

EASTSPRING INVESTMENTS TARGET INCOME FUND 5

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



Dear Valued Investor,

Greetings from Eastspring Investments Berhad!

First and foremost, we would like to take this opportunity to thank you for choosing to invest with Eastspring Investments Berhad.

We are pleased to enclose a copy of the Annual/Interim/Quarterly Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 December 2020.

You may also download these reports from our website at www.eastspring.com/my

Should you require any assistance, please do not hesitate to contact our Client Services at 03-2778 1000.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Raymond Tang Chee Kin', written in a cursive style.

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

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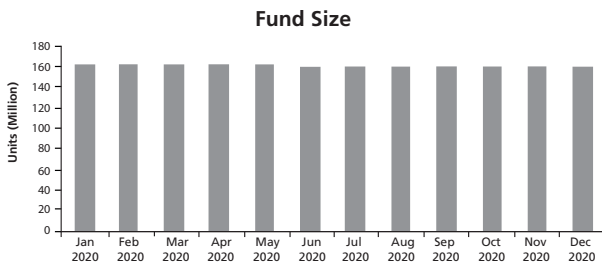
FUND INFORMATION

Name of Fund	<p>Eastspring Investments Target* Income Fund 5 (the "Fund")</p> <p>* The Fund aims (i.e. Target) to distribute income on an annual basis from the coupon payments received from the bonds investments.</p>
Fund Category/ Type	<p>Bond (close-ended)/income</p>
Fund Objective	<p>The Fund endeavours to provide regular income** during the tenure of the Fund.</p> <p>** Income declared will be paid out either by way of E-payment according to Unit Holders' instructions in the account opening form or by cheque.</p>
Termination Date	<p>7 April 2021</p>
Duration of the Fund	<p>Five (5) years close-ended bond</p>
Performance Benchmark	<p>5-year Maybank fixed deposit rate as at Commencement Date.</p> <p>Please note that investors may obtain information on the benchmark from the Manager upon request.</p> <p>As the Fund will invest in local and foreign markets across various bonds of different ratings, the risk profile of the Fund is not the same as the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	<p>Distribution of income, if any, will be on annual basis, after deduction of taxation and expenses.</p>

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 December 2020, the size of Eastspring Investments Target Income Fund 5 stood at 160.413 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	54	24.22	185	0.12
5,001 to 10,000 units	48	21.52	458	0.29
10,001 to 50,000 units	83	37.22	2,266	1.41
50,001 to 500,000 units	33	14.80	3,744	2.33
500,001 units and above	5	2.24	153,759	95.85
Total	223	100.00	160,412	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA FOR THE FINANCIAL YEAR ENDED

Category	2020	2019	2018
	(%)	(%)	(%)
Unquoted fixed income securities	90.27	89.86	92.97
Derivatives	3.29	1.23	1.18
Cash and other assets	6.44	8.91	5.85
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	164,678	171,819	170,074
Units In Circulation (Units '000)	160,413	161,229	164,308
Net Asset Value Per Unit (RM)	1.0266	1.0657	1.0351
Highest Net Asset Value Per Unit (RM) [#]	1.0267	1.0658	1.0560
Lowest Net Asset Value Per Unit (RM) [#]	0.9542	1.0328	1.0286
Total Return (%)			
- Capital Growth	(3.67)	2.94	(6.96)
- Income Distribution	6.20	5.72	5.61
Total Return (%)	2.31	8.82	(1.71)
Gross Distribution Per Unit (RM)	0.0592	0.0592	0.0592
Net Distribution Per Unit (RM)	0.0592	0.0592	0.0592
Management Expense Ratio (MER) (%) [*]	0.31	0.30	0.31
Portfolio Turnover Ratio (PTR) (times) [^]	0.38	0.33	0.19

[#] Figure shown as ex-distribution.

^{*} There were no significant changes to the MER during the period under review.

[^] There were no significant changes to the PTR during the period under review.

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.1.2020 to 31.12.2020	3 years 1.1.2018 to 31.12.2020	Since commencement 7.4.2016 to 31.12.2020
	(%)	(%)	(%)
Average total return	2.31	3.05	5.45

Year ended	1.1.2020 to 31.12.2020	1.1.2019 to 31.12.2019	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017	Since commencement 7.4.2016 to 31.12.2016
	(%)	(%)	(%)	(%)	(%)
Annual total return	2.31	8.82	(1.71)	11.36	5.52

Source: The above total return of the Fund was sourced from Lipper for Investment Management.

Bases of calculation and assumptions made in calculating returns:

$$\text{Percentage growth} = \frac{\text{NAV}_t}{\text{NAV}_0} - 1$$

NAV_t = NAV at the end of the period

NAV_0 = NAV at the beginning of the period

$$\text{Performance annualised} = (1 + \text{Percentage Growth})^{1/n} - 1$$

Adjusted for unit split and distribution paid out for the period

n = Number of years

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

MANAGER'S REPORT

Fund Performance

Since inception, the Fund registered a return of 28.59%, outperforming the benchmark return of 16.41% by 12.18%.

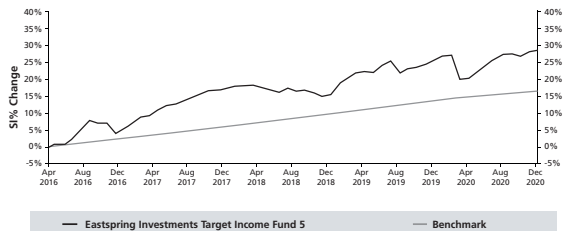
During the period under review, the Fund registered a return of 2.31%, underperforming the benchmark return of 2.45% by 0.14%.

The Fund's slight underperformance relative to the benchmark return, during the period under review, was attributable to its exposure to Argentina, Indonesia and Sri Lanka bonds. The Fund's position in Argentina's sovereign bonds early in 2020 weighed on its performance, as it became clear that the country's debt restructuring couldn't be concluded by the self-imposed March deadline. Negative credit developments in selected Indonesia real estate credits, as well as Sri Lankan government bonds, also detracted from performance.

On the other hand, the Fund's performance was helped by its investments in emerging-market (EM) credits outside of Asia, such as the United Arab Emirates, which outperformed Asia on the market rebound in 2H 2020. Excluding currency effects, Chinese real estate bonds were the portfolio's top return contributor during the period under review, on a weighted basis, as Chinese property developers registered robust sales despite COVID-19 disruptions.

The Fund had achieved its objective to provide regular income during the tenure of the fund.

**Eastspring Investments Target Income Fund 5
- Since Inception (SI) Return Vs Benchmark**



MANAGER'S REPORT (CONTINUED)

Fund Performance (continued)

The performance is calculated on NAV-to-NAV basis with gross income or dividend reinvested.

Benchmark: 5-year Maybank fixed deposit rate as at Commencement Date.

Fund performance is sourced from Lipper for Investment Management, 31 December 2020 and the benchmark is obtainable from Eastspring Investments Berhad upon request.

Past performance of the Fund is not necessarily indicative of its future performance.

Analysis of Fund Performance

For the financial year ended 31 December 2020:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
6.20	(3.67)	2.31	2.45

* Capital return components (NAV per unit to NAV per unit).

MANAGER'S REPORT (CONTINUED)

**Distribution/
Unit Split**

Ex-Date	27-Apr-20
Distribution Per Unit	(RM)
Gross	0.0592
Net	0.0592

Impact on NAV arising from distribution for the financial year ended 31 December 2020.

Ex-Date	27-Apr-20
	(RM per Unit)
Net Asset Value before distribution	1.0135
Less: distribution	(0.0592)
Net Asset Value after distribution	<u>0.9543</u>

No unit split were declared for the financial year ended 31 December 2020.

**Investment
Strategy During
the Period Under
Review**

As this is a close-ended bond fund, the Fund will be managed primarily with a semi-active management strategy. The Fund's bond investments will be typically held to maturity. At the maturity of these debt securities, issuers of the debt securities held by the Fund will be obligated to pay the face value, provided there is no occurrence of credit default by the issuer.

Nevertheless, the Fund Manager continues to monitor the Fund's investments and may trade and rebalance its investments under the following scenarios:

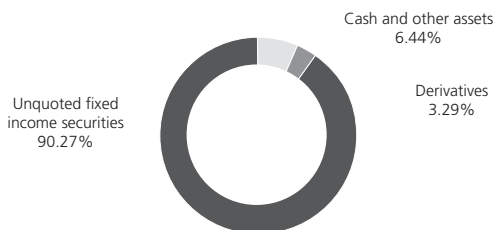
- Increased default risk and/or from uptrend interest rate concerns;
- Hedging transactions in the event that the sale of the security at risk is not possible; and
- Reinvesting proceeds from maturing securities

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Dec 2020 (%)	31-Dec 2019 (%)	Changes (%)
Unquoted fixed income securities	90.27	89.86	0.41
Derivatives	3.29	1.23	2.06
Cash and other assets	6.44	8.91	(2.47)

Asset Allocation as at 31 December 2020



There were no significant changes in asset allocation of the Fund for the period under review.

State of Affairs of the Fund

There have been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

Cross-Trade Transaction

During the period under review, there were cross-trades executed through a dealer or a financial institution on an arm's length and fair value basis and in the best interest of the Fund. The investment committee for the Fund has reviewed that such trades for the period from January to July 2020 were transacted on an arm's length and fair value basis and in the best interest of the Fund. There were no cross-trades executed for the period from August to December 2020.

MARKET REVIEW

2020 was a roller-coaster year of lows and highs, at least if we looked at it through the lens of financial markets. As COVID-19 spread across the world early in the year, governments implemented draconian prohibitions, leading to a comatose global economy and plunging financial asset prices.

Fiscal and monetary authorities responded immediately to the crisis, rolling out stimulus measures in unprecedented magnitudes and speed. Government bond yields reached all-time lows, with ten-year US Treasury (“UST”) yields shedding 125 bps in the first quarter to 0.67%. Ten-year UST yields finished the year 100 bps lower at 0.91%, after retracing 23 bps in 4Q2020.

The fastest bear market in history then quickly evolved into one of the biggest and fastest market rallies in recent memory. By the end of 2020, many risky asset classes had recovered from the early-year collapse to end with gains. While credit spreads of Asian and EM debt remained wider than pre-COVID levels, the “everything rally” from March lows brought their returns back to positive territory. Over the year, USD-denominated bonds in Asia (represented by the JPMorgan Asia Credit Index) and EM (the JPMorgan EMBI Global Diversified Index) posted total returns of 6.3% and 5.3% respectively.

A Democratic win in the US elections and positive developments on the vaccine front spurred recovery hopes in the second half. Other positive factors encouraging market bullishness on Asian and EM debt included persistently ultralow developed-market yields, a weakening US dollar, and robust Chinese economic data. Major central banks also stood pat on their extremely accommodating monetary policies.

Chinese high-yield real estate credits were one of the top performing sectors in 2020, as Chinese developers benefitted from the country being “first and first out” of COVID-19, generally putting up robust operational performance. Indonesian bonds also fared well, despite the country having the highest number of COVID-19 cases in Southeast Asia. High-yield sovereign bonds such as Sri Lankan debt, on the other hand, bucked the positive trend with a sharp decline, as investors shunned weaker emerging-market sovereigns that are more vulnerable to the impact of COVID-19.

REBATES AND SOFT COMMISSIONS

During the period under review, the Manager and its delegates (if any) did not receive any soft commissions from stockbrokers.

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EASTSPRING INVESTMENTS TARGET INCOME FUND 5

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

STATEMENT BY THE MANAGER

We, Tang Chee Kin and Iskander Bin Ismail Mohamed Ali, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 18 to 70 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2020 and of its financial performance, changes in equity and cash flows for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
EASTSPRING INVESTMENTS BERHAD

TANG CHEE KIN
Executive Director/Chief Executive Officer

ISKANDER BIN ISMAIL MOHAMED ALI
Independent, Non-Executive Director

Kuala Lumpur
Date: 17 February 2021

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS TARGET INCOME FUND 5

We have acted as Trustee for Eastspring Investments Target Income Fund 5 (the "Fund") for the financial year ended 31 December 2020. To the best of our knowledge, for the financial year under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:-

- a. limitations imposed on the investment powers of the Manager under the Deed(s), the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b. valuation and pricing for the Fund is carried out in accordance with the Deed(s) of the Fund and any regulatory requirements; and
- c. creation and cancellation of units for the Fund are carried out in accordance with the Deed(s) of the Fund and any regulatory requirements.

We are of the view that the distribution made during the financial year ended 31 December 2020 by the Manager is not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong

Head, Trustee Operations

Gerard Ang

Chief Executive Officer

Kuala Lumpur

Date: 17 February 2021

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS TARGET INCOME FUND 5

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Target Income Fund 5 ("the Fund") give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity 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 18 to 70.

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.

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 determine 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 cease operations, or has no realistic alternative but to do so.

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

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur

Date: 17 February 2021

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
		RM	RM
INVESTMENT INCOME			
Interest income from deposits			
with licensed financial institutions		50,733	212,339
Interest income from unquoted			
fixed income securities		7,868,854	8,745,968
Exit fee income		42,164	98,290
Net (loss)/gain on financial assets at			
fair value through profit or loss	6	(7,569,282)	4,648,800
Net gain on forward foreign currency contracts		3,366,518	1,364,710
Net foreign currency exchange (loss)/gain		(23,951)	123,965
		<u>3,735,036</u>	<u>15,194,072</u>
EXPENSES			
Management fee	3	(328,018)	(343,306)
Trustee fee	4	(98,405)	(102,992)
Audit fee		(12,500)	(12,500)
Tax agent fee		(3,400)	(3,400)
Other expenses		(59,260)	(56,557)
		<u>(501,583)</u>	<u>(518,755)</u>
PROFIT BEFORE TAXATION		3,233,453	14,675,317
TAXATION	5	<u>(14,864)</u>	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>3,218,589</u>	<u>14,675,317</u>
Profit after taxation is made up of the following:			
Realised amount		1,487,964	12,188,386
Unrealised amount		1,730,625	2,486,931
		<u>3,218,589</u>	<u>14,675,317</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020	2019
		RM	RM
ASSETS			
Cash and cash equivalents	7	10,517,592	16,045,852
Financial assets at fair value through profit or loss	6	148,650,760	154,434,711
Forward foreign currency contracts at fair value through profit or loss	8	5,415,998	2,118,430
Other receivables		303	303
Tax recoverable		162,932	116,896
TOTAL ASSETS		<u>164,747,585</u>	<u>172,716,192</u>
LIABILITIES			
Accrued management fee		27,864	29,034
Amount due to brokers		-	828,961
Amount due to Trustee		8,359	8,710
Other payables and accruals		33,312	30,453
TOTAL LIABILITIES		<u>69,535</u>	<u>897,158</u>
NET ASSET VALUE OF THE FUND		<u>164,678,050</u>	<u>171,819,034</u>
EQUITY			
Unit holders' capital		158,950,912	159,783,676
Retained earnings		5,727,138	12,035,358
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>164,678,050</u>	<u>171,819,034</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>160,413,370</u>	<u>161,229,408</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>1.0266</u>	<u>1.0657</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
As at 1 January 2020		159,783,676	12,035,358	171,819,034
Movement in unit holders' contribution:				
Cancellation of units		(832,764)	-	(832,764)
Distribution				
(Gross/Net: 5.92 sen)	12	-	(9,526,809)	(9,526,809)
Total comprehensive income for the financial year		-	3,218,589	3,218,589
Balance as at 31 December 2020		<u>158,950,912</u>	<u>5,727,138</u>	<u>164,678,050</u>
As at 1 January 2019		163,057,995	7,016,119	170,074,114
Movement in unit holders' contribution:				
Cancellation of units		(3,274,319)	-	(3,274,319)
Distribution				
(Gross/Net: 5.92 sen)	12	-	(9,656,078)	(9,656,078)
Total comprehensive income for the financial year		-	14,675,317	14,675,317
Balance as at 31 December 2019		<u>159,783,676</u>	<u>12,035,358</u>	<u>171,819,034</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		85,718,798	70,339,641
Payments for purchase of investments		(88,452,233)	(60,160,406)
Interest income received from deposits with licensed financial institutions		50,733	212,339
Interest income received from unquoted fixed income securities		8,056,946	8,874,281
Exit income fee received		42,164	176,364
Management fee paid		(329,188)	(343,075)
Trustee fee paid		(98,756)	(102,923)
Payment for other fees and expenses		(72,300)	(79,421)
Tax paid		(60,900)	(24,763)
Realised foreign exchange (loss)/gain		(20,821)	121,360
Net cash generated from operating activities		<u>4,834,443</u>	<u>19,013,397</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for cancellation of units		(832,764)	(3,286,327)
Distribution paid		(9,526,809)	(9,656,078)
Net cash used in financing activities		<u>(10,359,573)</u>	<u>(12,942,405)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(5,525,130)	6,070,992
EFFECTS OF FOREIGN EXCHANGE DIFFERENCES			
		(3,130)	3,085
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR			
		<u>16,045,852</u>	<u>9,971,775</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR			
	7	<u>10,517,592</u>	<u>16,045,852</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss, except 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 the MFRS and IFRS require the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their 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.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note L.

- a. Standards, amendments to published standards and interpretations that are effective:

The Fund has applied the following amendments for the first time for the financial year beginning on 1 January 2020:

Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108) effective 1 January 2020.

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of ‘material’ has been revised as “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements for general purposes make

on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments also:

- clarify that an entity assess materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the similar effect as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of ‘primary users of financial statements for general purpose’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on financial statements for much of the financial information they need.

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 January 2020 that have a material effect on the financial statements of the Fund.

- b. Standards, amendments and interpretations that have been issued but not yet effective and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 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.

B. INCOME RECOGNITION

Interest income from deposits placed with licensed financial institution is recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

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 asset (after deduction of the loss allowance).

Interest income from unquoted fixed income securities including amortisation of premium and accretion of discount are recognised using the effective interest method.

Gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on cost adjusted for accretion of discount or amortisation of premium.

Exit fee income is a redemption fee charged to unit holders on cancellation of units before the maturity date and is recognised upon cancellation of units.

C. TAXATION

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable income earned during the financial year.

Tax on interest income from foreign unquoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

D. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency as 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 functional and presentation currency.

E. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions in the Fund are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

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

- those to be measured subsequently at fair value through profit or loss, 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 and other receivables as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies accrued management fee, amount due to brokers, amount due to Trustee and other payables and accruals as financial liabilities measured at amortised cost.

ii. 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 and investments are initially recognised at fair value.

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

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the quoted financial instrument.

Financial liabilities are derecognised when the obligation under the liabilities are extinguished; i.e when the obligation specified in the contract is discharged or cancelled or expired.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' including the effects of currency translation' are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the financial year in which they arise.

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

Deposit with a licensed financial institution are stated at cost plus accrued interest calculated on the effective interest rate method over the period from the date of placement to the date of maturity of the respective deposits.

Unquoted fixed income securities are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis based on fair value prices quoted by a bond pricing agency ('BPA') registered with the Securities Commission as per the Securities Commission's Guidelines on Unit Trust Funds.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the price obtained by Reuters. Where Reuters prices are not available on valuation day, these unquoted fixed income securities will be valued by reference to the average indicative yield quoted by three independent and reputable financial institutions.

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

- i. records its basis for using a non-BPA price or the Reuters price;
- ii. obtains necessary internal approvals to use the non-BPA price or the Reuters price; and
- iii. keeps an audit trail of all decisions and basis for adopting the market yield.

Financial assets and other financial liabilities are subsequently carried at amortised cost using the effective interest rate method.

iii. Impairment for assets carried at amortised costs

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 consider 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 12 months expected credit losses as any such impairment would be wholly insignificant to the Fund.

iv. 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.

v. Definition of default and credit-impaired financial assets

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

vi. 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 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.

G. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposit with a licensed financial institution that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

H. UNIT HOLDERS' CAPITAL

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

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

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

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

I. DISTRIBUTION

A distribution to the Fund's unit holders is accounted for a deduction from realised reserves. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee of the Fund.

J. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

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

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements 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 is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss and accounted for in accordance with the accounting policy set out in Note F to the financial statements.

K. AMOUNTS DUE FROM/(TO) BROKERS

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from brokers 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 broker 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 months expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

L. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents on the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission's (the "SC") Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. INFORMATION ON THE FUND

Eastspring Investments Target Income Fund 5 (the "Fund") was constituted pursuant to the execution of a Deed dated 3 November 2014 followed by a Supplemental Deed dated 2 January 2015 (collectively referred to as the "Deeds") entered into between Eastspring Investments Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 22 February 2016 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund seeks to achieve its objective by investing in local and/or foreign debt securities. The Fund will invest a minimum of 70% of its NAV in local and/or foreign debt securities. Not more than 40% of the Fund's NAV may be invested either in non-rated debt securities and/or debt securities rated below investment grade rating by RAM, MARC, Standard & Poor's, Moody's, Fitch or other rating agencies (i.e. lower than BBB3 rating by RAM or below investment grade rating by other rating agencies) while the remainder will be invested in investment grade bonds. Additionally, up to 30% of the Fund's NAV may be invested in liquid assets. All investments will be subjected to the Securities Commission's (the "SC") Guidelines on Unit Trust Funds, the Deeds and the objective of the Fund.

The main objective of the Fund is to provide regular income during the tenure of the Fund.

All investments will be subjected to the SC's Guidelines on Unit Trust Funds, the SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The Manager is a company incorporated in Malaysia and is related to Prudential Plc., a public listed company in the United Kingdom. The principal activity of the Manager is the establishment and management of unit trust funds and asset management.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to market risk (inclusive of price risk, interest rate risk and foreign exchange/currency risk), country risk, fund management risk, liquidity risk, non-compliance risk, capital risk and credit/default risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Deeds.

Financial instruments of the Fund are as follows:

	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2020</u>				
Cash and cash equivalents	7	10,517,592	-	10,517,592
Unquoted fixed income securities	6	-	148,650,760	148,650,760
Forward foreign currency contracts at fair value through profit or loss	8	-	5,415,998	5,415,998
Other receivables		303	-	303
		<u>10,517,895</u>	<u>154,066,758</u>	<u>164,584,653</u>
<u>2019</u>				
Cash and cash equivalents	7	16,045,852	-	16,045,852
Unquoted fixed income securities	6	-	154,434,711	154,434,711
Forward foreign currency contracts at fair value through profit or loss	8	-	2,118,430	2,118,430
Other receivables		303	-	303
		<u>16,046,155</u>	<u>156,553,141</u>	<u>172,599,296</u>

All liabilities are financial liabilities which are carried at amortised cost.

Market risk

i. Price risk

Price risk is the risk that fair value of the investment in unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund' net asset value and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and asset allocation whereby the unquoted fixed income securities exposure will be reduced in the event of anticipated market weakness.

The table below shows assets of the Fund as at 31 December which are exposed to price risk:

	2020	2019
	RM	RM
Unquoted fixed income securities designated at fair value through profit or loss*	<u>148,650,760</u>	<u>154,434,711</u>

* Includes interest receivable of RM2,258,181 (2019: RM2,246,130).

The following table summarises the sensitivity of the Fund's net asset value and profit after tax to movements in prices of unquoted fixed income securities at the end of the reporting financial year. The analysis is based on the assumptions that the market price of the unquoted fixed income securities increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities and derivatives, having regard to the historical volatility of the prices.

% Change in price	2020		2019	
	Market value	Impact on profit after tax and net asset value	Market value	Impact on profit after tax and net asset value
	RM	RM	RM	RM
+5%	153,712,208	7,319,629	159,798,010	7,609,429
-5%	139,072,950	(7,319,629)	144,579,152	(7,609,429)

ii. Interest rate risk

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

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund's investments in deposit with a licensed financial institution are short term in nature. Therefore, exposure to interest rate fluctuations is minimal.

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund at the end of the reporting financial year as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% (2019: 1%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

	2020	2019
% Change in interest rate of unquoted fixed income securities	Impact on profit after tax/ change in net asset value	Impact on profit after tax/ change in net asset value
	RM	RM
+1% (2019: +1%)	(126,950)	(361,647)
-1% (2019: -1%)	122,947	363,341

iii. Foreign exchange/Currency risk

As the Fund may invest its assets in unquoted fixed income securities denominated in a wide range of currencies other than Ringgit Malaysia (“RM”), the net asset value of the Fund expressed in RM may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between RM and such other currencies. The risk is minimised through investing in a wide range of foreign currencies denominated assets and thus, diversifying the risk of single currency exposure.

In the normal course of investment, the Manager will usually not hedge foreign currency exposure. The Manager may however, depending on prevailing market circumstances at particular point in time, choose to use forward or swap contracts for hedging and risk reduction purposes.

The following table sets out the foreign exchange/currency risk concentrations and counterparties of the Fund.

	Unquoted fixed income securities	Forward foreign currency contracts	Cash and cash equivalents	Total
	RM	RM	RM	RM
<u>2020</u>				
SGD	7,225,202	641,653	93,183	7,960,038
USD	131,091,516	4,774,345	1,686,873	137,552,734
	<u>138,316,718</u>	<u>5,415,998</u>	<u>1,780,056</u>	<u>145,512,772</u>
<u>2019</u>				
SGD	13,710,504	923,985	2,364,400	16,998,889
USD	140,724,207	1,194,445	5,012,236	146,930,888
	<u>154,434,711</u>	<u>2,118,430</u>	<u>7,376,636</u>	<u>163,929,777</u>

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements at the end of the reporting financial year. The analysis is based on the assumption that the foreign exchange rate changes by 5% with all variables remain constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate having regard to historical volatility of this rate.

Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	Impact on profit after tax	Impact on net asset value
	%	RM	RM
<u>2020</u>			
SGD	5	398,002	398,002
USD	5	6,877,637	6,877,637
<u>2019</u>			
SGD	5	849,944	849,944
USD	5	7,346,544	7,346,544

Country risk

A unit trust fund that invests in foreign countries may experience more rapid and extreme changes in value than a unit trust fund that invests exclusively in Malaysia. Nationalisation, expropriation or confiscatory, taxation, currency blockage, political changes or diplomatic developments could adversely affect a unit trust fund's investments in a foreign country. In the event of nationalisation, expropriation or other confiscation, a unit trust fund could lose its entire investment in foreign countries. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. Careful consideration shall be given to risk factors such as liquidity, political and economic environment before any investments are made in a foreign country.

Fund management risk

There is the risk that the management company may not adhere to the investment mandate of the respective Fund. With close monitoring by the investment committee, back office system being incorporated with limits and controls, and regular reporting to the senior management team, the management company is able to manage such risk. The Trustee has an oversight function over management of the Fund by the management company to safeguard the interests of unit holders.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Fund Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise bank balances, deposit with a licensed financial institution and other instruments which are capable of being converted into cash within 7 days.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at 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	Between 1 month to 1 year	Total
	RM	RM	RM
<u>2020</u>			
Accrued management fee	27,864	-	27,864
Amount due to Trustee	8,359	-	8,359
Other payables and accruals	-	33,312	33,312
Contractual undiscounted cash outflows	<u>36,223</u>	<u>33,312</u>	<u>69,535</u>
<u>2019</u>			
Accrued management fee	29,034	-	29,034
Amount due to Trustee	8,710	-	8,710
Amount due to broker	828,961	-	828,961
Other payables and accruals	-	30,453	30,453
Contractual undiscounted cash outflows	<u>866,705</u>	<u>30,453</u>	<u>897,158</u>

Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund are not compliant to the rules set out in the Fund's constitution or the laws that govern the Fund or applicable internal control procedures, or acts of fraudulence or dishonesty.

Non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the Manager.

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM158,950,912 (2019: RM159,783,676) and retained earnings of RM5,727,138 (2019: RM12,035,358). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Credit/Default risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of interest income, principals and proceeds from realisation of investments. In the case of the Fund, the Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the Deeds.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC's Guidelines on Unit Trust Funds.

The Fund seeks to mitigate credit/default risk by investing in high quality fixed income securities and entering into forward foreign currency contracts with reputable counterparties.

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

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Other receivables	Total
	RM	RM	RM	RM
<u>2020</u>				
Financial Services				
- AAA	8,001,753	-	-	8,001,753
- AA1	2,515,839	-	-	2,515,839
Unquoted fixed income securities				
- AA	-	816,930	-	816,930
- AA3	-	5,171,587	-	5,171,587
- A2	-	809,533	-	809,533
- A-3	-	832,597	-	832,597
- BBB+	-	6,821,983	-	6,821,983
- Baa1	-	1,586,105	-	1,586,105
- BBB	-	26,658,065	-	26,658,065
- Baa2	-	2,628,589	-	2,628,589
- BBB-	-	7,971,398	-	7,971,398
- Baa3	-	13,716,679	-	13,716,679
- Ba1	-	6,223,463	-	6,223,463
- BB	-	9,958,800	-	9,958,800
- BB-	-	3,795,345	-	3,795,345
- Ba3	-	2,937,343	-	2,937,343
- B1	-	871,081	-	871,081
- CCC+	-	1,985,166	-	1,985,166
- D	-	1,270,508	-	1,270,508
- NR	-	54,595,588	-	54,595,588
Forward foreign currency contracts				
- AAA	-	4,774,345	-	4,774,345
- AA-	-	641,653	-	641,653
Other				
- NR	-	-	303	303
	<u>10,517,592</u>	<u>154,066,758</u>	<u>303</u>	<u>164,584,653</u>

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Other receivables	Total
	RM	RM	RM	RM
<u>2019</u>				
Financial Services				
- AA1	8,044,449	-	-	8,044,449
- AA2	8,001,403	-	-	8,001,403
Unquoted fixed income securities				
- A-2	-	2,591,911	-	2,591,911
- A-3	-	857,430	-	857,430
- BBB+	-	4,383,766	-	4,383,766
- Baa1	-	4,355,295	-	4,355,295
- BBB	-	26,625,398	-	26,625,398
- Baa2	-	863,133	-	863,133
- BBB-	-	11,231,458	-	11,231,458
- Baa3	-	26,546,645	-	26,546,645
- BB	-	8,696,810	-	8,696,810
- Ba2	-	2,168,874	-	2,168,874
- BB-	-	3,951,862	-	3,951,862
- Ba3	-	1,687,334	-	1,687,334
- B+	-	3,446,541	-	3,446,541
- B1	-	873,356	-	873,356
- B	-	10,170,272	-	10,170,272
- B2	-	3,054,562	-	3,054,562
- B-	-	2,604,216	-	2,604,216
- CC	-	6,551,841	-	6,551,841
- NR	-	33,774,007	-	33,774,007
Forward foreign currency contracts				
- AAA	-	2,118,430	-	2,118,430
Other				
- NR	-	-	303	303
	<u>16,045,852</u>	<u>156,553,141</u>	<u>303</u>	<u>172,599,296</u>

None of these assets are past due or impaired.

Fair value estimation

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

The fair value of financial assets traded in active market (such as traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Fund Manager will determine the point within the bid-ask spread that is representative of the fair value.

An active market is a market in which transactions for the asset or liability 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 arm's length 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.

i. Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method.

The different levels have been defined as follows:

- 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 level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy of the Fund's financial assets (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2020</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	148,650,760	-	148,650,760
Forward foreign currency contracts	-	5,415,998	-	5,415,998
<u>2019</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	154,434,711	-	154,434,711
Forward foreign currency contracts	-	2,118,430	-	2,118,430

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2, these include unquoted fixed income securities and forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note F to the financial statements.

- ii. The carrying value of cash and cash equivalents, other receivables and all liabilities are a reasonable approximation of their fair values due to their short term nature.

3. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 0.20% per annum of the net asset value of the Fund accrued and calculated on a daily basis.

For the financial year ended 31 December 2020, the management fee is recognised at a rate of 0.20% (2019: 0.20%) per annum on the net asset value of the Fund, excluding foreign custodian charges, calculated on daily basis.

There will be no further liability to the Manager in respect of the management fee other than the amounts recognised above.

4. TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.06% per annum of the net asset value of the Fund, subject to a minimum fee of RM15,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 31 December 2020, the Trustee fee is recognised at a rate of 0.06% (2019: 0.06%) per annum on the net asset value of the Fund, excluding foreign custodian charges, calculated on daily basis.

There will be no further liability to the Trustee in respect of the Trustee fee other than the amounts recognised above.

5. TAXATION

	2020	2019
	RM	RM
Tax charged for the financial year:		
Current taxation	1,615	-
Under provision of taxation in prior years	13,249	-
	<u>14,864</u>	<u>-</u>

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

	2020	2019
	RM	RM
Profit before taxation	<u>3,233,453</u>	<u>14,675,317</u>
Tax at Malaysian statutory rate of 24% (2019: 24%)	776,029	3,522,076
Tax effects of:		
Investment income not subject to tax	(886,289)	(3,646,578)
Expenses not deductible for tax purposes	38,656	39,108
Restriction on tax deductible expenses for Unit Trust Funds	73,219	85,394
Under provision of taxation in prior years	<u>13,249</u>	<u>-</u>
Taxation	<u>14,864</u>	<u>-</u>

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities	<u>148,650,760</u>	<u>154,434,711</u>
Net (loss)/gain on financial assets at fair value through profit or loss:		
Realised (loss)/gain on disposals	(6,005,467)	2,280,853
Change in unrealised fair value (loss)/gain	<u>(1,563,815)</u>	<u>2,367,947</u>
	<u>(7,569,282)</u>	<u>4,648,800</u>

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond				
2.10% Airport Authority Hong Kong 31.12.2099 (AA)	200,000	816,079	816,930	0.50
5.75% Ausnet Services Holdings Pty Ltd 17.09.2021 (BBB)	4,000,000	17,063,238	16,708,907	10.15
2.875% Brazil, Federative Republic of (Government) 06.06.2025 (BB-)	200,000	839,167	839,986	0.51
4.50% CCB Life Insurance Company Limited 21.04.2022 (BBB)	500,000	2,222,088	2,035,989	1.24
6.875% Central China Real Estate Limited 10.02.2021 (NR)	1,000,000	4,215,949	4,126,711	2.51
6.50% Central China Real Estate Limited 05.03.2021 (NR)	1,000,000	4,349,372	4,119,272	2.50
7.75% Central China Real Estate Limited 24.05.2024 (NR)	200,000	821,153	825,479	0.50
8.125% Champion Sincerity Holdings Limited 08.02.2022 (Ba3)	200,000	847,949	863,114	0.52
4.80% China Aoyuan Group Limited 18.02.2021 (NR)	2,000,000	8,304,271	8,162,476	4.96
8.50% China Aoyuan Group Limited 23.01.2022 (NR)	200,000	860,874	852,068	0.52

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
3.08% China Huaneng Group Co., Ltd 31.12.2099 (A2)	200,000	813,113	809,533	0.49
2.85% China Huaneng Group Co., Ltd 31.12.2099 (NR)	200,000	813,000	809,420	0.49
4.00% Chouzhou International Investment Ltd 18.02.2025 (Baa3)	400,000	1,674,032	1,627,743	0.99
7.625% CIFI Holdings (Group) Co. Ltd 02.03.2021 (BB)	500,000	2,134,107	2,080,762	1.26
6.125% Emirates NBD Bank (P.J.S.C) 20.03.2025 (B1)	200,000	829,016	871,081	0.53
7.50% ENN Clean Energy International Investment Limited 27.02.2021 (Ba1)	1,500,000	6,349,668	6,223,463	3.78
3.939% ESIC Sukuk Limited 30.07.2024 (Baa3)	1,700,000	7,024,784	7,161,225	4.35
0.25% Ezion Holdings Limited 20.11.2022 (NR)*	750,000	2,310,722	656	-
6.95% Fantasia Holdings Group Co., Limited 17.12.2021 (NR)	200,000	809,167	810,038	0.49
0% Federal Government of United States of America 05.01.2021 (NR)	1,000,000	4,077,968	4,019,997	2.44

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
4.00% Franshion Brilliant Limited 21.06.2024 (BBB-)	900,000	3,805,940	3,755,886	2.28
4.25% GOHL Capital 24.01.2027 (Baa2)	400,000	1,802,869	1,734,284	1.05
3.151% Government of Malaysia 15.05.2023 (NR)	5,000,000	5,124,556	5,162,455	3.13
3.375% Hong Kong Red Star Macalline Universal Home Furnishings Ltd 21.09.2022 (BB)	200,000	843,411	717,068	0.44
3.85% Hong Leong Assurance Berhad 31.01.2030 (AA3)	5,000,000	5,081,177	5,171,587	3.14
6.25% HSBC Holdings Plc 23.03.2023 (Baa3)	500,000	1,991,698	2,134,648	1.30
4.70% HSBC Holdings Plc 06.08.2022 (Baa3)	250,000	776,474	771,558	0.47
1.33% Huarong Finance 2019 Co., Ltd 24.01.2023 (Baa1)	400,000	1,675,257	1,586,105	0.96
5.75% Hyundai Capital America 06.04.2023 (BBB+)	700,000	3,085,405	3,156,169	1.92
5.375% India Green Energy Holdings 29.04.2024 (NR)	250,000	1,044,553	1,058,272	0.64

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
5.875% Indika Energy Capital III Pte Ltd 09.11.2021 (Ba3)	200,000	869,744	830,923	0.50
7.00% Lippo Malls Indonesia Retail Trust 27.09.2021 (NR)	1,000,000	3,096,884	2,574,405	1.56
6.125% Logan Property Holdings Company Limited 16.04.2021 (BB)	1,250,000	3,840,855	3,878,583	2.36
4.638% MAF Sukuk Ltd 14.05.2029 (BBB)	200,000	834,268	907,358	0.55
3.905% Malayan Banking Berhad 29.10.2021 (BBB)	1,300,000	5,106,446	5,372,199	3.26
6.95% Modernland Overseas Pte Ltd 13.04.2021 (D)	800,000	3,707,491	1,270,508	0.77
4.80% New Metro Global Ltd 15.12.2024 (BB)	200,000	966,423	814,760	0.49
4.75% New World China Land Limited 23.01.2027 (NR)	200,000	910,761	864,571	0.53
5.75% NWD Finance (BVI) Ltd 05.10.2021 (NR)	400,000	1,670,888	1,658,372	1.01
3.50% Panther Ventures Limited 31.12.2099 (NR)	200,000	812,704	807,622	0.49
9.125% Powerlong Real Estate Holdings Limited 14.01.2021 (NR)	400,000	1,780,634	1,682,096	1.02

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
4.20% PT Bank Tabungan Negara (Persero) TBK 23.01.2025 (Ba3)	300,000	1,240,531	1,243,306	0.75
4.75% PT Indonesia Asahan Aluminium (Persero) 15.05.2025 (Baa2)	200,000	862,464	894,305	0.54
7.75% RKP Overseas 2019 (B) Limited 18.04.2021 (BB-)	200,000	859,554	827,690	0.50
6.375% Shimao Group Holdings Limited 15.10.2021 (BBB-)	200,000	792,924	839,946	0.51
6.125% Shimao Group Holdings Limited 21.02.2022 (BBB-)	400,000	1,749,546	1,740,046	1.06
6.50% SMC Global Power Holdings Corp. 25.04.2024 (NR)	300,000	1,254,272	1,230,924	0.75
6.75% SMC Global Power Holdings Corp. 26.02.2021 (NR)	1,200,000	5,074,968	4,943,093	3.00
7.50% Standard Chartered Plc 02.04.2022 (BB-)	500,000	2,050,269	2,127,669	1.29
4.05% Standard Chartered Plc 12.04.2026 (BBB+)	800,000	3,143,884	3,665,814	2.23
8.375% Sunac China Holdings Limited 15.01.2021 (NR)	300,000	1,288,428	1,251,066	0.76

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
3.70% Taiyuan Longcheng Development Investment Group Co., Ltd 26.06.2023 (Baa3)	500,000	2,133,533	2,021,505	1.23
5.25% TBG Global Pte Ltd 10.02.2022 (BB)	600,000	2,391,235	2,467,627	1.50
6.85% The Democratic Socialist Republic of Sri Lanka 14.03.2024 (CCC+)	500,000	2,085,423	1,261,998	0.77
6.825% The Democratic Socialist Republic of Sri Lanka 18.07.2026 (CCC+)	300,000	1,225,268	723,168	0.44
6.25% Times China Holdings Limited 17.01.2021 (NR)	1,000,000	4,287,692	4,139,483	2.51
5.98% Wuhan Metro Group Company Limited 05.12.2021 (A-3)	200,000	839,170	832,597	0.51
4.00% Xi'an Municipal Infrastructure Construction Investment Group Corporation, Ltd 24.06.2022 (BBB)	400,000	1,668,880	1,633,612	0.99
4.75% Yuexiu Reit MTN Company Limited 27.04.2021 (BBB-)	400,000	1,570,687	1,635,520	0.99

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
6.375% Yuzhou Properties Company Limited 06.03.2021 (NR)	200,000	843,586	824,393	0.50
5.60% Zhenro Properties Group Limited 22.02.2021 (NR)	845,000	3,530,550	3,455,533	2.10
5.95% Zhenro Properties Group Limited 18.11.2021 (NR)	300,000	1,246,571	1,217,186	0.74
	<u>45,545,000</u>	<u>156,143,590</u>	<u>148,650,760</u>	<u>90.27</u>

**ACCUMULATED
UNREALISED LOSS ON
FINANCIAL ASSETS AT
FAIR VALUE THROUGH
PROFIT OR LOSS**

(7,492,830)

**TOTAL FAIR VALUE OF
FINANCIAL ASSETS AT
FAIR VALUE THROUGH
PROFIT OR LOSS**

148,650,760

- * Ezion Holdings Limited (“Ezion”) overall business restructuring has progressed slowly while concurrent negotiation between white knight and creditors has remained fluid. Baring fresh capital or liquidity injection, the company’s going concern appears increasingly uncertain over the next 12 months. Given this backdrop, the bond’s liquidity in the secondary market has faded, and this poses a challenge for valuation purposes. Therefore, as at 31 December 2020, the fair value of Ezion bond has been written down to zero.

There is a possible further payment due from the illiquid bond held. Therefore, any amount recovered from Ezion will be disbursed back to the unit holders based on their unit holding as at 31 December 2020.

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond				
11.50% Alam Synergy Pte Ltd 22.04.2020 (B-)	300,000	1,285,087	1,262,939	0.74
5.75% Ausnet Services Holdings Pty Ltd 17.09.2021 (BBB)	4,000,000	17,415,537	17,384,156	10.12
3.25% Avenue International Holding Limited 25.10.2020 (NR)	1,300,000	5,451,724	5,316,962	3.09
4.50% CCB Life Insurance Company Limited 21.04.2022 (BBB)	500,000	2,222,389	2,073,041	1.21
8.125% Champion Sincerity Holdings Limited 08.02.2022 (Ba3)	200,000	848,394	886,106	0.52
7.00% China Evergrande Group 23.03.2020 (B2)	200,000	832,484	831,339	0.48
3.876% Chong Hing Bank Limited 26.07.2022 (BBB-)	200,000	870,448	833,067	0.48
7.625% CIFI Holdings (Group) Co. Ltd 02.03.2021 (BB)	300,000	1,315,513	1,295,953	0.75
4.875% Commerzbank AG 01.03.2022 (BBB-)	500,000	1,606,768	1,575,873	0.92
6.125% Emirates NBD Bank (P.J.S.C) 20.03.2025 (B1)	200,000	829,253	873,356	0.51
7.50% ENN Clean Energy International Investment Limited 27.02.2021 (Ba2)	500,000	2,185,516	2,168,874	1.26

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
0.25% Ezion Holdings Limited 20.11.2022 (NR)	750,000	2,250,897	1,703,895	0.99
0% Federal Government of United States of America 23.01.2020 (NR)	1,000,000	4,131,135	4,085,482	2.38
4.00% Franshion Brilliant Limited 21.06.2024 (BBB-)	900,000	3,817,433	3,785,208	2.20
4.25% GOHL Capital 24.01.2027 (Baa1)	1,000,000	4,507,080	4,355,295	2.53
4.55% Greentown China Holdings Limited 10.11.2020 (NR)	500,000	2,076,797	2,057,285	1.20
3.375% Hong Kong Red Star Macalline Universal Home Furnishings Ltd 21.09.2022 (BB)	200,000	842,646	732,442	0.43
5.625% HSBC Holdings Plc 17.01.2020 (Baa3)	2,500,000	10,122,998	10,474,229	6.10
4.70% HSBC Holdings Plc 06.08.2022 (Baa3)	1,250,000	3,882,369	3,869,593	2.25
6.25% HSBC Holdings Plc 23.03.2023 (Baa3)	500,000	1,992,285	2,201,955	1.28
5.875% Indika Energy Capital III Pte Ltd 09.11.2021 (Ba3)	200,000	860,526	801,228	0.47
7.00% Lippo Malls Indonesia Retail Trust 27.09.2021 (NR)	1,000,000	3,096,871	2,649,632	1.54

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
6.125% Logan Property Holdings Company Limited 16.04.2020 (NR)	1,250,000	3,840,648	3,911,511	2.28
4.638% MAF Sukuk Ltd 14.05.2029 (BBB)	200,000	834,352	886,115	0.52
3.905% Malayan Banking Berhad 29.10.2021 (BBB)	1,500,000	5,892,750	6,282,086	3.66
4.625% Minejesa Capital B.V. 10.08.2030 (Baa3)	300,000	1,306,821	1,294,751	0.75
5.625% Minejesa Capital B.V. 10.08.2037 (Baa3)	300,000	1,311,626	1,365,135	0.79
6.95% Modernland Overseas Pte Ltd 13.04.2021 (B)	800,000	3,675,895	3,005,606	1.75
5.50% Nan Fung Treasury (II) Limited 29.05.2020 (Baa3)	1,800,000	7,761,583	7,340,982	4.27
4.75% New World China Land Limited 23.01.2027 (NR)	200,000	911,049	870,521	0.51
5.75% NWD Finance (BVI) Ltd 05.10.2021 (NR)	400,000	1,671,267	1,622,182	0.94
5.23% PT Indonesia Asahan Aluminium (Persero) 15.11.2021 (Baa2)	200,000	837,404	863,133	0.50
5.95% Powerlong Real Estate Holdings Limited 19.07.2020 (B)	200,000	851,029	840,465	0.49

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
6.875% Republica Argentina 22.04.2021 (CC)	2,000,000	8,051,468	4,482,992	2.61
6.625% Republica Argentina 06.07.2028 (CC)	1,000,000	4,127,686	2,068,849	1.20
3.75% Rongshi International Finance Ltd 21.05.2029 (A-2)	600,000	2,503,702	2,591,911	1.51
5.875% Royal Capital B.V. 05.05.2022 (NR)	400,000	1,608,948	1,666,904	0.97
11.00% Scenery Journey Limited 06.11.2020 (B)	200,000	856,198	847,900	0.49
6.125% Shimao Property Holdings Limited 21.02.2022 (NR)	600,000	2,643,205	2,667,135	1.55
6.50% SMC Global Power Holdings Corp. 25.04.2024 (NR)	300,000	1,254,518	1,293,453	0.75
6.75% SMC Global Power Holdings Corp. 26.02.2021 (NR)	1,000,000	4,301,293	4,281,950	2.49
7.50% Standard Chartered Plc 02.04.2022 (BB-)	700,000	2,871,272	3,126,466	1.82
4.05% Standard Chartered Plc 12.04.2026 (BBB+)	1,000,000	3,929,597	4,383,766	2.55
8.375% Sunac China Holdings Limited 15.01.2021 (B+)	300,000	1,328,825	1,309,340	0.76

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
8.625% Sunac China Holdings Limited 27.07.2020 (B+)	200,000	841,773	863,307	0.50
5.25% TBG Global Pte Ltd 10.02.2020 (BB)	600,000	2,417,655	2,537,582	1.48
5.50% The Bank of East Asia Limited 31.12.2020 (BB)	1,000,000	3,893,064	4,130,833	2.40
6.85% The Democratic Socialist Republic of Sri Lanka 14.03.2024 (B)	500,000	2,086,125	2,116,789	1.23
6.825% The Democratic Socialist Republic of Sri Lanka 18.07.2026 (B)	300,000	1,225,908	1,252,353	0.73
6.25% Times China Holdings Limited 25.01.2020 (B+)	300,000	1,293,778	1,273,894	0.74
9.375% Trade and Development Bank of Mongolia LLC 19.05.2020 (B)	500,000	2,151,554	2,107,159	1.23
5.00% Westpac Banking Corporation 21.09.2027 (BBB-)	300,000	1,274,038	1,238,915	0.72
5.98% Wuhan Metro Group Company Limited 05.12.2021 (A-3)	200,000	838,703	857,430	0.50

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
4.00% Xi'an Municipal Infrastructure Construction Investment Group Corporation Ltd 24.06.2022 (NR)	400,000	1,666,229	1,647,095	0.96
5.75% Yancoal International Resources Development Co., Limited 13.04.2020 (BB-)	200,000	896,888	825,396	0.48
8.25% Yapi Ve Kredi Bankasi Anirim Sirketi 15.10.2024 (B2)	500,000	2,081,790	2,223,223	1.29
4.75% Yuexiu Reit MTN Company Limited 27.04.2021 (BBB-)	900,000	3,526,655	3,798,395	2.21
12.50% Zhenro Properties Group Limited 02.01.2021 (B-)	300,000	1,354,280	1,341,277	0.78
	<u>39,450,000</u>	<u>160,363,726</u>	<u>154,434,711</u>	<u>89.86</u>

**ACCUMULATED
UNREALISED LOSS ON
FINANCIAL ASSETS AT
FAIR VALUE THROUGH
PROFIT OR LOSS**

(5,929,015)

**TOTAL FAIR VALUE OF
FINANCIAL ASSETS AT
FAIR VALUE THROUGH
PROFIT OR LOSS**

154,434,711

The effective weighted average rate of return of unquoted fixed income securities per annum as at the date of the statement of financial position are as follows:

	2020	2019
	%	%
Unquoted fixed income securities	3.70	6.11

7. CASH AND CASH EQUIVALENTS

	2020	2019
	RM	RM
Bank balances with a licensed bank	2,515,839	8,044,449
Deposit with a licensed financial institution	8,001,753	8,001,403
	<u>10,517,592</u>	<u>16,045,852</u>

The currency exposure profile of cash and cash equivalents are as follows:

	2020	2019
	RM	RM
MYR	8,737,536	8,669,216
SGD	93,183	2,364,400
USD	1,686,873	5,012,236
	<u>10,517,592</u>	<u>16,045,852</u>

The effective weighted average interest rate of short term deposit with a licensed financial institution per annum as at the date of the financial position are as follow:

	2020	2019
	%	%
Deposit with a licensed financial institution	2.00	3.20

The deposit have an average maturity of 4 days (2019: 6 days).

8. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 12 (2019: 13) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM157,216,460 (receivable) (2019: RM175,503,060 (receivable)). The forward foreign currency contracts entered into during the financial year were to hedge against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in SGD and USD. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward foreign currency contracts is recognised immediately in the statement of comprehensive income.

9. UNITS IN CIRCULATION

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	161,229,408	164,308,228
Cancellation of units during the financial year	(816,038)	(3,078,820)
At the end of the financial year	<u>160,413,370</u>	<u>161,229,408</u>

10. TRANSACTIONS WITH DEALERS

Details of transactions with the top 10 dealers are as follows:

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2020</u>				
JP Morgan Securities Ltd London	16,448,589	13.13	-	-
Nomura International Plc	12,995,877	10.38	-	-
BNP Paribas S.A. France	12,980,617	10.36	-	-
Citigroup Global Markets Limited	10,547,956	8.42	-	-
Standard Chartered Bank	7,053,217	5.63	-	-
Barclays Capital Inc	7,025,932	5.61	-	-
Marketaxess Capital Limited	6,838,787	5.46	-	-
Merrill Lynch Int Ltd	6,596,877	5.27	-	-
UBS AG London	5,713,511	4.56	-	-
Hong Leong Bank Berhad	5,000,250	3.99	-	-
Others	34,037,911	27.19	-	-
	<u>125,239,524</u>	<u>100.00</u>	-	-

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2019</u>				
Nomura International Plc	22,487,398	19.96	-	-
HSBC Singapore	10,755,941	9.55	-	-
SGS Bond Trading Pte Ltd	9,158,099	8.13	-	-
Morgan Stanley and Co. International Plc	8,481,284	7.53	-	-
Merrill Lynch Int Ltd	7,480,538	6.64	-	-
JP Morgan Securities Ltd London	7,037,162	6.25	-	-
Standard Chartered Bank	5,838,715	5.18	-	-
DBS Bank Limited	5,664,833	5.03	-	-
Barclays Capital Inc	5,290,644	4.70	-	-
UBS AG London	4,891,163	4.34	-	-
Others	25,571,394	22.69	-	-
	<u>112,657,171</u>	<u>100.00</u>	-	-

All dealers highlighted above are not related to the Manager.

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

The related parties and their relationship with the Fund are as follows:

Related parties	Relationship
Eastspring Investments Berhad	The Manager
Prudential Plc	Ultimate holding company of the Manager
Director of Eastspring Investments Berhad	Director of the Manager

Units held by Manager:

	2020		2019	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,000	1,027	1,000	1,066

The above units were transacted at the prevailing market price.

The units are held legally and beneficially by the Manager and are within the prescribed limit allowed by SC's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the Directors or parties related to the Manager.

In addition to the related parties disclosure mentioned in the financial statements, there were no other significant related parties transactions and balances.

12. DISTRIBUTION

	2020	2019
	RM	RM
Distributions to unit holders are from the following sources:		
Exit fee income (net of tax)	42,164	98,290
Interest income	7,919,587	8,286,529
Net realised gain on sale of investments	-	1,739,356
Prior financial year's realised income	2,032,094	-
Gross realised income	<u>9,993,845</u>	<u>10,124,175</u>
Less: Expenses	<u>(467,036)</u>	<u>(468,097)</u>
	<u>9,526,809</u>	<u>9,656,078</u>
Gross distribution per unit (sen)	<u>5.92</u>	<u>5.92</u>
Net distribution per unit (sen)	<u>5.92</u>	<u>5.92</u>
Ex-Date	<u>27 April 2020</u>	<u>24 April 2019</u>

Gross distribution is derived using total income less total expenses. The distribution is made from current and prior financial years' realised income.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

During the financial year ended 31 December 2020, the Fund incurred unrealised gains of RM1,730,625 (2019: RM2,486,931).

13. MANAGEMENT EXPENSE RATIO ("MER")

	2020	2019
	%	%
MER	0.31	0.30

MER is derived from the following calculation:

$$\text{MER} = \frac{(A + B + C + D + E)}{F} \times 100$$

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses

F = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM164,007,309 (2019: RM171,651,987).

14. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	0.38	0.33

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisitions for the financial year} + \text{total disposals for the financial year}) \div 2}{\text{Average net asset value of the Fund for the financial year calculated on a daily basis}}$$

where:

total acquisitions for the financial year = RM87,623,273 (2019: RM60,908,741)

total disposals for the financial year = RM38,507,384 (2019: RM51,748,430)

15. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, could result in the deterioration of the Fund’s net asset value in the future.

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

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 17 February 2021.

CORPORATE DIRECTORY

THE MANAGER

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