RHB Asset Management

RHB EUROPEAN SELECT FUND

ANNUAL REPORT 2021

For the financial year ended 28 February 2021

RHB Group

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GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

Fund Name	-	RHB European Select Fund
Fund Category	-	Feeder Fund
Fund Type	-	Growth (Wholesale Fund)

Investment Objective, Policy and Strategy

Objective of the Fund

The Fund aims to achieve capital growth over the long-term* by investing in one Target Fund, i.e. the Threadneedle European Select Fund.

* Note: “long term” in this context refers to a period of between 5-7 years.

Strategy

The Fund will invest principally in one of the sub-funds of the Threadneedle Investment Funds ICVC, that is, the Threadneedle European Select Fund (“Threadneedle ESF”) which is managed by Threadneedle Investment Services Limited. The Threadneedle ESF is an open-ended collective investment scheme domiciled in the United Kingdom and was launched in November 1986. The Fund will invest in the class of units denominated in Singapore Dollars (“SGD”) i.e. the SGD Hedged Net Accumulation Share – Class 1 of the Threadneedle ESF. Threadneedle ESF is authorised and regulated by the Financial Conduct Authority of the United Kingdom (“FCA”) under the Financial Services and Markets Act 2000.

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

At least 95% of Net Asset Value	-	Investments in the units of Threadneedle European Select Fund.
2% - 5% of Net Asset Value	-	Investments in liquid assets including money market instruments and Placements of Cash*.

*Note: These are placements of cash in any deposits or investment accounts with any financial institution(s) that are not embedded with or linked to financial derivative instruments.

Performance Benchmark

The performance of the Fund is benchmarked against the FTSE World Europe Ex UK (RM).

Permitted Investments and Restrictions

This Fund will invest in one collective investment scheme i.e. Threadneedle European Select Fund ("Threadneedle ESF"), trade in financial derivatives, invest in money market instruments and place 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

Distributions are of secondary importance. Distributions, if any, after deduction of taxation and expenses (i.e. net distribution), will be reinvested.

NOTE:

This Fund was established by RHB Asset Management Sdn Bhd on 3 March 2015 to invest in Threadneedle European Select Fund ("Existing Target Fund"). At the extraordinary general meeting held on 10 October 2018, the shareholders of the Existing Target Fund approved the scheme of arrangement for the transfer of assets ("Scheme") from the Existing Target Fund to the Threadneedle (Lux) – European Select Fund ("New Target Fund"). The Scheme took effect from 10 November 2018. The investment objective, strategy and annual charges of the New Target Fund are the same as that of the Existing Target Fund and there are no material differences between the two funds that will affect the Fund.

Thus, with effect from 10 November 2018, the Fund will invest in Class 1SH^ of the New Target Fund. The New Target Fund is one of the sub-funds of Threadneedle (Lux), an investment company with variable capital ("société d'investissement à capital variable") formed under the laws of the Grand Duchy of Luxembourg and qualifies in Luxembourg as an undertaking for collective investment in transferable securities ("UCITS") under Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009. Threadneedle Management Luxembourg S.A. has been appointed as the management company of the New Target Fund. Threadneedle Asset

Management Limited, United Kingdom has been appointed as the sub-advisor to provide management or advisory services in relation to the New Target Fund.

^ *Class "1SH" refers to the class of units of the New Target Fund which is denominated in Singapore Dollars and where hedging will be carried out between the currency of the class (i.e. SGD) and the base currency of the New Target Fund (i.e. EUR). Class 1SH of the New Target Fund will make no distributions.*

MANAGER'S REPORT

MARKET REVIEW

The Target Fund Manager commented that European equities tumbled in March 2020. World stocks plunged into a bear market in March 2020 as the economic impact of the COVID-19 pandemic worsened; the Financial Times Stock Exchange ("FTSE") World Europe Ex UK index fell by 13.9% in euros. The International Monetary Fund ("IMF") announced that the global economy had entered a recession, although it forecast that a sizeable rebound could occur in year 2021 if the coronavirus and liquidity problems are brought under control. Oil prices collapsed, following disagreements between Russia and Saudi Arabia over pricing and production levels, and this added to the turbulence. Equities were weakest in the middle of the month and rallied into the month end. A dizzying series of responses to the pandemic included travel restrictions and lockdowns that brought cities, regions and even countries to a near halt; a wave of emergency rate cuts and liquidity injections by central banks; and the announcement of substantial economic support measures by governments. Unemployment and government borrowing surged higher. In the United States ("US"), the Federal Reserve ("Fed") cut interest rates back to near zero and restarted its bond-buying programme, while the federal government unveiled its largest- ever fiscal stimulus package. The Bank of England also cut interest rates, to a record low, and the United Kingdom ("UK") government pledged support for businesses and fiscal stimulus measures. The European Central Bank ("ECB") announced it would purchase additional bonds worth Euro ("EUR") 750billion ("bn") and scrap issuer limits, which was well received after an earlier package disappointed. In Germany, the ZEW index of business sentiment slumped to its lowest in 12 years, the 'debt brake' that limits state borrowing was suspended, and the government announced a EUR750bn stimulus programme. European Union ("EU") states disagreed over a proposal for joint issuance of 'Coronabonds'. On a brighter note, economic activity in China appeared to be recovering as the government lifted lockdown measures, which had proven effective in curbing the virus; the official gauge of manufacturing showed that the sector returned to growth in March 2020, following a sharp contraction in February 2021.

European equities rebounded in April 2020 after steep declines in March 2020. The FTSE World Europe Ex UK index returned 6.6% in euro terms, driven by optimism that the COVID-19 pandemic was past its peak, and by continued support from governments and central banks. Some countries, such as China, eased virus-related containment measures, helping to revive economic activity. Still, the pandemic's effect on growth was stark. Data showed that Gross Domestic Product ("GDP") in leading economies fell sharply in the first quarter ("1Q"), feeding concern that the second quarter ("2Q") will see much larger declines. Many companies withdrew earnings guidance and cut dividends. Late in the month, Brent crude oil bounced from 20-year lows as tensions simmered between the US and Iran, and on news that Organization of Petroleum Exporting Countries ("OPEC") and Russia had reached an agreement to cut supply. Preliminary estimates showed that the US economy shrank by 1.2% in the 1Q compared to the last quarter of year 2019, and the Fed unveiled a US Dollar ("USD") 2.3 trillion loan package. In the eurozone, GDP was estimated to have fallen by 3.8% over the same period. Member states agreed a EUR500bn economic support package, but remained split over proposals for joint issuance of bonds. Credit-rating agency Fitch lowered Italy's sovereign rating to just above 'junk' status, citing COVID-19's economic impact. UK retail sales plunged at the swiftest pace on record in March 2020, when a nationwide lockdown took effect. Meanwhile, the government insisted that the year-end deadline for reaching a post-Brexit trade deal with the EU remains in effect, despite the pandemic.

The Target Fund Manager continued that European stocks advanced for a second straight month in May 2020. Several countries, including Germany, France and Spain, relaxed lockdown measures triggered by the COVID-19 pandemic, helping to revive economic activity. Investors also continued to be cheered by previously announced central bank stimulus plans, government support packages, and by optimism that vaccinations and treatments would be found for the virus. The European Commission issued a warning that the pandemic is likely to lead to steep GDP falls in the eurozone, especially in Greece, Italy, Spain and France, and data indicated that Germany had slipped into recession in the 1Q of the year. As calls continued for a joint economic response by European countries to the impact of the pandemic, the leaders of France and Germany proposed an EU recovery fund. However, the measure needs approval from all 27 member states, some of which oppose mutualised borrowing. In the UK, the Chancellor of the Exchequer warned that the country faces a significant recession as a result of the pandemic, and concerns simmered that the UK and the EU might fail to agree on a trade deal before the Brexit transition period expires at the end of this year. In late May 2020, China imposed a security law in Hong Kong, parallel to those in force in mainland China, thereby calling into question Hong Kong's autonomy. Amidst international uproar, the US said it would revoke Hong Kong's special trade status, but stopped short of stronger measures such as scrapping the interim Chinese trade deal that was signed in January 2021.

European equities delivered a third consecutive monthly gain in June 2020 but trading was choppy amid the ongoing COVID-19 pandemic. The portfolio's benchmark index rose by 3.9% in euro terms over the month. Gains were largely driven by fiscal and monetary stimulus measures, and by optimism regarding an economic recovery as many nations relaxed lockdowns. An unexpectedly robust US jobs report for the month of May 2020 also boosted morale. On the other hand, equities came under pressure as virus infection rates rose in countries such as China, Iran and the US. Indeed, by late June 2020, some governments and US states had suspended or even reversed the easing of control measures. The German government unveiled a EUR130bn fiscal stimulus plan in response to a sharp economic downturn, and the country's widely watched Ifo index of business sentiment surged higher in June 2020. The ECB expanded an emergency monetary stimulus programme by EUR600bn. However, EU member states remained divided over a proposed EUR750bn pandemic recovery fund. Uncertainty lingered about the prospects for a post-Brexit trade deal with the EU. Such a deal looked less likely after the UK government formally rejected any extension of the transition period beyond the end of year 2020.

The Target Fund Manager said that European markets dipped in July 2020, following a strong rebound; the Fund's benchmark index fell by 0.6% in euro terms over the month. Some indicators suggested that economies were recovering from the blow inflicted by the COVID-19 pandemic. However, coronavirus cases remained high in the US, and progress elsewhere was interrupted as sporadic outbreaks flared again, sparking concern that the pandemic might re-intensify, and threaten global growth. In Continental Europe, sentiment received a boost as EU countries reached agreement on a EUR750bn pandemic recovery fund, to be financed by joint borrowing for the first time ever. But here again, the extent of the economic damage from COVID-19 was laid bare as initial figures showed that eurozone GDP slumped 12.1% in the 2Q versus the first; Spain was impacted particularly badly, registering a drop of 18.5%. More positively, a preliminary composite gauge of services and manufacturing activity in the eurozone hit a 25-month high in July 2020, and indicated a return to growth in both sectors.

August 2020 was a buoyant month for European equity markets, which were lifted by stronger-than-expected corporate profits, particularly in the US technology sector, and by continued optimism that the worst effects of the COVID-19 pandemic had passed. Data indicated that a composite measure of global manufacturing output returned to growth in July 2020. US indices led the global equity market upwards and hit fresh record highs along the way. Their European counterparts were also strong in aggregate, with the Fund's benchmark index returning 3.1% in euro terms. In Germany, the widely watched ZEW index of investor sentiment climbed by more than expected in August 2020. However, the flash composite Purchasing Managers' Index ("PMI") for the eurozone as a whole sounded a note of caution: the services sector showed signs of fatigue, although manufacturing proved more resilient. Spikes of COVID-19 infections in Spain and elsewhere prompted the re-imposition of local lockdowns, and some countries reinstated travel restrictions.

European stocks were subdued in September 2020, amid a steep sell-off in the US technology sector, and ongoing uncertainty regarding the US election. The COVID-19 pandemic also undermined equities as escalating virus infection rates prompted some countries to re-impose controls. The Fund's benchmark index fell by 0.9% in euro terms over the month. September 2020's estimated composite PMI for the eurozone suggested that overall economic growth in the region was close to stalling. The index showed that the services sector had contracted, amid renewed efforts to contain the virus, but manufacturing proved more buoyant. The ECB remained supportive, temporarily easing capital rules for banks with the aim of encouraging lending, while France launched a national recovery plan, with an emphasis on green energy. At the month end, the ECB said it was considering relaxing its stance on inflation, echoing a dovish policy shift by the Fed in August 2020. A spate of merger speculation swirled in the banking sector as two Spanish banks announced a tie-up, and Swiss banks explored similar options.

Over the month of October 2020, the Fund's benchmark index fell by 5.4% in euro terms. Equities dropped along with oil prices as COVID-19 infection rates jumped across Europe, triggering new control measures that included a nationwide lockdown in France, and tighter restrictions in other countries such as Germany, Spain and Italy. Markets were also affected by US election jitters. Optimism – eventually dashed – that the US Congress might approve new fiscal stimulus helped to drive early gains, but many investors seemed inclined to take profits amid mounting political uncertainty. President Trump continued to question the reliability of postal voting, feeding concern about possible civil unrest after the election. In Europe, the backdrop was gloomy even before new lockdowns were announced, as the widely watched ZEW index of German investor sentiment weakened sharply in October 2020 and the composite eurozone PMI gauge edged downwards. The ECB kept interest rates unchanged, but stated that further monetary stimulus measures were likely in December 2020 in an effort to ward off a 'double dip' recession.

November 2020 was an ebullient month for European equities as positive news on vaccines for COVID-19 encouraged investors to look forward to better economic prospects. Three vaccines have delivered promising results in the testing stage and are now awaiting regulatory approval. Markets had been jittery in the run-up to the US election, but uncertainty dissipated following the vote, as Democrat Joe Biden emerged the victor. President Trump continues to contest the validity of the election result − so far, his lawsuits have been unsuccessful. For now, the economic backdrop remains tough, despite extensive stimulus and support packages from central banks and governments, as Europe suffers from the latest wave of restrictions in an effort to curb the pandemic's spread. Christine Lagarde, President of the European Central Bank, warned that many companies which had survived by increasing borrowing and drawing on reserves may decide that trading is no longer viable. The ECB also cautioned that there may be an upsurge in non-performing bank loans. Meanwhile, the UK's attempts to reach a Brexit deal with the EU by the year-end deadline became ever more pressing.

The Target Fund Manager mentioned that December 2020 European equities extended their rise, although the advance slowed in volatile trading. Shares swung between gains and drops, driven respectively by optimism about the deployment of COVID-19 vaccines and the outbreak of more contagious variants of the coronavirus, which prompted renewed restrictions and lockdowns. Consumer discretionary and technology led the outperforming sectors. Communication services, healthcare and financials were weaker. Investors were relieved as the ECB both increased and prolonged its bond-purchase scheme, while also extending its programme of cheap funding for banks. After lengthy and tense negotiations, the UK finally reached a post-Brexit trade agreement with the EU, avoiding a no-deal exit. The EU also agreed a potentially lucrative investment treaty with China. In the US, a fiscal-stimulus package was approved and equity-market indices reached record highs. Europe and the UK launched mass vaccination programmes and scientists raced to ascertain whether these would be effective against the mutant viral strains. In the UK, COVID-19 infections surged as one of the new strains spread fast, and further curbs on travel and social activity were announced. In terms of the economy, a preliminary composite measure of eurozone economic activity was on the edge of rising into expansionary territory; manufacturing led the rebound while the service sector remained beset by pandemic-related restrictions. In Germany, the widely watched ZEW index of economic sentiment staged a strong rebound.

January 2021 European markets dipped following a strong run. This was mainly due to concerns about the possible economic repercussions of a virulent virus, which originated in China. Several Chinese cities are now in quarantine and the virus has spread internationally. The search for an effective vaccination is now in progress. Markets were also rattled early in the month by escalating tensions between the US and Iran, though these later eased. More positively, sentiment was boosted as the People's Bank of China pumped liquidity into the country's banking system, and phase one of a US-China trade deal was signed. Data showed that eurozone GDP growth slowed to near zero in the fourth quarter of year 2019 ("4Q19") as the French and Italian economies contracted, although Spain's economy was more resilient. German GDP grew just 0.6% last year. The UK finally exited the EU on 31 January 2021, beginning a transition phase that runs until the end of year 2020. There are concerns, however, that the two sides might fail to reach a post-Brexit trade agreement by the end of that period. Energy and material stocks were impacted as the prices of oil and industrial metals declined amid fears of slowing demand from China, a key consumer of commodities. Relatively defensive sectors such as utilities fared better.

February 2021 Equities were lifted by optimism that progress in COVID-19 vaccinations and US stimulus spending would drive a revival of economic growth. However, early gains were whittled down as weakness spilled over from bond markets, reflecting worries that the anticipated rebound may drive inflation higher. The multi-trillion stimulus proposal announced by President Biden in January 2021 is squeezing through the Congressional approval process. The US Fed is currently sanguine that the economy will not overheat, but bond yields spiked higher as inflationary expectations mounted. While the surge in yields boosted financial stocks, it also generated bouts of weakness in the technology sector. Inflationary concerns were echoed in Europe too. The Bundesbank's president said German inflation is set to top 3% this year, potentially requiring tighter monetary policy. In Europe, vaccination programmes appear to have been highly effective in combating COVID-19, although the speed of rollouts has varied widely between countries. The EU forecasts that the eurozone economy will probably return to its pre-pandemic size in year 2022. However, mutant viral strains continue to cause concern, and have prompted lockdown extensions in several countries including Germany. Italian shares rebounded as former ECB president Mario Draghi agreed to form a government and was sworn in as prime minister, avoiding a snap election. Within the benchmark index, financials, energy and consumer discretionary were the strongest sectors; utilities, real estate and consumer staples were the main laggards.

ECONOMIC REVIEW AND OUTLOOK

The Target Fund Manager mentioned that during March 2020, the Target Fund's benchmark index increased by 13.9% in euro terms. European financial stocks were hit hard, as were consumer discretionary companies and industrials. However, pharmaceutical firms benefited from an upswing in interest as the search for effective coronavirus tests, treatments and vaccinations gathered pace. Consumer staples also fared relatively well. During April 2020, the Target Fund's benchmark index returned 6.6% in euro terms. In a reversal of March's trends, technology, materials and consumer discretionary powered ahead, while healthcare stocks continued to benefit from investor interest amid the search for coronavirus vaccines, tests and treatments. During May 2020, the Target Fund's benchmark index returned 4.5% in euro terms over the month. Utilities performed well, as did cyclical sectors such as industrials and technology, which rose in anticipation of an eventual economic recovery.

During June 2020, the Target Fund's benchmark index rose 3.9% in euro terms over the month. Gains were led by financials, technology and industrials. The healthcare sector lagged following a period of strength and the energy sector remained subdued amid oil price weakness. During July 2020, the Target Fund's benchmark index fell by 0.6% in euro terms over the month. In sector terms, utilities, materials and consumer staples were the strongest performers, while energy and healthcare were weak. During August 2020, the Target Fund's benchmark index returned 3.1% in euro terms. Cyclical sectors enjoyed a good month; consumer discretionary, industrials and materials led the outperformers, while laggards included utilities, healthcare and consumer staples.

During September 2020, the Target Fund's benchmark index fell by 0.9% in euro terms over the month. Consumer discretionary, healthcare and materials were the top performers. Energy was the weakest sector, followed by financials. During October 2020, the Target Fund's benchmark index fell by 5.4% in euro terms. Within the portfolio's benchmark index, all sectors registered declines – the worst affected was technology, despite another round of strong quarterly earnings from the mega-cap US technology companies. Energy and healthcare were also weak. During November 2020, the Target Fund's benchmark index surged higher by 14.3% in euro terms over the month. Energy and financials led the gains as investors rotated into stocks which had slumped during the pandemic. The energy sector also benefited from a sharp rally in oil prices.

The Target Fund Manager said that during December 2021, the Target Fund's benchmark index rose by 2.4% in euro terms over the month. Consumer discretionary and technology led the outperforming sectors. Communication services, healthcare and financials were weaker. During January 2021, the Target Fund's benchmark index fell by 0.8% in euro terms. Energy and material stocks were impacted as the prices of oil and industrial metals declined amid fears of slowing demand from China, a key consumer of commodities. Relatively defensive sectors such as utilities fared better. During February 2021, the Target Fund's benchmark index rose by 2.2% in euro terms. Within the benchmark index, financials, energy and consumer discretionary were the strongest sectors; utilities, real estate and consumer staples were the main laggards.

REVIEW OF EUROPEAN SELECT FUND ("the Target Fund") PERFORMANCE AND STRATEGY DURING THE FINANCIAL YEAR

The Target Fund Manager said that the Target Fund outperformed the index particularly strongly during the onset of the virus and associated lockdowns, when reduced expectations for economic growth caused a market downturn (February-March 2020). Their focus is on high-quality business models with resilient earnings and returns proved beneficial, particularly as it led them to overweight sectors such as technology and healthcare.

Similarly, in the initial phase of market recovery, in 2Q of year 2020, the Target Fund continued to outperform as the more problematic areas, such as travel, hospitality and leisure are underweight positions in the Target Fund as they are typically over-competitive fragmented industries with insufficient differentiation between competing products and services, so these areas offer few attractions to them given their disciplined approach.

However later in the year, valuations had moved very strongly (and too far in some cases) and the market started to factor in the likelihood of a recovery as vaccines were rolled out. So in November 2020 the market rotated savagely, with virtually all sectors and stocks which had fared relatively well over the year to date suffering relative to "recovery plays" – this effectively was a value rotation. In these market circumstances they typically underperform, and indeed in November 2020 they lost more than half of their relative performance won over the year to date.

Since then, the market has continued to favour recovery plays, and the Target Fund Manager have slightly underperformed as a result. But the degree of underperformance has been less marked than in November 2020, and has not been enough to undo their relative outperformance in early year 2020 or over longer time periods.

The Target Fund Manager has progressively since summer of year 2020 reduced some of the more overvalued stocks they held. The money raised was invested in high-quality cyclicals – not compromising their focus on quality, but striving to find companies where the long term model was strong, but the effects of the virus had given them a better entry point to buy the shares at a more attractive valuation.

This strategy helped the Target Fund Manager to mitigate and reduce the degree of recent underperformance, which they view as disappointing but not unexpected in view of the market rotation, and should be seen in the light of earlier strong relative returns.

The Target Fund remains focused on high quality business models. The Target Fund Manager use the Porters Five Forces model to identify companies with strong business models which can withstand competitive pressures and economic uncertainty. This leads us to concentrate on companies which sell often unique products or services, with strong brands, patented technologies or other barriers to entry – so the Target Fund Manager has structural overweighting in areas like technology and healthcare and underweighting in utilities and energy.

MARKET OUTLOOK AND STRATEGY GOING FORWARD

The Target Fund Manager is of the view that the potential for a post-virus recovery is building confidence, though some sectors will be under strain for years to come, and inflationary pressures may surface. COVID-19 still dominates sentiment; the second wave has meant a return of lockdowns and travel restrictions, though successful vaccination programmes should mean the worst is over by the summer.

A fraught end to the US election left the Democrats with tentative control of the Senate as well as the House and the Presidency – so a return to Obama-like policies should follow. Markets will take heart as this means fiscal and monetary policy aimed at stimulating growth, mirrored in Europe too. However, some previously fragile business models are proving unsustainable, impacting small businesses and employment in the hospitality and travel sectors. Brexit is at last agreed, which should be well received: negotiations were bad-tempered and some practicalities are still unclear, particularly as lockdowns and travel restrictions continue.

The Target Fund Manager's main focus in managing this high-conviction portfolio is on stock selection.

REVIEW OF THE FUND PERFORMANCE DURING THE FINANCIAL YEAR

For the financial year under review, the Fund registered a total return of 16.37%* whilst its benchmark, FTSE World Europe Ex UK (RM) Index recorded a return of 20.28%* in Malaysian Ringgit terms. The Fund's performance is consistent with the underlying Target Fund's return. The Fund has not achieved its objective for the financial year under review.

** Source: Lipper Investment Management ("Lipper IM"), 8 March 2021*

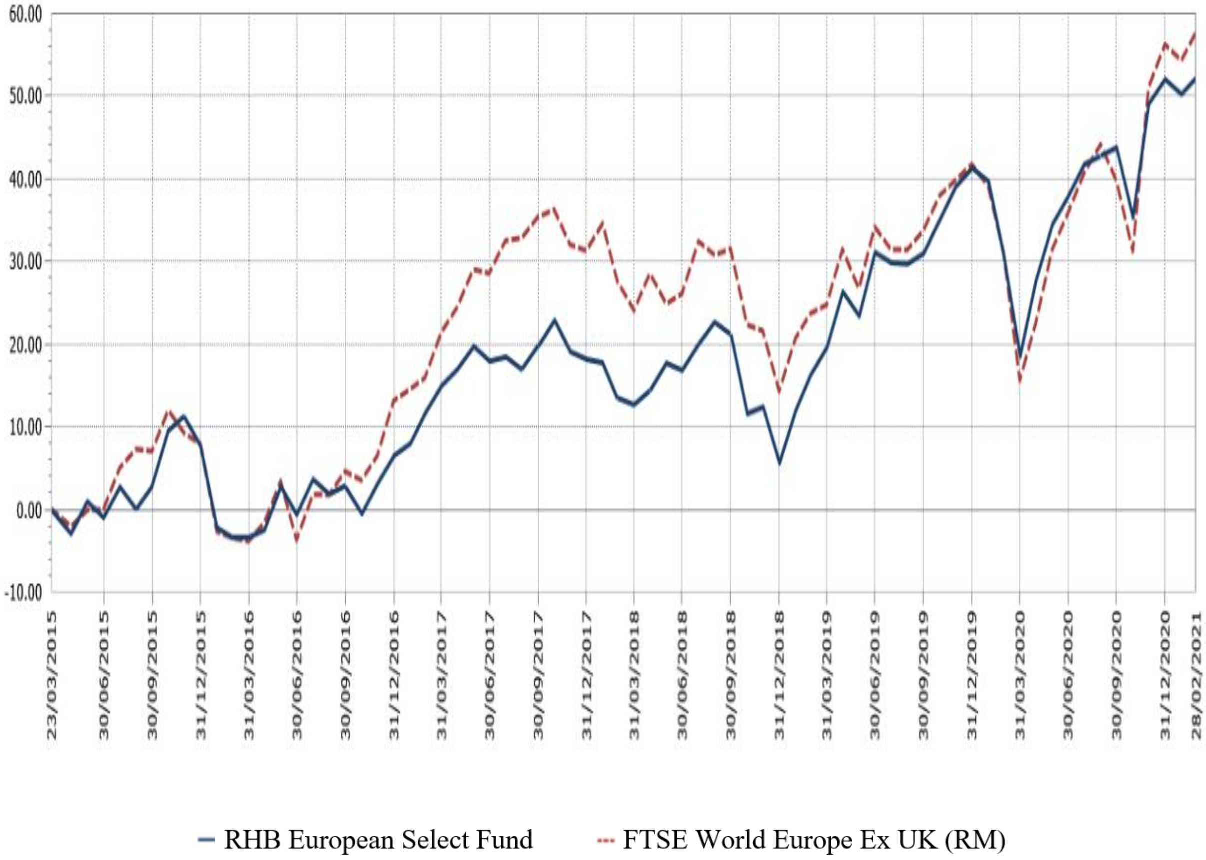
PERFORMANCE DATA

	Annual Total Returns Financial Year Ended 28/29 February				
	2021 %	**2020 %**	**2019 %**	**2018 %**	**2017 %**
RHB European Select Fund					
- Capital Return	16.37	12.44	2.54	1.50	15.68
- Income Return	-	-	-	-	-
- Total Return	16.37	12.44	2.54	1.50	15.68
FTSE World Europe Ex UK (RM)	20.28	6.04	(3.06)	10.09	19.99

	Average Annual Returns			
	1 Year 29.02.2020-28.02.2021 %	**3 Years 28.02.2018-28.02.2021 %**	**5 Years 29.02.2016-28.02.2021 %**	**Since Launch 23.03.2015**-28.02.2021 %**
RHB European Select Fund	16.37	10.28	9.51	7.32
FTSE World Europe Ex UK (RM)	20.28	7.32	10.30	7.96

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

Performance of RHB European Select Fund
for the period from 23 March 2015 to 28 February 2021**
Cumulative Return Over The Period (%)



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

Source: Lipper IM, 8 March 2021

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

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

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

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

Fund Size	As at 28/29 February		
	2021	2020	2019
Net Asset Value (RM million)	55.32	31.39	84.40
Units In Circulation (million)	72.72	48.03	145.17
Net Asset Value Per Unit (RM)	0.7606	0.6536	0.5814

Historical Data	Financial Year Ended 28/29 February		
	2021	2020	2019
Unit Prices			
NAV - Highest (RM)	0.7967	0.7329	0.6138
- Lowest (RM)	0.5226	0.5802	0.5192
Distribution and Unit Split	-	-	-
Others			
Management Expense Ratio (MER) (%) #	0.46	0.43	0.45
Portfolio Turnover Ratio (PTR) (times) ##	0.47	0.47	0.23

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 consistent with previous financial year under review.

DISTRIBUTION

For the financial year under review, no distribution has been proposed by the Fund.

PORTFOLIO STRUCTURE

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

	As at 28/29 February		
	2021	**2020**	**2019**
	%	**%**	**%**
Sectors			
Collective investment scheme - foreign	95.92	96.80	96.46
Liquid assets and other net current assets	4.08	3.20	3.54
	100.00	100.00	100.00

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

BREAKDOWN OF UNIT HOLDINGS BY SIZE

	Account Holders		**No. Of Units Held***	
Size of Holdings	**No.**	**%**	**('000)**	**%**
5,000 and below	1	2.56	-	-
5,001 to 10,000	1	2.56	7	0.01
10,001 to 50,000	20	51.28	741	1.02
50,001 to 500,000	8	20.52	723	0.99
500,001 and above	9	23.08	71,248	97.98
Total	39	100.00	72,719	100.00

* Excluding Manager's stock

SOFT COMMISSION

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

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

RHB EUROPEAN SELECT FUND
STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2021

	Note	2021 RM	2020 RM
ASSETS			
Bank balances	6	50,519	906,922
Deposits with licensed financial institutions	6	2,314,503	-
Investments	5	53,063,397	30,387,912
Amount due from Fund Manager of collective investment scheme		-	283,661
Amount due from Manager		79,685	135,965
Other receivables		122,228	164,813
TOTAL ASSETS		55,630,332	31,879,273
LIABILITIES			
Amount due to Manager		222,454	419,318
Amount due to Trustee		2,576	1,683
Accrued management fee		77,266	50,496
Other payables and accruals		12,950	16,778
TOTAL LIABILITIES		315,246	488,275
NET ASSET VALUE		55,315,086	31,390,998
EQUITY			
Unitholders' capital		19,900,427	1,716,610
Retained earnings		35,414,659	29,674,388
		55,315,086	31,390,998
UNITS IN CIRCULATION (UNITS)	7	72,724,000	48,026,000
NET ASSET VALUE PER UNIT (RM)		0.7606	0.6536

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

RHB EUROPEAN SELECT FUND
STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2021

	Note	2021 RM	2020 RM
INCOME			
Interest income from deposits with licensed financial institutions		22,637	26,682
Net gain on investments	5	6,240,667	9,983,027
Net foreign currency exchange loss		(333,996)	(344,219)
		5,929,308	9,665,490
EXPENSES			
Management fee	8	(149,877)	(186,405)
Trustee's fee	9	(24,410)	(32,348)
Audit fee		(5,350)	(5,350)
Tax agent's fee		(3,800)	(3,800)
Other expenses		(5,600)	(3,071)
		(189,037)	(230,974)
Net income before taxation		5,740,271	9,434,516
Taxation	10	-	-
Net income after taxation		5,740,271	9,434,516
Net income after taxation is made up as follow:			
Realised amount		1,873,212	9,457,262
Unrealised amount		3,867,059	(22,746)
		5,740,271	9,434,516

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

RHB EUROPEAN SELECT FUND
STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2021

	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 March 2019	51,217,469	33,182,851	84,400,320
Movement in net asset value:			
Net income after taxation	-	9,434,516	9,434,516
Creation of units arising from applications	1,950,796	-	1,950,796
Cancellation of units	(51,451,655)	(12,942,979)	(64,394,634)
Balance as at 29 February 2020	1,716,610	29,674,388	31,390,998
Balance as at 1 March 2020	1,716,610	29,674,388	31,390,998
Movement in net asset value:			
Net income after taxation	-	5,740,271	5,740,271
Creation of units arising from applications	38,282,136	-	38,282,136
Cancellation of units	(20,098,319)	-	(20,098,319)
Balance as at 28 February 2021	19,900,427	35,414,659	55,315,086

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

RHB EUROPEAN SELECT FUND
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2021

	Note	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		12,275,034	62,892,151
Purchase of investments		(28,674,017)	-
Interest received from deposits with licensed financial institutions		22,637	26,682
Management fee rebate received		538,805	1,072,080
Management fee paid		(705,497)	(1,039,712)
Trustee's fee paid		(23,517)	(34,660)
Payment for other fees and expenses		(18,578)	(9,472)
Net cash (used in)/generated from operating activities		(16,585,133)	62,907,069
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		38,338,416	1,814,831
Cash paid for units cancelled		(20,295,183)	(65,019,712)
Net cash generated from/(used in) financing activities		18,043,233	(63,204,881)
Net increase/(decrease) in cash and cash equivalents		1,458,100	(297,812)
Cash and cash equivalents at the beginning of the financial year		906,922	1,204,734
Cash and cash equivalents at the end of the financial year	6	2,365,022	906,922

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

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB European Select Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Deed dated 27 January 2015 as modified via its First Supplemental Deed dated 3 August 2015 (hereinafter referred to as "the Deed") between RHB Asset Management Sdn Bhd ("the Manager") and TMF Trustees Malaysia Berhad ("the Trustee").

The Fund was launched on 3 March 2015 and will continue its operations until terminated according to the conditions provided in the Deed. The principal activity of the Fund is to invest in Permitted Investments as set out in the Deed.

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 Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The main objective of the Fund is to provide capital growth over the long term by investing in one Target Fund, i.e. the Threadneedle (Lux) – European Select Fund ("Threadneedle ESF").

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 26 April 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 revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except those as disclosed in this summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial year. It also requires the Manager to exercise its judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

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

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

  Key changes include: (continued)
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes are made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards have to apply the revised Framework from 1 March 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 on/after 1 March 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets

Classification

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

- those to be measured subsequently at fair value through profit or loss ("FVTPL"), and
- those to be measured at amortised cost.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from Fund Manager of collective investment scheme, amount due from Manager and other 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 at fair value through profit or loss are initially recognised at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement (continued)

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

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Unitholders' capital

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

- the units entitle the holder to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the statement of income and expenses of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if the unitholders exercise the right to put the units back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

2.5 Income recognition

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.

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 deposits with licensed financial institutions which are subject to an insignificant risk of changes in value.

2.8 Amount due from/to Fund Manager of collective investment scheme

Amounts due from/to Fund Manager of collective investment scheme represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of financial position respectively. The amount due from Fund Manager of collective investment scheme balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from Fund Manager of collective investment scheme at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the Fund Manager of collective investment scheme, probability that the Fund Manager of collective investment scheme will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

2. 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 Ringgit Malaysia ("RM"), which is the Fund's presentation and functional currency.

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

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

2.10 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include market risk, price risk, interest rate risk, currency risk, credit risk, liquidity risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the 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 rate risk) price risk for its investments of RM53,063,397 (2020: RM30,387,912).

The sensitivity analysis is based on the assumption that the price of the collective investment scheme fluctuate by +/(-) 5% with all other variables held constant, the impact on the statement of income and expenses and net asset value is +/(-) RM2,653,170 (2020: RM1,519,396).

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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

Currency risk is associated with financial instruments that are quoted and/or priced in foreign currency denomination. Malaysian based investor should be aware that if the Ringgit Malaysia appreciates against the currencies in which the portfolio of the investment is denominated, this will have an adverse effect on the net asset value of the Fund and vice versa. Investors should note any gains or losses arising from the movement of foreign currencies against its home currency may therefore increase/decrease the capital gains of the financial instruments. Nevertheless, investors should realise that currency risk is considered as one of the major risks to financial instruments in foreign assets due to the volatile nature of the foreign exchange market.

The analysis is based on the assumption that the foreign exchange rate fluctuates by +/(-) 5%, with all other variables remain constants, the impact on statement of income and expenses and net asset value is +/(-)RM2,659,281 (2020: RM1,541,819).

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

	Investments	**Other receivables**	**Amount due from Fund Manager of collective investment scheme**	**Total**
	RM	**RM**	**RM**	**RM**
2021				
Singapore Dollar	53,063,397	122,228	-	53,185,625
2020				
Singapore Dollar	30,387,912	164,813	283,661	30,836,386

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the possibility that the issuer of a particular investment will not be able to make timely or full payments of principal or income due on that investment. The 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. Credit risk arising from amount due from Fund Manager of collective investment scheme, the settlement terms are governed by the relevant rules and regulations as prescribed by the relevant regulatory authority in its home jurisdiction. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the 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 concentration of the Fund:

	Cash and cash equivalents RM	Other financial assets* RM	Total RM
2021			
Financial institutions:			
AAA	2,365,022	-	2,365,022
Other	-	201,913	201,913
	2,365,022	201,913	2,566,935
2020			
Financial institutions:			
AAA	906,922	-	906,922
Other	-	584,439	584,439
	906,922	584,439	1,491,361

* Comprise of amount due from Fund Manager of collective investment scheme, amount due from Manager and other receivables.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

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

	Less than 1 month RM	**Between 1 month to 1 year RM**
2021		
Amount due to Manager	222,454	-
Amount due to Trustee	2,576	-
Accrued management fee	77,266	-
Other payables and accruals	-	12,950
	302,296	12,950
2020		
Amount due to Manager	419,318	-
Amount due to Trustee	1,683	-
Accrued management fee	50,496	-
Other payables and accruals	-	16,778
	471,497	16,778

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital of RM19,900,427 (2020: RM1,716,610) and retained earnings of RM35,414,659 (2020: RM29,674,388). The amount of equity can change significantly on a daily basis as the Fund is subject to daily redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. FAIR VALUE ESTIMATION

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

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

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

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

4. FAIR VALUE ESTIMATION (CONTINUED)

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

(i) For bank balances and 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.

<u>Fair value hierarchy</u>

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:

	Level 1	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
2021				
Investments:				
- Collective investment scheme - foreign	53,063,397	-	-	53,063,397
2020				
Investments:				
- Collective investment scheme - foreign	30,387,912	-	-	30,387,912

4. FAIR VALUE ESTIMATION (CONTINUED)

Investments in collective investment scheme 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.

5. INVESTMENTS

	2021 RM	2020 RM
Investments:		
- Collective investment scheme - foreign	53,063,397	30,387,912

	2021 RM	2020 RM
Net gain on investments comprised:		
- Net realised gain on investments	2,373,608	10,006,692
- Net unrealised gain/(loss) on changes in fair values	3,867,059	(23,665)
	6,240,667	9,983,027

Investments as at 28 February 2021 are as follows:

Name of Counter	Quantity	Cost RM	Fair Value RM	% of Net Asset Value %
COLLECTIVE INVESTMENT SCHEME - FOREIGN				
Luxembourg				
Threadneedle Luxembourg Select Fund – Class 1SH	1,266,213	39,289,511	53,063,397	95.93

5. INVESTMENTS (CONTINUED)

Investments as at 29 February 2020 are as follows:

Name of Counter	Quantity	Cost	Fair Value	% of Net Asset Value
		RM	RM	%
COLLECTIVE INVESTMENT SCHEME - FOREIGN				
Luxembourg				
Threadneedle European Select Fund – Class 1SH	857,021	20,481,085	30,387,912	96.80

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2021 RM	2020 RM
Bank balances	50,519	906,922
Deposits with licensed financial institutions	2,314,503	-
	2,365,022	906,922

7. UNITS IN CIRCULATION

	2021 Units	2020 Units
At the beginning of the financial year	48,026,000	145,173,000
Creation of units during the financial year:		
Arising from applications	52,851,000	2,861,000
Cancellation of units during the financial year	(28,153,000)	(100,008,000)
At the end of the financial year	72,724,000	48,026,000

8. MANAGEMENT FEE

In accordance with the Information Memorandum, the management fee provided in the financial statements is 1.80% (2020: 1.80%) 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, the management fee charged by the Target Fund is fully refunded to the Fund. There is no double charging of management fee to the 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

	2021 RM	2020 RM
Current taxation	-	-

(b) Numerical reconciliation of income tax expense

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

	2021 RM	2020 RM
Net income before taxation	5,740,271	9,434,516
Tax calculated at a statutory income tax rate of 24%	1,377,665	2,264,284
Tax effects of:		
- Income not subject to tax	(1,423,034)	(2,319,717)
- Expenses not deductible for tax purposes	8,082	9,348
- Restriction on tax deductible expenses	37,287	46,085
Tax expense	-	-

11. MANAGEMENT EXPENSE RATIO ("MER")

	2021	2020
	%	%
MER	0.46	0.43

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

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2021	2020
PTR (times)	0.47	0.47

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.

13. 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:

	2021		2020	
	Units	RM	Units	RM
The Manager	5,393	4,102	5,705	3,729
RHB Capital Nominees (Tempatan) Sdn Bhd	2,732,701	2,078,492	2,433,658	1,590,639

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, is under the nominees structure.

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

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

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

14. TRANSACTIONS BY THE FUND

Details of transactions by the Fund for the financial year ended 28 February 2021 is as follows:

Broker	Value of trade RM	Percentage of total trade %	Brokerage fees RM	Percentage of total brokerage fees %
International Financial Data Services (Luxembourg) S.A.	40,816,073	100.00	-	-

Details of transactions by the Fund for the financial year ended 29 February 2020 is as follows:

Broker	Value of trade RM	Percentage of total trade %	Brokerage fees RM	Percentage of total brokerage fees %
International Financial Data Services (Luxembourg) S.A.	61,007,176	100.00	-	-

15. FINANCIAL INSTRUMENTS BY CATEGORIES

	2021 RM	2020 RM
Financial assets		
Financial assets at fair value through profit or loss ("FVTPL")		
• Collective investment scheme	53,063,397	30,387,912
Financial assets at amortised cost		
• Bank balances	50,519	906,922
• Deposits with licensed financial institutions	2,314,503	-
• Amount due from Fund Manager of collective investment scheme	-	283,661
• Amount due from Manager	79,685	135,965
• Other receivables	122,228	164,813
	2,566,935	1,491,361
Financial liabilities		
Financial liabilities at amortised cost		
• Amount due to Manager	222,454	419,318
• Amount due to Trustee	2,576	1,683
• Accrued management fee	77,266	50,496
• Other payables and accruals	12,950	16,778
	315,246	488,275

16. 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 EUROPEAN SELECT FUND

We, Dato' Darawati Hussain and Chin Yoong Kheong, two of the Directors of RHB Asset Management Sdn Bhd, do hereby state that in the opinion of the Directors of the Manager, the accompanying 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 28 February 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	Chin Yoong Kheong Director

26 April 2021

TRUSTEE'S REPORT
TO THE UNITHOLDERS OF RHB EUROPEAN SELECT FUND

We have acted as Trustee of RHB European Select Fund ("the Fund") for the financial year ended 28 February 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.

For TMF Trustees Malaysia Berhad
(Company No: 610812-W)

Norhayati Binti Azit
Director – Fund Services

Kuala Lumpur
26 April 2021

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB EUROPEAN SELECT FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB European Select Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 28 February 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 28 February 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 17 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.

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.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

<u>Auditors' responsibilities for the audit of the financial statements</u> (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
26 April 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

E-mail address: rhbam@rhbgroup.com
Tel: 03-9205 8000
Fax: 03-9205 8100
Website: www.rhbgroup.com

BOARD OF DIRECTORS
Mr Yap Chee Meng *(Independent Non-Executive Chairman)*
Mr Chin Yoong Kheong *(Senior Independent Non-Executive Director)*
Dr. Ngo Get Ping *(Independent Non-Executive Director)*
Ms Ong Yin Suen *(Managing Director)*
YBhg Dato' Darawati Hussain *(Independent Non-Executive Director)*
YBhg Datuk Seri Dr Govindan A/L Kunchamboo *(Independent Non-Executive Director) (Appointed with effect from 15 October 2020)*

INVESTMENT COMMITTEE MEMBERS
Mr Yap Chee Meng *(Independent Chairman)*
YBhg Dato' Darawati Hussain
Puan Sharifatu Laila Syed Ali

CHIEF EXECUTIVE OFFICER
Ms Ong Yin Suen

SECRETARY
Encik Azman Shah Md Yaman (LS No. 0006901)

BRANCH OFFICE

Kuala Lumpur Office	B-9-6, Megan Avenue 1 No. 189, Jalan Tun Razak 50400 Kuala Lumpur Tel: 03-2171 2755/ 03-2166 7011 Fax: 03-2770 0022
Shah Alam Office	B-3-1, 1st Floor Jalan Serai Wangi G16/G, Alam Avenue Persiaran Selangor, Section 16 40200 Shah Alam Tel: 03-5523 1909 Fax: 03-5524 3471
Sri Petaling Office	Level 1 & 2, No 53 Jalan Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel: 03-9054 2470 Fax: 03-9054 0934
Batu Pahat Office	53, 53-A and 53-B Jalan Sultanah 83000 Batu Pahat, Johor Tel: 07-438 0271/ 07-438 0988 Fax: 07-438 0277
Ipoh Office	No.7A, Persiaran Greentown 9 Pusat Perdagangan Greentown 30450 Ipoh, Perak Tel: 05-242 4311 Fax: 05-242 4312
Johor Bahru Office	No 34 Jalan Kebun Teh 1 Pusat Perdagangan Kebun Teh 80250 Johor Bahru, Johor Tel: 07-221 0129 Fax: 07-221 0291
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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	Lot 133, Section 20, Sublot 2 & 3 1st Floor, Jalan Tun Ahmad Zaidi Adruce 93200 Kuching, Sarawak Tel: 082-550 838 Fax: 082-550 508
	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
Kota Bharu Office	Ground Floor, No 3486-G Jalan Sultan Ibrahim 15050 Kota Bharu, Kelantan Tel: 09-740 6891 Fax: 09-740 6890
Kota Kinabalu Office	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
Melaka Office	581B, Taman Melaka Raya 75000 Melaka Tel: 06-284 4211/ 06-281 4110 Fax: 06-292 2212
Miri Office	Lot 1268 & 1269, Second Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri, Sarawak Tel: 085-422 788 Fax: 085- 415 243
Penang Office	3rd Floor, 44 Lebuh Pantai 10300 Georgetown, Penang Tel: 04-264 5639 Fax: 04-264 5640
Prai Office	No 38, First Floor Jalan Todak 2 Seberang Jaya 13700 Perai, Penang Tel: 04-386 6670 Fax: 04-386 6528

TRUSTEE	TMF Trustees Malaysia Berhad
BANKER	RHB Bank Berhad
AUDITORS	PricewaterhouseCoopers PLT
TAX ADVISER	PricewaterhouseCoopers Taxation Services Sdn Bhd
DISTRIBUTORS	RHB Bank Bhd RHB Investment Bank Bhd Alliance Bank Bhd AmBank Bhd Areca Capital Sdn Bhd Citibank Bhd Genexus Advisory Sdn Bhd HSBC Bank Malaysia Bhd iFast Capital Sdn Bhd Kenanga Investors Bhd Phillip Mutual Bhd Standard Chartered Bank (Malaysia) Bhd United Overseas Bank (Malaysia) Bhd UOB Kay Hian Securities (M) Sdn Bhd

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