

RHB ASIAN INCOME FUND

ANNUAL REPORT 2021

For the financial year ended 31 July 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

Global equities advanced over the past 12 months, supported by easing monetary policies, as well as the mass roll-out of COVID-19 vaccines which helped the reopening of economies. Investors spirits were lifted on hopes of a return to economic normality and an end to the pandemic. However, the growth trajectory was slightly muted over the past few months, on concerns of rising inflation, peaking of the growth momentum, as well as the worsening global spread of the COVID-19delta variant. Although Asia returned positively over the past 12 months, the region was affected by China's regulatory crackdown on the technology, education and property sectors. All in all, the Target Fund Manager believes equities will continue to deliver positive returns, supported by a strong corporate earnings outlook. The Morgan Stanley Capital International ("MSCI") AC Pacific ex-Japan Index was up +18.77% over the 12-month period in Singapore Dollar ("SGD") terms, while the MSCI AC Asia Pacific ex-Japan High Dividend Index registered a return of +18.74%.

Within fixed income, the United States ("US") 10-year yield closed at 1.24% on 31 July 2021, 65 basis points ("bps") higher than end-July 2021 at 0.59%. In general, bond yields rose with the greater optimism on the economic outlook, peaking at 1.74% on 31 March 2021. However, in the last few months, the Target Fund Manager has witnessed the decline of bond yields as fears about the delta variant affecting the global economy continue to spread. Over the 12 months, high yield outperformed investment grade bonds amid stronger demand for riskier assets as spreads tightened, with the JACI (unhedged) Index down -0.34% in SGD terms.

ECONOMIC REVIEW AND OUTLOOK

The success of the vaccine roll-out, official policy support and the adaptability of many firms in operating with significant COVID-19 restrictions has led the Target Fund Manager to increase their forecast for global growth with significant upgrades to the US, United Kingdom ("UK") and Eurozone. The Target Fund Manager now expects the world economy to expand by 5.90% this year (previously 5.30%) before slowing to 4.50% in year 2022 (previously 4.60%). The Target Fund Manager forecasts for inflation have also increased, with global Consumer Price Index ("CPI") now expected to be running at 2.90% this year (previously 2.60%) and 2.50% in year 2022 (previously 2.40%).

The recovery in growth is being driven by a re-opening of the service sector and hence favors the advanced economies over the emerging markets. Consequently, the upgrade is led by the US and Europe with a smaller increase in the emerging market forecast. The differential is reinforced by the greater availability of vaccines and fiscal support in the developed economies. Such an outcome is a contrast with the

recovery from the last recession when massive stimulus in China led the emerging markets out of the global financial crisis (“GFC”).

REVIEW ON TARGET FUND PERFORMANCE AND STRATEGY

The Schroder Asian Income Fund returned 13.86%, net of fees over the 12-month period, with equities and bonds contributing positively.

Equities was a key contributor, helped by stock selection within Information Technology. 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. This sector not only offers inflation protection, but also displays a low correlation to other asset classes, which makes it a valuable diversifier for a balanced portfolio. Elsewhere, Financials, in particular Australian banks, also contributed positively to returns, due to the potential reinstatement of dividends that led to the share price rally. Conversely, stock selection within Consumer Staples detracted, led by a Chinese brewery as it posted weak July sales numbers given the COVID-19 outbreak and bad weather. This weak sentiment also extended throughout the domestic food and beverage sector.

Within fixed income, the target portfolio recorded a positive return over the period. Australian bonds contributed the most, led by a shopping center company which was able to withstand the structural changes in retailing and managed the threat from rent reductions and flexible leases well. The Target Fund Manager exposure in Indian bonds also fared well, led by energy names as commodity prices recovered over the period. On the other hand, select Chinese financials detracted most from the target portfolio performance, namely a financial asset management company which underperformed over the past few months. However, the company recently made the biggest bond payment on time, adding to signs that it still has access to near-term liquidity. The Target Fund Manager continues to monitor the situation closely and take appropriate actions where necessary. From a credit rating perspective, investment grade bonds delivered better returns than non-investment grade bonds over this period.

TARGET PORTFOLIO POSITIONING

As at 31 July 2021, the net exposure to equities was 57.00% with fixed income at 32.00%. Global allocation stood at 5.00%. Over the period, the Target Fund Manager exited their long equity futures position in Hang Seng and added to Kospi, while continuing to hold their Taiwan exposure. In currencies, the Target Fund Manager maintained their hedges on Australian Dollar (“AUD”) and Korean Won (“KRW”). The exposure to SGD was at 51.00%, and the combined US Dollar (“USD”) and Hong Kong Dollar (“HKD”) at 26.00%.

Within the target fund equity portfolio, the Target Fund Manager continued strengthening their holdings in technology to add more structural growth exposure, such as semiconductor and hardware manufacturers across the region. For example, the Target Fund Manager took advantage of attractive valuations to add to a Taiwanese provider of semiconductor assembly and test manufacturing services, as they expect it to benefit from strong demand for such services, driven by robust sales of consumer electronics and semiconductor chip shortages. Additionally, with the positive vaccine news, the Target Fund Manager has increased retail and consumption names. The Target Fund Manager believes these exposures should benefit as they offer leverage to the normalization of the economy post-pandemic. On the flip side, the Target Fund Manager reduced their exposure to Real Estate Investment Trusts (“REITs”) in year 2020 as the sector suffered from the onset of Covid-19. However, with the mass vaccination roll-out, the Target Fund Manager has started to add back to REITs exposures in year 2021. Within REITs, the Target Fund Manager maintains a preference for industrials amid growing demand for e-commerce and data centers, as well as selective retail landlords.

In fixed income, the Target Fund Manager added to several high-quality new issues, such as a Chinese development bank, which allows for diversification outside of the real estate sector. The Target Fund Manager also bought into a Chinese multinational electronics company, which has a high global share of smartphone shipments and will continue to benefit from strong demand growth. The Target Fund Manager also added to a Hong Kong-based multinational conglomerate which continues to display stable cash flow generation, strong business profile, and geographical diversification, and increased their holdings in several financial names across Singapore and Korea on the back of a broader economic recovery. Elsewhere, the Target Fund Manager continued to trim their exposure to some Chinese sectors, such as asset management and real estate, as idiosyncratic issues have started to emerge. Overall, duration (including hedges) remained largely flat at 2.0 years.

REVIEW OF THE FUND PERFORMANCE DURING THE FINANCIAL YEAR

During the year under review, the Fund has generated a return of 14.13%* as compared with the benchmark recorded a return of 9.94%*. Fund has met its objective of providing income and capital growth over the medium to long term (3-10 years).

**Source: Lipper Investment Management (“IM”), 12 August 2021*

MARKET OUTLOOK AND STRATEGY GOING FORWARD

From an asset allocation point of view, the macro backdrop continues to be supportive for equities, given official policy measures and the adaptability of many firms in operating with significant COVID-19 restrictions. Likewise, robust corporate earnings growth, particularly in the Asia Pacific ex-Japan market, is also positive for equities. Currently, earnings growth expectations for Asian companies exceeds 30.00% for year 2021 and consensus expects a further ~15.00% growth for year 2022 and year 2023. That said, the Target Fund Manager does not believe this will translate into equal performance amongst all countries within the region. China in particular, continues to be subject to regulatory risks and headwinds from slowing growth momentum despite attractive valuation. Hence, having adequate diversification amongst countries and sectors is important. Currently, the Target Fund Manager continues to favor Korea and Taiwan as exports and Purchasing Managers' Index ("PMI")s have bounced while their semiconductor leaders are well-positioned to benefit from low global inventory and high demand.

The target fund equity portfolio remains well-balanced between 'new' and 'old' economy stocks. Within the 'new economy' sectors, the target portfolio has lower exposure towards Chinese internet and communication stocks, where regulatory headwinds may linger. On the other hand, the Target Fund Manager believes selected hardware companies are attractive from a bottom-up perspective, as dividend growth prospects remain strong for these companies, coupled with the structural growth which stems from 5G technology. Within the 'old' economy sectors, the Target Fund Manager believes selected REITs within the region offer attractive dividend yields as well as exposure to economic normalization, yet they continue to be mindful of any impact should delta variant infections pick up again.

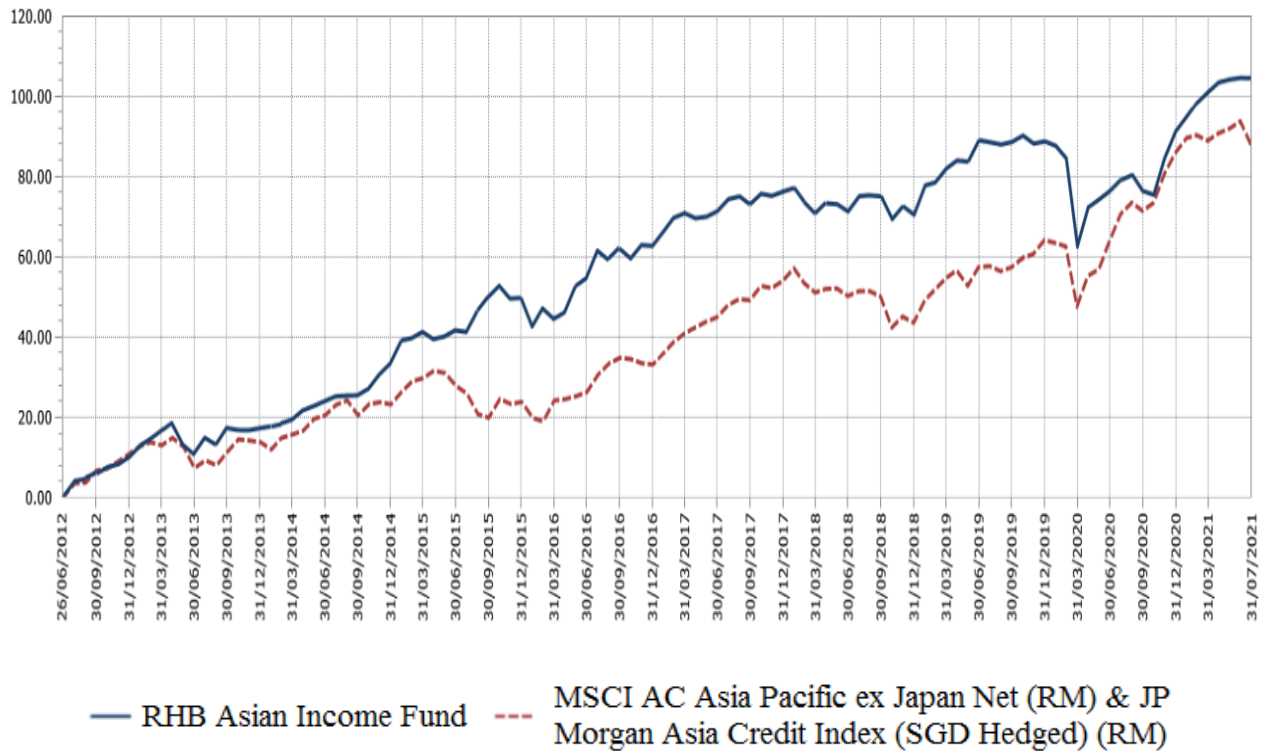
On fixed income, the Target Fund Manager believes that security selection is key. There have been idiosyncratic risks as shown in July's market performance, due to the Chinese regulatory crackdown on certain sectors. Longer-term, Asian credits offer the advantages of both compelling valuation versus US, European, and other Emerging Market ("EM") credits, as well as lower volatility historically. With valuations increasingly stretched across developed market credit, together with a less favorable outlook for total return and bond technical, the Target Fund Manager sees fewer opportunities in investment grade bonds. At the moment, the Target Fund Manager has a positive view on high yield compared to investment-grade names given better risk-reward performance. The Target Fund Manager focuses their attention on alpha opportunities via security selection on new issues, and risk management remains their top priority. The target portfolio also continues to have exposures to select off-benchmark markets for diversification benefits.

PERFORMANCE DATA

	Annual Total Returns				
	Financial Year Ended 31 July				
	2021 %	2020 %	2019 %	2018 %	2017 %
RHB Asian Income Fund					
- Capital Return	9.70	(10.03)	1.74	(4.76)	3.91
- Income Return	4.04	5.69	5.81	5.39	3.84
- Total Return	14.13	(4.91)	7.65	0.37	7.90
MSCI AC Asia Pacific ex Japan Net (RM) & JP Morgan Asia Credit Index (SGD Hedged) (RM)	9.94	8.15	4.11	2.35	13.26

	Average Annual Returns			
	1 Year	3 Year	5 Year	Since Launch
	31.07.2020 – 31.07.2021 %	31.07.2018 – 31.07.2021 %	31.07.2016 – 31.07.2021 %	26.06.2012** – 31.07.2021 %
RHB Asian Income Fund	14.13	5.32	4.81	8.17
MSCI AC Asia Pacific ex Japan Net (RM) & JP Morgan Asia Credit Index (SGD Hedged) (RM)	9.94	7.37	7.49	7.16

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



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

Source: Lipper IM, 12 August 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 July		
	2021	2020	2019
Net Asset Value (RM million)*	3,070.13	3,820.03	3,486.10
Units In Circulation (million)*	4,755.54	6,491.44	5,329.21
Net Asset Value Per Unit (RM)*	0.6456	0.5885	0.6541

Fund Size	Financial Year Ended 31 July		
	2021	2020	2019
Unit Prices			
NAV - Highest (RM)*	0.6588	0.6612	0.6706
- Lowest (RM)*	0.5698	0.5246	0.6104
Unit Split	-	-	-
Others			
Management Expense Ratio (MER) (%) #	0.65	0.64	0.68
Portfolio Turnover Ratio (PTR) (times) ##	0.17	0.14	0.11

* The figures quoted are ex-distribution

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

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

Distribution Date	Financial Year Ended 31 July			
	Gross Distribution Per Unit (sen)	Net Distribution Per Unit (sen)	NAV before distribution (cum)	NAV after distribution (ex)
<u>2021</u>				
27.10.2020	0.6000	0.6000	0.5885	0.5819
26.01.2021	0.6000	0.6000	0.6502	0.6382
27.04.2021	0.6500	0.6500	0.6548	0.6484
26.07.2021	0.6500	0.6500	0.6561	0.6460
Total	2.5000	2.5000		
<u>2020</u>				
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		
<u>2019</u>				
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		
<u>2018</u>				
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 year under review, the Fund has declared a total net distributions of 2.5000 sen per unit, which is equivalent to a net yield of 4.00% based on the average net asset value for the financial year.

PORTFOLIO STRUCTURE

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

	As at 31 July		
	2021 %	2020 %	2019 %
Sectors			
Foreign collective investment scheme	97.48	97.70	95.69
Liquid assets and other net current assets	2.52	2.30	4.31
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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	846	20.06	2,150	0.05
5,001 to 10,000	717	17.00	5,379	0.11
10,001 to 50,000	1,773	42.05	42,656	0.91
50,001 to 500,000	830	19.68	98,030	2.08
500,001 and above	51	1.21	4,559,840	96.85
Total	4,217	100.00	4,708,055	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 year under review, the soft commission received from the brokers had been retained by the Manager as the goods and services provided are of demonstrable benefit to the unitholders.

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

	<u>Note</u>	<u>2021</u> <u>RM</u>	<u>2020</u> <u>RM</u>
ASSETS			
Bank balances	5	3,273,998	126,036
Deposits with licensed financial institutions	5	73,916,885	109,554,327
Investments	6	2,992,882,481	3,732,075,386
Amount due from Fund Manager of collective investment scheme		20,916,796	-
Other receivables		2,991,336	3,857,588
TOTAL ASSETS		<u>3,093,981,496</u>	<u>3,845,613,337</u>
LIABILITIES			
Forward foreign currency contracts	7	14,804,978	11,726,871
Amount due to Manager		2,497,022	7,775,621
Accrued management fee		4,728,159	5,873,392
Amount due to Trustee		157,613	195,789
Amount due to counterparties		1,653,000	
Other payables and accruals		12,700	10,200
TOTAL LIABILITIES		<u>23,853,472</u>	<u>25,581,873</u>
NET ASSET VALUE		<u>3,070,128,024</u>	<u>3,820,031,464</u>
UNITHOLDERS' FUNDS			
Unitholders' capital		2,973,855,872	4,048,960,528
Retained earnings/(accumulated losses)		96,272,152	(228,929,064)
		<u>3,070,128,024</u>	<u>3,820,031,464</u>
UNITS IN CIRCULATION (UNITS)	8	<u>4,755,541,708</u>	<u>6,491,441,492</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>0.6456</u>	<u>0.5885</u>

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

RHB ASIAN INCOME FUND
STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
INCOME/(LOSS)			
Dividend income		156,156,794	174,749,432
Interest income from deposits with licensed financial institutions		1,405,712	2,935,705
Net gain/(loss) on investments	6	311,137,890	(349,626,171)
Net gain/(loss) on forward foreign currency contracts	7	8,662,133	(23,479,480)
Net foreign currency exchange loss		<u>(707,447)</u>	<u>(181,870)</u>
		<u>476,655,082</u>	<u>(195,602,384)</u>
EXPENSES			
Management fee	9	(19,828,547)	(22,206,631)
Trustee's fee	10	(2,024,233)	(2,309,236)
Audit fee		(7,700)	(7,700)
Tax agent's fee		(2,500)	(3,300)
Other expenses		<u>(35,236)</u>	<u>(42,438)</u>
		<u>(21,898,216)</u>	<u>(24,569,305)</u>
Net income/(loss) before taxation		454,756,866	(220,171,689)
Taxation	11	<u>-</u>	<u>-</u>
Net income/(loss) after taxation		<u>454,756,866</u>	<u>(220,171,689)</u>
Net income/(loss) after taxation is made up of the following:			
Realised amount		112,975,351	134,090,350
Unrealised amount		<u>341,781,515</u>	<u>(354,262,039)</u>
		<u>454,756,866</u>	<u>(220,171,689)</u>

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

RHB ASIAN INCOME FUND
STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	Unitholders' capital RM	(Accumulated losses)/ retained earnings 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	-	(220,171,689)	(220,171,689)
Creation of units arising from applications	821,353,604	-	821,353,604
Creation of units arising from distributions	212,940,738	-	212,940,738
Cancellation of units	(267,250,403)	-	(267,250,403)
Distributions (Note 12)	-	(212,940,738)	(212,940,738)
Balance as at 31 July 2020	4,048,960,528	(228,929,064)	3,820,031,464
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	-	454,756,866	454,756,866
Creation of units arising from applications	42,225,566	-	42,225,566
Creation of units arising from distributions	129,555,650	-	129,555,650
Cancellation of units	(1,246,885,872)	-	(1,246,885,872)
Distributions (Note 12)	-	(129,555,650)	(129,555,650)
Balance as at 31 July 2021	2,973,855,872	96,272,152	3,070,128,024

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

RHB ASIAN INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		1,044,365,926	170,361,077
Purchase of investments		(14,591,040)	(960,701,632)
Interest received from deposits with licensed financial institutions		1,405,712	2,935,705
Dividend received		156,274,031	175,134,007
Management fee paid		(20,314,276)	(21,486,425)
Trustee fee paid		(2,062,409)	(2,286,059)
Payment for other fees and expenses		(42,936)	(59,695)
Net realised gain on forward foreign currency contracts		13,393,240	9,689,645
Net cash generated from/(used in) operating activities		<u>1,178,428,248</u>	<u>(626,413,377)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		42,225,566	858,762,469
Cash paid for units cancelled		<u>(1,252,164,471)</u>	<u>(259,474,782)</u>
Net cash (used in)/generated from financing activities		<u>(1,209,938,905)</u>	<u>599,287,687</u>
Net decrease in cash and cash equivalents		(31,510,657)	(27,125,690)
Effects of foreign exchange differences		(978,823)	(1,111,016)
Cash and cash equivalents at the beginning of the financial year		<u>109,680,363</u>	<u>137,917,069</u>
Cash and cash equivalents at the end of the financial year	5	<u>77,190,883</u>	<u>109,680,363</u>

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

**RHB ASIAN INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 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 Schroder 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 23 September 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 the 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 income and expenses during the financial year. 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 year 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
- adding guidance on different measurement basis, and

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 year beginning on 1 August 2020: (continued)

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

Key changes include: (continued)

- 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 are 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 have 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 other receivables at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement (continued)

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).

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.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

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.

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 year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Manager, amount due to Trustee, amount due to counterparties 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.

2.4 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 obligation 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 year 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.6 Taxation

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Fund Manager of the collective investment scheme, probability that the Fund Manager of the collective investment scheme will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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:

- 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 forward foreign currency 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 forward foreign currency 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 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 the investments of the Fund will fluctuate because of changes in market prices.

The Fund is exposed to collective investment scheme price risk for its investments of RM2,992,882,481 (2020: RM3,732,075,386) in collective investment scheme.

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 of the Fund is +/- RM149,644,124 (2020: +/- RM186,603,769).

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments and its return will fluctuate because of 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 fluctuations 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 + RM44,236,520 / (-) RM54,587,136 (2020: + RM73,143,503 / (-) RM75,503,403).

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

	<u>Investments</u> RM	<u>Cash and cash equivalents</u> RM	<u>Receivables</u> RM	<u>Forward foreign currency contracts</u> RM	<u>Amount due from Fund Manager of collective investment scheme</u> RM	<u>Total</u> RM
2021						
Singapore Dollar	2,992,882,481	73,548	2,991,336	(14,804,978)	20,916,796	3,002,059,183
2020						
Singapore Dollar	3,732,075,386	75,888	3,857,588	(11,726,871)	-	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. The risk arising from cash and cash equivalents is managed by ensuring that the Fund will only maintain cash balances and place deposits with reputable licensed financial institutions. Credit risk arising from amount due from Fund Manager of collective investment scheme, the settlement terms are governed by the relevant rules and regulations as prescribed by the relevant regulatory authority in its home jurisdiction. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Malaysia Guidelines on Unit Trust Funds.

For amount due from Fund Manager of collective investment scheme, the settlement terms are governed by the relevant rules and regulations as prescribed by the relevant regulatory authority in its home jurisdiction.

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

	Cash and cash equivalents RM	Other financial assets* RM	Total RM
<u>2021</u>			
Financial institutions:			
AAA	77,190,883	-	77,190,883
Others	-	23,908,132	23,908,132
	<u>77,190,883</u>	<u>23,908,132</u>	<u>101,099,015</u>
<u>2020</u>			
Financial institutions:			
AAA	109,680,363	-	109,680,363
Others	-	3,857,588	3,857,588
	<u>109,680,363</u>	<u>3,857,588</u>	<u>113,537,951</u>

* Comprised of 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 <u>1 year</u> RM
<u>2021</u>		
Amount due to Manager	2,497,023	
Accrued management fee	4,728,158	
Amount due to Trustee	157,613	
Amount due to counterparties	1,653,000	-
Forward foreign currency contracts	-	14,804,978
Other payables and accruals	-	12,700
	<u>9,035,794</u>	<u>14,817,678</u>
<u>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 RM2,973,855,872 (2020: RM4,048,960,528) and retained earnings of RM96,272,152 (2020: accumulated losses of 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 year 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 year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent 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)

The following table analyses within the fair value hierarchy the Fund’s financial assets and financial 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>Total</u> RM
<u>2021</u>				
Investments :				
- Collective investment scheme - foreign	2,992,882,481	-	-	2,992,882,481
Derivative financial instruments:				
- Forward foreign currency contracts	-	(14,804,978)	-	(14,804,978)
	<u>2,992,882,481</u>	<u>(14,804,978)</u>	<u>-</u>	<u>2,978,077,503</u>

4 FAIR VALUE ESTIMATION (CONTINUED)

Fair value hierarchy (continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM	RM	RM	RM
<u>2020</u>				
Investments :				
- Collective investment scheme - foreign	3,732,075,386	-	-	3,732,075,386
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 scheme i.e. unit trust fund whose values is based on quoted 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 contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2.2 and Note 2.12.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<u>2021</u> RM	<u>2020</u> RM
Bank balances	3,273,998	126,036
Deposits with licensed financial institutions	73,916,885	109,554,327
	<u>77,190,883</u>	<u>109,680,363</u>

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

	<u>2021</u> RM	<u>2020</u> RM
Deposits with licensed financial institutions:		
- RHB Bank Berhad	73,916,885	-

6 INVESTMENTS

	<u>2021</u> RM	<u>2020</u> RM
Investments:		
- Collective investment schemes – foreign	2,992,882,481	3,732,075,386
	<u>2021</u> RM	<u>2020</u> RM
Net gain/(loss) on investments comprised:		
- Net realised loss on sale of investments	(34,700,555)	(29,644,272)
- Net unrealised gain/(loss) on changes in fair value	345,838,445	(319,981,899)
	<u>311,137,890</u>	<u>(349,626,171)</u>

Investments as at 31 July 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				
<u>SINGAPORE</u>				
Schroder Asian Income Fund – X Class	859,278,697	2,919,802,181	2,992,882,481	97.48

6 INVESTMENTS (CONTINUED)

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

7 FORWARD FOREIGN CURRENCY CONTRACTS

As at 31 July 2021, there were fifty seven (2020: sixty three) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounting of RM2,018,000,600 (2020: RM2,246,120,500) were 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 changes in the fair value of the forward foreign currency contract is recognised immediately in the statement of income and expenses.

Net gain/(loss) on forward foreign currency contracts is as follows:

	<u>2021</u> RM	<u>2020</u> RM
- Net realised gain on forward currency contracts	11,740,240	9,689,645
- Net unrealised loss on forward currency contracts	(3,078,107)	(33,169,125)
	<u>8,662,133</u>	<u>(23,479,480)</u>

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

	<u>2021</u> RM	<u>2020</u> RM
Forward foreign currency contract:		
- RHB Bank Berhad	<u>(3,976,223)</u>	<u>(3,565,447)</u>

8 UNITS IN CIRCULATION

	<u>2021</u> <u>Units</u>	<u>2020</u> <u>Units</u>
At the beginning of the financial year	6,491,441,492	5,329,206,263
Creation of units during the financial year:		
Arising from applications	65,745,000	1,279,395,000
Arising from distributions	207,069,216	349,188,229
Cancellation of units during the financial year	(2,008,714,000)	(466,348,000)
At the end of the financial year	<u>4,755,541,708</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% (2020: 1.80%) per annum on 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 Singapore, any management fee charged to Schroder Singapore is 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% (2020: 0.06%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

11 TAXATION

(a) Tax charge for the financial year

	<u>2021</u> RM	<u>2020</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>2021</u> RM	<u>2020</u> RM
Net income/(loss) before taxation	454,756,866	(220,171,689)
Tax calculated at a statutory income tax rate of 24%	109,141,648	(52,841,205)
Tax effects of:		
- (Income not subject to tax)/loss not deductible for tax purpose	(114,397,220)	46,944,572
- Expenses not deductible for tax purposes	486,770	557,273
- Restriction on tax deductible expenses for unit trust funds	4,768,802	5,339,360
Tax expense	-	-

12 DISTRIBUTIONS

Distributions to unitholders are derived from the following sources:

	<u>2021</u> RM	<u>2020</u> RM
Dividend income	139,754,237	174,749,432
Prior financial year's realised income	11,276,696	62,104,789
Less: Expenses	(21,475,283)	(23,913,483)
Net distribution amount	<u>129,555,650</u>	<u>212,940,738</u>
	Sen per unit	Sen per unit
<u>Distributions during the financial year</u>	<u>Gross/Net</u>	<u>Gross/Net</u>
27 October 2020 / 29 October 2019	0.6000	1.0000
26 January 2021 / 23 January 2020	0.6000	0.8000
27 April 2021 / 24 April 2020	0.6500	0.8000
26 July 2021 / 24 July 2020	0.6500	0.8000
	<u>2.5000</u>	<u>3.4000</u>

Included in the above distribution is an amount of RM11,276,696 (2020: RM62,104,789) derived from the prior financial year's realised income.

There are unrealised losses of RM354,262,039 for the financial year ended 31 July 2020.

13 MANAGEMENT EXPENSE RATIO ("MER")

	<u>2021</u> %	<u>2020</u> %
MER	<u>0.65</u>	<u>0.64</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>2021</u>	<u>2020</u>
PTR (times)	0.17	0.14

The PTR ratio is calculated based on average of acquisition and disposals of the Fund for the financial year 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 and related parties are as follows:

		<u>2021</u>		<u>2020</u>
	RM	RM	Units	RM
The Manager [^]	47,486,887	30,657,534	238,089	140,115
RHB Capital Nominees (Tempatan) Sdn Bhd	195,527,875	126,232,796	337,942,076	198,878,912
RHB Nominees (Tempatan) Sdn Bhd	1,767,503	1,141,100	2,300,314	1,353,735

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 the Manager had exceeded the limits as per SC Guidelines on Unit Trust Funds as of 31 July 2021 position. However, these units were to facilitate the processing of distribution and pending allocation to unitholders. The units were subsequently cleared on 2 August 2021.

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.

15 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

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 for the financial year ended 31 July 2021 are as follows:

<u>Fund Manager</u>	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Schroder Investment Management (Singapore) Ltd	1,079,615,595	100.00	-	-

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

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

17 FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>2021</u> RM	<u>2020</u> RM
Financial assets		
Financial assets at fair value through profit or loss (“FVTPL”)		
• Collective Investment Scheme	2,992,882,481	3,732,075,386
	<u>2,992,882,481</u>	<u>3,732,075,386</u>
Financial assets at amortised cost		
• Deposits with licensed financial institutions	73,916,885	109,554,327
• Bank balances	3,273,998	126,036
• Amount due from Fund Manager of collective investment scheme	20,916,796	-
• Other receivables	2,991,336	3,857,588
	<u>101,099,015</u>	<u>113,537,951</u>
Financial liabilities		
Financial liabilities at fair value through profit or loss (“FVTPL”)		
• Forward foreign currency contracts	14,804,978	11,726,871
Financial liabilities at amortised cost		
• Amount due to Manager	2,497,022	7,775,621
• Accrued Management fee	4,728,159	5,873,392
• Amount due to Trustee	157,613	195,789
• Amount due to counterparties	1,653,000	
• Other payables and accruals	12,700	10,200
	<u>23,853,472</u>	<u>25,581,873</u>

18 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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 year.

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 Datuk Seri Dr Govindan A/L Kunchambo, 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 statement of financial position, statement of income and expenses, statement of changes in net asset value, 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 at 31 July 2021 and of its financial performance and cash flows for the financial year then ended and comply with the provisions of the Deeds.

On behalf of the Manager

Dato' Darawati Hussain
Director

Datuk Seri Dr Govindan A/L Kunchambo
Director

23 September 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 the financial year ended 31 July 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 year, a total distribution of 2.5000 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

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
23 September 2021

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB ASIAN INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Asian Income Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 July 2021 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 July 2021, and the statement of income and expenses, statement of changes in net asset value 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 12 to 40.

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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB ASIAN INCOME FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 determines 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 terminate the Fund, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB ASIAN INCOME FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB ASIAN INCOME FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (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 unitholders 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
23 September 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*)

Ms Ong Yin Suen (*Managing Director / Chief Executive Officer*)

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

YBhg Datuk Seri Dr Govindan A/L Kunchambo

(*Independent Non-Executive Director*)

Encik Mohd Rashid Bin Mohamad (*Non-Independent Non-Executive Director*)

(*Appointed with effect from 11 August 2021*)

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

SECRETARIES

Encik Azman Shah Md Yaman (LS No. 0006901)

Cik Hasnita Sulaiman (MAICSA No. 7060582)

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 Berhad Citibank Berhad Genexus Advisory Sdn Bhd Hong Leong Bank Bhd HSBC Bank (M) Bhd iFast Capital Sdn Bhd Kenanga Investors Bhd Malayan Banking 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

RHB Asset Management Sdn Bhd 198801007231 (174588-X)

Head Office

Level 8, Tower 2 & 3,
RHB Centre, Jalan Tun Razak,
50400 Kuala Lumpur

Tel: +603 9205 8000

Fax: +603 9205 8100

www.rhbgroup.com