



A Prudential plc company 

EASTSPRING INVESTMENTS WHOLESALE BOND FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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/Semi-annual/Quarterly Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 December 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	Eastspring Investments Wholesale Bond Fund (the "Fund")
Fund Category/ Type	Fixed Income/Income
Fund Objective	<p>The Fund aims to provide regular income stream* and capital growth to Unit Holders.</p> <p>* Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.</p> <p>ANY MATERIAL CHANGE TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</p>
Performance Benchmark	<p>60% Refinitiv BPAM 1 – 3 years corporate bond index + 40% Refinitiv BPAM 1 – 3 years government bond index.</p> <p>Note: 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 quarterly basis, after deduction of taxation and expenses.</p>

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR/PERIOD ENDED

Category	2023	Since commencement 11.4.2022 to 31.12.2022
	(%)	(%)
Unquoted fixed income securities	77.57	72.75
Cash and other assets	22.43	27.25
Total	100.00	100.00
Net Asset Value (NAV) (RM'000)	384,322	124,711
Units In Circulation (Units '000)	375,015	123,511
Net Asset Value Per Unit (RM)	1.0248	1.0097
Highest Net Asset Value Per Unit (RM) [#]	1.0246	1.0096
Lowest Net Asset Value Per Unit (RM) [#]	1.0246	1.0062
Total Return (%)		
- Capital Growth	1.49	0.96
- Income Distribution	2.84	1.21
Total Return (%)	4.37	2.18
Gross Distribution Per Unit (RM)	0.0287	0.0122
Net Distribution Per Unit (RM)	0.0287	0.0122
Total Expense Ratio (TER) (%) [*]	0.56	0.43
Portfolio Turnover Ratio (PTR) (times) [^]	0.76	0.69

[#] Figures shown as ex-distribution.

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

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

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.1.2023 to 31.12.2023	Since commencement 11.4.2022 to 31.12.2023
	(%)	(%)
Average total return	4.37	3.80

Year ended	1.1.2023 to 31.12.2023	Since commencement 11.4.2022 to 31.12.2022
	(%)	(%)
Annual total return	4.37	2.18

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.

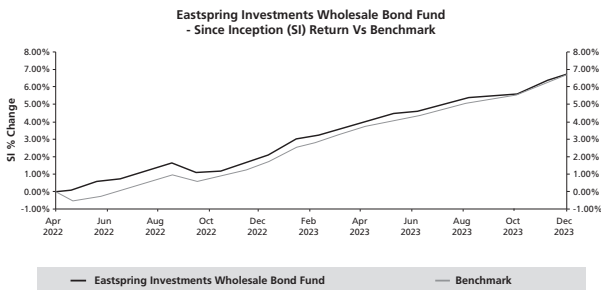
MANAGER'S REPORT

Fund Performance

Since inception, the Fund recorded a return of 6.65%, outperforming the benchmark return of 6.64% by 0.01%.

During the period under review, the Fund registered a return of 4.37%, underperforming the benchmark return of 4.79% by 0.42%.

The outperformance in the period under review was mainly attributed to the Fund's investment in government bonds and short-term AAA bonds which underperformed the benchmark.



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

Benchmark: 60% Refinitiv BPAM 1 – 3 years corporate bond index + 40% Refinitiv BPAM 1 – 3 years government bond index.

Source: Lipper for Investment Management, as at 31 December 2023.

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

MANAGER'S REPORT (CONTINUED)

Analysis of Fund Performance

For the financial year ended 31 December 2023:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
2.84	1.49	4.37	4.79

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

Distribution/ Unit Split

Ex-Date	Distribution per unit		Net Asset Value per unit	
	Gross (RM)	Net (RM)	Before Distribution (RM)	After Distribution (RM)
29/3/2023	0.0051	0.0051	1.0239	1.0188
23/6/2023	0.0103	0.0103	1.0283	1.0180
22/9/2023	0.0082	0.0082	1.0259	1.0177
29/12/2023	0.0051	0.0051	1.0297	1.0246

No unit split were declared for the financial year ended 31 December 2023.

Investment Strategy During the Period Under Review

The market remains volatile, albeit at a lesser degree. We will continue to look for trading opportunities in these volatile times. Domestic sukuk yields would be supported by expectations of weaker economic growth, lower inflation outlook and loosening global and domestic monetary policies, exacerbated by the COVID-19 pandemic.

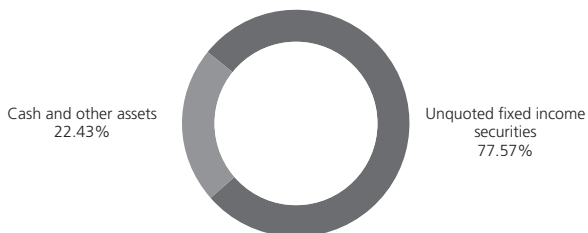
In this volatile and sentiment-driven market, we prefer corporate bonds over government bonds for yield pickup and lower volatility.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Dec 2023 (%)	31-Dec 2022 (%)	Changes (%)
Unquoted fixed income securities	77.57	72.75	4.82
Cash and other assets	22.43	27.25	(4.82)

Asset Allocation as at 31 December 2023



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.

MARKET REVIEW

2023 was a year of transition for the global economy and financial markets. As extreme inflation subsided, investors' attention shifted to slowing growth and prospects for rate cuts. During the period, the Federal Reserve ("Fed") raised its federal funds rate by 100 bps during the review period to 5.25%-5.50% citing that the U.S. economy has been expanding at a moderate pace while inflation remains elevated. However, in its September Federal Open Market Committee ("FOMC") meeting, the Fed left the federal funds rate unchanged as its indicators suggest that "growth of economic activity has slowed" from its strong pace in the third quarter and with a much clearer shift to a more dovish tone in its December meeting led to an accelerated the market rally. Towards year end, the revised dot plot – a chart plotting FOMC projections for the federal funds rate - indicated that the three rate cuts are now anticipated for 2024, up from the previously expected two. With more encouraging news on inflation, the FOMC appears more comfortable with the progress made in bringing inflation back towards the target.

Also, the U.S. was confronted with a banking crisis which saw Silicon Valley Bank ("SVB") failing after a bank run in mid-March, marking the second largest bank failure by asset size in U.S. history. The collapse of SVB was due to the significant withdrawals from its technology and start-up depositors, as well as its over-exposure to investments that had suffered huge mark-to-market losses. Also, the U.S. debt ceiling issue came to an end in June with the final agreement to suspend the debt limit until 2025 (after the next presidential election). At the initial, there was some investor caution around U.S. debt ceiling concerns, but legislation that suspended the debt ceiling was approved by U.S. Congress in the first days of June in a deal that included concessions on spendings. Separately, the U.S. also had avoided the shutdown of Federal agencies as the Congress approves temporary funding and pushes the fight over the federal budget into the new year 2024.

In Malaysia, Bank Negara Malaysia ("BNM") increased its Overnight Policy Rate ("OPR") to 3.00% in its May Monetary Policy Committee ("MPC") meeting as it noted that the decision remains supportive of the economy and is consistent with the current assessment of the inflation and growth prospects. In its last MPC statement, it added a new paragraph touching on currency volatility, attributing MYR weakness to a strong USD, tight US monetary policy and concerns over geopolitical tensions, BNM emphasized that FX volatility would not derail Malaysia's growth prospects. The approach to "manage risks of heightened volatility, including to provide liquidity, to ensure the orderly functioning of the domestic foreign exchange market" echoes prior statements from the Financial Markets Committee. Also, the MPC retains its data-dependent stance, noting the government's intention to review price controls and subsidies in 2024 will affect the outlook for inflation and demand conditions.

During the period, the 10-year MADANI economy roadmap was unveiled by the Malaysian government. Among the key initiatives include taking Malaysia into one of the top 30 economies in the world over the next decade, improving Malaysia's standing in the Global Competitiveness Index to 12th and Human Development Index to 25th, growing GDP by 5.5% to 6.0% and reducing the fiscal deficit to 3.0% or lower. Also, Malaysia unveiled its New Industrial Master Plan ("NIMP") 2030 and National Energy Transition Roadmap ("NETR") as part of its medium-long term plan to drive Malaysia's future growth.

Also, Malaysian PM Anwar Ibrahim tabled Budget 2024 in October, targeting a fiscal deficit of 4.3% of GDP with an expenditure allocation of RM393.8bn and a revenue projection of RM307.6bn. Among the key measures announced include the hike in sales and service tax ("SST") from 6% to 8%, the introduction of capital gains tax on sale of unlisted shares in Mar 2024, and a Luxury Goods Tax which will be set at 5-10%. Diesel subsidies will also be rationalized, however, logistic companies would be exempted, while the ceiling price for chicken and eggs would be removed. Meanwhile, Allocation for Rahmah Cash Aid ("STR") was raised to RM10bn from RM8bn and will benefit 9m recipients. A Budget Monitoring Committee will be established to ensure allocations under Budget 2024 are well disbursed for the people's benefit.

Malaysia's CPI and core CPI continued to decline to 1.5% and 2.0% year-on-year (y-o-y) respectively in November (October: 1.8%; 2.4%). The unemployment rate remained unchanged at 3.4% from June to October 2023. BNM international reserves increased to US\$112.8bn as of mid-December (mid-Nov: US\$110.5bn). The reserves position is sufficient to finance 5.5 months of imports and is 1.0x of the total short-term external debt.

Malaysia's MGS yield curve traded lower and flatter during the period with 3-, 5-, 10- and 15-year yields closed at 3.46%, 3.56%, 3.73% and 3.98%, respectively. The decrease in yields was driven by global inflation expectations declining, reduction in political risk and low prospects of further policy hike by BNM. MGII yields too ended the same across the curve with the 3-, 5-, 10- and 15-year MGII close at 3.48%, 3.59%, 3.78% and 3.95% respectively.

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.

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EASTSPRING INVESTMENTS WHOLESALE BOND FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 18 to 57 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 31 December 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: 23 February 2024

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS WHOLESALE BOND FUND ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 December 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.

We are of the opinion that the distribution of income by the Fund is appropriate and reflects the investment objective of the Fund.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Fund Operations

Sylvia Beh
Chief Executive Officer

Kuala Lumpur
Date: 23 February 2024

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS WHOLESALE BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Wholesale Bond Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 December 2023, and of its financial performance and its cash flows for the financial year then 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 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, comprising material accounting policy information and other explanatory information, as set out on pages 18 to 57.

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: 23 February 2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Financial year ended 31.12.2023	Financial period from 21.3.2022 (launch date) to 31.12.2022
		RM	RM
INVESTMENT INCOME			
Interest income from deposits with licensed financial institutions		2,165,612	826,852
Interest income from unquoted fixed income securities		6,731,027	2,253,966
Net gain on financial assets at fair value through profit or loss	7	1,953,187	120,749
		<u>10,849,826</u>	<u>3,201,567</u>
EXPENSES			
Management fee	3	(1,153,899)	(446,271)
Trustee fee	4	(115,390)	(44,627)
Audit fee		(6,500)	(6,500)
Tax agent fee		(3,700)	(4,900)
Other expenses		(21,665)	(28,117)
		<u>(1,301,154)</u>	<u>(530,415)</u>
PROFIT BEFORE TAXATION		9,548,672	2,671,152
TAXATION	5	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>9,548,672</u>	<u>2,671,152</u>
Profit after taxation is made up of the following:			
Realised amount		7,788,568	2,876,861
Unrealised amount		1,760,104	(205,709)
		<u>9,548,672</u>	<u>2,671,152</u>

The accompanying material accounting policy information and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023	2022
		RM	RM
ASSETS			
Cash and cash equivalents	8	61,356,947	7,008,867
Deposits with licensed financial institutions	10	25,046,153	27,050,866
Financial assets at fair value through profit or loss	7	298,111,484	90,729,463
TOTAL ASSETS		<u>384,514,584</u>	<u>124,789,196</u>
LIABILITIES			
Accrued management fee		156,781	52,735
Amount due to Trustee		15,678	5,274
Other payables and accruals		19,994	20,186
TOTAL LIABILITIES		<u>192,453</u>	<u>78,195</u>
NET ASSET VALUE OF THE FUND		<u>384,322,131</u>	<u>124,711,001</u>
EQUITY			
Unit holders' capital		378,770,636	123,524,679
Retained earnings		5,551,495	1,186,322
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>384,322,131</u>	<u>124,711,001</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>375,014,891</u>	<u>123,510,763</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>1.0248</u>	<u>1.0097</u>

The accompanying material accounting policy information 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 2023

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 January 2023		123,524,679	1,186,322	124,711,001
Movement in unit holders' contribution:				
Creation of units from applications		255,062,458	-	255,062,458
Creation of units from distributions		7,127,128	-	7,127,128
Cancellation of units		(5,000,000)	-	(5,000,000)
Distributions (Gross/Net: 2.87 sen)	6	(1,943,629)	(5,183,499)	(7,127,128)
Total comprehensive income for the financial year		-	9,548,672	9,548,672
Balance as at 31 December 2023		<u>378,770,636</u>	<u>5,551,495</u>	<u>384,322,131</u>
Balance as at 21 March 2022 (launch date)		-	-	-
Movement in unit holders' contribution:				
Creation of units from applications		122,039,849	-	122,039,849
Creation of units from distribution		1,484,830	-	1,484,830
Distribution (Gross/Net: 1.22 sen)	6	-	(1,484,830)	(1,484,830)
Total comprehensive income for the financial period		-	2,671,152	2,671,152
Balance as at 31 December 2022		<u>123,524,679</u>	<u>1,186,322</u>	<u>124,711,001</u>

The accompanying material accounting policy information 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 2023

	Note	Financial year ended 31.12.2023	Financial period from 21.3.2022 (launch date) to 31.12.2022
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		75,730,000	40,425,000
Purchase of investments		(278,350,591)	(130,405,000)
Placement of deposits with licensed financial institutions		(40,000,000)	(27,000,000)
Proceeds from maturity of deposits with licensed financial institutions		42,000,000	-
Interest received from deposits with licensed financial institutions		2,170,325	775,986
Interest received from unquoted fixed income securities		3,922,784	1,625,251
Management fee paid		(1,049,853)	(393,536)
Trustee fee paid		(104,986)	(39,353)
Payment for other fees and expenses		(32,057)	(19,330)
Net cash used in operating activities		<u>(195,714,378)</u>	<u>(115,030,982)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		255,062,458	122,039,849
Payments for cancellation of units		(5,000,000)	-
Net cash generated from financing activities		<u>250,062,458</u>	<u>122,039,849</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		54,348,080	7,008,867
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/ LAUNCH DATE			
		<u>7,008,867</u>	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD			
	8	<u>61,356,947</u>	<u>7,008,867</u>

The accompanying material accounting policy information and notes to the financial statements form an integral part of these financial statements.

MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 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 revenue and expenses during the reported financial year/period. 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 J.

a. Standards and amendments to existing standards effective 1 January 2023:

There are no standards, amendments to standards or interpretations that are effective for financial periods beginning on 1 January 2023 that have a material effect on the financial statements of the Fund.

b. New standards, amendments and interpretations effective after 1 January 2023 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 2023 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).

Realised 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, which is determined on cost adjusted for accretion of discount and amortisation of premium.

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/period.

D. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Fund's functional and presentation currency.

E. 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 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 deposits with licensed financial institutions 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 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 it is 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" category 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/period in which they arise.

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. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted 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;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market 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/period.

F. 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.

G. 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/period 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.

H. AMOUNT DUE FROM/(TO) BROKER

Amount due from and to broker 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.

I. DISTRIBUTION

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

J. 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 the Trustee 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 Shariah-compliant 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 31 DECEMBER 2023

1. INFORMATION ON THE FUND

Eastspring Investments Wholesale Bond Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 11 February 2022 (the “Deed”) entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund was launched on 21 March 2022 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The Fund aims to provide regular income stream and capital growth to Unit Holders. The Fund seeks to achieve its objective by actively managing a portfolio of corporate bonds, bonds issued or guaranteed by Malaysian government or BNM, money market instruments, money market funds and/or deposits

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 a variety of risks, which include market risk (inclusive of price risk and interest rate risk), liquidity risk, credit/default risk, fund management risk, non-compliance risk and capital risk.

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

Financial instruments of the Fund are as follows:

	Note	Financial assets at amortised cost RM	Financial assets at fair value through profit or loss RM	Total RM
<u>2023</u>				
Cash and cash equivalents	8	61,356,947	-	61,356,947
Deposits with licensed financial Institutions	10	25,046,153	-	25,046,153
Unquoted fixed income securities	7	-	298,111,484	298,111,484
		<u>86,403,100</u>	<u>298,111,484</u>	<u>384,514,584</u>
<u>2022</u>				
Cash and cash equivalents	8	7,008,867	-	7,008,867
Deposits with licensed financial Institutions	10	27,050,866	-	27,050,866
Unquoted fixed income securities	7	-	90,729,463	90,729,463
		<u>34,059,733</u>	<u>90,729,463</u>	<u>124,789,196</u>

All liabilities 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 31 December which are exposed to price risk:

	2023	2022
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities*	298,111,484	90,729,463

* Includes interest receivables of RM3,769,014 (2022: RM696,064).

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to movements in price of unquoted fixed income securities at the end of each reporting financial year/period. The analysis is based on the assumptions that the prices of the unquoted fixed income securities increased 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	Market value	Impact on profit after tax and net asset value
	RM	RM
<u>2023</u>		
+5%	309,059,594	14,717,124
-5%	279,625,347	(14,717,124)
		<hr/>
<u>2022</u>		
+5%	94,535,069	4,501,670
-5%	85,531,729	(4,501,670)
		<hr/>

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 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 table below summarises the sensitivity of the Fund's profit after tax and net asset value to movements in interest rate for investments at the end of each reporting financial year/period. The analysis is based on the assumptions that the interest rate changed by 1% (2022: 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
% Movement in interest rate of unquoted fixed income securities	Impact on profit after tax and net asset value	Impact on profit after tax and net asset value
	RM	RM
+1% (2022: +1%)	(406,455)	(148,701)
- 1% (2022: -1%)	407,366	149,068

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

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	Total
	RM	RM	RM
<u>2023</u>			
Accrued management fee	156,781	-	156,781
Amount due to Trustee	15,678	-	15,678
Other payables and accruals	-	19,994	19,994
Contractual undiscounted cash outflows	<u>172,459</u>	<u>19,994</u>	<u>192,453</u>
<u>2022</u>			
Accrued management fee	52,735	-	52,735
Amount due to Trustee	5,274	-	5,274
Other payables and accruals	-	20,186	20,186
Contractual undiscounted cash outflows	<u>58,009</u>	<u>20,186</u>	<u>78,195</u>

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.

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. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC's Guidelines on Unlisted Capital Market Products under Lodge and Launch Framework.

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 Unlisted Capital Market Products under Lodge and Launch Framework.

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

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Deposits with licensed financial institutions	Total
	RM	RM	RM	RM
<u>2023</u>				
Financial Services				
- AAA	-	61,088,106	25,046,153	86,134,259
- AA1	-	268,841	-	268,841
Unquoted Fixed Income Securities				
Consumer				
Discretionary				
- AA1 (S)	13,798,088	-	-	13,798,088
- AA3 (S)	5,150,501	-	-	5,150,501
Energy & Utilities				
- AA- IS	10,350,212	-	-	10,350,212
- AA1	11,318,851	-	-	11,318,851
- AA3	10,299,965	-	-	10,299,965
- AAA	5,039,176	-	-	5,039,176
Financial				
- A1	25,405,778	-	-	25,405,778
- AA	14,474,269	-	-	14,474,269
- AA1	27,493,369	-	-	27,493,369
- AA3	29,437,781	-	-	29,437,781
- AAA	5,049,030	-	-	5,049,030
- AAA (S)	19,375,221	-	-	19,375,221
Government Bond				
- NR (LT)	81,239,178	-	-	81,239,178
Information				
Technology				
- AA IS (CG)	5,199,730	-	-	5,199,730
Real Estate				
- AA+ IS	14,288,496	-	-	14,288,496
Transportation & Storage				
- AA IS	9,984,840	-	-	9,984,840
- AA- IS	5,159,533	-	-	5,159,533
- AAA	5,047,466	-	-	5,047,466
	<u>298,111,484</u>	<u>61,356,947</u>	<u>25,046,153</u>	<u>384,514,584</u>

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Deposits with licensed financial institutions	Total
	RM	RM	RM	RM
<u>2022</u>				
Financial Services				
- AAA	-	6,741,071	27,050,866	33,791,937
- AA1	-	267,796	-	267,796
Unquoted Fixed Income Securities				
- AAA	15,038,523	-	-	15,038,523
- AAA (S)	4,991,601	-	-	4,991,601
- AA1	9,958,420	-	-	9,958,420
- AA	4,847,112	-	-	4,847,112
- AA IS (CG)	5,063,079	-	-	5,063,079
- AA3	5,008,237	-	-	5,008,237
- AA3 (S)	5,056,167	-	-	5,056,167
- A1	10,081,806	-	-	10,081,806
- NR	30,684,518	-	-	30,684,518
	<u>90,729,463</u>	<u>7,008,867</u>	<u>27,050,866</u>	<u>124,789,196</u>

None of these financial assets are past due or impaired.

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 have an oversight function over management of the Fund by the management company to safeguard the interests of unit holders.

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 RM378,770,636 (2022: RM123,524,679) and retained earnings of RM5,551,495 (2022: RM1,186,322). 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.

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 trading securities) are based on quoted market prices at the close of trading on the financial year/period 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.

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 (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	-	298,111,484	-	298,111,484
				<hr/>
<u>2022</u>				
Financial assets at fair value through profit or loss since inception:				
Unquoted fixed income securities	-	90,729,463	-	90,729,463
				<hr/>

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 which include unquoted fixed income securities. 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 E to the financial statements.

- ii. The carrying value of cash and cash equivalents, deposits with licensed financial institutions 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 2.00% per annum of the net asset value of the Fund, calculated on daily basis.

For the financial year ended 31 December 2023, the management fee is recognised at a rate of 0.50% (2022: 0.50%) per annum on the net asset value of the Fund, 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.

For the financial year ended 31 December 2023, the Trustee fee is recognised at a rate of 0.05% (2022: 0.05%) subject to a minimum fee of RM15,000 per annum on the net asset value of the Fund (excluding foreign custodian fees and 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

	Financial year ended 31.12.2023	Financial period from 21.3.2022 (launch date) to 31.12.2022
	RM	RM

Tax charged for the financial year/period:

Current taxation - -

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

	Financial year ended 31.12.2023	Financial period from 21.3.2022 (launch date) to 31.12.2022
	RM	RM
Profit before taxation	9,548,672	2,671,152
Tax at Malaysian statutory rate of 24% (2022: 24%)	2,291,681	641,076
Tax effects of:		
Investment income not subject to tax	(2,603,958)	(768,376)
Expenses not deductible for tax purposes	33,784	18,635
Restriction on tax deductible expenses for Wholesale Funds	278,493	108,665
Taxation	-	-

6. DISTRIBUTION

Distribution to unit holders is from the following sources:

	Financial year ended 31.12.2023	Financial period from 21.3.2022 (launch date) to 31.12.2022
	RM	RM
Interest income	5,879,323	1,639,650
Net realised gain on sale of investments	193,083	120,749
Dividend equalisation	1,943,629	-
	<hr/>	<hr/>
Gross realised income	8,016,035	1,760,399
Less: Expenses	(888,907)	(275,569)
	<hr/>	<hr/>
	7,127,128	1,484,830
	<hr/>	<hr/>
Gross distribution per unit (sen)	2.87	1.22
	<hr/>	<hr/>
Net distribution per unit (sen)	2.87	1.22
	<hr/>	<hr/>
Ex-Date	29 March 2023	-
	23 June 2023	-
	22 September 2023	-
	<hr/>	<hr/>
	29 December 2023	9 December 2022

Gross distribution is derived using total income less total expenses. The distribution is made from current financial year/period 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.

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purposes of determining amount available for distribution, distribution equalisation is included in the computation of realised gain or income available for distribution.

During the financial year ended 31 December 2023, the Fund incurred unrealised losses of RM Nil (2022: RM205,709).

7. 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	298,111,484	90,729,463

	Financial year ended 31.12.2023	Financial period from 21.3.2022 (launch date) to 31.12.2022
	RM	RM
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	193,083	326,458
Change in unrealised fair value gain/(loss)	1,760,104	(205,709)
	<u>1,953,187</u>	<u>120,749</u>

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2023	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.00% Affin Bank Berhad 26.7.2032 (A1)	10,000,000	10,277,130	10,390,908	2.70
4.18% AmBank (M) Berhad 28.3.2031 (AA3)	10,000,000	10,001,472	10,127,849	2.64
4.59% AmBank (M) Berhad 27.6.2033 (AA3)	5,000,000	5,003,144	5,079,994	1.32
3.75% Bank Islam Malaysia Berhad 26.3.2030 (A1)	5,000,000	5,018,331	5,032,229	1.31
3.60% Bank Islam Malaysia Berhad 21.10.2030 (A1)	10,000,000	9,919,104	9,982,641	2.60
3.92% Cagamas Berhad 29.4.2025 (AAA)	5,000,000	5,033,830	5,049,030	1.31
3.15% CIMB Group Holdings Berhad 12.11.2030 (AA)	5,000,000	4,859,076	4,946,512	1.29
3.85% CIMB Group Holdings Berhad 25.11.2024 (AA)	9,500,000	9,515,588	9,527,757	2.48
4.02% Danum Capital Berhad 30.6.2025 (AAA (S))	5,000,000	5,001,652	5,022,302	1.31
5.07% GENM Capital Berhad 5.5.2028 (AA1 (S))	8,500,000	8,566,118	8,669,478	2.26

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2023	Percentage of net asset value of the Fund
	RM	RM	RM	%
4.90% GENM Capital Berhad 22.8.2025 (AA1 (S))	5,000,000	5,118,450	5,128,610	1.33
3.45% Hong Leong Assurance Berhad 26.12.2025 (AA3)	5,000,000	4,907,911	4,920,390	1.28
3.85% Hong Leong Assurance Berhad 31.1.2030 (AA3)	9,200,000	9,265,084	9,309,548	2.42
4.20% Hong Leong Bank Berhad 17.6.2033 (AA1)	5,000,000	5,007,479	5,025,579	1.31
5.24% Lebuhraya Duke Fasa 3 Sdn Bhd 23.8.2027 (AA- IS)	5,000,000	5,157,029	5,159,533	1.34
3.41% Malayan Banking Berhad 5.8.2031 (AA1)	17,500,000	17,438,166	17,472,235	4.55
3.79% Malaysia Airports Holdings Berhad 25.4.2025 (AAA)	5,000,000	5,034,266	5,047,466	1.31
3.906% Malaysia Government 15.7.2026 (NR (LT))	79,000,000	81,271,737	81,239,178	21.14
3.15% Pelabuhan Tanjung Pelepas Sdn Bhd 28.8.2025 (AA IS)	10,000,000	9,956,462	9,984,840	2.60

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2023	Percentage of net asset value of the Fund
	RM	RM	RM	%
4.10% Pengurusan Air SPV Berhad 3.6.2025 (AAA)	5,000,000	5,015,726	5,039,176	1.31
4.99% PONSB Capital Berhad 30.6.2027 (AA3 (S))	5,000,000	5,002,051	5,150,501	1.34
5.40% Quantum Solar Park (Semenanjung) Sdn Bhd 6.10.2025 (AA- IS)	10,000,000	10,343,992	10,350,212	2.69
5.09% RP Hydro (Kelantan) Sdn Bhd 14.7.2028 (AA3)	5,000,000	5,117,620	5,147,420	1.34
5.13% RP Hydro (Kelantan) Sdn Bhd 12.1.2029 (AA3)	5,000,000	5,118,545	5,152,545	1.34
4.08% SIME Darby Property Berhad 21.8.2026 (AA+ IS)	14,000,000	14,208,136	14,288,496	3.72
4.20% Toyota Capital Malaysia Sdn Bhd 26.6.2026 (AAA (S))	4,000,000	4,049,451	4,071,546	1.06
4.35% Toyota Capital Malaysia Sdn Bhd 29.8.2028 (AAA (S))	10,000,000	10,169,117	10,281,373	2.68
3.00% United Overseas Bank (Malaysia) Bhd 2.8.2030 (AA1)	5,000,000	4,932,576	4,995,555	1.30

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2023	Percentage of net asset value of the Fund
	RM	RM	RM	%
4.74% VS Capital Management Sdn Bhd 21.9.2027 (AA IS (CG))	5,000,000	5,066,230	5,199,730	1.35
4.95% YTL Power International Berhad 11.10.2024 (AA1)	6,000,000	6,108,898	6,115,736	1.59
5.05% YTL Power International Berhad 3.5.2027 (AA1)	5,000,000	5,072,718	5,203,115	1.35
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>292,700,000</u>	296,557,089	<u>298,111,484</u>	77.57
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,554,395</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>298,111,484</u>	

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2022	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.00% Affin Bank Berhad 26.7.2032 (A1)	5,000,000	5,108,904	5,130,554	4.11
4.18% AmBank (M) Berhad 28.3.2031 (A1)	5,000,000	4,940,083	4,951,252	3.97
3.92% Cagamas Berhad 29.4.2025 (AAA)	5,000,000	5,033,293	5,021,443	4.03
3.15% CIMB Group Holdings Berhad 11.12.2030 (AA)	5,000,000	4,838,772	4,847,112	3.89
4.53% Danainfra Nasional Berhad 11.12.2025 (NR)	30,000,000	30,879,695	30,684,518	24.60
4.02% Danum Capital Berhad 30.6.2025 (AAA (S))	5,000,000	5,001,101	4,991,601	4.00
3.85% Hong Leong Assurance Berhad 31.1.2030 (AA3)	5,000,000	5,018,335	5,008,237	4.02
3.79% Malaysia Airports Holdings Berhad 25.4.2025 (AAA)	5,000,000	5,034,266	5,000,566	4.01
4.10% Pengurusan Air SPV Berhad 6.3.2025 (AAA)	5,000,000	5,015,164	5,016,514	4.02
4.99% PONS B Capital Berhad 30.6.2027 (AA3 (S))	5,000,000	5,001,367	5,056,167	4.05

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2022	Percentage of net asset value of the Fund
	RM	RM	RM	%
3.00% United Overseas Bank (Malaysia) Berhad 8.2.2030 (AA1)	5,000,000	4,916,004	4,895,755	3.93
4.74% VS Capital Management Sdn Berhad 21.9.2027 (AA IS (CG))	5,000,000	5,066,779	5,063,079	4.06
5.05% YTL Power International Berhad 5.3.2027 (AA1)	5,000,000	5,081,409	5,062,665	4.06
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>90,000,000</u>	90,935,172	<u>90,729,463</u>	72.75
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(205,709)</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>90,729,463</u>		

The effective weighted average interest rate 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	3.96	4.21

8. CASH AND CASH EQUIVALENTS

	2023	2022
	RM	RM
Bank balance with a licensed bank	268,841	267,796
Deposits with licensed financial institutions	61,088,106	6,741,071
	61,356,947	7,008,867

The effective weighted average interest rate of short-term deposits with licensed financial institutions per annum as at the date of statement of financial position are as follows:

	2023	2022
	%	%
Deposits with licensed financial institutions	3.87	2.90

The deposits have an average maturity of 51 days (2022: 3 days).

9. UNITS IN CIRCULATION

	2023	2022
	No. of units	No. of units
At the beginning of the financial year/launch date	123,510,763	-
Creation of units during the financial year/period:		
Arising from applications	249,413,588	122,035,083
Arising from distributions	6,989,139	1,475,680
Cancellation of units during the financial year/period	(4,898,599)	-
At the end of the financial year/period	<u>375,014,891</u>	<u>123,510,763</u>

10. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2023	2022
	RM	RM
Deposits of more than 3 months with licensed financial institutions	<u>25,046,153</u>	<u>27,050,866</u>
	<u>25,046,153</u>	<u>27,050,866</u>

The effective weighted average interest rate of deposits of more than 3 months with licensed financial institutions per annum as at the date of statement of financial position are as follows:

	2023	2022
	%	%
Deposits of more than 3 months with licensed financial institutions	<u>4.27</u>	<u>4.44</u>

The deposits have an average maturity of 168 days (2022: 167 days).

11. TRANSACTIONS WITH DEALERS

Details of transactions with the dealers are as follows:

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
2023				
CIMB Bank Berhad	102,015,100	29.18	-	-
Hong Leong Bank Berhad	52,301,500	14.96	-	-
AmBank (M) Berhad	48,990,000	14.01	-	-
Affin Hwang Investment Bank Berhad	44,903,940	12.85	-	-
Citibank Berhad	40,566,000	11.61	-	-
Maybank Islamic Berhad	29,706,250	8.50	-	-
RHB Investment Bank Berhad	10,944,800	3.13	-	-
HSBC Bank Malaysia Berhad	10,114,500	2.89	-	-
United Overseas Bank (Malaysia) Berhad	5,038,500	1.44	-	-
AmlInvestment Bank Berhad	5,000,000	1.43	-	-
	349,580,590	100.00	-	-
2022				
CIMB Bank Berhad	111,215,500	65.10	-	-
Citibank Berhad	10,098,000	5.91	-	-
Maybank Islamic Berhad	10,000,000	5.85	-	-
United Overseas Bank (Malaysia) Berhad	9,934,500	5.82	-	-
RHB Investment Bank Berhad	9,657,500	5.65	-	-
Hong Leong Bank Berhad	5,044,500	2.95	-	-
Affin Hwang Investment Bank Berhad	5,000,000	2.93	-	-
HSBC Bank Malaysia Berhad	5,000,000	2.93	-	-
Standard Chartered Bank Malaysia Berhad	4,880,000	2.86	-	-
	170,830,000	100.00	-	-

All dealers highlighted above are not related to the Manager. There are no brokerage fees charged by the dealers for the financial year ended 31 December 2023 and 31 December 2022.

12. TOTAL EXPENSE RATIO ("TER")

	Financial year ended 31.12.2023	Financial period from 21.3.2022 (launch date) to 31.12.2022
	%	%
TER	0.56	0.43

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/period calculated on a daily basis is RM230,815,735 (2022: RM122,917,797).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	Financial year ended 31.12.2023	Financial period from 21.3.2022 (launch date) to 31.12.2022
PTR (times)	0.76	0.69

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year/period = RM278,350,590 (2022: RM130,405,000)

total disposals for the financial year/period = RM71,230,000 (2022: RM40,425,000)

14. 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	1,041	1,067	1,012	1,022

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.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 23 February 2024.

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

200001028634 (531241-U)

REGISTERED OFFICE

Level 25, Menara Hong Leong

No. 6, Jalan Damanela

Bukit Damansara

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BUSINESS OFFICE

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Persiaran TRX Barat

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Kuala Lumpur

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TRUSTEE

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

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SALE & PURCHASE OF UNITS

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Persiaran TRX Barat

55188 Tun Razak Exchange

Kuala Lumpur

TELEPHONE NO.

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