

**RHB USD HIGH YIELD BOND FUND**

**ANNUAL REPORT 2021**

For the financial year ended 30 April 2021

## **GENERAL INFORMATION ABOUT THE FUND**

### **Name, Category and Type**

Fund Name - RHB USD High Yield Bond Fund

Fund Category - Wholesale Feeder Fund

Fund Type - Income and Growth Fund

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

#### Objective of the Fund

The Fund aims to maximise total return by investing in one Target Fund, i.e. the BlackRock Global Funds – US Dollar High Yield Bond Fund.

#### Strategy

The Fund will invest principally in the USD denominated class X6 shares of the Target Fund. The Target Fund is one of the sub-funds under the umbrella investment company, BlackRock Global Funds. BlackRock Global Funds is a public limited company (société anonyme) established under the laws of the Grand Duchy of Luxembourg as an open ended variable capital investment company (société d'investissement à capital variable). BlackRock Global Funds has been authorised by the CSSF as a UCITS pursuant to the provisions of Part I of the Luxembourg law of 17 December 2010, as amended from time to time and is regulated pursuant to such law. The management company of BlackRock Global Funds is BlackRock Luxembourg. BlackRock Luxembourg is regulated by the CSSF under Chapter 15 of the Luxembourg law of 17 December 2010. BlackRock Luxembourg has delegated its investment management function of the Target Fund to BFM. BFM is domiciled in the United States of America and regulated by the Securities and Exchange Commission, USA. The Target Fund aims to maximise total return by investing at least 70% of its total assets in high yield fixed income transferable securities, including non-investment grade.

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

At least 95% of Net Asset Value - Investments in the USD denominated class X6 shares of the Target Fund.

2% to 5% of Net Asset Value - Investments in liquid assets including money market instruments and Placements of Cash.

## **Performance Benchmark**

The performance of the Fund is benchmarked against the Barclays US High Yield 2% Constrained Index.

## **Permitted Investments and Restrictions**

The Fund will invest in one collective investment scheme i.e. BlackRock Global Funds – US Dollar High Yield Bond Fund, trade in financial derivatives, invest in money market instruments and make Placements of Cash with any financial institutions, and any other investments as agreed between the Trustee and the Manager from time to time, provided that there is no inconsistency with the Fund's objective.

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**

Subject to the level of income, distribution, if any, after deduction of taxation and expenses (i.e. net distribution) is declared annually. Any distribution made, will be out of the Fund's realised gain or realised income.

## **MANAGER'S REPORT**

### **MARKET REVIEW**

	12-month
Bloomberg Barclays US Corp HY	19.67%
S&P 500 Index	45.98%
MSCI World Index	46.01%

Source: Bloomberg, Morningstar Direct. As of 30 April 2021. 12-month period runs from 1 May 2020 to 30 April 2021. Returns are calculated on a total return basis in USD terms.

### **ECONOMIC REVIEW**

Please see below for a list of key catalysts that impacted the sector over the period from 1 May 2020 to 30 April 2021:

High yield continued its 'reopening rally' in first quarter of year 2021 ("1Q21") with spreads tightening ~50 basis points ("bps"). Having reached ~300bps by quarter-end and the ~290bps mark by mid-April 2021, spreads currently sit in their ~5% percentile since year 2000. During 1Q21 the asset class' +0.85% total return was, expectedly, more resilient than higher quality fixed income in 1Q21's rate volatility. Investment Grade ("IG") credit returned -4.32% while the United States ("US") Aggregate Bond returned -3.37% over the quarter. Among fixed income sub-asset classes, only bank loans proved more compelling with their +1.78% total return. Lower-rated names continued to lead performance, though by March 2021 were delivering less compelling risk-adjusted returns. CCCs returned +3.74% in 1Q with Bs lagging at +1.33% and BBs underperforming the index at +0.53% total return (Barclays Index). In a similar light, "Reopening Sectors" (formerly known as COVID-sensitive sector) were outperformers during 1Q. As investors priced in higher growth and inflation expectations, the US 10 Year Treasury ended 1Q21 with more than 75bps higher than it began the year (~1.70% versus 0.90%). A steadfastly dovish US Federal Reserve ("Fed") reiterated its easy policy stance and stronger stomach for above-average inflation levels. High yield's technical conditions grew mixed as record levels of primary market activity continued amidst a more challenging Fund and exchange-traded fund ("ETF") flow environment. By mid-March 2021, President Joe Biden signed another COVID-19 stimulus bill into law, dedicating US Dollar ("USD") 1.9 trillion to providing direct payments to Americans (USD1,400 per individual), an extension of unemployment benefits, and a child tax credit. The Biden administration's massive infrastructure plan could be another USD2 trillion economic boost. In his administration's early days, Biden committed to 100 million COVID-19 vaccinations in his first 100 days in office. An easy "under-promise and over-deliver" statement, the US easily reached that milestone and is now focused on 200 million doses by the end of April 2021. Despite vaccine-driven exuberance hitting markets, many Americans continued to deal with challenges stemming from the staggering more than 560,000 COVID-19 related deaths and more than 30 million total

cases. Year 2020 marked a record year for US High Yield (“HY”) primary market activity with USD450 billion priced. As a result, the Target Fund Manager anticipated modest Year-on-Year (“YoY”) declines heading into year 2021 despite expectations for increased mergers and acquisitions (“M&A”) and dividend-driven deals. However, 1Q21 continued to print record levels of HY issuance with March’s USD64.8 billion the highest-ever monthly figure and the full quarter’s USD158 billion also blowing through prior records. While US Fund and ETF activity was often mixed week-over-week, year 2021’s first three months saw total net outflows of ~USD9 million. This follows more than USD50 billion of inflows from April to December 2020 as investors aimed to take advantage of dislocated spreads. As the Target Fund Manager anticipated, default and distressed activity has been quite low so far in year 2021. The 1Q21 combined Bond/Loan total of USD3.4 billion is the lowest quarterly total since third quarter of year 2018 (“3Q18”) and pales in comparison to first quarter of year 2020 (“1Q20”)’s USD23.9 billion. The Target Fund’s broad themes remained generally consistent. While IG was a critical tactical position throughout year 2020, the Target Fund Manager remaining allocation largely represents idiosyncratic opportunities versus broad-based risk. Index product usage was highly active over the quarter as the Target Fund Manager focused on maintaining portfolio liquidity in light of market fund flows. These represent short-term allocations as the Target Fund Manager seeks opportunities in core cash bonds but also serve as a “risk toggle” under volatile market conditions. From a credit quality perspective, the Target Fund Manager remains underweight BB-rated names and overweight select CCCs. That said, consistent with recent quarters the Target Fund Manager maintains an underweight to the highest-yielding portion of the market (~4.00% underweight to bonds yielding more than 6.00%) that contains a larger concentration of stressed assets. The Target Fund Manager has meaningfully shifted energy exposure so far in year 2021. While the Target Fund holds a 0.50% market value underweight, the Target Fund Manager has pivoted to a risk/beta-adjusted overweight position of ~1.50%. the Target Fund Manager has allocated to areas like Independent Energy across bonds and modest positions in common equity. While energy is one of the highest-beta sectors in the HY market historically, elevated oil prices and the continued recovery trade should benefit this segment in year 2021. Looking at “reopening sectors” more broadly, the Target Fund Manager believes these areas will benefit from the ongoing recovery and widespread distribution of the vaccine, including the transportation, leisure, lodging and gaming sectors. The Target Fund Manager has shifted to modestly positive risk positioning in areas like Gaming and Airlines. The Target Fund’s core issuer/credit biases remain centered on cash-flow views, determination of a specific catalyst, and/or idiosyncratic characteristics; top issuer overweights include Power Solutions (Automotive), Altice France (Wireless), and Zayo Group (Wirelines). The Target Fund Manager also holds a tactical allocation to Collateralized Loan Obligations (“CLOs”) and to liquid high yield index securities (TRS, CDX, ETFs) as an efficient means of target portfolio management. Generally, the target portfolio remained well-diversified with 700+ issuers, an average issuer-level position of roughly 14bps, with the top 25 names constituting 24.49% of the target portfolio.

## TARGET FUND REVIEW

The Target Fund returned 17.27%\* over the 12-month period, on a net basis, underperforming its benchmark, which returned 19.57% through 30 April 2021. From a sector perspective security selection within Technology, Pharmaceuticals and Wirelines sectors contributed to period returns. Conversely, an underweight allocation to the Independent Energy and Oil Field Services sectors and security selection within the Retailers sector detracted from the Target Fund's performance. The Target Fund Manager tactical out of benchmark exposure to IG bonds, HY liquid products and equities were additive during the period, as well as the allocation to CLOs also marginally contributed. By credit rating, the Target Fund's overweight allocation to the BBB rated names contributed, while selection with BB and B rated credit pared back returns.

\*Performance refer to primary share class A2 USD, net of fees, shown on a Net Asset Value ("NAV") basis, with gross income reinvested where applicable.

Reference benchmark consists of Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index. Past performance is not necessarily a guide to future performance or returns.

## OUTLOOK AND INVESTMENT STRATEGY OF THE TARGET FUND

The Target Fund Manager continues to argue for a long-term 'quality adjustment' to high yield market spreads given structural improvements in the post-Global Financial Crisis ("GFC") period. Our market is comprised of larger, more diversified businesses today with a decline in CCC-rated borrowers and ~1-year shorter duration than in year 2007. These "improvements" should help to mitigate defaults over the long-term. While technical have grown increasingly mixed on choppy flows, the Target Fund Manager still anticipates supportive demand for HY in year 2021. A lack of income producing assets globally and duration concerns in other fixed income segments bolster the case for high yield, even at these levels. Fourth quarter of year 2020 ("4Q20") earnings reported a stronger than anticipated recovery, with year-over-year HY revenues down 1.00% and Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") profiles flat. The Target Fund Manager expects Fundamentals to continue improving into year 2021 and are anticipating an average default experience for the year. Additionally, the Target Fund Manager has shifted their stance toward "COVID-19/Reopening sectors" over the last quarter. The Target Fund Manager believes these areas will benefit from the ongoing recovery and widespread distribution of the vaccine, including the transportation, leisure, lodging and gaming sectors. In particular, the Target Fund Manager is now overweight energy names on a risk-adjusted basis.

## REVIEW OF THE FUND PERFORMANCE DURING THE FINANCIAL YEAR

During the financial year under review, the Fund has generated a return of 15.94%\* and 13.00%\* as compared to the benchmark return of 19.57%\* and 13.91%\* for USD and RM Class respectively. The Fund has met the objective of maximising total return.

\*Source: Lipper Investment Management ("Lipper IM"), 5 May 2021

## PERFORMANCE DATA

	Annual Total Returns				
	Financial Year/Period Ended 30 April				
	2021 %	2020 %	2019 %	2018 %	2017^ %
RHB USD High Yield Bond Fund – USD Class					
- Capital Return	9.13	(9.36)	(1.22)	(4.89)	10.99
- Income Return	6.24	6.84	5.10	8.14	-
- Total Return	15.94	(3.16)	3.82	2.85	10.99
Barclays US High Yield 2% Constrained Index (USD)	19.57	(4.09)	6.74	3.26	16.60

	Annual Total Returns				
	Financial Year/Period Ended 30 April				
	2021 %	2020 %	2019 %	2018 %	2017^ %
RHB USD High Yield Bond Fund – RM Class					
- Capital Return	6.43	(7.79)	(0.34)	(5.02)	12.16
- Income Return	6.17	6.57	5.10	8.07	-
- Total Return	13.00	(1.73)	4.74	2.64	12.16
Barclays US High Yield 2% Constrained Index (MYR)	13.91	(0.25)	12.48	(6.67)	25.29

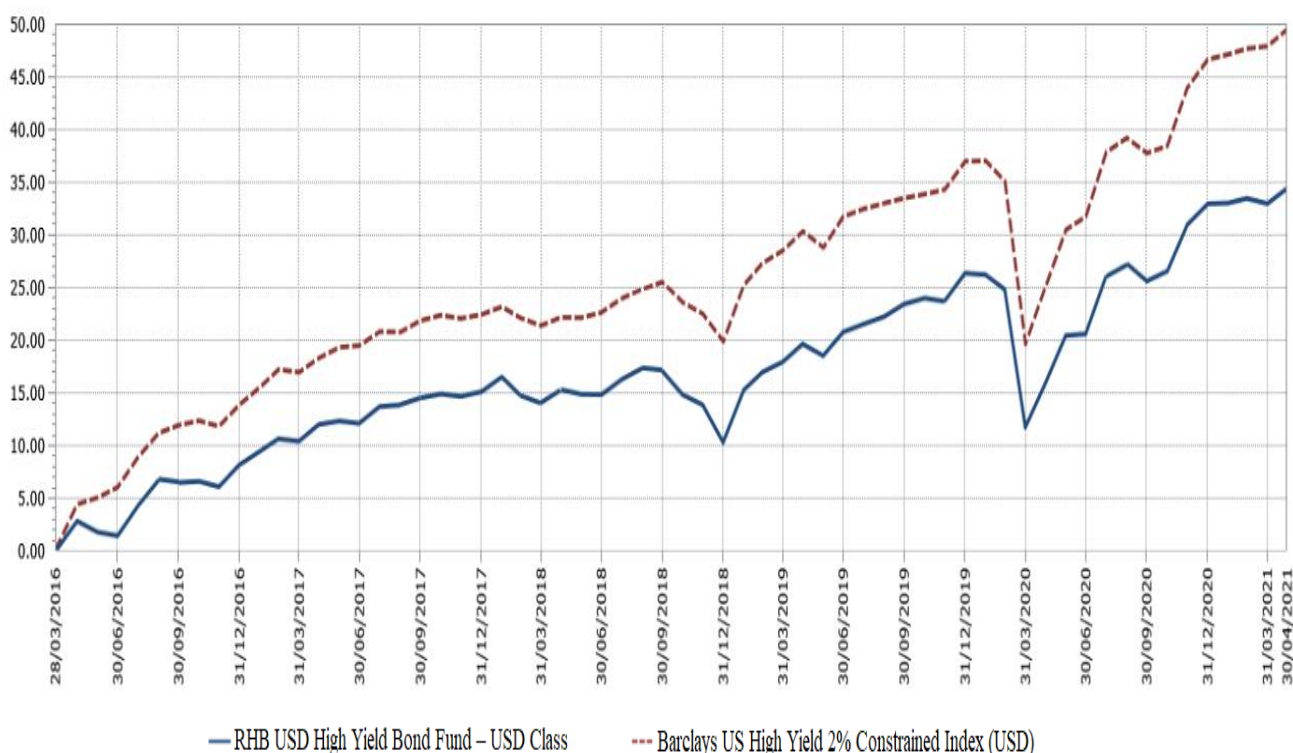
^ Being the period since last day of Initial Offer Period

	Average Annual Returns			
	1 Year 30.04.2020- 30.04.2021 %	3 Years 30.04.2018- 30.04.2021 %	5 Years 30.04.2016- 30.04.2021 %	Since Launch 28.03.2016**- 30.04.2021 %
RHB USD High Yield Bond Fund – USD Class	15.94	5.24	5.47	5.97
Barclays US High Yield 2% Constrained Index (USD)	19.57	6.97	7.44	8.21

	Average Annual Returns			
	1 Year 30.04.2020- 30.04.2021 %	3 Years 30.04.2018- 30.04.2021 %	5 Years 30.04.2016- 30.04.2021 %	Since Launch 28.03.2016**- 30.04.2021 %
RHB USD High Yield Bond Fund – RM Class	13.00	5.16	6.09	6.12
Barclays US High Yield 2% Constrained Index (MYR)	13.91	8.52	8.47	8.65

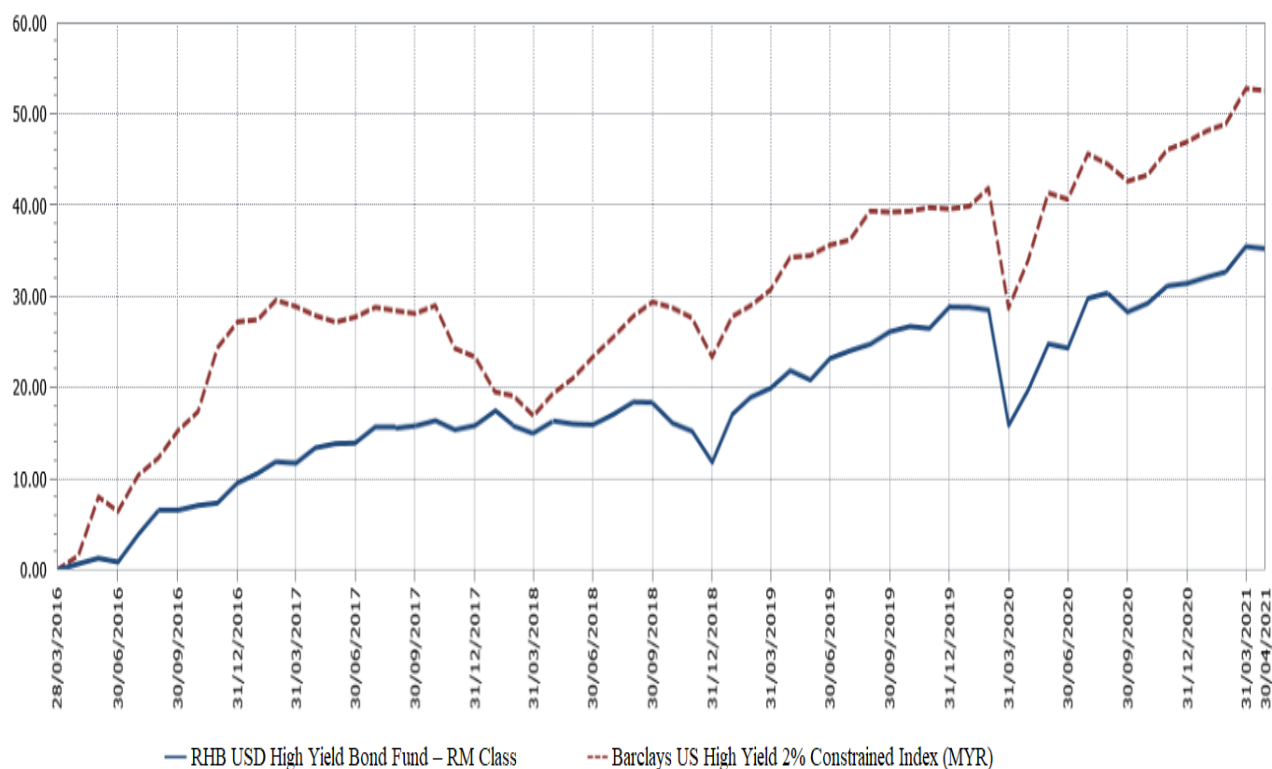
**\*\* Being the last day of Initial Offer Period**

**Performance of RHB USD High Yield Bond Fund – USD Class  
for the period from 28 March 2016\*\* to 30 April 2021  
Cumulative Return Over The Period (%)**





**Performance of RHB USD High Yield Bond Fund – RM Class  
for the period from 28 March 2016\*\* to 30 April 2021  
Cumulative Return Over The Period (%)**



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

**Source: Lipper IM, 5 May 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 wherever applicable.

<b>Fund Size – USD Class</b>	<b>As at 30 April</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net Asset Value (USD million)*	0.35	0.41	0.54
Units In Circulation (million)	0.33	0.42	0.51
Net Asset Value Per Unit (USD)*	1.0412	0.9541	1.0526

<b>Fund Size – RM Class</b>	<b>As at 30 April</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net Asset Value (USD million)*	0.71	1.19	1.03
Units In Circulation (million)	2.77	5.17	3.95
Net Asset Value Per Unit (USD)*	0.2572	0.2303	0.2596

<b>Historical Data</b>	<b>Financial Year Ended 30 April</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Unit Price</b>			
<u>USD Class</u>			
NAV - Highest (USD)*	1.1072	1.1224	1.1122
- Lowest (USD)*	0.9520	0.8549	1.0201
<u>RM Class</u>			
NAV - Highest (RM)*	1.1267	1.1540	1.1329
- Lowest (RM)*	0.9875	0.9120	1.0336
Unit Split	-	-	-
Others			
Management Expenses Ratio (MER) (%) #	1.78	1.77	1.78
Portfolio Turnover Ratio (PTR) (times) ##	0.50	0.39	0.49

\* *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 for the financial year under review.

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

<b>Distribution Date</b>	<b>Financial Year Ended 30 April</b>			
	<b>Gross Distribution Per Unit (cent)</b>	<b>Net Distribution Per Unit (cent)</b>	<b>NAV before distribution (cum)</b>	<b>NAV after distribution (ex)</b>
<b><u>2021</u></b>				
<b><u>USD Class</u></b>				
27.04.2021	6.5000	6.5000	1.1050	1.0410
<b><u>RM Class</u></b>				
27.04.2021	6.5000	6.5000	1.1174	1.0531
<b><u>2020</u></b>				
<b><u>USD Class</u></b>				
24.04.2020	6.5000	6.5000	1.0158	0.9507
<b><u>RM Class</u></b>				
24.04.2020	6.5000	6.5000	1.0530	0.9880
<b><u>2019</u></b>				
<b><u>USD Class</u></b>				
25.04.2019	5.4000	5.4000	1.1118	1.0577
<b><u>RM Class</u></b>				
25.04.2019	5.4000	5.4000	1.1327	1.0777

## **DISTRIBUTION**

For the financial year under review, the Fund has declared a net distribution of 6.5000 and 6.5000 cent per unit for USD Class and RM Class respectively, which is equivalent to a net distribution yield of 6.15% and 6.04% based on the average net asset value per unit for the financial year.

## PORTFOLIO STRUCTURE

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

<b>Sectors</b>	<b>As at 30 April</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Collective investment scheme - foreign	97.52	97.49	97.52
Liquid assets and other net current assets	2.48	2.51	2.48
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

The assets allocation reflects the Fund's strategy to have maximum exposure to the investments.

## BREAKDOWN OF UNIT HOLDINGS BY SIZE – USD CLASS

<b>Size of Holdings</b>	<b>Account Holders</b>		<b>No. Of Units Held*</b>	
	<b>No.</b>	<b>%</b>	<b>(‘000)</b>	<b>%</b>
5,000 and below	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 50,000	4	80.00	110	33.23
50,001 to 500,000	1	20.00	221	66.77
500,001 and above	-	-	-	-
<b>Total</b>	<b>5</b>	<b>100.00</b>	<b>331</b>	<b>100.00</b>

## BREAKDOWN OF UNIT HOLDINGS BY SIZE – RM CLASS

<b>Size of Holdings</b>	<b>Account Holders</b>		<b>No. Of Units Held*</b>	
	<b>No.</b>	<b>%</b>	<b>(‘000)</b>	<b>%</b>
5,000 and below	1	16.67	4	0.14
5,001 to 10,000	1	16.67	9	0.33
10,001 to 50,000	2	33.33	36	1.30
50,001 to 500,000	-	-	-	-
500,001 and above	2	33.33	2,718	98.23
<b>Total</b>	<b>6</b>	<b>100.00</b>	<b>2,767</b>	<b>100.00</b>

\* 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 unitholder.

**RHB USD HIGH YIELD BOND FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 APRIL 2021**

	<u>Note</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
<b>ASSETS</b>			
Bank balances		30,277	48,129
Investments	5	1,032,678	1,555,132
Amount due from Manager		-	2,296
Distribution income receivables		5,051	8,972
Forward foreign currency contracts	6	-	4,142
<b>TOTAL ASSETS</b>		<u>1,068,006</u>	<u>1,618,671</u>
<b>LIABILITIES</b>			
Forward foreign currency contracts	6	-	15,070
Amount due to Manager		3,090	229
Amount due to Trustee		56	77
Accrued management fee		1,395	1,935
Other payables and accruals		4,487	6,174
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<u>9,028</u>	<u>23,485</u>
<b>NET ASSET VALUE</b>		<u>1,058,978</u>	<u>1,595,186</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>1,058,978</u>	<u>1,595,186</u>
<b>REPRESENTED BY: FAIR VALUE OF OUTSTANDING UNITS</b>			
- USD Class		345,985	405,252
- RM Class		712,993	1,189,934
		<u>1,058,978</u>	<u>1,595,186</u>

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

**RHB USD HIGH YIELD BOND FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 APRIL 2021 (CONTINUED)**

	<b><u>Note</u></b>	<b><u>2021</u></b> <b><u>USD</u></b>	<b><u>2020</u></b> <b><u>USD</u></b>
<b>UNITS IN CIRCULATION:</b>			
- USD Class (Units)	7(a)	332,280	424,752
- RM Class (Units)	7(b)	2,772,414	5,166,544
		<u>3,104,694</u>	<u>5,591,296</u>
<b>NET ASSET VALUE PER UNIT:</b>			
- USD Class		1.0412	0.9541
- RM Class		<u>0.2572</u>	<u>0.2303</u>
<b>NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES:</b>			
- USD Class (USD)		1.0412	0.9541
- RM Class (RM)		<u>1.0527</u>	<u>0.9891</u>

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

**RHB USD HIGH YIELD BOND FUND**  
**STATEMENT OF INCOME AND EXPENSES**  
**FOR THE FINANCIAL YEAR ENDED 30 APRIL 2021**

	<u>Note</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
<b>INCOME/(LOSS)</b>			
Distribution income		85,462	103,409
Interest income from deposits with licensed financial institutions		339	655
Net gain/(loss) on investments	5	172,417	(150,322)
Net foreign currency exchange loss		(2,398)	(6,707)
Net gain/(loss) on forward foreign currency contracts	6	29,837	(33,823)
		<u>285,657</u>	<u>(86,788)</u>
<b>EXPENSES</b>			
Management fee	8	(21,343)	(22,949)
Trustee's fee	9	(854)	(918)
Audit fee		(1,400)	(1,500)
Tax agent's fee		(900)	(950)
Other expenses		(882)	(703)
		<u>(25,379)</u>	<u>(27,020)</u>
Net gain/(loss) before finance cost and taxation		<u>260,278</u>	<u>(113,808)</u>
<b>FINANCE COST (EXCLUDING DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>			
Distribution:			
- USD Class	11(a)	(20,329)	(25,842)
- RM Class	11(b)	(41,617)	(72,073)
		<u>(61,946)</u>	<u>(97,915)</u>

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



**RHB USD HIGH YIELD BOND FUND**  
**STATEMENT OF INCOME AND EXPENSES**  
**FOR THE FINANCIAL YEAR ENDED 30 APRIL 2021 (CONTINUED)**

	<u>Note</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Net gain/(loss) after finance cost and before taxation		198,332	(211,723)
Taxation	10	-	-
Net increase/(decrease) in net assets attributable to unitholders		<u>198,332</u>	<u>(211,723)</u>
Net increase/(decrease) in net assets attributable to unitholders is made up of the following:			
Realised amount		19,042	(58,928)
Unrealised amount		<u>179,290</u>	<u>(152,795)</u>
		<u>198,332</u>	<u>(211,723)</u>

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

**RHB USD HIGH YIELD BOND FUND**  
**STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FINANCIAL YEAR ENDED 30 APRIL 2021**

	<b><u>2021</u></b> <b>USD</b>	<b><u>2020</u></b> <b>USD</b>
Net assets attributable to unitholders at the beginning of the financial year	1,595,186	1,563,601
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- USD Class	53,418	34,617
- RM Class	291,775	723,901
Creation of units from distribution		
- USD Class	20,329	25,842
- RM Class	41,577	72,189
Cancellation of units		
- USD Class	(174,674)	(157,032)
- RM Class	(966,965)	(456,209)
	<u>860,646</u>	<u>1,806,909</u>
Net increase/(decrease) in net assets attributable to unitholders during the financial year	<u>198,332</u>	<u>(211,723)</u>
Net assets attributable to unitholders at the end of financial year	<u>1,058,978</u>	<u>1,595,186</u>

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

**RHB USD HIGH YIELD BOND FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 APRIL 2021**

	<b><u>2021</u></b> <b>USD</b>	<b><u>2020</u></b> <b>USD</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sales of investments	1,054,253	507,884
Purchase of investments	(359,382)	(688,437)
Interest received from deposits with licensed financial institutions	339	655
Distribution income received	89,383	94,437
Management fee paid	(21,883)	(22,944)
Trustee's fee paid	(875)	(918)
Payment for other fees and expenses	(4,869)	(2,412)
Net realised gain/(loss) on forward foreign currency contracts	18,909	(35,078)
Net realised foreign exchange (loss)/gain	(357)	1,175
Net cash generated from/(used in) operating activities	<u>775,518</u>	<u>(145,638)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	347,449	756,338
Cash paid for units cancelled	(1,138,778)	(613,012)
Net cash (used in)/generated from financing activities	<u>(791,329)</u>	<u>143,326</u>
Net decrease in cash and cash equivalents	(15,811)	(2,312)
Foreign currency translation differences	(2,041)	(7,882)
Cash and cash equivalents at the beginning of the financial year	<u>48,129</u>	<u>58,323</u>
Cash and cash equivalents at the end of the financial year	<u>30,277</u>	<u>48,129</u>

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

**RHB USD HIGH YIELD BOND FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 APRIL 2021**

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

The RHB USD High Yield Bond Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 26 February 2016 (collectively referred to as “the Deed”) between RHB Asset Management Sdn Bhd (“the Manager”) and HSBC (Malaysia) Trustee Berhad (“the Trustee”).

The Fund was launched on 08 March 2016 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 defined under the Deed.

The Fund is a feeder fund that invests in the USD denominated class X6 shares of the Target Fund, a collective investment scheme domiciled in Luxembourg that is managed by BlackRock Luxembourg S.A.

All investments will be subject to the Securities Commission’s (“SC”) Malaysia Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, 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 maximise total return by investing in one Target Fund, i.e. the BlackRock Global Funds – US Dollar High Yield Bond Fund.

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 25 June 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.

(a) The Fund has applied the following amendments and interpretations for the first time for the financial year beginning on 1 May 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.

## **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 May 2020: (continued)

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

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 May 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 May 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 Manager and distribution income receivables 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.

## **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 within net gain or losses on investments 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 distribution 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 time they are included in the measurement of the derivative financial instrument.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest 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.

### **2.3 Financial liabilities**

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

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

### **2.3 Financial liabilities (continued)**

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 amount due to Manager, amount due to Trustee, accrued management fee and other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The Fund's policies on derivative investments are stated in Note 2.2 and Note 2.12.

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 Creation and cancellation of units**

The unitholders' contribution to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues two classes of cancellable units, which are cancelled at the unitholders' option. The units are classified as financial liabilities as they do not have identical features subject to restrictions as stipulated in the Information Memorandum or SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the unit class. The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the unitholder's option at prices based on the Fund's net asset value per share of the respective classes at the close of business on the relevant dealing day. The Fund's net asset value per share of the respective classes is calculated by dividing the net assets attributable to the unitholders of each class of units with the total number of outstanding units for each respective class.

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

### **2.5 Distribution**

Distribution to the Fund's unitholders are accounted for as finance cost in the statement of income and expenses. A proposed distribution is recognised as a liability in the year in which it is approved by the Trustee.

### **2.6 Income recognition**

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

Interest income from deposits with licensed financial institutions is 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 the collective investment scheme is arrived at after accounting for cost of investments, determined on the weighted average cost method.

Realised gain or loss on forward foreign currency contracts are measured by the net settlement amount as per the forward foreign currency contract.

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

### **2.7 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.

Tax on distribution income from foreign collective investment schemes is based on the tax regime of the respective country that the Fund invests in.

### **2.8 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances which is subject to an insignificant risk of changes in value.

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

### **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 United States Dollar (“USD”), 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 USD primarily due to the following factors:

- The Fund’s investments are denominated in USD.
- The Fund’s significant expenses are denominated in USD.

### **2.10 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.

### **2.11 Increase/decrease in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders.

### **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, currency risk, liquidity risk, interest rate risk, credit 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 Information Memorandum or SC Malaysia Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

#### 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 (other than those arising from interest risk) price risk for its investments of USD1,032,678 (2020: USD1,555,132) in the 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 the net asset value is USD51,634 (2020: USD77,757).

#### Currency risk

The Fund is denominated in USD, as such investors who are converting from Ringgit Malaysia ("RM") to USD to invest into the Fund will be subject to currency risk, as the distribution and payment at maturity is in USD. When USD moves unfavourably against the RM, investors may face currency losses if they convert from USD to RM.

The sensitivity analysis is based on the assumption that the foreign exchange rate fluctuates by +/- 5% with all other variable held constant, the impact on statement of income and expenses and net asset value is (-)/+USD34,937 (2020: -USD92,531/+USD97,427).

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

#### Currency risk (continued)

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

	<b>Cash and cash equivalents</b>	<b>Amount due from/to Manager</b>	<b>Forward foreign currency contracts</b>	<b>Net assets attributable to unitholders</b>	<b>Other payables and accruals</b>	<b>Total</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b><u>2021</u></b>						
Malaysia						
Ringgit	20,201	(3,090)	-	(712,993)	(2,854)	(698,736)
<b><u>2020</u></b>						
Malaysia						
Ringgit	35,451	2,067	(10,928)	(1,189,934)	(4,690)	(1,168,034)

#### Liquidity risk

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

The liquidity risk that exists at the Fund level is associated with the inability of the Target Fund to meet large redemption in a timely manner. In the event of large redemption request that would result in the total redemption shares in the Target Fund to be more than 10% of the shares in the Target Fund or a particular share class of the Target Fund, part or all of such requests for redemption may be deferred for a period typically not exceeding ten business days of the Target Fund.

### 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 USD</b>	<b>Between 1 month to 1 year USD</b>
<b><u>2021</u></b>		
Amount due to Manager	3,090	-
Amount due to Trustee	56	-
Accrued management fee	1,395	-
Other payables and accruals	-	4,487
Net assets attributable to unitholders*	1,058,978	-
	<u>1,063,519</u>	<u>4,487</u>
<b><u>2020</u></b>		
Forward foreign currency contracts	-	16,468
Amount due to Manager	229	-
Amount due to Trustee	77	-
Accrued management fee	1,935	-
Other payables and accruals	-	6,174
Net assets attributable to unitholders*	1,595,186	-
	<u>1,597,427</u>	<u>22,642</u>

- \* Outstanding units are redeemed on demand at the unitholder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as unitholders typically retain them for the medium to long term.

### 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 confined to 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.

#### 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 credit 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 Information Memorandum and the SC Malaysia Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

	<b>Cash and cash equivalents</b>	<b>Forward foreign currency contracts</b>	<b>Other financial assets*</b>	<b>Total</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b><u>2021</u></b>				
<b>Financial institutions:</b>				
- AAA	30,277	-	-	30,277
- Others	-	-	5,051	5,051
	<u>30,277</u>	<u>-</u>	<u>5,051</u>	<u>35,328</u>
<b><u>2020</u></b>				
<b>Financial institutions:</b>				
- AAA	48,129	-	-	48,129
- Others	-	4,142	11,268	15,410
	<u>48,129</u>	<u>4,142</u>	<u>11,268</u>	<u>63,539</u>

\* Comprise of amount due from Manager and distribution income receivables.



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

#### Capital risk

The capital of the Fund is represented by net assets attributable to unitholders of USD1,058,978 (2020: USD1,595,186). The amount of net assets attributable to unitholders 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 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.

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

- (i) For bank balances, 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.

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

##### 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> USD	<u>Level 2</u> USD	<u>Level 3</u> USD	<u>Total</u> USD
<b><u>2021</u></b>				
<b>Investments :</b>				
- Collective investment scheme - foreign	1,032,678	-	-	1,032,678
	<u>1,032,678</u>	<u>-</u>	<u>-</u>	<u>1,032,678</u>
<b><u>2020</u></b>				
<b>Investments :</b>				
- Collective investment scheme - foreign	1,555,132	-	-	1,555,132
<b>Derivative financial instruments:</b>				
- Forward foreign currency contracts	-	(10,928)	-	(10,928)
	<u>1,555,132</u>	<u>(10,928)</u>	<u>-</u>	<u>1,544,204</u>

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

Investments in collective investment scheme, i.e. unit trust fund whose values are based on published prices in active markets are classified within Level 1. The Fund does not adjust the published prices for these instruments. The Fund's policies on 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 this financial instrument are stated in Note 2.2 and Note 2.12.

#### 5. INVESTMENTS

	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Investments:		
- Collective investment scheme - foreign	<u>1,032,678</u>	<u>1,555,132</u>
	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Net gain/(loss) on investments comprised:		
- net realised gain/(loss) on disposal	2,014	(4,156)
- net unrealised gain/(loss) on changes in fair value	<u>170,403</u>	<u>(146,166)</u>
	<u>172,417</u>	<u>(150,322)</u>

Investments as at 30 April 2021 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> <u>USD</u>	<u>Fair Value</u> <u>USD</u>	<u>% of Net Asset Value</u> <u>%</u>
<b>COLLECTIVE INVESTMENT SCHEME - FOREIGN</b>				
<b><u>Luxembourg</u></b>				
BlackRock Global Funds				
- US Dollar High Yield Bond Fund	93,540	<u>1,000,670</u>	<u>1,032,678</u>	<u>97.52</u>

## 5. INVESTMENTS (CONTINUED)

Investments as at 30 April 2020 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> USD	<u>Fair Value</u> USD	<u>% of Net Asset Value</u> %
<b>COLLECTIVE INVESTMENT SCHEME - FOREIGN</b>				
<b><u>Luxembourg</u></b>				
BlackRock Global Funds				
- US Dollar High				
Yield Bond Fund	157,402	1,693,527	1,555,132	97.49

## 6. FORWARD FOREIGN CURRENCY CONTRACTS

As at 30 April 2021, there was nil (2020: two) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contract amounted to nil (2020: RM4,290,147 (USD1,006,000)).

The forward foreign currency contracts entered into was for hedging against the currency exposure arising from the investment in collective investment scheme denominated in USD.

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

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

	<u>2021</u> USD	<u>2020</u> USD
Net gain/(loss) on forward foreign currency contracts:		
- Net realised gain/(loss) on forward foreign currency contracts	18,909	(35,077)
- Net unrealised gain on forward foreign currency contracts	10,928	1,254
	<u>29,837</u>	<u>(33,823)</u>

## 7. UNITS IN CIRCULATION

### (a) USD Class

	<b><u>2021</u></b> <b>Units</b>	<b><u>2020</u></b> <b>Units</b>
At the beginning of the financial year	424,752	510,570
Creation of units during the financial year:		
Arising from applications	52,000	32,000
Arising from distribution	19,528	27,182
Cancellation of units during the financial year	<u>(164,000)</u>	<u>(145,000)</u>
At the end of the financial year	<u>332,280</u>	<u>424,752</u>

### (b) RM Class

	<b><u>2021</u></b> <b>Units</b>	<b><u>2020</u></b> <b>Units</b>
At the beginning of the financial year	5,166,544	3,952,486
Creation of units during the financial year:		
Arising from applications	1,226,000	2,658,000
Arising from distribution	161,870	318,058
Cancellation of units during the financial year	<u>(3,782,000)</u>	<u>(1,762,000)</u>
At the end of the financial year	<u>2,772,414</u>	<u>5,166,544</u>

## 8. MANAGEMENT FEE

In accordance with the Information Memorandum, the management fee provided in the financial statements is 1.50% (2020: 1.50%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year. As the Fund invests in the Target Fund, there is no double charging of management fee to the Fund as there is no management fee charged by the Target Fund.

## 9. TRUSTEE'S FEE

In accordance with the Information Memorandum, 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.

## 10. TAXATION

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

	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Current taxation	<u>-</u>	<u>-</u>

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

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

	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Net income/(loss) before finance cost and taxation	<u>260,278</u>	<u>(113,808)</u>
Tax calculated at statutory income tax rate of 24%	62,467	(27,314)
Tax effects of:		
- (Income not subject to tax)/Loss not deductible for tax purposes	(68,558)	20,829
- Expenses not deductible for tax purposes	633	617
- Restriction on tax deductible expenses	<u>5,458</u>	<u>5,868</u>
Tax expense	<u>-</u>	<u>-</u>

## 11. DISTRIBUTION

Distribution to unitholders is derived from the following sources:

### (a) USD Class

	<u><b>2021</b></u> <u><b>USD</b></u>	<u><b>2020</b></u> <u><b>USD</b></u>
Prior financial years' realised income	27,296	36,618
Less: Expenses	(6,967)	(10,776)
Net distribution amount	<u>20,329</u>	<u>25,842</u>

### (b) RM Class

	<u><b>2021</b></u> <u><b>USD</b></u>	<u><b>2020</b></u> <u><b>USD</b></u>
Prior financial years' realised income	58,458	88,316
Dividend income	1,350	-
Less: Expenses	(18,191)	(16,243)
Net distribution amount	<u>41,617</u>	<u>72,073</u>

	<u><b>Cent</b></u> <u><b>per unit</b></u> <u><b>Gross/Net</b></u>	<u><b>Cent</b></u> <u><b>per unit</b></u> <u><b>Gross/Net</b></u>
<b>Distribution during the financial year</b>		
<u><b>Distribution dates</b></u>		
<u>USD Class</u>		
27 April 2021/24 April 2020	<u>6.5000</u>	<u>6.5000</u>
	<u>6.5000</u>	<u>6.5000</u>
<u>RM Class</u>		
27 April 2021/24 April 2020	<u>6.5000</u>	<u>6.5000</u>
	<u>6.5000</u>	<u>6.5000</u>

Included in the above distribution was an amount of USD27,296 (2020: USD36,618) and USD58,458 (2020: USD88,316) for USD and RM Class respectively derived from prior financial years' realised income.

There was unrealised losses of USD152,795 for the financial year ended 30 April 2020.

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

	<u>2021</u> %	<u>2020</u> %
MER	<u>1.78</u>	<u>1.77</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.

## 13. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2021</u>	<u>2020</u>
PTR (times)	<u>0.50</u>	<u>0.39</u>

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.

## 14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

	<u>2021</u>		<u>2020</u>	
	<b>Units</b>	<b>USD</b>	<b>Units</b>	<b>USD</b>
The Manager				
– USD Class	1,742	1,814	1,486	1,418
– RM Class	5,834	1,501	5,885	1,355

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.

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.



## 15. TRANSACTIONS BY THE FUND

Details of transactions by the Fund for the financial year ended 30 April 2021 are as follows:

<b><u>Fund Manager</u></b>	<b><u>Value of trades</u> USD</b>	<b><u>Percentage of total trades</u> %</b>	<b><u>Brokerage fees</u> USD</b>	<b><u>Percentage of total brokerage fees</u> %</b>
BlackRock (Luxembourg) S.A	<u>1,413,636</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

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

<b><u>Fund Manager</u></b>	<b><u>Value of trades</u> USD</b>	<b><u>Percentage of total trades</u> %</b>	<b><u>Brokerage fees</u> USD</b>	<b><u>Percentage of total brokerage fees</u> %</b>
BlackRock (Luxembourg) S.A	<u>1,200,476</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

## 16. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
<b>Financial assets</b>		
Financial assets at fair value through profit or loss (“FVTPL”)		
• Collective investment scheme	1,032,678	1,555,132
• Forward foreign currency contracts	-	4,142
	<u>1,032,678</u>	<u>1,559,274</u>
Financial assets at amortised cost		
• Bank balances	30,277	48,129
• Amount due from Manager	-	2,296
• Distribution income receivables	5,051	8,972
	<u>35,328</u>	<u>59,397</u>
<b>Financial liabilities</b>		
Financial liabilities at fair value through profit or loss (“FVTPL”)		
• Forward foreign currency contracts	-	15,070
Financial liabilities at amortised cost		
• Amount due to Manager	3,090	229
• Amount due to Trustee	56	77
• Accrued Management fee	1,395	1,935
• Other payables and accruals	4,487	6,174
	<u>9,028</u>	<u>8,415</u>

## 17. 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 USD HIGH YIELD BOND FUND**

We, Dato' Darawati Hussain and Ong Yin Suen, 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 April 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

Ong Yin Suen  
Director

25 June 2021

## **TRUSTEE'S REPORT TO THE UNITHOLDERS OF RHB USD HIGH YIELD BOND FUND**

We have acted as Trustee of RHB USD High Yield Bond Fund (“the Fund”) for the financial year ended 30 April 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 Unlisted Capital Market Products under the Lodge and Launch Framework, 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 this financial year, a total distribution of 6.5000 cent per unit for USD Class and 6.5000 sen per unit for RM Class has been distributed to the unitholders of the Fund respectively. We are of the view that the distributions are not inconsistent with the objectives of the Fund.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat  
Manager, Investment Compliance Monitoring

Kuala Lumpur  
25 June 2021

# **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB USD HIGH YIELD BOND FUND**

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

### Our opinion

In our opinion, the financial statements of RHB USD High Yield Bond Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 30 April 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 April 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 13 to 41.

### 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 USD HIGH YIELD 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 UNITHOLDERS OF RHB USD HIGH YIELD 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 UNITHOLDERS OF RHB USD HIGH YIELD 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 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  
25 June 2021



## CORPORATE INFORMATION

### MANAGER

RHB Asset Management Sdn Bhd

### REGISTERED OFFICE

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

### PRINCIPAL AND BUSINESS OFFICE

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

Email address: rhbam@rhbgroup.com

Tel: 03-9205 8000

Fax: 03-9205 8100

Website: www.rhbgroup.com

### BOARD OF DIRECTORS

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

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

Dr. Ngo Get Ping (*Independent Non-Executive Director*) (*Retired with effect from 24 May 2021*)

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*)

### 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>
Miri Office	<p>Lot 1268 &amp; 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>

<b>TRUSTEE</b>	HSBC (Malaysia) 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>	Areca Capital Sdn Bhd Genexus Advisory Sdn Bhd iFAST Capital Sdn Bhd Standard Chartered Bank (M) Bhd UOB Kay Hian Securities (M) Sdn Bhd

## **RHB** ♦ Asset Management

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