loss after taxation	-	(20,265,780)	(20,265,780)
Creation of units arising from applications	690,126,268	-	690,126,268
Creation of units arising from distributions	110,733,529	-	110,733,529
Cancellation of units	(9,432,090)	-	(9,432,090)
Distribution (Note 12)	-	(110,733,529)	(110,733,529)
Balance as at 31 January 2020	<u>4,073,344,296</u>	<u>73,184,054</u>	<u>4,146,528,350</u>
Balance as at 1 August 2020	4,048,960,528	(228,929,064)	3,820,031,464
Movement in net asset value:			
Net income after taxation	-	293,823,731	293,823,731
Creation of units arising from applications	5,565,723	-	5,565,723
Creation of units arising from distributions	67,509,951	-	67,509,951
Cancellation of units	(776,659,679)	-	(776,659,679)
Distribution (Note 12)	-	(67,509,951)	(67,509,951)
Balance as at 31 January 2021	<u>3,345,376,523</u>	<u>(2,615,284)</u>	<u>3,342,761,239</u>

The accompanying notes are an integral part of the financial statements.

RHB ASIAN INCOME FUND
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2021

	<u>01.08.2020- 31.01.2021</u>	<u>01.08.2019- 31.01.2020</u>
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	667,096,675	-
Purchase of investments	(14,598,866)	(766,080,948)
Interest received from deposits with licensed financial institutions	696,328	1,839,057
Dividend received	82,280,690	89,061,540
Management fee paid	(10,966,502)	(12,335,458)
Trustee fee paid	(1,098,203)	(1,129,990)
Payment for other fees and expenses	(27,085)	(22,217)
Net realised gain on forward foreign currency contracts	<u>22,997,840</u>	<u>7,447,326</u>
Net cash generated from/(used in) operating activities	<u>746,380,877</u>	<u>(681,220,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	5,565,723	716,592,466
Cash paid for units cancelled	<u>(763,729,876)</u>	<u>(9,432,090)</u>
Net cash (used in)/generated from financing activities	<u>(758,164,153)</u>	<u>707,160,376</u>
Net (decrease)/increase in cash and cash equivalents	(11,783,276)	25,939,686
Effects of foreign exchange differences	(723,843)	(921,170)
Cash and cash equivalents at the beginning of the financial period	<u>109,680,363</u>	<u>137,917,069</u>
Cash and cash equivalents at the end of the financial period	<u>97,173,244</u>	<u>162,935,585</u>

The accompanying notes are an integral part of the financial statements.

RHB ASIAN INCOME FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2021

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB Asian Income Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 5 January 2012 as modified via its First Supplemental Deed dated 4 September 2013, Second Supplemental Deed dated 26 February 2015 and Third Supplemental Deed dated 3 August 2015 (hereinafter referred to as “the Deeds”) between RHB Asset Management Sdn Bhd (“the Manager”) and HSBC (Malaysia) Trustee Berhad (“the Trustee”).

The Fund was launched on 5 June 2012 and will continue its operations until terminated according to the conditions provided in the Deed. The principal activity of the Fund is to invest in Permitted Investments as set out in the Deed.

The Fund is a feeder fund that will invest principally in one of the sub-funds of the Schroder International Opportunities Portfolio, that is, the Schroder Asian Income (“Schroder AI”) denominated in Singapore dollars and managed by Schroder Investment Management (Singapore) Ltd. (“Schroder Singapore”). The Schroder AI is an open ended collective investment scheme domiciled in Singapore and was launched on 31 August 2011.

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

The main objective of the Fund is to provide income and capital growth over the medium to long term by investing in one target fund, i.e. the Schorder Asian Income.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of RHB Investment Bank Berhad, effective 6 January 2003. Its principal activities include rendering of investment management services, management of unit trust funds, private retirement schemes and provision of investment advisory services.

These financial statements were authorised for issue by the Manager on 26 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except those 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 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 financial period. It also requires the Manager to exercise its 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.

(a) The Fund has applied the following amendments and interpretations for the first time for the financial period beginning on 1 August 2020:

- The Conceptual Framework for Financial Reporting (“Framework”) (effective 1 January 2020)

The Framework was revised with the primary purpose to assist the International Accounting Standards Board (“IASB”) to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

(a) The Fund has applied the following amendments and interpretations for the first time for the financial period beginning on 1 August 2020: (continued)

- The Conceptual Framework for Financial Reporting (“Framework”) (effective 1 January 2020) (continued)
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 August 2020.

- Amendments to MFRS 101 and MFRS 108 ‘Definition of Material’ (effective 1 January 2020) clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The revised Framework and adoption of the amendments to published standards did not have any impact on the current year or any prior period and is not likely to affect future periods.

(b) A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 August 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets

Classification

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

- those to be measured subsequently at fair value through profit or loss (“FVTPL”), 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 as 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 fund manager of collective investment scheme and dividend receivables at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

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. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value.

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

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in statement of income and expenses in the period in which they arise.

Distribution income from financial assets at fair value through profit or loss is recognised in the statement of income and expenses within dividend income when the Fund's right to receive payments is established.

Collective investment scheme is 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 such selling price).

Deposits with licensed financial institutions 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 the statement of financial position, which is a reasonable estimate of fair value due to the short-term nature of the deposits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement (continued)

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 instruments are recognised in the statement of income and expenses when settled or at the date of the statement of financial position at which they are included in the measurement of the derivative financial instrument.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

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 considers 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 the 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

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 or a counterparty credit rating which has fallen below BBB/Baa.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Definition of default and credit-impaired financial assets

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

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 the 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.

2.3 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, 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.

The Fund's financial liabilities which include accrued management fee, amount due to Trustee and other payables and accruals are recognised initially at fair value plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in statement of income and expenses when the liabilities are derecognised, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Unitholders' capital

The unitholders' contributions to the Fund meet the criteria of the definition of puttable instruments to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". These 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 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 statement of income and expenses of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if the unitholders exercise the right to put the units 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 unitholders with the total number of outstanding units.

2.5 Income recognition

Distribution income from collective investment scheme is recognised when the Fund's right to receive payment is established. Distribution of income is received from financial assets measured at FVTPL.

Interest income from deposits with licensed financial institutions are recognised on an accrual basis using the effective interest 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 assets (after deduction of the loss allowance).

Realised gain or loss on sale of collective investment scheme is arrived at after accounting for cost of investments, determined on the weighted average cost method.

Net income or loss is the total of income less expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Taxation

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable income earned during the financial period.

Tax on dividend income from foreign investments is based on the tax regime of the respective countries that the Fund invests in.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balance and deposits with licensed financial institutions which are subject to an insignificant risk of changes in value.

2.8 Distribution

Distribution to the Fund's unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the period in which it is approved by the Trustee.

2.9 Amount due from/to fund manager of collective investment scheme

Amounts due from/to fund manager of collective investment scheme represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of financial position respectively. The amount due from fund manager of collective investment scheme 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 fund manager of collective investment scheme 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-month 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Presentation and functional 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 presentation and functional currency.

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in RM primarily due to the following factors:

- Part of the Fund’s cash is denominated in RM for the purpose of making settlement of the creation and cancellation.
- The Fund’s units are denominated in RM.
- The Fund’s significant expenses are denominated in RM

2.11 Foreign currency translation

Foreign currency transactions in the Fund are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in statement of income and expenses.

2.12 Derivative financial instruments

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

The fair value of foreign currency forward contracts is determined using forward exchange rates at the date of the statement 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 financial instrument is designated as a hedging instrument, and the nature of the item being hedged. Derivative financial instruments that do not qualify for hedge accounting are classified as FVTPL and accounted for as above.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include, market risk, price risk, interest rate risk, currency risk, credit risk, liquidity 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 and SC Malaysia Guidelines on Unit Trust Funds.

Market risk

Market risk is a risk that arises when the prices of investments in the market place are affected by circumstances such as general market or economic events. These circumstances, which may be a local or global event, can affect a local market where the Target Fund is invested in or global markets and subsequently, the value of the Target Fund's investments.

Price risk

Price risk is the risk that the fair value of an investment of the Fund will fluctuate because of changes in market prices.

The Fund is exposed to collective investment scheme price risk (other than those arising from interest rate risk) for its investments of RM3,223,108,358 (31.07.2020: RM3,732,075,386).

The sensitivity analysis is based on the assumption that the price of the collective investment scheme fluctuate by +/- 5% with all other variables held constant, the impact on the statement of income and expenses and net asset value is +/- RM161,155,418 (31.07.2020: RM186,603,769).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the cost or the value of the financial instruments will fluctuate due to changes in market interest rates. The Fund's exposure to the interest rate risk is mainly from short term placements with financial institutions. The Manager overcomes the exposure by way of maintaining deposits on short term basis. Therefore, exposure to interest rate fluctuation is minimal.

Currency risk

The Fund invests in the Target Fund which is denominated in Singapore Dollar ("SGD"). Fluctuations in foreign exchange rate between SGD and Ringgit Malaysia will affect the value of the Fund's foreign investments when converted to local currency and subsequently the value of unitholders' investment. As such, the performance of the Fund will also be affected by the movements in the exchange rate between SGD and Ringgit Malaysia.

The analysis is based on the assumption that the foreign exchange rate fluctuates by +/- 5%, with all other variables remain constants, the impact on statement of income and expenses and net asset value is + RM47,666,320 /(-) RM50,026,220 (31.07.2020: + RM73,143,503 /(-) RM75,503,403).

The following table sets out the currency risk concentration of the Fund:

	<u>Investments</u>	<u>Cash and</u> <u>equivalents</u>	<u>Receivables</u>	<u>Forward</u> <u>foreign</u> <u>currency</u> <u>contracts</u>	<u>Total</u>
	RM	RM	RM	RM	RM
<u>31.01.2021</u>					
Singapore Dollar	3,223,108,358	71,829	3,227,000	11,436,504	3,237,843,691
<u>31.07.2020</u>					
Singapore Dollar	3,732,075,386	75,888	3,857,588	(11,276,871)	3,724,281,991

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the possibility that the issuer of a particular investment will not be able to make timely or full payments of principal or income due on that investment. For investments in fixed income securities, risk is minimised by spreading its maturity profile. The 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. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by the Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission Malaysia Guidelines on Unit Trust Funds.

The following table sets out the credit risk concentrations of the Fund:

	Foreign currency forward contracts RM	Cash and cash equivalents RM	Other financial assets* RM	Total RM
<u>31.01.2021</u>				
Financial institutions:				
AAA	8,070,632	97,173,244	-	105,243,876
AA3	167,996	-	-	167,996
AA2	3,197,876	-	-	3,197,876
Others	-	-	37,243,268	37,243,268
	<u>11,436,504</u>	<u>97,173,244</u>	<u>37,243,268</u>	<u>145,853,016</u>
<u>31.07.2020</u>				
Financial institutions:				
AAA	-	109,680,363	-	109,680,363
Others	-	-	3,857,588	3,857,588
	<u>-</u>	<u>109,680,363</u>	<u>3,857,588</u>	<u>113,537,951</u>

* Comprise amount due from fund manager of collective investment scheme and other receivables.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

Liquidity risk exists when particular investments are difficult to sell, possibly preventing a unit trust fund from selling such illiquid securities at an advantageous time or price. As part of its risk management, the Manager will attempt to manage the liquidity of the Fund through asset allocation and diversification strategies within the portfolio. The Manager will also conduct constant fundamental research and analysis to forecast future liquidity of its investments.

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

	Less than <u>1 month</u> RM	Between 1 month to 1 <u>year</u> RM
<u>31.01.2021</u>		
Amount due to Manager	20,705,425	-
Accrued management fee	5,309,975	-
Amount due to Trustee	177,008	-
Other payables and accruals	-	7,727
	<u>26,192,408</u>	<u>7,727</u>
<u>31.07.2020</u>		
Amount due to Manager	7,775,621	-
Accrued management fee	5,873,392	-
Amount due to Trustee	195,789	-
Forward foreign currency contracts	851,499	12,104,301
Other payables and accruals	-	10,200
	<u>14,696,301</u>	<u>12,114,501</u>

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital of RM3,345,376,523 (31.07.2020: RM4,048,960,528) and accumulated losses of RM2,615,284 (31.07.2020: RM228,929,064). 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 unitholders. 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 unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. 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 and liabilities traded in an active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial period end date.

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

The fair value of financial assets and liabilities 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 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.

4. FAIR VALUE ESTIMATION (CONTINUED)

The fair values are based on the following methodologies and assumptions:

- (i) For bank balance and deposit with licensed financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

Fair value hierarchy

The Fund adopted MFRS 13 “Fair Value Measurement” in respect of disclosures about the degree of reliability of fair value measurement. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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)

4. FAIR VALUE ESTIMATION (CONTINUED)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Tota l</u> RM
<u>31.01.2021</u>				
Investments :				
- Collective investment scheme - foreign	3,223,108,358	-	-	3,223,108,358
Derivative financial instruments:				
- Forward foreign currency contracts	- 11,436,504	-	- 11,436,504	
	<u>3,223,108,358</u>	<u>11,436,504</u>	<u>-</u>	<u>3,234,544,862</u>

31.07.2020

Investments :

- Collective investment scheme - foreign	3,732,075,386	-	-	3,732,075,386
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Derivative financial instruments:

- Forward foreign currency contracts	- (11,726,871)	-	- (11,726,871)	
	<u>3,732,075,386</u>	<u>(11,726,871)</u>	<u>-</u>	<u>3,720,348,515</u>

Investments in collective investment schemes, ie. unit trust fund whose values are based on published market prices in active markets are classified within Level 1. The Fund does not adjust the quoted prices for these instruments. The Fund's policies and valuation of these financial assets are stated in Note 2.2.

Financial instruments that are traded in markets which are not 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. This includes forward foreign currency contract. 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 this financial instrument are stated in Note 2.2.

5. INVESTMENTS

	<u>31.01.2021</u> RM	<u>31.07.2020</u> RM
Investments:		
- Collective investment schemes – foreign	<u>3,223,108,358</u>	<u>3,732,075,386</u>
	<u>01.08.2020- 31.01.2021</u> RM	<u>01.08.2019- 31.01.2020</u> RM
Net gain/(loss) on investments comprised :		
- Net realised loss on sale of investments	(40,326,467)	-
- Net unrealised gain/(loss) on changes in fair value	<u>217,578,616</u>	<u>(117,486,789)</u>
	<u>177,252,149</u>	<u>(117,486,789)</u>

Investments as at 31 January 2021 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net Asset Value</u> %
COLLECTIVE INVESTMENT SCHEME - FOREIGN				
SINGAPORE				
Schroder Asian Income Fund – X Class	964,778,697	<u>3,278,287,887</u>	<u>3,223,108,358</u>	<u>96.42</u>

Investments as at 31 July 2020 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net Asset Value</u> %
COLLECTIVE INVESTMENT SCHEME - FOREIGN				
SINGAPORE				
Schroder Asian Income Fund – X Class	1,178,252,037	<u>4,004,833,531</u>	<u>3,732,075,386</u>	<u>97.70</u>

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise:

	<u>31.01.2021</u>	<u>31.07.2020</u>
	RM	RM
Deposits with licensed financial institutions	97,043,400	109,554,327
Bank balances	129,844	126,036
	<u>97,173,244</u>	<u>109,680,363</u>

7. FORWARD FOREIGN CURRENCY CONTRACT

As at 31 January 2021, there was forty five (31.07.2020: sixty three) forward foreign currency contract outstanding. The notional principal amount of the outstanding forward foreign currency contract amounting of RM1,626,926,680 (31.07.2020: RM2,246,120,500) was entered into for hedging against the currency exposure arising from the investments in the collective investment schemes denominated in SGD.

As the Fund has not adopted hedge accounting, the change in the fair value of the forward foreign currency contract is recognised immediately in the statement of income and expenses.

Net gain on forward foreign currency contract is as follows:

	<u>01.08.2020- 31.01.2021</u>	<u>01.08.2018- 31.01.2019</u>
	RM	RM
Net gain on forward foreign currency contracts	22,997,840	7,447,325
Unrealised gain on forward foreign currency contracts	23,163,375	11,745,071
	<u>46,161,215</u>	<u>19,192,396</u>

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party balances.

	<u>01.08.2020- 31.01.2021</u>	<u>01.08.2018- 31.01.2019</u>
	RM	RM
Forward foreign currency contract:		
- RHB Bank Berhad	<u>3,197,877</u>	<u>899,710</u>

8. UNITS IN CIRCULATION

	<u>31.01.2021</u> Units	<u>31.07.2020</u> Units
At the beginning of the financial period/year	6,491,441,492	5,329,206,263
Creation of units arising from applications during the financial period/year	9,076,000	1,279,395,000
Creation of units arising from distributions during the financial period/year	111,203,182	349,188,229
Cancellation of units during the financial period/year	<u>(1,282,507,000)</u>	<u>(466,348,000)</u>
At the end of the financial period/year	<u>5,329,213,674</u>	<u>6,491,441,492</u>

9. MANAGEMENT FEE

In accordance with the Prospectus, the Management fee is computed on a daily basis at 1.80% (01.08.2019-31.01.2020: 1.80%) per annum of the net asset value of the Fund before deducting the Manager's and Trustee's fee for that particular day. As this Fund invests in units of Schroder AI, any management fee charged to Schroder AI by the Schroder AI manager in relation to the Fund's investments in Schroder AI will be fully refunded to this Fund. Accordingly, there is no double charging of management fee.

10. TRUSTEE'S FEE

In accordance with the Prospectus, the Trustee's fee provided in the financial statements is 0.06% (01.08.2019-31.01.2020: 0.06%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

11. TAXATION

(a) Tax charge for the financial period

	<u>01.08.2020- 31.01.2021</u> RM	<u>01.08.2018- 31.01.2019</u> RM
Current taxation	-	-

(b) Numerical reconciliation of income tax expense

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

	<u>01.08.2020- 31.01.2021</u> RM	<u>01.08.2018- 31.01.2019</u> RM
Net income/(loss) before taxation	293,823,731	(20,265,780)
Tax calculated at a statutory income tax rate of 24%	70,517,695	(4,863,787)
Tax effects of:		
- (Income not subject to tax)/ loss not deductible for tax purpose	(73,359,692)	1,964,609
- Expenses not deductible for tax purposes	259,702	282,261
- Restriction on tax deductible expense for unit trust funds	2,582,295	2,616,917
Tax expense	-	-

12. DISTRIBUTION

Distribution to unitholders are derived from the following sources:

	<u>01.08.2020- 31.01.2021</u> RM	<u>01.08.2019- 31.01.2020</u> RM
Prior financial period's realised income	59,509,027	31,330,889
Dividend income	82,267,413	88,982,863
Interest income from deposit with licensed financial institutions.	670,414	1,722,607
Net (loss)/gain from investment	(63,220,788)	241,928-
	<u>79,226,066</u>	<u>122,278,287</u>
Less: Expenses	(11,716,115)	(11,544,758)
Net distribution amount	<u>67,509,951</u>	<u>110,733,529</u>
<u>Distribution dates</u>	<u>Sen per unit Gross/Net</u>	<u>Sen per unit Gross/Net</u>
27 October 2020 / 29 October 2019	0.6000	1.0000
26 January 2021 / 23 January 2020	0.6000	0.8000
	<u>1.2000</u>	<u>1.8000</u>

Included in the above distribution is an amount of RM59,509,027 (01.08.2019-31.01.2020: RM31,330,889) derived from the prior financial period's realised income.

13. MANAGEMENT EXPENSE RATIO ("MER")

	<u>01.08.2020- 31.01.2021</u> %	<u>01.08.2019- 31.01.2020</u> %
MER	<u>0.33</u>	<u>0.31</u>

The MER ratio is calculated based on total expenses of the Fund to the average net asset value of the Fund calculated on a daily basis.

14. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>01.08.2020- 31.01.2021</u>	<u>01.08.2019- 31.01.2020</u>
PTR (times)	<u>0.11</u>	<u>0.10</u>

The PTR ratio is calculated based on average of acquisition and disposals of the Fund for the financial period to the average net asset value of the Fund calculated on a daily basis.

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

The number of units held by the Manager is as follows:

	<u>31.01.2021</u>		<u>31.07.2020</u>	
	Units	RM	Units	RM
The Manager	50,031,198	31,384,571	238,089	140,115
RHB Capital Nominees (Tempatan) Sdn Bhd	253,202,125	158,833,693	337,942,076	198,878,912
RHB Nominees (Tempatan) Sdn Bhd	<u>2,324,036</u>	<u>1,457,868</u>	<u>2,300,314</u>	<u>1,353,735</u>

The units are held beneficially by the Manager for booking purposes. The Manager is of the opinion that all transactions with the related parties have been entered into in the normal course of business at agreed terms between the related parties.

The units held by RHB Capital Nominees (Tempatan) Sdn Bhd, a wholly owned subsidiary of ultimate holding company of the Manager, and RHB Nominees (Tempatan) Sdn Bhd, a wholly owned subsidiary of holding company of the Manager, are under the nominees structure.

Other than the above, there were no units held by Directors or parties related to the Manager.

The holding company and the ultimate holding company of the Manager is RHB Investment Bank Berhad and RHB Bank Berhad respectively. The Manager treats RHB Bank Berhad group of companies including RHB Investment Bank Berhad and its subsidiaries as related parties.

16. TRANSACTIONS BY THE FUND

Details of transactions by the Fund with Fund manager for the financial period ended 31 January 2021 are as follows:

<u>Fund Manager</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
Schroder Investment Management (Singapore) Ltd	715,503,977	100.00	-	-

Details of transactions by the Fund with Fund manager for the financial year ended 31 July 2020 are as follows:

<u>Fund Manager</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
Schroder Investment Management (Singapore) Ltd	1,085,444,920	100.00	-	-

17. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>31.01.2021</u> RM	<u>31.07.2020</u> RM
Financial assets		
Financial assets at fair value through profit or loss ('FVTPL')		
• Collective Investment Scheme	3,223,108,358	3,732,075,386
• Forward foreign currency contracts	11,436,504	-
	<u>3,234,544,862</u>	<u>3,732,075,386</u>
Financial assets at amortised cost		
• Deposit with a licensed financial institution	97,043,400	109,554,327
• Bank balances	129,844	126,036
• Amount due from fund manager of collective investment scheme	34,016,268	-
• Other receivables	3,227,000	3,857,588
	<u>134,416,512</u>	<u>113,537,951</u>
Financial liabilities		
Financial liabilities at fair value through profit or loss ('FVTPL')		
Forward foreign currency contracts	-	11,726,871
Financial liabilities at amortised cost		
• Amount due to Manager	20,705,425	7,775,621
• Accrued Management fee	5,309,975	5,873,392
• Amount due to Trustee	177,008	195,789
• Other payables and accruals	7,727	10,200
	<u>26,200,135</u>	<u>25,581,873</u>

18. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

The worsening of the macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund's performance during the financial period.

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

**STATEMENT BY MANAGER
RHB ASIAN INCOME FUND**

We, Dato' Darawati Hussain and Chin Yoong Kheong, two of the Directors of RHB Asset Management Sdn Bhd, do hereby state that in the opinion of the Directors of the Manager, the accompanying unaudited statement of financial position, unaudited statement of income and expenses, unaudited statement of changes in net asset value, unaudited statement of cash flows and the accompanying notes, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as of 31 January 2021 and of its financial performance and cash flows for the financial period then ended and comply with provisions of the Deeds.

On behalf of the Manager,

Dato' Darawati Hussain
Director

Chin Yoong Kheong
Director

26 March 2021

TRUSTEE'S REPORT TO THE UNITHOLDERS OF RHB ASIAN INCOME FUND

We have acted as Trustee of RHB Asian Income Fund (“the Fund”) for financial period ended 31 January 2021. To the best of our knowledge, RHB Asset Management Sdn Bhd (“the Management Company”), has operated and managed the Fund in accordance with the following:

- a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission’s Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

During the financial period, a total distribution of 1.2000 sen per unit has been distributed to the unitholders of the Fund. We are of the view that the distributions are not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Senior Manager, Investment Compliance Monitoring

Kuala Lumpur
26 March 2021

CORPORATE INFORMATION

MANAGER

RHB Asset Management Sdn Bhd

REGISTERED OFFICE

Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

PRINCIPAL AND BUSINESS OFFICE

Level 8, Tower Two & Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

Email address: rhbam@rhbgroup.com

Tel: 03-9205 8000

Fax: 03-9205 8100

Website: www.rhbgroup.com

BOARD OF DIRECTORS

Mr Yap Chee Meng (*Independent Non-Executive Chairman*)

Mr Chin Yoong Kheong (*Senior Independent Non-Executive Director*)

Dr. Ngo Get Ping (*Independent Non-Executive Director*)

Ms Ong Yin Suen (*Managing Director*)

YBhg Dato' Darawati Hussain (*Independent Non-Executive Director*)

YBhg Datuk Seri Dr Govindan A/L Kunchambo (*Independent Non-Executive Director*) (*Appointed with effect from 15 October 2020*)

INVESTMENT COMMITTEE MEMBERS

Mr Yap Chee Meng (*Independent Chairman*)

YBhg Dato' Darawati Hussain

Puan Sharifatu Laila Syed Ali

CHIEF EXECUTIVE OFFICER

Ms Ong Yin Suen

SECRETARY

Encik Azman Shah Md Yaman (LS No. 0006901)

BRANCH OFFICE

Kuala Lumpur Office	B-9-6, Megan Avenue 1 No. 189, Jalan Tun Razak 50400 Kuala Lumpur Tel: 03-2171 2755/ 03-2166 7011 Fax: 03-2770 0022
Shah Alam Office	B-3-1 1st Floor Jalan Serai Wangi G16/G, Alam Avenue Persiaran Selangor, Section 16 40200 Shah Alam Tel: 03-5523 1909 Fax: 03-5524 3471
Sri Petaling Office	Level 1 & 2, No 53 Jalan Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel: 03-9054 2470 Fax: 03-9054 0934
Batu Pahat Office	53, 53-A and 53-B Jalan Sultanah 83000 Batu Pahat, Johor Tel: 07-438 0271/ 07-438 0988 Fax: 07-438 0277
Ipoh Office	No.7A, Persiaran Greentown 9 Pusat Perdagangan Greentown 30450 Ipoh, Perak Tel: 05-242 4311 Fax: 05-242 4312
Johor Bahru Office	No 34 Jalan Kebun Teh 1 Pusat Perdagangan Kebun Teh 80250 Johor Bahru, Johor Tel: 07-221 0129 Fax: 07-221 0291 2nd Floor, 21 & 23 Jalan Molek 1/30, Taman Molek 81100 Johor Bahru, Johor Tel: 07-358 3587 Fax: 07-358 3581
Kuantan Office	1st Floor, Lot 10, Jalan Putra Square 1 Putra Square 25300 Kuantan, Pahang Tel: 09-517 3611/ 09-517 3612/ 09-531 6213 Fax: 09-517 3615

Kuching Office	<p>Lot 133, Section 20, Sublot 2 & 3 1st Floor, Jalan Tun Ahmad Zaidi Adruce 93200 Kuching, Sarawak Tel: 082-550 838 Fax: 082-550 508</p> <p>Yung Kong Abell, Units 1-10 2nd Floor Lot 365 Section 50 Jalan Abell 93100 Kuching, Sarawak Tel: 082-245 611 Fax: 082-230 326</p>
Kota Bharu Office	<p>Ground Floor, No 3486-G Jalan Sultan Ibrahim 15050 Kota Bharu, Kelantan Tel: 09-740 6891 Fax: 09-740 6890</p>
Kota Kinabalu Office	<p>Lot No. C-02-04, 2nd Floor Block C, Warisan Square Jalan Tun Fuad Stephens 88000 Kota Kinabalu, Sabah Tel: 088-528 686/ 088-528 692 Fax: 088-528 685</p>
Melaka Office	<p>581B, Taman Melaka Raya 75000 Melaka Tel: 06-284 4211/ 06-281 4110 Fax: 06-292 2212</p>
Miri Office	<p>Lot 1268 & 1269, Second Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri, Sarawak Tel: 085-422 788 Fax: 085- 415 243</p>
Penang Office	<p>3rd Floor, 44 Lebuhr Pantai 10300 Georgetown, Penang Tel: 04-264 5639 Fax: 04-264 5640</p>
Prai Office	<p>No. 38, First Floor Jalan Todak 2 Seberang Jaya 13700 Perai, Penang Tel: 04-386 6670 Fax: 04-386 6528</p>

TRUSTEE	HSBC (Malaysia) Trustee Berhad
BANKER	RHB Bank Berhad
AUDITORS	PricewaterhouseCoopers PLT
TAX ADVISER	PricewaterhouseCoopers Taxation Services Sdn Bhd
DISTRIBUTORS	RHB Asset Management Sdn Bhd RHB Bank Bhd RHB Investment Bank Bhd Affin Bank Bhd Alliance Bank Malaysia Bhd AmBank (M) Bhd AmInvestment Bank Bhd Areca Capital Sdn Bhd CIMB Bank Bhd CIMB Investment Bank Bhd Citibank Berhad Genexus Advisory Sdn Bhd Hong Leong Bank Bhd HSBC Bank (M) Bhd iFast Capital Sdn Bhd Kenanga Investors Bank Bhd Maybank Bhd OCBC Bank (Malaysia) Bhd Phillip Mutual Bhd Standard Chartered Bank Malaysia Bhd United Overseas Bank (Malaysia) Bhd UOB Kay Hian Securities (M) Sdn Bhd

RHB ♦ Asset Management

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