



A Prudential plc company 

EASTSPRING INVESTMENTS TARGET INCOME FUND 7

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023



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 30 September 2023.

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 7 (the "Fund")</p> <p>* The Fund aims (i.e. Target) to distribute income on an annual basis from 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 by way of e-payment (i.e. telegraphic, online transfer or other forms of electronic payment) according to Unit Holders' instructions in the account opening form.</p>
Termination Date	<p>20 June 2024</p>
Duration of the Fund	<p>Five (5) years close-ended bond fund.</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>Subject to the availability of income, distribution of income, if any, will be on annual basis, after deduction of taxation and expenses.</p>

KEY PERFORMANCE DATA FOR THE FINANCIAL YEAR ENDED

Category	2023	2022	2021
	(%)	(%)	(%)
Unquoted fixed income securities	88.90	98.44	84.30
Derivatives	(2.80)	(11.49)	1.80
Cash and other assets	13.90	13.05	13.90
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	53,457	50,024	122,998
Units In Circulation (Units '000)	62,645	63,606	131,073
Net Asset Value Per Unit (RM)	0.8533	0.7865	0.9384
Highest Net Asset Value Per Unit (RM) [#]	0.8756	0.9388	0.9595
Lowest Net Asset Value Per Unit (RM) [#]	0.7265	0.7865	0.9363
Total Return (%)			
- Capital Growth	8.49	(16.19)	1.23
- Income Distribution	-	-	2.70
Total Return (%)	8.49	(16.19)	3.96
Gross Distribution Per Unit (RM)	-	-	0.0258
Net Distribution Per Unit (RM)	-	-	0.0258
Total Expense Ratio (TER) (%) [*]	0.33	0.29	0.28
Portfolio Turnover Ratio (PTR) (times) [^]	0.90	0.59	0.35

[#] Figure shown as ex-distribution.

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

[^] The higher fund turnover ratio was driven mainly by market volatility and tax efficiency trades. Over the period in review, heightened market volatility provided trading opportunities while Malaysia's (new) tax ruling on foreign interest income provided an impetus for ongoing rebalancing measures to optimize after-tax returns for investors.

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.10.2022 to 30.9.2023	3 years 1.10.2020 to 30.9.2023	Since commencement 20.6.2019 to 30.9.2023
	(%)	(%)	(%)
Average total return	8.49	(1.86)	(2.17)

Year ended	1.10.2022 to 30.9.2023	1.10.2021 to 30.9.2022	1.10.2020 to 30.9.2021	Since commencement 20.6.2019 to 30.9.2020
	(%)	(%)	(%)	(%)
Annual total return	8.49	(16.19)	3.96	(3.96)

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

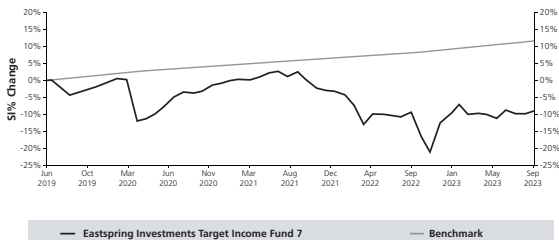
Fund Performance

Since inception, the Fund registered a return of -8.96%, underperforming the benchmark return of 11.73% by 20.69%.

For the period under review, the Fund registered a return of 8.49%, outperforming the benchmark return of 3.17% by 5.32%.

The Fund outperformed the benchmark target return over the period under review, led by gains in Ukraine financials and Ukraine quasi-sovereigns. Fund positions in Sri Lanka sovereign bonds also added to performance as the country made progress with creditors in restructuring its external debt. Positions in India utilities were also additive to the Fund's performance, particularly over the first half of 2023 as sentiment recovered. Overall, nearly all sectors registered gains with the exception of real estate credits. Within the real estate sector, the Fund's positions in high yield Indonesia property bonds detracted from performance.

**Eastspring Investments Target Income Fund 7
- 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, 30 September 2023 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 30 September 2023:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	8.49	8.49	3.17

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

Distribution/ Unit Split

No distribution or unit split were declared for the financial year ended 30 September 2023.

Investment Strategy During the Period Under Review

As this is a close-ended bond fund, the Fund will be managed on a semi-active basis by the Fund Manager. Semi-active management of the portfolio refers to an approach where most of the Fund's bond investments will be held to maturity. Nevertheless, the Fund Manager may trade and rebalance its investments from time to time, for reasons such as the following:

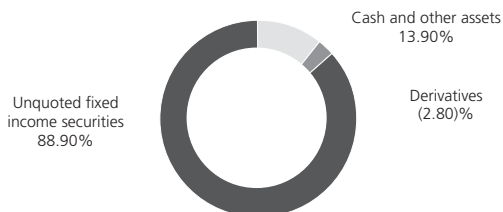
- Increased default risk or uptrend interest rate concerns;
- Hedging transactions in the event that the sale of the security at risk is not possible; and
- Reinvesting proceeds from matured securities and coupon income

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	30-Sep 2023	30-Sep 2022	Changes
	(%)	(%)	(%)
Unquoted fixed income securities	88.90	98.44	(9.54)
Derivatives	(2.80)	(11.49)	8.69
Cash and other assets	13.90	13.05	0.85

Asset Allocation as at 30 September 2023



During the period under review, as the Fund employs hedging, the negative derivative position was due to the mark to market effect of the Fund's derivative holdings.

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. There were no cross-trades executed for the months of August 2022, September 2022, November 2022, December 2022, February 2023, March 2023 and May 2023 until August 2023. The investment committee for the Fund has reviewed that such trades for the month of October 2022, January 2023 and April 2023 were transacted on an arm's length and fair value basis and in the best interest of the Fund. The trades for the month of September 2023 will be tabled for review at the upcoming investment committee meeting.

MARKET REVIEW

The period under review was characterised by higher global yields as markets recalibrated expectations on inflation and central bank policy. Market sentiment turned positive towards the end of the fourth quarter of 2022 as the Chinese government eased Covid-19 controls and introduced a series of measures to support the property sector. Fixed income markets started 2023 on a positive note as easing price pressures, China's reopening as well as attractive valuations lifted investor appetite for Asian and Emerging Market bonds.

Global risk appetite retreated in March 2023 as the collapse of Credit Suisse and several regional US banks dampened confidence and drove investors to the safety of high-quality fixed income assets. However, Swiss regulators, the Federal Reserve, and the FDIC took decisive actions to strengthen public confidence in the banking system. In May this year, concerns over a US debt ceiling gridlock surfaced, which could have resulted in a US treasury default and damaged economic conditions. Nonetheless, an agreement was eventually reached and Congress acted to suspend the debt limit which provided immediate relief to investors.

In August, Fitch Ratings cited a weak fiscal outlook and downgraded the long-term issuer ratings for the United States, which led to higher US Treasury yields ("UST"). Meanwhile in China, the reopening optimism that begun in January faded during the second and third quarters with a renewed manufacturing downturn and increasing youth unemployment. Export demand and consumption fell, while a weak property market also impacted sentiment. China real estate credits led decliners in the high yield market with a few developers struggling to meet their repayment obligations.

Over the year, the US Treasury yield curve shifted upwards on the heels of tighter monetary policy. Two- and ten-year UST yields climbed 84 bps and 77 bps to 5.05% and 4.57% respectively in the year ending September 2023. In response to elevated inflationary pressures, the US Federal Reserve lifted the target range for the federal funds rate to 5.25% and 5.50%, and revised the median 2024 Fed funds target rate to 5.1% at the September FOMC meeting.

Asian and emerging-markets ("EM") USD bond markets posted positive returns over the year. The JP Morgan Asia Credit Index ("JACI") gained 4.61% amid tighter credit spreads and a supportive risk sentiment, while high yield constituents supported the performance of the JP Morgan Emerging Markets Bond Index Global Diversified (EMBIGD; +10.01%). Among EMBIGD constituents, Sri Lanka, Pakistan and Ukraine were some of the best performing country credits. Within the JACI index, consumer, miners and sovereigns led the list of gainers. Across countries, Pakistan and Sri Lanka also bolstered returns.

REBATES AND SOFT COMMISSIONS

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

SECURITIES LENDING OR REPURCHASE TRANSACTIONS

No securities lending or repurchase transaction have been carried out during the financial period under review.

EASTSPRING INVESTMENTS TARGET INCOME FUND 7

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023

STATEMENT BY THE MANAGER

We, Tang Chee Kin and John Campbell Tupling, 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 16 to 70 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 30 September 2023 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

JOHN CAMPBELL TUPLING
Independent, Non-Executive Director

Kuala Lumpur
Date: 22 November 2023

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS TARGET INCOME FUND 7 ("Fund")

We have acted as Trustee of the Fund for the financial year ended 30 September 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Eastspring Investments Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Fund Operations

Sylvia Beh
Chief Executive Officer

Kuala Lumpur
Date: 22 November 2023

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS TARGET INCOME FUND 7

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Target Income Fund 7 ("the Fund") give a true and fair view of the financial position of the Fund as at 30 September 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 September 2023, 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 16 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 the 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.

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 of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
Date: 22 November 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023

	Note	2023	2022
		RM	RM
INVESTMENT INCOME/(LOSS)			
Interest income from deposits			
with licensed financial institutions		46,589	244,025
Interest income from unquoted			
fixed income securities		2,788,604	955,155
Exit fee income		23,781	22,578
Net gain/(loss) on financial assets			
at fair value through profit or loss	6	2,420,872	(10,710,242)
Net gain/(loss) on forward foreign currency contracts	8	794,432	(8,048,309)
Net foreign currency exchange (loss)/gain		(1,287,267)	243,846
		<u>4,787,011</u>	<u>(17,292,947)</u>
EXPENSES			
Management fee	3	(78,973)	(151,759)
Trustee fee	4	(31,589)	(60,704)
Audit fee		(13,000)	(13,000)
Tax agent fee		(5,798)	(3,400)
Other expenses		(42,472)	(64,321)
		<u>(171,832)</u>	<u>(293,184)</u>
PROFIT/(LOSS) BEFORE TAXATION		4,615,179	(17,586,131)
TAXATION	5	<u>(394,297)</u>	<u>(351,197)</u>
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS)		<u>4,220,882</u>	<u>(17,937,328)</u>
Profit/(loss) after taxation is made up of the following:			
Realised amount		(10,278,604)	(7,492,774)
Unrealised amount		14,499,486	(10,444,554)
		<u>4,220,882</u>	<u>(17,937,328)</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 30 SEPTEMBER 2023

	Note	2023	2022
		RM	RM
ASSETS			
Cash and cash equivalents	7	13,047,780	8,955,728
Financial assets at fair value through profit or loss	6	47,523,835	49,254,631
Amount due from broker		481,906	-
TOTAL ASSETS		<u>61,053,521</u>	<u>58,210,359</u>
LIABILITIES			
Forward foreign currency contracts at fair value through profit or loss	8	1,498,058	5,749,150
Accrued management fee		6,552	6,499
Amount due to Trustee		2,621	2,600
Amount due to broker		6,001,203	2,313,840
Other payables and accruals		26,411	43,671
Tax payable		62,140	71,005
TOTAL LIABILITIES		<u>7,596,985</u>	<u>8,186,765</u>
NET ASSET VALUE OF THE FUND		<u>53,456,536</u>	<u>50,023,594</u>
EQUITY			
Unit holders' capital		70,533,304	71,321,244
Accumulated losses		(17,076,768)	(21,297,650)
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>53,456,536</u>	<u>50,023,594</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>62,644,611</u>	<u>63,605,839</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.8533</u>	<u>0.7865</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 30 SEPTEMBER 2023

	Unit holders' capital	Accumulated losses	Total
	RM	RM	RM
Balance as at 1 October 2022	71,321,244	(21,297,650)	50,023,594
Movement in unit holders' contribution:			
Cancellation of units	(787,940)	-	(787,940)
Total comprehensive income for the financial year	-	4,220,882	4,220,882
Balance as at 30 September 2023	<u>70,533,304</u>	<u>(17,076,768)</u>	<u>53,456,536</u>
Balance as at 1 October 2021	126,358,871	(3,360,322)	122,998,549
Movement in unit holders' contribution:			
Cancellation of units	(55,037,627)	-	(55,037,627)
Total comprehensive loss for the financial year	-	(17,937,328)	(17,937,328)
Balance as at 30 September 2022	<u>71,321,244</u>	<u>(21,297,650)</u>	<u>50,023,594</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 30 SEPTEMBER 2023

	Note	2023	2022
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		61,151,774	101,343,568
Payments for purchase of investments		(53,016,588)	(64,073,305)
Net realised loss on forward foreign currency contracts		(3,456,660)	(81,075)
Interest income received from deposits with licensed financial institutions		46,589	244,025
Interest income received from unquoted fixed income securities		2,010,546	4,701,172
Exit fee income received		23,781	22,578
Management fee paid		(78,921)	(160,523)
Trustee fee paid		(31,569)	(64,209)
Tax paid		(403,162)	(268,765)
Payment for other fees and expenses		(78,531)	(83,533)
Net foreign currency exchange (loss)/gain		(1,287,618)	241,412
Net cash generated from operating activities		<u>4,879,641</u>	<u>41,821,345</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for cancellation of units		(787,940)	(55,037,627)
Net cash used in financing activities		<u>(787,940)</u>	<u>(55,037,627)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		4,091,701	(13,216,282)
EFFECT OF FOREIGN EXCHANGE DIFFERENCES			
		351	2,434
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR			
		<u>8,955,728</u>	<u>22,169,576</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR			
	7	<u>13,047,780</u>	<u>8,955,728</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 30 SEPTEMBER 2023

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 in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with the 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 revenues and expenses during the reported financial year. It also requires the Manager to exercise their 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.

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

a. Standards and amendments to existing standards effective 1 January 2022:

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 October 2022 that have a material effect on the financial statements of the Fund.

b. New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 October 2022 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 short-term deposits placed with licensed financial institutions and unquoted fixed income securities are recognised on an accrual basis using the effective interest rate 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 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 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 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 amount due from broker 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 Trustee, amount due to broker 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. 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 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.

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 (“SC”) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework. 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 securities 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 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 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 deposits with licensed financial institutions with original maturities of three months or less 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 asset value;
- the units are the most subordinated class and class features are identical;
- there are 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 per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

I. 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.

J. AMOUNTS DUE FROM/(TO) BROKERS

Amount 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 amount 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.

K. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 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 judgements 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 SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023

1. INFORMATION ON THE FUND

Eastspring Investments Target Income Fund 7 (the “Fund”) was constituted pursuant to the execution of a Deed dated 24 April 2019 (the “Deed”) entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund was launched on 13 May 2019 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 11 of the Deed.

The Fund seeks to achieve its objective by investing a minimum of 70% of the Fund's NAV in local and/or foreign debt securities. Not more than 60% 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 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.

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

All investments will be subjected to the Securities Commission's (“SC”) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Deed and the objective of the Fund.

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 Deed.

Financial instruments of the Fund are as follows:

Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Total	
				RM	RM
2023					
7	13,047,780	-	-	13,047,780	
6	-	47,523,835	-	47,523,835	
8	-	-	(1,498,058)	(1,498,058)	
	481,906	-	-	481,906	
	13,529,686	47,523,835	(1,498,058)	59,555,463	
2022					
7	8,955,728	-	-	8,955,728	
6	-	49,254,631	-	49,254,631	
8	-	-	(5,749,150)	(5,749,150)	
	8,955,728	49,254,631	(5,749,150)	52,461,209	

All liabilities except forward foreign currency contracts are financial liabilities which are carried at amortised cost.

Market risk

i. Price risk

Price risk arises mainly from the uncertainty about future prices of investments. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

The table below shows assets of the Fund as at 30 September which are exposed to price risk:

	2023	2022
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities*	47,523,835	49,254,631

* Includes interest receivable of RM718,477 (2022: RM702,085).

The following table summarises the sensitivity of the Fund's profit/(loss) after tax and net asset value to movements in prices of unquoted fixed income securities at the end of each 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, having regard to the historical volatility of the prices.

% Change in price	2023		2022	
	Market value	Impact on profit after tax and net asset value	Market value	Impact on loss after tax and net asset value
	RM	RM	RM	RM
+5% (2022: +5%)	49,145,626	2,340,268	50,980,173	2,427,627
-5% (2022: -5%)	44,465,090	(2,340,268)	46,124,919	(2,427,627)

ii. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the net asset value 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 net asset value 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 are subject to interest rate fluctuations. 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 table below summarises the sensitivity of the Fund's profit/(loss) after tax and net asset value and movements in pricing of unquoted fixed income securities held by the Fund at the end of each 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% 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.

	2023	2022
% Change in interest rate of unquoted fixed income securities	Impact on profit after tax and net asset value	Impact on loss after tax and net asset value
	RM	RM
+1% (2022: +1%)	(54,074)	(120,635)
-1% (2022: -1%)	54,557	175,356

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

iii. Foreign exchange/Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of a foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

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	Amount due from/ (to) broker	Total
	RM	RM	RM	RM	RM
<u>2023</u>					
EUR	14,314	-	55	481,906	496,275
USD	42,434,709	(1,498,058)	4,080,065	(926,641)	44,090,075
	<u>42,449,023</u>	<u>(1,498,058)</u>	<u>4,080,120</u>	<u>(444,735)</u>	<u>44,586,350</u>
<u>2022</u>					
EUR	221,844	-	64,662	-	286,506
USD	49,032,787	(5,749,150)	8,634,331	(2,313,840)	49,604,128
	<u>49,254,631</u>	<u>(5,749,150)</u>	<u>8,698,993</u>	<u>(2,313,840)</u>	<u>49,890,634</u>

The table below summarises the sensitivity of the Fund's profit/(loss) after tax and net asset value to changes in foreign exchange movements at the end of each reporting financial year. The analysis is based on the assumption that the foreign exchange rate changes by each currency's respective historical volatility, 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/(loss) after tax	Impact on net asset value
	%	RM	RM
<u>2023</u>			
EUR	6.97	34,590	34,590
USD	6.39	2,817,356	2,817,356
<u>2022</u>			
EUR	5.00	14,325	14,325
USD	5.00	2,480,206	2,480,206

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 Funds. 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 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, deposits with licensed financial institutions 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	More than 1 year	Total
	RM	RM	RM	RM
<u>2023</u>				
Forward foreign currency contracts at fair value through profit or loss	91,381	1,406,677	-	1,498,058
Accrued management fee	6,552	-	-	6,552
Amount due to Trustee	2,621	-	-	2,621
Amount due to broker	6,001,203	-	-	6,001,203
Other payables and accruals	-	26,411	-	26,411
Contractual undiscounted cash outflows	<u>6,101,757</u>	<u>1,433,088</u>	<u>-</u>	<u>7,534,845</u>
<u>2022</u>				
Forward foreign currency contracts at fair value through profit or loss	-	4,947,592	801,558	5,749,150
Accrued management fee	6,499	-	-	6,499
Amount due to Trustee	2,600	-	-	2,600
Amount due to broker	2,313,840	-	-	2,313,840
Other payables and accruals	-	43,671	-	43,671
Contractual undiscounted cash outflows	<u>2,322,939</u>	<u>4,991,263</u>	<u>801,558</u>	<u>8,115,760</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 RM70,533,304 (2022: RM71,321,244) and accumulated losses of RM17,076,768 (2022: RM21,297,650). 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, principals and proceeds from realisation of investments. In the case of the Fund, both the Manager and the External Fund 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 Deed.

Credit risk arising from cash and bank balances is managed by ensuring that they are held by parties with credit rating of AA1 or higher.

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

For unquoted fixed income securities, the Manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described by the Deeds and SC's Guidelines on Unit Trust Funds.

The Fund seeks to mitigate credit/default risk by investing in high quality unquoted 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	Amount due from broker	Total
	RM	RM	RM	RM
<u>2023</u>				
Financial Services				
- AAA	6,503,633	-	-	6,503,633
- AA1	6,544,147	-	-	6,544,147
Unquoted Fixed Income Securities				
Energy				
- A1	-	933,337	-	933,337
- B2	-	1,873,734	-	1,873,734
- Ba3	-	1,888,173	-	1,888,173
- Baa3	-	2,858,077	-	2,858,077
- C	-	14,314	-	14,314
- NR	-	537,992	-	537,992
Financial Services				
- A-	-	1,875,064	-	1,875,064
- A+	-	2,864,640	-	2,864,640
- A3	-	934,620	-	934,620
- AA-	-	983,261	-	983,261
- Aa3	-	1,918,916	-	1,918,916
- Ba1	-	918,948	-	918,948
- Baa3	-	919,940	-	919,940
- BBB-	-	1,890,779	-	1,890,779
- BBB+	-	948,094	-	948,094
- Ca	-	1,782,329	-	1,782,329
- Caa1	-	527,628	-	527,628
- NR	-	82,362	-	82,362

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Amount due from broker	Total
	RM	RM	RM	RM
2023				
Unquoted Fixed Income Securities (continued)				
Government				
- AA-	-	928,301	-	928,301
- Aa2	-	955,392	-	955,392
- Aaa	-	924,868	-	924,868
- Ba1u	-	927,403	-	927,403
- BBB-	-	968,471	-	968,471
- BBB+	-	5,074,812	-	5,074,812
- F1+u	-	3,740,757	-	3,740,757
- NR	-	2,578,898	-	2,578,898
Industrials				
- Baa2	-	947,500	-	947,500
- BBB-	-	1,670,578	-	1,670,578
Materials				
- Ba3	-	668,976	-	668,976
- Baa2	-	934,424	-	934,424
Utilities				
- A2	-	937,505	-	937,505
- Ba2	-	731,376	-	731,376
- BBB	-	940,430	-	940,430
- NR	-	841,936	-	841,936
Other				
- NR	-	-	481,906	481,906
	13,047,780	47,523,835	481,906	61,053,521

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Total
	RM	RM	RM
<u>2022</u>			
Financial Services			
- AA1	8,955,728	-	8,955,728
Unquoted Fixed Income Securities			
- AA	-	836,721	836,721
- A+	-	922,397	922,397
- A-	-	2,810,069	2,810,069
- A-3	-	916,139	916,139
- BBB+	-	849,490	849,490
- BBB	-	6,328,637	6,328,637
- BBB-	-	5,594,897	5,594,897
- BB+	-	2,380,331	2,380,331
- BB	-	2,431,399	2,431,399
- BB-	-	3,879,619	3,879,619
- B+	-	6,670,039	6,670,039
- B	-	1,146,373	1,146,373
- B-	-	1,255,728	1,255,728
- CCC	-	509,850	509,850
- CCC-	-	5,271,529	5,271,529
- CC	-	1,288,939	1,288,939
- C	-	262,344	262,344
- NR	-	5,900,130	5,900,130
	<u>8,955,728</u>	<u>49,254,631</u>	<u>58,210,359</u>

None of these financial 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 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 following table 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 judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement 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 and financial liabilities (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2023</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	47,523,835	-	47,523,835
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	-	(1,498,058)	-	(1,498,058)
<u>2022</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	49,254,631	-	49,254,631
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	-	(5,749,150)	-	(5,749,150)

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, amount due from broker and all liabilities, except for forward foreign currency contracts 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 2.00% per annum of the net asset value of the Fund accrued and calculated on a daily basis.

For the financial year ended 30 September 2023, the management fee is recognised at a rate of 0.15% (2022: 0.15%) 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 0.20% 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 30 September 2023, the Trustee fee is recognised at a rate of 0.06% (2022: 0.06%) subject to a minimum fee of RM15,000 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

	2023	2022
	RM	RM
Tax charged for the financial year:		
Current taxation	492,703	351,197
Over provision of taxation in prior year	(98,406)	-
	<u>394,297</u>	<u>351,197</u>

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

	2023	2022
	RM	RM
Profit/(loss) before taxation	<u>4,615,179</u>	<u>(17,586,131)</u>
Tax at Malaysian statutory rate of 24% (2022: 24%)	1,107,643	(4,220,671)
Tax effects of:		
(Investment income not subject to tax)/ investment loss not deductible for tax purposes	(653,937)	4,150,307
Expenses not deductible for tax purposes	18,814	30,822
Restriction on tax deductible expenses for Wholesale Funds	20,183	39,542
Over provision of taxation in prior year	(98,406)	-
Foreign income subject to tax	-	351,197
Taxation	<u>394,297</u>	<u>351,197</u>

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities	47,523,835	49,254,631
Net gain/(loss) on financial assets at fair value through profit or loss:		
Realised loss on disposals	(7,827,171)	(8,230,488)
Change in unrealised fair value gain/(loss)	10,248,043	(2,479,754)
	<u>2,420,872</u>	<u>(10,710,242)</u>

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2023	Percentage of net asset value of the Fund
	RM	RM	RM	%
3.493% Malaysia Government 31.10.2023 (BBB+)	5,000,000	5,074,471	5,074,812	9.48

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2023	Percentage of net asset value of the Fund
	EUR	RM	RM	%
7.125% Kondor Finance Plc 19.7.2024 (C)	-	14,314	14,314	0.03

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
2.85% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A2)	200,000	819,923	937,505	1.75
4.25% Clean Renewable Power (Mauritius) Pte Ltd 25.3.2027 (Ba2)	180,000	739,498	731,376	1.37
4.875% Comision Federal De Electricidad 15.1.2024 (BBB)	200,000	839,766	940,430	1.76
5.50% Commonwealth Bank of Australia 14.11.2023 (AA-)	200,000	988,062	983,261	1.84
3.516% Emirates Development Bank P.J.S.C. 6.3.2024 (AA-)	200,000	922,698	928,301	1.74
3.939% ESIC Sukuk Limited 30.7.2024 (Baa3)	200,000	841,510	919,940	1.72
6.07% Export-Import Bank of India 6.3.2024 (BBB-)	200,000	929,446	968,471	1.81
4.974% GLP China Holdings Limited 26.2.2024 (BBB-)	400,000	1,714,522	1,670,578	3.13
3.75% Huarong Finance 2019 Co., Ltd 29.5.2024 (Ba1)	200,000	876,251	918,948	1.72
5.375% India Green Energy Holdings 29.4.2024 (Ba3)	250,000	1,061,879	1,180,937	2.21

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.75% Indian Oil Corporation Limited 16.1.2024 (Baa3)	200,000	914,224	944,019	1.77
0.00% JGC Ventures Pte Ltd 30.6.2025 (NR)**	16,775	5,796	-	-
10.75% JGC Ventures Pte Ltd 30.8.2021 (Ca)**	358,313	1,487,987	517,485	0.97
7.375% Kondor Finance Plc 19.7.2022 (NR)	175,000	696,852	537,992	1.01
5.40% Kookmin Bank 28.5.2024 (A+)	200,000	935,401	952,602	1.78
5.355% Korea Development Bank 25.11.2023 (Aa2)	200,000	932,594	955,392	1.79
7.50% LMIRT Capital Pte Ltd 9.2.2026 (Caa1)***	200,000	818,012	527,628	0.99
7.25% MC Brazil Downstream Trading S.A R.L. 30.6.2031 (Ba3)	192,980	826,924	707,236	1.32
3.00% Modernland Overseas Pte Ltd 30.4.2027 (NR)**	47,832	3,767	82,362	0.15
4.00% Modernland Overseas Pte Ltd 30.4.2027 (Ca)**	737,339	2,819,743	1,264,844	2.37
5.36% Nonghyup Bank 22.4.2024 (A+)	200,000	902,241	956,864	1.79

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
5.375% Oil India Limited 17.4.2024 (Baa3)	400,000	1,848,244	1,914,058	3.58
4.75% PT Indonesia Asahan Aluminium (Persero) 15.5.2025 (Baa2)	200,000	878,919	934,424	1.75
4.875% PT Pelabuhan Indonesia II (Persero) 1.10.2024 (Baa2)	200,000	940,452	947,500	1.77
4.45% PT Saka Energi Indonesia 5.5.2024 (B2)	400,000	1,793,559	1,873,734	3.51
5.285% QNB Finance Ltd 18.4.2024 (A+)	200,000	902,062	955,174	1.79
5.60% QNB Finance Ltd 23.12.2023 (Aa3)	200,000	926,594	975,267	1.82
4.75% Republic of Azerbaijan 18.3.2024 (Ba1u)	200,000	849,542	927,403	1.73
3.766% RHB Bank Berhad 19.2.2024 (A3)	200,000	881,732	934,620	1.75
2.875% Saudi Arabian Oil Company 16.4.2024 (A1)	200,000	924,241	933,337	1.75
5.818% Shinhan Bank 24.5.2024 (Aa3)	200,000	912,965	943,649	1.77
6.50% SMC Global Power Holdings Corp. 25.4.2024 (NR)	200,000	862,436	841,936	1.57

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.375% State Bank of India 24.1.2024 (BBB-)	200,000	884,567	941,041	1.76
4.875% State Bank of India 17.4.2024 (BBB-)	200,000	939,394	949,738	1.78
0.00% United States of America 3.10.2023 (NR)	200,000	935,410	938,562	1.76
0.00% United States of America 24.10.2023 (F1+U)	400,000	1,867,774	1,871,342	3.50
0.00% United States of America 31.10.2023 (F1+U)	400,000	1,865,524	1,869,415	3.50
0.125% United States of America 15.1.2024 (Aaa)	200,000	927,284	924,868	1.72
0.125% United States of America 15.10.2023 (NR)	350,000	1,637,728	1,640,336	3.06
4.95% West China Cement Limited 8.7.2026 (Ba3)	200,000	851,220	668,976	1.25
4.75% Woori Bank 30.4.2024 (BBB+)	200,000	863,920	948,094	1.77

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.30% Xi Yang Overseas Limited 5.6.2024 (A-)	400,000	1,683,224	1,875,064	3.51
	<u>15,108,239</u>	<u>49,342,672</u>	<u>47,523,835</u>	<u>88.90</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(1,818,837)</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>47,523,835</u>		

- ** Modernland Overseas Pte. Ltd. And JGC Ventures Pte. Ltd. (together, the “Companies”) need to complete US\$200million of asset sales by 31 December 2024 as required by the JGC Ventures Pte Ltd due June 2025 and Modernland Overseas Pte Ltd due April 2027: 75% of proceeds to be used for Reverse Dutch Auction (RDA) to deleverage. US\$70million of the US\$200million asset sales target was achieved in 2021 after asset sales to PT Astra Modernland and this was used for the RDA in 2022 – US\$102.9million was bought back comprising US\$48.4million of JGC Ventures Pte Ltd and US\$54.5million of the Modernland Overseas Pte Ltd, at clearing prices of 53 cents and 47 cents respectively. No further sales since then. Other than the US\$240million of assets pledged for the USD\$ bonds, other gross assets as of financial year ended 2022 amounts to US\$632million. Security coverage ratio for the outstanding US\$ bonds as of March 2023 is 67.85%. Despite the rating withdrawal from Fitch, the Companies are still rated by Moody’s. The Companies are still in the midst of pursuing further asset sales and debt refinancing initiatives.
- *** The Fitch downgrade was due to the delay in LMIRT getting a definitive refinancing plan for the maturing S\$ loans and US\$ bonds due in 2024. However, on 16 October 2023, LMIRT demonstrated some progress in terms of getting a conditional approval for an extension of maturing loans due in November 2023 and January 2024 by 3 years, subject to certain conditions precedent (including a S\$47million upfront prepayment), with the indicative effective date to be 9 November 2023. Separately, LMIRT has been reported in the press to be holding refinancing discussions with some Indonesian banks to potentially deal with the US\$ bond maturities of US\$231.8million due in 2024 and US\$181.7million due in 2026.

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2022	Percentage of net asset value of the Fund
	EUR	RM	RM	%
7.125% Kondor Finance Plc 19.7.2024 (C)	200,000	955,190	221,844	0.44

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
2.80% Alibaba Group Holding Limited 6.6.2023 (A+)	200,000	845,254	922,397	1.84
7.65% Central China Real Estate Limited 27.8.2023 (B)	200,000	881,115	280,163	0.56
7.75% Central China Real Estate Limited 24.5.2024 (B)	200,000	841,192	252,459	0.50
2.85% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (NR)	200,000	819,819	905,416	1.81
4.25% Clean Renewable Power (Mauritius) Pte Ltd 25.3.2027 (BB-)	196,000	805,223	725,140	1.45
4.875% Comision Federal De Electricidad 15.1.2024 (BBB)	400,000	1,695,695	1,837,920	3.67

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
6.50% Country Garden Holdings Company Limited 8.4.2024 (BB+)	300,000	1,285,960	557,919	1.12
6.85% Democratic Socialist Republic of Sri Lanka 14.3.2024 (CC)	500,000	2,094,799	581,078	1.16
3.939% ESIC Sukuk Limited 30.7.2024 (NR)	200,000	839,241	897,794	1.79
6.375% Federal Republic of Nigeria 12.7.2023 (B-)	200,000	882,393	913,317	1.83
4.90% Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd 30.3.2025 (BBB+)	200,000	836,849	849,490	1.70
4.974% GLP China Holdings Limited 26.2.2024 (BBB-)	400,000	1,686,106	1,693,788	3.39
4.875% Greenko Investment Company 16.8.2023 (B+)	200,000	867,279	888,616	1.78
5.50% Greenko Wind Projects (Mauritius) Ltd 6.4.2025 (BB)	200,000	867,102	842,862	1.68
4.00% Huarong Finance 2017 Co., Ltd 7.11.2023 (BBB-)	200,000	883,339	939,515	1.88
5.375% India Green Energy Holdings 29.4.2024 (BB-)	250,000	1,061,547	1,114,074	2.23

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.00% JGC Ventures Pte Ltd 30.6.2025 (NR)	5,769	1,752	-	-
10.75% JGC Ventures Pte Ltd 30.6.2025 (CCC-)	358,313	1,429,188	755,987	1.51
7.375% Kondor Finance Plc 19.10.2023 (CCC)	500,000	2,128,508	509,850	1.02
7.50% LMIRT Capital Pte Ltd 9.2.2026 (B)	200,000	817,196	613,751	1.23
7.25% MC Brazil Downstream Trading S.A R.L. 30.6.2031 (BB-)	200,000	856,789	709,921	1.42
3.625% MISC Capital Two (Labuan) Limited 6.4.2025 (BBB)	200,000	868,032	902,892	1.80
3.00% Modernland Overseas Pte Ltd 30.4.2027 (NR)	24,797	-	51,362	0.10
6.95% Modernland Overseas Pte Ltd 13.4.2024 (CCC-)	2,237,339	6,658,162	4,515,542	9.03
4.80% New Metro Global Limited 15.12.2024 (BB-)	200,000	917,861	414,029	0.83
7.50% Pakistan Water and Power Development Authority 4.6.2031 (B-)	200,000	848,996	342,411	0.68

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.25% PT Adaro Indonesia 31.10.2023 (BBB-)	250,000	1,066,422	1,120,020	2.24
4.625% PT Bank Rakyat Indonesia (Persero) TBK 20.7.2023 (BBB-)	200,000	892,541	928,067	1.86
4.75% PT Indonesia Asahan Aluminium (Persero) 15.5.2025 (BBB-)	200,000	877,049	913,507	1.83
4.50% PT Pelabuhan Indonesia II (Persero) 2.5.2023 (BBB)	200,000	860,598	936,154	1.87
4.45% PT Saka Energi Indonesia 5.5.2024 (B+)	600,000	2,527,042	2,605,233	5.21
2.05% PT Sarana Multi Infrastruktur (Persero) 11.5.2026 (BBB)	200,000	804,994	816,059	1.63
7.875% Rail Capital Markets Plc 15.7.2026 (CC)	200,000	853,211	200,811	0.40
8.25% Rail Capital Markets Plc 9.7.2024 (CC)	500,000	2,110,550	507,050	1.01
4.75% Republic of Azerbaijan 18.3.2024 (BB+)	400,000	1,689,344	1,822,412	3.64
3.77% RHB Bank Berhad 19.2.2024 (A-3)	200,000	885,810	916,139	1.83
6.70% RKP Overseas 2019 (A) Limited 30.9.2024 (B+)	200,000	837,373	520,451	1.04

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
7.88% RKP Overseas 2019 (A) Limited 1.2.2023 (B+)	200,000	870,964	853,419	1.71
4.80% Shandong Iron and Steel Xinheng International Company Limited 28.7.2024 (NR)	200,000	852,787	867,579	1.73
6.50% SMC Global Power Holdings Corp. 25.4.2024 (NR)	200,000	861,022	865,045	1.73
4.25% SSG Resources Limited 4.10.2023 (A-)	200,000	854,539	946,287	1.89
4.75% State Oil Company of The Azerbaijan Republic 13.3.2023 (BB-)	200,000	828,576	916,455	1.83
4.125% Sultanate of Oman 17.1.2023 (BB)	200,000	897,170	926,740	1.85
3.70% Taiyuan Longcheng Development Investment Group Co., Ltd 26.6.2023 (BBB)	200,000	862,051	917,576	1.83
2.10% The Airport Authority Hong Kong 31.12.2099 (AA)	200,000	821,110	836,721	1.67
0.125% United States of America 31.10.2023 (NR)	500,000	2,313,840	2,312,934	4.62
4.15% Vanke Real Estate (Hong Kong) Company Limited 18.4.2023 (BBB)	200,000	887,819	918,036	1.84

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.9.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.95% West China Cement Limited 8.7.2026 (BB)	200,000	847,169	661,797	1.32
4.30% Xi Yang Overseas Limited 5.6.2024 (A-)	400,000	1,686,442	1,863,782	3.73
6.75% Yanlord Land (HK) Co., Ltd 23.4.2023 (B+)	400,000	1,784,659	1,802,320	3.60
8.30% Zhenro Properties Group Limited 15.9.2023 (C)*	200,000	873,842	40,500	0.08
	<u>15,022,218</u>	<u>61,321,511</u>	<u>49,254,631</u>	<u>98.44</u>

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

(12,066,880)

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

49,254,631

- * Zhenro Properties Group Limited (the “Company”) indicated on 30 August 2023 that they are unable to pay the capital and interest payments in the amount of US\$31,239,000 under the September 2022 Notes due on 1 September 2023. The Company’s operations have been halted due to the COVID lockdown situation in Shanghai, resulting in the progress of sales and asset disposal to be delayed. The non-payment of interest constituted an event of default which resulted in multiple notches downgrade by rating agencies. The Company has taken various measures to address its liquidity issues, which include obtaining extensions on its capital markets financings from offshore lender(s) and holders of five tranches of onshore asset-backed securities, maintaining the stability of construction and operation for its projects, seeking disposal of assets, and accelerating sales and cash collection. However, owing to such unforeseen scale of and much longer than expected lockdown in Shanghai in addition to the unfavourable housing market conditions and financial environment, the Company’s contracted sales and tight liquidity have not been fundamentally improved. The Company is likely to look at more permanent debt restructuring over the medium term given the continue disruption of operations.

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:

	2023	2022
	%	%
Unquoted fixed income securities	7.44	7.16

7. CASH AND CASH EQUIVALENTS

	2023	2022
	RM	RM
Bank balances with a licensed bank	6,544,147	8,955,728
Deposits with licensed financial institution	6,503,633	-
	<u>13,047,780</u>	<u>8,955,728</u>

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

	2023	2022
	RM	RM
MYR	8,967,660	256,735
EUR	55	64,662
USD	4,080,065	8,634,331
	<u>13,047,780</u>	<u>8,955,728</u>

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

	2023	2022
	%	%
Deposits with licensed financial institution	<u>3.40</u>	-

The deposit have an average maturity of 2 days (2022: Nil).

8. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 20 (2022: 10) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM50,106,320 (receivable) and RM51,604,378 (payable) (2022: RM124,110,585 (receivable) and RM129,859,735 (payable)). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in EUR 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.

	2023	2022
	RM	RM
Financial liabilities at fair value through profit or loss:		
Forward foreign currency contracts	<u>1,498,058</u>	<u>5,749,150</u>
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss:		
Realised loss on forward foreign currency contracts	(3,456,660)	(81,075)
Unrealised gain/(loss) on forward foreign currency contracts	<u>4,251,092</u>	<u>(7,967,234)</u>
	<u>794,432</u>	<u>(8,048,309)</u>

Forward foreign currency contracts

Name of issuer	Receivables	Payables	Fair value as at 30.9.2023	Percentage of net asset value of the Fund
	RM	RM	RM	%
CIMB Bank Berhad	25,866,950	26,947,321	(1,080,371)	(2.02)
HSBC Bank Malaysia Berhad	24,239,370	24,657,057	(417,687)	(0.78)
	<u>50,106,320</u>	<u>51,604,378</u>	<u>(1,498,058)</u>	<u>(2.80)</u>

Name of issuer	Receivables	Payables	Fair value as at 30.9.2022	Percentage of net asset value of the Fund
	RM	RM	RM	%
CIMB Bank Berhad	83,685,111	87,728,335	(4,043,224)	(8.08)
Hong Leong Bank Berhad	38,104,904	39,609,900	(1,504,996)	(3.01)
HSBC Bank Malaysia Berhad	2,320,570	2,521,500	(200,930)	(0.40)
	<u>124,110,585</u>	<u>129,859,735</u>	<u>(5,749,150)</u>	<u>(11.49)</u>

9. UNITS IN CIRCULATION

	2023	2022
	No. of units	No. of units
At the beginning of the financial year	63,605,839	131,073,441
Cancellation of units during the financial year	(961,228)	(67,467,602)
At the end of the financial year	62,644,611	63,605,839

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>2023</u>				
Citigroup Global Markets Limited	11,749,633	13.60	-	-
Wells Fargo Securities Llc	9,257,363	10.71	-	-
J.P. Morgan Securities	8,899,400	10.30	-	-
Deutsche Bank AG				
London	7,461,592	8.63	-	-
HSBC Singapore	5,316,514	6.15	-	-
UBS AG London	4,668,118	5.40	-	-
Marketaxess Capital Limited	3,807,681	4.41	-	-
BofA Securities, Inc.	3,698,318	4.28	-	-
Credit Agricole Corporate and Investment Bank	3,582,975	4.15	-	-
DBS Bank Limited	3,551,512	4.11	-	-
Others	24,435,490	28.26	-	-
	86,428,596	100.00	-	-

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2022</u>				
BNP Paribas S.A.	24,897,630	28.95	-	-
HSBC Singapore	16,030,267	18.64	-	-
Citigroup Global Markets Limited	7,140,318	8.30	-	-
Barclays Capital Inc	4,813,299	5.60	-	-
Merrill Lynch International Ltd	4,412,544	5.13	-	-
Wells Fargo Securities Llc	2,730,108	3.17	-	-
Ing Bank N.V.	2,487,591	2.89	-	-
Deutsche Bank AG	2,257,972	2.63	-	-
Goldman Sachs International London	2,233,481	2.60	-	-
Credit Suisse AG	2,114,816	2.46	-	-
Others	16,889,637	19.63	-	-
	<u>86,007,663</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
Director of Eastspring Investments Berhad	Director of the Manager
Eastspring Investments Berhad	The Manager
Eastspring Investments Group Private Limited	Immediate holding company of the Manager
Prudential Plc	Ultimate holding company of the Manager

Units held by Manager:

	2023		2022	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,000	853	1,000	787

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 Unlisted Capital Market Products under the Lodge and Launch Framework. 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. TOTAL EXPENSE RATIO ("TER")

	2023	2022
	%	%
TER	0.33	0.29

TER is derived from the following calculation:

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

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 RM52,667,084 (2022: RM101,240,040).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2023	2022
PTR (times)	0.90	0.59

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 = RM56,703,951 (2022: RM61,356,220)

total disposals for the financial year = RM38,223,480 (2022: RM58,315,468)

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 22 November 2023.

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

200001028634 (531241-U)

REGISTERED OFFICE

Level 25, Menara Hong Leong

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BUSINESS OFFICE

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Persiaran TRX Barat

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TRUSTEE

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

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SALE & PURCHASE OF UNITS

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