

**RHB ISLAMIC BOND FUND**

**ANNUAL REPORT 2021**

For the financial year ended 30 September 2021

## **GENERAL INFORMATION ABOUT THE FUND**

### **Fund Category and Type**

Fund Name	-	RHB Islamic Bond Fund
Fund Category	-	Bond Fund (Shariah-compliant)
Fund Type	-	Income Fund

### **Investment Objective, Policy and Strategy**

#### Objective of the Fund

To provide regular income to investors through investments in Islamic debt securities and bonds which are acceptable investment under the principles of Shariah.

#### Strategy

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

Minimum of 60% - Investments in Islamic debt securities and bonds  
and up to 95% of (collectively referred to as “sukuk”)  
Net Asset Value

Minimum of 5% of - Investments in liquid assets acceptable under Shariah  
Net Asset Value principle

Although the Fund is actively managed, how active or the frequency of its trading strategy will very much depend on market opportunities. The Fund will invest in sukuk. Investments must carry a minimum long term credit rating of BBB and above or a minimum short term rating of P3 as assigned by RAM Rating Services Berhad (“RAM”) or its equivalent. To contain credit risk, the Manager will ensure that the diversification of credit rating (and duration standing) in the sukuk portfolio mitigate the overall risk position of the portfolio.

The Manager may also take temporary defensive measures that may be inconsistent with the Fund’s principal strategy in attempting to respond to adverse market conditions, economics, political or any other conditions which the Manager deem detrimental to the Fund. The defensive measures that the Manager may undertake are in no way to be deviated from the mandates or breaching any laws and regulations. The Fund’s strategies in yield enhancement for the portfolio will also be balanced with other investment needs of the Fund, such as liquidity and risk management. On liquidity management, the Fund will maintain sufficient amount of portfolio in liquid sukuk to accommodate redemption.

As for risk management, the portfolio duration is kept at optimal level where yield enhancement can be optimised on risk adjusted basis, and at the same time, balanced with the need for containing portfolio's volatility.

Hence, during the temporary defensive period, the Manager may choose to increase the asset allocation by allocating more investment into risk free investments which are Islamic money market instruments and Islamic deposit in adverse market condition.

### **Performance Benchmark**

Maybank Islamic Berhad's 12 months Islamic Fixed Deposit-i ("IFD-i").

### **Permitted Investments**

The Fund may invest or participate in sukuk traded on eligible markets and/or which are listed on Bursa Malaysia; Shariah-compliant warrants that carry the right in respect of a security traded in or under the rules of an eligible market; Shariah-compliant unlisted securities including securities not listed or quoted on a stock exchange but have been approved by the relevant regulatory authority for such listing or quotation and are offered directly to the Fund by the issuer; Shariah-compliant financial derivatives; Islamic collective investment schemes and Islamic structured products; Government Investment Issues (GII), Islamic accepted bills, Bank Negara Malaysia negotiable notes, cagamas mudharabah bonds and any other Malaysian government approved/guaranteed Islamic issues; sukuk generally in the form of corporate sukuk or Islamic commercial papers issued by private companies or public listed corporations that are traded in eligible markets; liquid assets (including money market instruments and deposits with any financial institutions); and any other investments permitted by the Securities Commission Malaysia from time to time.

### **Distribution Policy**

Income (if any) will be distributed during the financial year.

## **MANAGER'S REPORT**

### **MARKET REVIEW**

During the financial year under review, on the local fixed income side, towards the final quarter of the year 2020, bond market sentiment has skewed weaker since the no Overnight Policy Rate (“OPR”) cut decision by Bank Negara Malaysia (“BNM”) at its final meeting of the year on 3 November 2020. Looking ahead, curve steepening pressure might prevail on supply dynamics point of view. Rising external yields will inevitably weigh on Ringgit bonds when supply profile remains heavy while demand faces headwinds. From the start of the year 2021, the local bond yields have been adjusted higher on better risk sentiment as well as higher movement in United States Treasury (“UST”) yields on reflationary trades arising from higher stimulus bill which is at the final page of approving through the Senate. Local markets reopened after the Chinese New Year break on a rather bearish note. Bonds were under intense selling pressure amidst paper thin liquidity while tracking the movement on the UST, coupled with the relaxation of Employees' Provident Fund (“EPF”) withdrawals through the i-Sinar program which further extended market cautiousness on potential higher withdrawal that will further distress local yields. Nevertheless, towards the end of the first quarter of year 2021 (“1Q21”), we saw demand for the local government securities emerging following decision of Financial Times Stock Exchange (“FTSE”) Russell to retain Malaysia in the World Government Bond Index (“WGBI”). This is a positive news for local bond market and it has lifted sentiments especially from offshore investors' perspective given the certainty now and the risk of exclusion from the WGBI has now been completely removed. Local government space saw the yields flatten towards the end of the month with longer-end being sought after based on attractive valuation as a result of continuous selling pressures since the start of the year.

In the third quarter of year 2021 (“3Q21”), the Malaysia Government Securities (“MGS”) market overall was bearish arising from selloff across the yield curve. Yields rose 12 basis points (“bps”) to 25bps higher for 10 years MGS and below whereas for the 15-year to 30-year, yields went higher by 18bps and 6.5bps respectively in the month of September 2021 alone. For the Malaysia Government Investment Issue (“MGII”) yield curve, it also showed similar moves seen the MGS space. Up to 10-year, MGII yields moved up by 17bps to 34bps. Beyond 10-years, 15-year and 30-year went up by 5bps and 6.5bps respectively in September 2021. MGII 3Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y ended the month at 2.571%, 2.989%, 3.33%, 3.465%, 3.962%, 4.19% and 4.484% respectively.

All in all, overall curve of the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS bear-flattened during the period and closed at 2.45% (September 2020: 2.00%), 2.92% (2.24%), 3.30% (2.42%), 3.38% (2.65%), 3.89% (3.04%), 4.08% (3.37%) and 4.26% (3.84%) respectively.

## **ECONOMIC OUTLOOK**

On the local economic front, Malaysia's Consumer Prices Index ("CPI") for August 2021 moderated further from July's +2.20% year-on-year ("YoY") to +2.00% YoY, where it was much lower than consensus of +2.20%. The increase was mainly due to transport that went up +11.60% YoY where it has been a consistent trend in terms of transport cost. This pattern of a decline in domestic inflation is consistent with the overall inflation expectation that BNM envisage for the rest of year 2021 and forecasted to be within the 2.00% to 3.00%.

On 9 September 2021, as expected, BNM maintained the OPR unchanged at +1.75%. In its statement, it mentioned the balance of risks to the global growth outlook is tilted to the downside. This is attributed mainly to uncertainty over the path of the pandemic amid the emergence of variants of concern, and potential risk of heightened financial market volatility amid adjustments in monetary policy in major economies. Specifically, for Malaysia's economy, the re-imposition of nation-wide containment measures to curb the resurgence in COVID-19 cases had dampened the growth momentum. The recent gradual relaxations for more economic sectors to operate, however, along with higher adaptability of firms to the new operating environment and continued policy support, would partly mitigate the impact and allow the economy to resume its recovery path. Moving forward, the further easing of containment measures, rapid progress of the domestic vaccination program and continued expansion in global demand will support the growth momentum going into year 2022.

## **REVIEW OF FUND PERFORMANCE DURING THE FINANCIAL YEAR**

For the financial year under review, the Fund has registered a return of -10.51%\* in net asset value terms while its benchmark, Maybank 12 Months Islamic FD-i Rate recorded a return of 1.85%\*.

The Fund did not meet its objective for the financial year under review, however, there could be a resolution to one of the downgraded sukuks by the end of this year. Despite a challenging year, RHB Islamic Bond Fund managed to declare a 9sen dividend on 28 September 2021.

*\* Source: Lipper Investment Management ("Lipper IM"), 05 October 2021*

## **MARKET OUTLOOK AND STRATEGY GOING FORWARD**

In domestic front, at its second Monetary Policy Meeting ("MPC") the year, BNM held the OPR at 1.75%. This came in line with Bloomberg market consensus and economist expectations. This marks the fourth straight meeting that BNM kept rates on hold. The Statutory Reserve Requirement ("SRR") was also kept unchanged at 2.00%. The next scheduled MPC decision is on 6 May 2021. In its statement, BNM highlighted that growth is expected to improve from the second

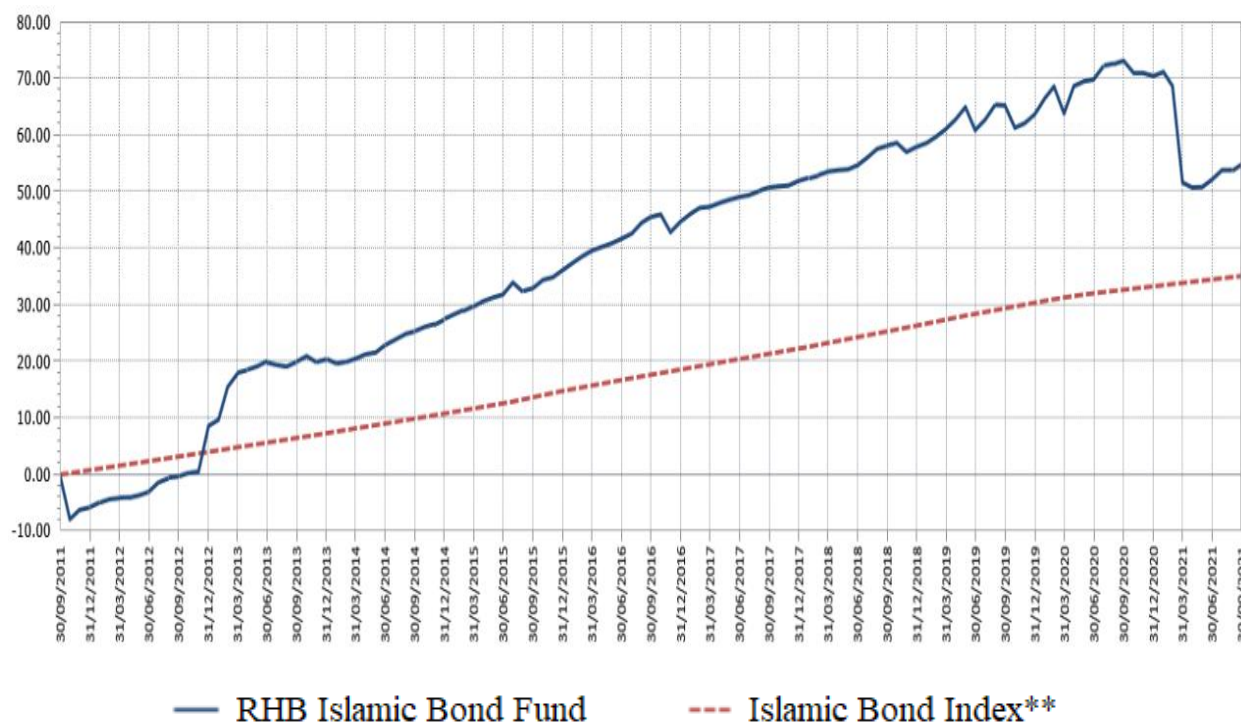
half of the year 2021 (“2H21”) driven by the recovery in global demand, increased public and private sector expenditure as well as more targeted containment measures following the roll-out of domestic COVID-19 vaccine programme. Growth will also be supported by higher production from existing and new manufacturing facilities, particularly in the electrical and electronic (“E&E”) and primary-related sub-sectors, as well as oil and gas facilities. Nevertheless, BNM also highlighted that the growth outlook remains subject to downside risks, stemming mainly from ongoing uncertainties in developments related to the pandemic, and potential challenges that might affect the roll-out of vaccines both globally and domestically. Although BNM continued to highlight potential downside risk and reiterated that future monetary decisions will be data dependent, BNM’s assessment painted a less negative outlook compared to their previous assessment in January 2021. The current Movement Control Order (“MCO”) has been relaxed to allow most economic activities to resume from March 2021 onwards, with exception of interstate travel. Malaysia’s external sector is projected to recover further in tandem with the global economy. In term of inflation trajectory, BNM highlighted that headline inflation is anticipated to temporarily spike in the second quarter of year 2021 (“2Q21”) due to the lower base from the low domestic retail fuel prices in the corresponding quarter of year 2020, before moderating thereafter. Underlying inflation is expected to remain subdued amid continued spare capacity in the economy. The outlook, however, is subject to global oil and commodity price developments. Despite expectations of further improvements, underlying economic conditions are unlikely to warrant any rate adjustments this year. Despite expectations for a pick-up in Gross Domestic Product (“GDP”) in year 2021, we expect parts of the economy will continue to face challenges, unemployment rates to stay elevated above pre-pandemic levels, and spare capacity to prevail this year. As such, we expect BNM to keep the OPR unchanged at 1.75% for the rest of the year.

## PERFORMANCE DATA

	<b>Annual Total Returns</b>				
	<b>Financial Year Ended 30 September</b>				
	<b>2021 %</b>	<b>2020 %</b>	<b>2019 %</b>	<b>2018 %</b>	<b>2017 %</b>
RHB Islamic Bond Fund					
- Capital Return	(17.20)	0.28	(1.11)	(0.21)	(1.41)
- Income Return	8.08	4.47	5.68	5.17	5.01
- Total Return	(10.51)	4.76	4.51	4.95	3.53
Islamic Bond Index**	1.85	2.53	3.26	3.29	3.16

	<b>Average Annual Return</b>			
	<b>1 Year 30.09.2020- 30.09.2021 %</b>	<b>3 Years 30.09.2018- 30.09.2021 %</b>	<b>5 Years 30.09.2016- 30.09.2021 %</b>	<b>10 Years 30.09.2011- 30.09.2021 %</b>
RHB Islamic Bond Fund	(10.51)	(0.68)	1.26	4.47
Islamic Bond Index**	1.85	2.54	2.81	3.05

**Performance of RHB Islamic Bond Fund**  
**For the period from 30 September 2011\* to 30 September 2021**  
**Cumulative Return Over the Period (%)**



*Source: Lipper IM, 05 October 2021*

\* The Maybank Islamic Berhad's 12 Months Islamic FD-i Rate is only available in Lipper database after 1 January 2016.

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.

\*\* Effective 1 January 2016, the Fund's composite benchmark (Islamic Bond Index) was changed from Maybank Islamic Berhad's 12 Months General Investment Account Rate to Maybank Islamic Berhad's 12 Months Islamic Fixed Deposit-I ("IFD-i"). The Fund's composite benchmark performance has been adjusted to reflect the new benchmark.

A combination of benchmark/composite benchmark has been used for the performance computation as follows:

From 25 November 2002 - 31 December 2015	Maybank Islamic Berhad's 12 Months General Investment Account Rate
1 January 2016 onwards	Maybank Islamic Berhad's 12 Months IFD-i



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 wherever applicable.

<b>Fund Size</b>	<b>As at 30 September</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net Asset Value (RM million)*	133.40	237.78	270.37
Units In Circulation (million)	119.80	176.79	201.58
Net Asset Value Per Unit (RM)*	1.1136	1.3450	1.3413

<b>Historical Data</b>	<b>Financial Year Ended 30 September</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Unit Prices</b>			
NAV - Highest (RM) *	1.3595	1.4038	1.4212
- Lowest (RM) *	1.1122	1.3075	1.3371
<b>Distribution and Unit Split</b>			
Gross Distribution Per Unit (sen)	9.0000	6.0000	7.6000
Net Distribution Per Unit (sen)	9.0000	6.0000	7.6000
Distribution Date	28.09.2021	25.09.2020	26.09.2019
NAV before distribution (cum)	1.2031	1.4030	1.4116
NAV after distribution (ex)	1.1123	1.3430	1.3371
Unit Split	-	-	-
<b>Others</b>			
Management Expense Ratio (MER) (%) #	0.11	0.92	0.89
Portfolio Turnover Ratio (PTR) (times) ##	0.36	0.44	0.70

\* *The figures quoted are ex-distribution*

# The MER for the financial year was lower compared with previous financial year due to lower expenses incurred during the financial year under review.

## The PTR for the financial year was lower compared with previous financial year due to lesser investment activities during the financial year under review.

## DISTRIBUTION

For the financial year under review, the Fund has declared a total net distribution of 9.0000 sen per unit, which is equivalent to a net yield of 7.18% based on the average net asset value for the financial year.

## PORTFOLIO STRUCTURE

The asset allocations of the Fund as at reporting date were as follows:

	As at 30 September		
	2021 %	2020 %	2019 %
<b>Sectors</b>			
<b>Unquoted sukuk</b>	91.68	95.82	101.84
<b>Liquid assets and other net current assets/(liabilities)</b>	8.32	4.18	(1.84)*
	100.00	100.00	100.00

The portfolio asset allocation has been relatively well-invested during the financial year under review, which reflected the Fund Manager's tactical strategy in line with the market outlook, as well as managing liquidity risk.

*\* The excess over 100% of net asset value is mainly attributable to distribution payable, which has not been paid as at the reporting date.*

## BREAKDOWN OF UNIT HOLDINGS BY SIZE

Size of Holdings	Account Holders		No. Of Units Held*	
	No.	%	('000)	%
5,000 and below	377	40.15	796	0.66
5,001 to 10,000	146	15.55	1,070	0.89
10,001 to 50,000	301	32.06	7,112	5.94
50,001 to 500,000	99	10.54	10,634	8.88
500,001 and above	16	1.70	100,179	83.63
Total	939	100.00	119,791	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 unit holders.

## CROSS TRADE

Cross trade transactions carried out during the reported period have been reviewed by the Investment Committee of the Fund in the month of July 2021 and October 2021 to ensure that such transactions are in the best interests of the Fund, transacted on an arm's length (\*) and fair value basis.

*\*Transactions at arm's length refer to transactions in the normal course of business at prevailing market price as at the date of cross trade.*

**RHB ISLAMIC BOND FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2021**

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
<b>ASSETS</b>			
Bank balances	5	53,514	20,816,450
Islamic deposits with licensed financial institutions	5	21,881,804	-
Investments	6	122,298,466	227,837,716
Amount due from Manager		24,499	2,023,779
<b>TOTAL ASSETS</b>		<u>144,258,283</u>	<u>250,677,945</u>
<b>LIABILITIES</b>			
Amount due to Manager		42,265	178,672
Accrued management fee		-	2,163,309
Amount due to Trustee		11,702	21,047
Income distribution payable		10,783,073	10,524,830
Other payables and accruals		17,232	14,805
<b>TOTAL LIABILITIES</b>		<u>10,854,272</u>	<u>12,902,663</u>
<b>NET ASSET VALUE</b>		<u>133,404,011</u>	<u>237,775,282</u>
<b>EQUITY</b>			
Unit holders' capital		169,494,115	233,557,957
(Accumulated losses)/Retained earnings		(36,090,104)	4,217,325
		<u>133,404,011</u>	<u>237,775,282</u>
<b>UNITS IN CIRCULATION (UNITS)</b>	8	<u>119,795,921</u>	<u>176,786,827</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION)(RM)</b>		<u>1.1136</u>	<u>1.3450</u>

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

**RHB ISLAMIC BOND FUND**  
**STATEMENT OF INCOME AND EXPENSES**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
<b>(LOSS)/INCOME</b>			
Profit income from Islamic deposits with licensed financial institutions		279,586	380,269
Profit income from unquoted sukuk		11,971,257	14,066,304
Net (loss)/gain on investments	6	<u>(41,534,767)</u>	<u>1,480,750</u>
		<u>(29,283,924)</u>	<u>15,927,323</u>
<b>EXPENSES</b>			
Write-off of investment		-	(1,220,223)
Management fee	9	-	(2,179,458)
Trustee's fee	10	(225,679)	(268,506)
Audit fee		(9,275)	(9,275)
Tax agent's fee – current year		(3,800)	(3,800)
Tax agent's fee – prior year		-	(600)
Other expenses		(1,678)	(2,861)
		<u>(240,432)</u>	<u>(3,684,723)</u>
Net (loss)/income before taxation		(29,524,356)	12,242,600
Taxation	11	-	-
Net (loss)/income after taxation		<u>(29,524,356)</u>	<u>12,242,600</u>
Net (loss)/income after taxation is made up of the following:			
Realised amount		15,513,150	14,962,950
Unrealised amount		(45,037,506)	(2,720,350)
		<u>(29,524,356)</u>	<u>12,242,600</u>

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

**RHB ISLAMIC BOND FUND**  
**STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

	<b>Unit holders' capital RM</b>	<b>Retained earnings/ (Accumulated losses) RM</b>	<b>Total net asset value RM</b>
Balance as at 1 October 2019	267,873,070	2,499,555	270,372,625
Movement in net asset value:			
Net income after taxation	-	12,242,600	12,242,600
Creation of units arising from distribution	12,920,923	-	12,920,923
Creation of units arising from applications	55,126,994	-	55,126,994
Cancellation of units	(102,363,030)	-	(102,363,030)
Distribution (Note 12)	-	(10,524,830)	(10,524,830)
Balance as at 30 September 2020	<u>233,557,957</u>	<u>4,217,325</u>	<u>237,775,282</u>
Balance as at 1 October 2020	233,557,957	4,217,325	237,775,282
Movement in net asset value:			
Net loss after taxation	-	(29,524,356)	(29,524,356)
Creation of units arising from distribution	8,871,468	-	8,871,468
Creation of units arising from applications	65,926,113	-	65,926,113
Cancellation of units	(138,861,423)	-	(138,861,423)
Distribution (Note 12)	-	(10,783,073)	(10,783,073)
Balance as at 30 September 2021	<u>169,494,115</u>	<u>(36,090,104)</u>	<u>133,404,011</u>

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

**RHB ISLAMIC BOND FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from redemption of investments		2,385,000	10,850,000
Proceeds from sales of investments		112,785,880	132,256,829
Purchase of investments		(51,139,845)	(95,834,199)
Profit income received from Islamic deposits with licensed financial institutions		279,586	380,269
Profit income received from unquoted sukuk		11,944,705	14,567,243
Management fee paid		(2,163,309)	(2,382,485)
Trustee's fee paid		(235,024)	(271,209)
Payment for other fees and expenses		(12,326)	(20,152)
Net cash generated from operating activities		<u>73,844,667</u>	<u>59,546,296</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		67,925,393	53,658,513
Cash paid for units cancelled		(138,997,830)	(102,832,568)
Payment for income distributions		(1,653,362)	(2,404,522)
Net cash used in financing activities		<u>(72,725,799)</u>	<u>(51,578,577)</u>
Net increase in cash and cash equivalents		1,118,868	7,967,719
Cash and cash equivalents at the beginning of the financial year		<u>20,816,450</u>	<u>12,848,731</u>
Cash and cash equivalents at the end of the financial year	5	<u>21,935,318</u>	<u>20,816,450</u>

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

**RHB ISLAMIC BOND FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

**1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

The RHB Islamic Bond Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Master deed (Shariah funds) dated 12 June 2008 as amended via its first supplemental master deed (Shariah funds) dated 19 June 2009, second supplemental master deed (Shariah funds) dated 18 November 2009, third supplemental master deed (Shariah funds) dated 23 November 2009, fourth supplemental master deed (Shariah funds) dated 13 April 2012, fifth supplemental master deed (Shariah funds) dated 28 May 2012, seventh supplemental master deed (Shariah funds) dated 30 April 2013, eighth supplemental master deed (Shariah funds) dated 24 September 2013, ninth supplemental master deed (Shariah funds) dated 2 March 2015 and tenth supplemental master deed (Shariah funds) dated 20 May 2015 (collectively referred to as “the Deeds”) between RHB Asset Management Sdn Bhd (“the Manager”) and CIMB Islamic Trustee Berhad (“the Trustee”).

The Fund was launched on 25 August 2000 and will continue its operations until terminated according to the conditions provided in the Deeds.

The principal activity of the Fund is to invest in Permitted Investments as defined in the Master Deeds, which includes sukuk, all types of Islamic collective investment schemes, Islamic money market instruments and any other form of investments as may be approved by the relevant authorities from time to time and acceptable under the Shariah principles.

The Fund’s activities shall be conducted strictly in accordance with the requirement of the Shariah principles and shall be monitored by the Shariah Adviser of the Fund.

All investments will be subject to the Securities Commission’s (“SC”) Malaysia Guidelines on Unit Trust Funds, SC requirements, the Deeds, 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 regular income to investors through investments in Islamic fixed income instruments and sukuk which are acceptable investments under the principles of Shariah.



## **1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES (CONTINUED)**

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 and private retirement schemes and provision of investment advisory services.

These financial statements were authorised for issue by the Manager on 24 November 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 judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

## **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 October 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
- 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 October 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.

## **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 October 2020: (continued)

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 October 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

### **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 profit, 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.2 Financial assets (continued)**

#### Classification (continued)

The Fund classifies cash and cash equivalents and amount due from Manager as financial assets measured 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.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or loss 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 within net gain or losses on investments in the period in which they arise.

Profit income from unquoted sukuk at fair value through profit or loss is recognised in the statement of income and expenses.

Unquoted sukuk denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with SC as per the SC Malaysia Guidelines on Unit Trust Funds.

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

- (i) Records its basis for using a non-BPA price;
- (ii) Obtains necessary internal approvals to use the non-BPA price; and
- (iii) Keeps an audit trail of all decisions and basis for adopting the market price.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.2 Financial assets (continued)**

#### Recognition and measurement (continued)

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit 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 profit 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.

#### Definition of default and credit-impaired financial assets

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.2 Financial assets (continued)**

#### 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.

### **2.3 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 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 amount due to Manager, accrued management fee, amount due to Trustee, income distribution payable, and other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective profit 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 Unit holders' capital**

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

- the units entitle the holder to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there 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 unit holders 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 unit holders with the total number of outstanding units.

### **2.5 Income recognition**

Profit income from Islamic deposits with licensed financial institutions and unquoted sukuk are recognised on an accrual basis using the effective profit method.

Profit income is calculated by applying the effective profit 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 profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Realised gain and loss on sale of unquoted sukuk is measured by the difference between the net disposal proceeds and the carrying amounts of the investments (adjusted for accretion of discount or amortisation of premium).

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 year.

### **2.7 Cash and cash equivalents**

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

### **2.8 Distribution**

Distribution to the Fund's unit holders 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 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.

## **3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund is exposed to a variety of risks, which include price risk, profit rate risk, credit risk, liquidity risk, Shariah specific 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.

### **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 (other than those arising from profit rate risk).

The Fund is exposed to price risk arising from profit rate risk in relation to its investments of RM122,298,466 (2020: RM227,837,716) in unquoted sukuk. The Fund's exposure to price risk arising from profit rate risk and the related sensitivity analysis are disclosed in "Profit rate risk" below.



### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Profit rate risk

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

This risk is crucial since unquoted sukuk portfolio management depends on forecasting profit rate movements. Unquoted sukuk with longer maturity and lower yield coupon rates are more susceptible to profit rate movements.

The table below summarises the sensitivity of the Fund's profit or loss and net asset value to movements in prices of unquoted sukuk held by the Fund as a result of movement in profit rate. The analysis is based on the assumptions that the profit rate fluctuates by +/- 1% with all other variables held constant.

	Impact on profit or loss and net asset value	
	<u>2021</u> RM	<u>2020</u> RM
<b><u>% Change in profit rate</u></b>		
+ 1%	(537,117)	(779,836)
- 1%	543,036	784,276
	<u><u>                    </u></u>	<u><u>                    </u></u>

### 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. Credit risk arising from unquoted sukuk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. 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. 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 Fund.

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

	<b><u>Investments</u></b> <b>RM</b>	<b><u>Cash and</u></b> <b><u>equivalents</u></b> <b>RM</b>	<b><u>Other</u></b> <b><u>financial</u></b> <b><u>assets*</u></b> <b>RM</b>	<b><u>Total</u></b> <b>RM</b>
<b><u>2021</u></b>				
<b>Financial institutions:</b>				
AAA	9,126,284	21,881,804	-	31,008,088
AA2	-	53,514	-	53,514
AA3	4,362,733	-	-	4,362,733
AA-	1,004,388	-	-	1,004,388
A+	5,118,101	-	-	5,118,101
A	10,127,969	-	-	10,127,969
A1	6,589,795	-	-	6,589,795
B	19,440,516	-	-	19,440,516
BB	14,251,476	-	-	14,251,476
C	19,750,425	-	-	19,750,425
C3	13,079,152	-	-	13,079,152
Non-rated	19,447,627	-	-	19,447,627
Others	-	-	24,499	24,499
	<b>122,298,466</b>	<b>21,935,318</b>	<b>24,499</b>	<b>144,258,283</b>

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (continued)

	<u>Investments</u>	<u>Cash and cash equivalents</u>	<u>Other financial assets*</u>	<u>Total</u>
	RM	RM	RM	RM
<b><u>2020</u></b>				
<b>Financial institutions:</b>				
AAA	10,744,267	-	-	10,744,267
AA1	3,099,682	-	-	3,099,682
AA3	32,790,769	-	-	32,790,769
AA2	-	20,816,450	-	20,816,450
AA-	20,998,400	-	-	20,998,400
A+	22,509,848	-	-	22,509,848
A	74,768,195	-	-	74,768,195
A1	16,915,287	-	-	16,915,287
BB1	20,796,644	-	-	20,796,644
Non-rated	25,214,624	-	-	25,214,624
Others	-	-	2,023,779	2,023,779
	<u>227,837,716</u>	<u>20,816,450</u>	<u>2,023,779</u>	<u>250,677,945</u>

\* Comprise amount due from Manager.

#### 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. Unit trust funds with principal investment strategies that involve securities or securities with substantial market and/or credit risk tend to have the greater exposure to liquidity risk. 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.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk (continued)

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

	<b>Less than 1 month RM</b>	<b>Between 1 month to 1 year RM</b>
<b><u>2021</u></b>		
Amount due to Manager	42,265	-
Amount due to Trustee	11,702	-
Income distribution payable	10,783,073	-
Other payables and accruals	-	17,232
	<hr/> 10,837,040 <hr/>	<hr/> 17,232 <hr/>
<b><u>2020</u></b>		
Amount due to Manager	178,672	-
Accrued management fee	2,163,309	-
Amount due to Trustee	21,047	-
Income distribution payable	10,524,830	-
Other payables and accruals	-	14,805
	<hr/> 12,887,858 <hr/>	<hr/> 14,805 <hr/>

#### Shariah specific risk

The risk that the investments do not conform to the principle of Shariah may result in those investments being not Shariah-compliant. Should the situation arise, necessary steps shall be taken to dispose of such investments in accordance with the rules of divestment of non Shariah-compliant investments. If this occurs, the Fund could suffer losses from the disposal and thus, adversely affecting the value of the Fund.

### **3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### **Capital risk**

The capital of the Fund is represented by equity consisting of unit holders' capital of RM169,494,115 (2020: RM233,557,957) and accumulated losses of RM36,090,104 (2020: retained earnings of RM4,217,325). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### **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 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 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 balances and Islamic deposits 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 at fair value through profit or loss (by class) measured at fair value: (continued)

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<b><u>2021</u></b>				
<b>Investments:</b>				
- Unquoted sukuk	-	122,298,466	-	122,298,466
<b><u>2020</u></b>				
<b>Investments:</b>				
- Unquoted sukuk	-	227,837,716	-	227,837,716

#### 4. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 instruments include unquoted sukuk. 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.

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>RM</b>	<b>RM</b>
Bank balances	53,514	20,816,450
Islamic deposits with licensed financial institutions	21,881,804	-
	<u>21,935,318</u>	<u>20,816,450</u>

#### 6. INVESTMENTS

	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>RM</b>	<b>RM</b>
Investments:		
- Unquoted sukuk	<u>122,298,466</u>	<u>227,837,716</u>
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>RM</b>	<b>RM</b>
Net (loss)/gain on investments comprised:		
- Net realised gain on sale of investments	4,191,390	4,854,394
- Net unrealised loss on changes in fair value	(45,726,157)	(3,373,644)
	<u>(41,534,767)</u>	<u>1,480,750</u>

## 6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2021 are as follows:

<b><u>Name of Instruments</u></b>	<b><u>Rating</u></b>	<b><u>Nominal Value RM</u></b>	<b><u>Cost RM</u></b>	<b><u>Fair Value RM</u></b>	<b><u>% of Net Asset Value RM</u></b>
<b>UNQUOTED SUKUK</b>					
6.000% Al Dzahab Assets Bhd IMTN 15/09/2026 (Class B Tranche 5)	AAA	7,000,000	7,034,818	7,510,310	5.63
6.000% Alpha Circle Sdn Bhd 31/05/2023	B	20,200,000	20,787,038	19,440,516	14.58
5.450% Alpha Circle Sdn Bhd IMTN 23/02/2022	BB	899,000	917,122	912,680	0.69
5.450% Alpha Circle Sdn Bhd IMTN 19/11/2021	BB	2,702,000	2,757,328	2,752,656	2.06
5.600% Alpha Circle Sdn Bhd IMTN 18/11/2022	BB	540,000	551,185	541,556	0.41
5.700% Alpha Circle Sdn Bhd IMTN 18/11/2022	BB	10,000,000	10,212,383	10,044,584	7.53
5.600% BGSM Management Sdn Bhd 27/12/2023	AA3	1,700,000	1,736,439	1,823,310	1.36
2.500% MEX I Capital Bhd (f.k.a Bright Focus Bhd) IMTN 24/01/2030	C3*	31,500,000	25,925,557	9,543,840	7.16
2.500% MEX I Capital Bhd (f.k.a Bright Focus Bhd) IMTN 22/01/2031	C3*	7,000,000	5,301,359	1,884,533	1.41
5.200% MEX I Capital Bhd (f.k.a Bright Focus Bhd) IMTN 24/01/2024	C3*	2,100,000	2,080,638	1,650,779	1.24
4.150% Dialog Perpetual Sukuk Wakalah Tranche No.1 16/11/2027	A1	3,000,000	3,046,730	3,046,460	2.28
5.100% DRB-HICOM Bhd IMTN 12/12/2029	A+	5,000,000	5,076,151	5,118,101	3.84



## 6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2021 are as follows: (continued)

<u>Name of Instruments</u>	<u>Rating</u>	<u>Nominal Value RM</u>	<u>Cost RM</u>	<u>Fair Value RM</u>	<u>% of Net Asset Value RM</u>
<b>UNQUOTED SUKUK (CONTINUED)</b>					
4.467% GII Murabahah 2/2019 15/09/2039	Non- Rated	500,000	555,023	513,287	0.39
3.447% GII Murabahah 1/2021 15/07/2036	Non- Rated	5,000,000	5,036,014	4,749,488	3.56
4.755% GII Murabahah 5/2017 04/08/2037	Non- Rated	7,500,000	8,849,550	8,006,132	6.00
3.726% GII Murabahah 3/2019 31/03/2026	Non- Rated	1,400,000	1,475,836	1,443,123	1.08
4.724% GII Murabahah 6/2017 15/06/2033	Non- Rated	1,500,000	1,691,677	1,643,369	1.23
4.119 % GII Murabahah 6/2019 30/11/2034	Non- Rated	3,000,000	3,372,129	3,092,228	2.32
5.700% MEX II Sdn Bhd IMTN 29/04/2027 - Issue No. 7	C**	10,000,000	10,945,077	5,244,612	3.93
5.800% MEX II Sdn Bhd IMTN 28/04/2028 - Issue No. 8	C**	15,000,000	16,551,225	7,218,177	5.41
6.000% MEX II Sdn Bhd IMTN 29/04/2030 - Issue No. 10	C**	7,000,000	7,749,882	2,918,740	2.19
6.200% MEX II Sdn Bhd IMTN 29/04/2032 - Issue No. 12	C**	11,500,000	12,977,402	4,368,896	3.27
5.130% Solar Management (Seremban) Sdn Bhd IMTN 21/10/2036	AA3	2,000,000	2,083,591	1,964,919	1.47
6.200% Tanjung Bin Energy IMTN 16/03/2032 (Tranche 22)	AA3	500,000	513,158	574,504	0.43
4.980% Tenaga Nasional Bhd IMTN 27/08/2038	AAA	1,500,000	1,583,534	1,615,974	1.21

## 6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2021 are as follows: (continued)

<u>Name of Instruments</u>	<u>Rating</u>	<u>Nominal Value RM</u>	<u>Cost RM</u>	<u>Fair Value RM</u>	<u>% of Net Asset Value RM</u>
<b>UNQUOTED SUKUK (CONTINUED)</b>					
4.800% UITM Solar 2 IMTN12 04/03/2033	AA-	1,000,000	1,007,595	1,004,388	0.75
6.350% UMW Holdings Perpetual Sukuk Musharakah - Tranche 1 20/04/2028	A1	3,100,000	3,301,871	3,543,335	2.66
5.800% WCT Holdings Bhd IMTN 27/09/2119 Series 1 Tranche 1	A	3,000,000	3,001,907	3,044,087	2.28
6.000% WCT Holdings Bhd IMTN 27/09/2119 Series 1 Tranche 2	A	7,000,000	7,003,452	7,083,882	5.31
<b>TOTAL UNQUOTED SUKUK</b>			<b>173,125,671</b>	<b>122,298,466</b>	<b>91.68</b>

## 6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2020 are as follows:

<b><u>Name of Instruments</u></b>	<b><u>Rating</u></b>	<b><u>Nominal Value RM</u></b>	<b><u>Cost RM</u></b>	<b><u>Fair Value RM</u></b>	<b><u>% of Net Asset Value RM</u></b>
<b>UNQUOTED SUKUK</b>					
6.000% Al Dzahab Assets Bhd IMTN 15/09/2026 (Class B Tranche 5)	AAA	7,000,000	7,039,144	7,803,920	3.28
6.000% Alpha Circle Sdn Bhd 31/05/2023	A	20,200,000	20,865,238	21,277,706	8.95
5.450% Alpha Circle Sdn Bhd IMTN 23/02/2022	AA-	899,000	917,122	940,586	0.40
5.300% Alpha Circle Sdn Bhd IMTN 20/11/2020	AA-	628,000	640,311	641,950	0.27
5.300% Alpha Circle Sdn Bhd IMTN 23/02/2021	AA-	1,757,000	1,795,292	1,804,883	0.76
5.450% Alpha Circle Sdn Bhd IMTN 19/11/2021	AA-	2,702,000	2,764,937	2,814,937	1.18
5.600% Alpha Circle Sdn Bhd IMTN 18/11/2022	AA-	540,000	551,185	573,190	0.24
5.700% Alpha Circle Sdn Bhd IMTN 18/11/2022	AA-	10,000,000	10,212,384	10,640,184	4.48
5.600% BGSM Management Sdn Bhd 27/12/2023	AA3	1,700,000	1,741,296	1,873,664	0.78
2.500% MEX I Capital Bhd (f.k.a Bright Focus Bhd) IMTN 24/01/2030	BB1*	31,500,000	25,393,302	15,699,160	6.60
2.500% MEX I Capital Bhd (f.k.a Bright Focus Bhd) IMTN 22/01/2031	BB1*	7,000,000	5,167,470	3,229,702	1.36
5.200% MEX I Capital Bhd (f.k.a Bright Focus Bhd) IMTN 24/01/2024	BB1*	2,100,000	2,065,895	1,867,782	0.79
5.100% DRB-HICOM Bhd IMTN 12/12/2029	A+	7,500,000	7,616,322	7,743,522	3.26
5.700% Edra Energy Sdn Bhd IMTN 05/07/2023 - Tranche No 4	AA3	1,500,000	1,535,263	1,624,014	0.68
5.820% Edra Energy Sdn Bhd IMTN 04/07/2025 - Tranche No 8	AA3	2,000,000	2,072,892	2,251,844	0.95

## 6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2020 are as follows: (continued)

<u>Name of Instruments</u>	<u>Rating</u>	<u>Nominal Value RM</u>	<u>Cost RM</u>	<u>Fair Value RM</u>	<u>% of Net Asset Value RM</u>
<b>UNQUOTED SUKUK (CONTINUED)</b>					
5.940% Edra Energy Sdn Bhd IMTN 05/07/2027 - Tranche No 12	AA3	3,000,000	3,130,594	3,498,775	1.47
6.350% Edra Energy Sdn Bhd IMTN 05/07/2033 - Tranche No 24	AA3	2,200,000	2,287,723	2,757,699	1.16
6.430% Edra Energy Sdn Bhd IMTN 05/07/2034 - Tranche No 26	AA3	7,300,000	7,640,408	9,247,294	3.89
6.510% Edra Energy Sdn Bhd IMTN 05/07/2035 - Tranche No 28	AA3	3,500,000	3,681,860	4,473,514	1.88
6.590% Edra Energy Sdn Bhd IMTN 04/07/2036 - Tranche No 30	AA3	5,000,000	5,257,861	6,439,491	2.71
4.467% GII Murabahah 2/2019 15/09/2039	Non- Rated	6,000,000	6,720,183	6,749,846	2.84
4.245% GII Murabahah 3/2015 30/09/2030	Non- Rated	2,000,000	2,241,275	2,358,359	0.99
4.755% GII Murabahah 5/2017 04/08/2037	Non- Rated	7,500,000	8,910,789	8,726,207	3.67
4.638% GII Murabahah 5/2019 15/11/2049	Non- Rated	2,000,000	2,302,197	2,235,325	0.94
4.724% GII Murabahah 6/2017 15/06/2033	Non- Rated	1,500,000	1,703,322	1,773,359	0.75
4.119% GII Murabahah 6/2019 30/11/2034	Non- Rated	3,000,000	3,392,474	3,371,528	1.42
5.700% MEX II Sdn Bhd IMTN 29/04/2027 - Issue No. 7	A**	10,000,000	10,726,709	10,078,355	4.24
5.800% MEX II Sdn Bhd IMTN 28/04/2028 - Issue No. 8	A**	15,000,000	16,214,452	15,035,102	6.32
6.000% MEX II Sdn Bhd IMTN 29/04/2030 - Issue No. 10	A**	7,000,000	7,574,765	6,944,347	2.92

## 6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2020 are as follows: (continued)

<u>Name of Instruments</u>	<u>Rating</u>	<u>Nominal Value RM</u>	<u>Cost RM</u>	<u>Fair Value RM</u>	<u>% of Net Asset Value RM</u>
<b>UNQUOTED SUKUK (CONTINUED)</b>					
6.200% MEX II Sdn Bhd IMTN 29/04/2032 - Issue No. 12	A**	11,500,000	12,680,609	11,296,896	4.75
5.320% Quantum Solar Park (Semenanjung) Sdn Bhd Green SRI Sukuk 04/10/2024 - T12	A+	5,000,000	5,187,537	5,355,620	2.25
5.680% Quantum Solar Park (Semenanjung) Sdn Bhd Green SRI Sukuk 06/04/2029 –T21	A+	5,000,000	5,172,329	5,491,999	2.31
6.160% Quantum Solar Park (Semenanjung) Sdn Bhd Green SRI Sukuk 06/04/2035 - T33	A+	3,500,000	3,658,839	3,918,707	1.65
5.450% Southern Power Generation Sdn Bhd IMTN 31/10/2033	AA-	2,950,000	3,027,216	3,582,670	1.51
6.200% Tanjung Bin Energy Issuer Berhad 16/03/2032	AA3	500,000	514,049	624,474	0.26
4.980% Tenaga Nasional Bhd IMTN 27/08/2038	AAA	2,500,000	2,644,872	2,940,347	1.24
5.75% TRIpIc Medical Sdn Bhd Senior Sukuk Murabahah 23/10/2034 – Tranche 13	AA1	2,500,000	2,691,778	3,099,682	1.30
6.350% UMW Holdings Perpetual Sukuk Musharakah - Tranche 1 20/04/2028	A1	14,500,000	15,193,511	16,915,287	7.11
5.800% WCT Holdings Bhd IMTN 27/09/2119 Series 1 Tranche 1	A	3,000,000	3,001,907	3,043,997	1.28

## 6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2020 are as follows: (continued)

<u>Name of Instruments</u>	<u>Rating</u>	<u>Nominal Value RM</u>	<u>Cost RM</u>	<u>Fair Value RM</u>	<u>% of Net Asset Value RM</u>
<b>UNQUOTED SUKUK (CONTINUED)</b>					
6.000% WCT Holdings Bhd IMTN 27/09/2119 Series 1 Tranche 2	A	7,000,000	7,003,452	7,091,792	2.98
<b>TOTAL UNQUOTED SUKUK</b>			<b>232,938,764</b>	<b>227,837,716</b>	<b>95.82</b>

\* MEX I Capital Bhd (“MEX I Capital” or formerly known as Bright Focus Bhd)  
RM1.35 billion Sukuk Musharakah

On 23 April 2020, RAM lifted the Negative Rating Watch on MEX I Capital and reaffirmed its BB1 rating with a Negative outlook. RAM had earlier downgraded MEX I Capital’s rating to A1 from AA2 on 16 November 2018 and subsequently to BB1 on 3 June 2019 premised on the severe impairment in its debt-servicing metrics following unauthorised intercompany advances amounting to RM97.7 million by Maju Expressway Sdn Bhd (“MESB”) to Maju Holdings Sdn Bhd (“Maju Holdings”), in addition to a deterioration in MESB’s projected annual cash flows.

On 24 June 2020, the High Court dismissed the legal action commenced by the Trustee for the Sukukholders against MESB, Bright Focus Berhad and Maju Holdings to recover the unauthorised intercompany advances made earlier by MESB to Maju Holdings, with costs of RM10,000. The Judge found that the Trustee has no proprietary interest in the intercompany advances from MESB to Maju Holdings hence, no grounds to compel Maju Holdings to repay MESB. On 17 July 2020, Messrs. Lee Hishamuddin Allen & Gledhill as legal counsel to the Trustee (acting for and behalf of the Sukukholders) filed a Notice of Appeal. The Appeal is now fixed for case management on 24 November 2021 following a postponement from 5 October 2021. A final injunction was earlier granted by the Court on 14 August 2019 restraining MESB from making any further advances to Maju Holdings or any other party throughout the remaining tenure of the Sukuk. The longest Sukuk tranche matures on 23 January 2031.

## 6. INVESTMENTS (CONTINUED)

### \* MEX I Capital Bhd (“MEX I Capital” or formerly known as Bright Focus Bhd) RM1.35 billion Sukuk Musharakah (continued)

On 19 March 2021, RAM further downgraded the rating of MEX I Capital to C3/Negative, from BB1/Negative, mainly premised on its persistent liquidity problems and heightened default risk amid sharply lower traffic volumes along the Maju Expressway due to COVID-19-led restrictions on mobility.

On 15 June 2021, MEX I Capital received a scheduled profit payment of RM8.5 million on the Islamic Medium Term Notes (“IMTN”) issued by MESB under the existing transaction structure notwithstanding MESB’s default on its IMTN principal repayment of RM50 million to MEX I Capital on the same date. Sukukholders have allowed the default at MESB to subsist until the proposed restructuring of the Sukuk. There is no immediate credit impact on the Sukuk arising from MESB’s default on the IMTN principal.

On 26 July 2021, MEX I Capital fulfilled its obligation on the Sukuk with full and timely profit payment of RM25.9 million from monies previously ring-fenced for the sole benefit of Sukukholders in a reserve account. Pursuant to the recent Sukuk profit payment, MEX I Capital will need to top up the reserve account by 25 August to meet the minimum required balance of RM95.9 million ahead of the next immediate principal and profit payment due in January 2022.

The proposed restructuring was not approved by Sukukholders after failing to obtain the minimum 75% vote from Sukukholders during the virtual Extraordinary General Meeting on 19 July 2021. On 13 October 2021, Sukukholders voted again and subsequently approved the proposed restructuring. The restructuring exercise is expected to be completed by the end of 2021.

### \*\* MEX II Sdn Bhd (“MEX II”) RM1.30 billion Sukuk Murabahah Programme

On 18 October 2019, MARC had downgraded the rating of MEX II RM1.3 billion Sukuk Murabahah Programme from AA- to A whilst maintaining the rating on a negative outlook premised on rising completion risk and increased uncertainty with regard to completion and associated tolling date of the 16.8-km Lebuhraya KLIA (MEX Extension) project. MARC further placed MEX II’s ratings on MARCWatch Negative on 22 May 2020 due to the lack of construction progress at the Expressway.

On 30 October 2020, MEX II fulfilled its obligation on the Sukuk with a full and timely profit payment of circa RM39 million from monies previously ring-fenced for the sole benefit of Sukukholders in a reserve account.

## 6. INVESTMENTS (CONTINUED)

### \*\* MEX II Sdn Bhd (“MEX II”) RM1.30 billion Sukuk Murabahah Programme (continued)

On 18 November 2020, MARC downgraded MEX II’s ratings to BBB from A and the rating remained on MARCWatch Negative following concerns on MEX II’s timely ability to obtain additional financing to meet its debt obligations in April 2021 and complete a sukuk restructuring exercise.

On 9 February 2021, MARC further downgraded the rating to BB from BBB while maintaining the rating on MARCWatch Negative due to escalating risk that MEX II may not be able to obtain a liquidity line in time to meet Sukuk principal and profit payments of RM68.7 million due on 29 April 2021.

On 26 March 2021, MARC downgraded MEX II’s rating to C from BB while maintaining the rating on MARCWatch Negative due to mounting liquidity pressure and the risk of missing the upcoming Sukuk payments on 29 April 2021, further highlighting that MEX II’s viability rests on a successful Sukuk restructuring through which additional funding will be available to complete the Expressway.

On 26 April 2021, Sukukholders holding in aggregate not less than 75% of the nominal value of the Sukuk had consented to the deferment of Sukuk principal and profit amounting to RM68.7 million originally due on (i) 28 April 2021 (i.e., principal repayment of RM30 million and the profit payment in respect of this tranche only) and (ii) 30 April 2021 (i.e., profit payments in respect of the other tranches) for 4 months until 27 August 2021.

On 24 August 2021, Sukukholders voted to approve the deferment of Sukuk obligations falling due on 27 August 2021 and 29 October 2021 to 31 December 2021 to buy more time for the proposed restructuring.

Overall construction of the Expressway stood at circa 86%. MEX II shall be seeking a third extension of time (“EOT”) from Lembaga Lebuhraya Malaysia (“LLM”) as completion will now be delayed beyond the earlier revised target of September 2021 pending the proposed restructuring/additional funding. MEX II received its second EOT to 4 September 2021 from LLM after the expiry of the first EOT on 4 July 2020. Construction of the remaining portion of the Expressway will take about 14-16 months once additional funding from the proposed restructuring is available.

The proposed restructuring of the Sukuk is currently ongoing.



## 7. SHARIAH INFORMATION OF THE FUND

The following are the Shariah information of the Fund.

### (a) Investment Portfolio

The Shariah Adviser has confirmed that investment portfolio of the Fund is Shariah-compliant, which comprises:

- (i) Sukuk as listed in the list of approved sukuk issued by the Securities Commission of Malaysia; and
- (ii) Investment or cash placements in Islamic liquid assets in local market, including Islamic money market, Islamic deposits with Islamic financial institutions, Islamic structured products, Islamic financial derivatives and/or Islamic collective investment schemes.

## 8. UNITS IN CIRCULATION

	<u>2021</u> Units	<u>2020</u> Units
At the beginning of the financial year	176,786,827	201,580,587
Creation of units during the financial year:		
Arising from distribution	6,586,094	9,625,240
Arising from applications	50,494,000	40,650,000
Cancellation of units during the financial year	(114,071,000)	(75,069,000)
At the end of the financial year	<u>119,795,921</u>	<u>176,786,827</u>

## 9. MANAGEMENT FEE

In accordance with the Prospectus, the management fee provided in the financial statements is based on a profit sharing scheme between the Manager and the Fund at a ratio of 15:85 (2020: 15:85) respectively based on the net investment income for the financial year.

## 10. TRUSTEE'S FEE

In accordance with the Prospectus, the Trustee's fee provided in the financial statements is 0.10% (2020: 0.10%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year, subject to a minimum fee of RM35,000 per annum.

## 11. TAXATION

### (a) Tax charge for the financial year

	<b><u>2021</u></b> <b><u>RM</u></b>	<b><u>2020</u></b> <b><u>RM</u></b>
Current taxation	-	-

### (b) Numerical reconciliation of income tax expense

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

	<b><u>2021</u></b> <b><u>RM</u></b>	<b><u>2020</u></b> <b><u>RM</u></b>
Net (loss)/income before taxation	(29,524,356)	12,242,600
Tax calculated at statutory income tax rate of 24%	(7,085,845)	2,938,224
Tax effects of:		
- Loss not deductible for tax purposes/ (Income not subject to tax)	7,028,142	(3,529,704)
- Expenses not deductible for tax purposes	55,477	66,184
- Restriction on tax deductible expenses	2,226	525,296
Tax expense	-	-

## 12. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	<b><u>2021</u></b> <b>RM</b>	<b><u>2020</u></b> <b>RM</b>
Prior financial years' realised income	5,618,237	4,167,895
Profit income from unquoted sukuk	5,129,053	8,471,670
Profit income from Islamic deposits with licensed financial institutions	276,215	349,765
	<hr/>	<hr/>
	11,023,505	12,989,330
Less: Expenses	(240,432)	(2,464,500)
	<hr/>	<hr/>
Net distribution amount	10,783,073	10,524,830
	<hr/> <hr/>	<hr/> <hr/>

The net distribution consists of the following payout:

### **Distribution during the financial year**

	<b><u>Sen per unit</u></b> <b><u>Gross/Net</u></b>	<b><u>Sen per unit</u></b> <b><u>Gross/Net</u></b>
28 September 2021 / 25 September 2020	9.0000	6.0000
	<hr/> <hr/>	<hr/> <hr/>

Included in the above distribution was an amount of RM5,618,237 (2020: RM4,167,895) from prior financial years' realised income.

There are unrealised losses of RM45,037,506 (2020: RM2,720,350) arising from the financial year.

### 13. MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2021</u> %	<u>2020</u> %
MER	0.11	0.92

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)	0.36	0.44

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>	
	Units	RM	Units	RM
The Manager	5,225	5,819	39,722	53,426
RHB Capital Nominees (Tempatan) Sdn Bhd	26,591,311	29,612,084	32,711,652	43,997,172
RHB Nominees (Tempatan) Sdn Bhd	-	-	1,786,780	2,403,218

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 nominees structure.

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

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 for the financial year ended 30 September 2021 are as follows:

<u>Financial institutions</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> %
AmIslamic Bank Bhd	35,200,545	21.47	-	-
RHB Investment Bank Bhd*	25,544,940	15.58	-	-
CIMB Bank Bhd	19,018,720	11.60	-	-
CIMB Islamic Bank Bhd	18,194,600	11.10	-	-
United Overseas Bank (M) Bhd	14,483,490	8.84	-	-
Affin Hwang Investment Bank Bhd	11,486,850	7.01	-	-
AmBank (M) Berhad	7,986,420	4.87	-	-
JP Morgan Chase Bank Bhd	7,143,500	4.36	-	-
HSBC Bank Malaysia Bhd	6,613,750	4.03	-	-
Hong Leong Bank Bhd	6,143,660	3.75	-	-
Others	12,109,250	7.39	-	-
	<u>163,925,725</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

## 16. TRANSACTIONS BY THE FUND (CONTINUED)

Details of transactions by the Fund for the financial year ended 30 September 2020 are as follows:

<b><u>Financial institutions</u></b>	<b><u>Value of trades RM</u></b>	<b><u>Percentage of total trades %</u></b>	<b><u>Brokerage fees RM</u></b>	<b><u>Percentage of total brokerage fees %</u></b>
AmIslamic Bank Bhd	72,902,275	31.96	-	-
Affin Hwang Investment Bank Bhd	47,792,449	20.95	-	-
RHB Investment Bank Bhd*	24,274,350	10.64	-	-
CITI Bank Berhad	23,628,000	10.36	-	-
CIMB Islamic Bank Bhd	14,364,500	6.30	-	-
CIMB Bank Bhd	11,605,850	5.09	-	-
JP Morgan Chase Bank Bhd	9,814,620	4.30	-	-
Hong Leong Bank Bhd	5,945,550	2.61	-	-
Malayan Banking Bhd	5,885,950	2.58	-	-
Hong Leong Investment Bank Bhd	5,000,000	2.19	-	-
Others	6,868,300	3.02	-	-
	<u>228,081,844</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

\* Included in transactions by the Fund are trades with the holding company of the Manager, RHB Investment Bank Bhd. 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.

## 17. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>2021</u> RM	<u>2020</u> RM
<b>Financial assets</b>		
Financial assets at fair value through profit or loss (“FVTPL”)		
• Unquoted sukuk	122,298,466	227,837,716
Financial assets at amortised cost		
• Bank balances	53,514	20,816,450
• Islamic deposits with licensed financial institutions	21,881,804	-
• Amount due from Manager	24,499	2,023,779
	<u>21,959,817</u>	<u>22,840,229</u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
• Amount due to Manager	42,265	178,672
• Accrued management fee	-	2,163,309
• Amount due to Trustee	11,702	21,047
• Income distribution payable	10,783,073	10,524,830
• Other payables and accruals	17,232	14,805
	<u>10,854,272</u>	<u>12,902,663</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 ISLAMIC BOND FUND**

We, Chin Yoong Kheong 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 30 September 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,

Chin Yoong Kheong  
Director

Datuk Seri Dr Govindan A/L Kunchambo  
Director

24 November 2021



## **TRUSTEE'S REPORT TO THE UNIT HOLDERS OF RHB ISLAMIC BOND FUND**

We, CIMB Islamic Trustee Berhad, being the trustee for RHB Islamic Bond Fund (“the Fund”), are of the opinion that RHB Asset Management Sdn Bhd (“the Manager”), acting in the capacity as the Manager of the Fund, has fulfilled its duties in the following manner for the financial year ended 30 September 2021.

- a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager under the Deeds, the Securities Commission Malaysia’s Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws;
- b) Valuation and pricing for the Fund has been carried out in accordance with the Deeds and relevant regulatory requirements;
- c) Creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements; and
- d) The distribution of income by the Fund is appropriate and reflects the investment objective of the Fund.

For and on behalf of  
CIMB Islamic Trustee Berhad

Ng Lai Peng  
Authorised Signatory

Kuala Lumpur  
24 November 2021

## **REPORT OF THE SHARIAH ADVISER RHB ISLAMIC BOND FUND**

We have acted as the Shariah Adviser of RHB Islamic Bond Fund (“the Fund”). Our responsibility is to ensure that the procedures and processes employed by RHB Asset Management Sdn Bhd (“the Manager”) and that the provisions of the Deeds are in accordance with Shariah principles.

In our opinion, the Manager has managed and administered the Fund in accordance with Shariah principles and complied with the applicable guidelines, rulings and decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial year ended 30 September 2021.

In addition, we also confirm that the investment portfolio of the Fund comprises instruments which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia (“SACSC”), and where applicable the Shariah Advisory Council of Bank Negara Malaysia. As for the instruments other than above-mentioned, we further confirm that the status of such instruments have been determined in accordance with the ruling issued by the Shariah Adviser.

I, Assoc. Prof. Dr. Kamaruzaman Bin Noordin hereby confirm that all members of the Shariah Committee have been consulted and made aware of all the Shariah issues in relation to this report.

For and on behalf of Shariah Committee of RHB Islamic Bank Berhad  
(Company No: 200501003283)

Assoc. Prof. Dr. Kamaruzaman Bin Noordin  
Member  
Shariah Committee of RHB Islamic Bank Berhad

Kuala Lumpur  
24 November 2021

# **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB ISLAMIC BOND FUND**

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### Our opinion

In our opinion, the financial statements of RHB Islamic Bond Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 30 September 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 30 September 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 11 to 46.

### 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 UNIT HOLDERS OF RHB ISLAMIC BOND 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 UNIT HOLDERS OF RHB ISLAMIC BOND 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 UNIT HOLDERS OF RHB ISLAMIC BOND 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 of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **OTHER MATTERS**

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

PRICEWATERHOUSECOOPERS PLT  
(LLP0014401-LCA & AF 1146)  
Chartered Accountants

Kuala Lumpur  
24 November 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 &amp; 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>
Penang Office	<p>3rd Floor, 44 Lebuh 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>

<b>TRUSTEE</b>	CIMB Islamic Trustee Berhad
<b>BANKER</b>	RHB Bank Berhad
<b>AUDITORS</b>	PricewaterhouseCoopers PLT
<b>TAX ADVISER</b>	PricewaterhouseCoopers Taxation Services Sdn Bhd
<b>DISTRIBUTORS</b>	RHB Asset Management Sdn Bhd RHB Bank Bhd RHB Islamic Bank Bhd RHB Investment Bank Bhd AmInvestment Bank Bhd Areca Capital Sdn Bhd CIMB Bank Berhad CIMB Private Banking CIMB Islamic Bank Berhad Genexus Advisory Sdn Bhd HSBC Amanah Malaysia Bhd HSBC Bank Malaysia Bhd iFAST Capital Sdn Bhd Kenanga Investor Bhd OCBC Al-Amin Bank Bhd OCBC Bank (Malaysia) Bhd Phillip Mutual Bhd Standard Chartered Bank Malaysia Bhd Standard Financial Adviser Sdn Bhd United Overseas Bank (Malaysia) Bhd UOB Kay Hian Securities (M) Sdn Bhd

## **RHB** ♦ Asset Management

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