

# EASTSPRING INVESTMENTS TARGET INCOME FUND 5

## INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD  
ENDED 30 JUNE 2020



**Dear Valued Investor,**

Greetings from Eastspring Investments Berhad!

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

**We are pleased to enclose a copy of the Annual/Interim/Quarterly Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 30 June 2020.**

You may also download these reports from our website at [www.eastspring.com/my](http://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'. The signature is fluid and cursive, with the first name 'Raymond' being the most prominent part.

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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## FUND INFORMATION

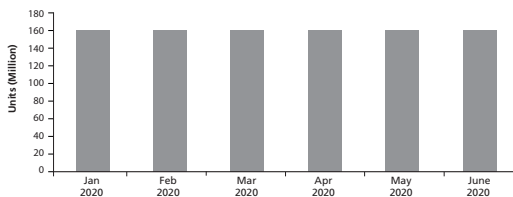
<b>Name of Fund</b>	<p>Eastspring Investments Target Income Fund 5 (the "Fund")</p> <p>* The Fund aims (i.e. Target) to distribute income on an annual basis from the coupon payments received from the bonds investments.</p>
<b>Fund Category/ Type</b>	<p>Bond (close-ended)/income</p>
<b>Fund Objective</b>	<p>The Fund endeavours to provide regular income** during the tenure of the Fund.</p> <p>** Income declared will be paid out either by way of E-payment according to Unit Holders' instructions in the account opening form or by cheque.</p>
<b>Termination Date</b>	<p>7 April 2021</p>
<b>Duration of the Fund</b>	<p>Five (5) years close-ended bond</p>
<b>Performance Benchmark</b>	<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>
<b>Fund Income Distribution Policy</b>	<p>Distribution of income, if any, will be on annual basis, after deduction of taxation and expenses.</p>

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 30 June 2020, the size of Eastspring Investments Target Income Fund 5 stood at 160.819 million units.

#### Fund Size



#### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	54	24.00	186	0.12
5,001 to 10,000 units	48	21.33	458	0.28
10,001 to 50,000 units	86	38.22	2,344	1.46
50,001 to 500,000 units	32	14.23	3,685	2.29
500,001 units and above	5	2.22	154,145	95.85
<b>Total</b>	<b>225</b>	<b>100.00</b>	<b>160,818</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	30.6.2020	30.6.2019	30.6.2018
	(%)	(%)	(%)
Unquoted fixed income securities	101.72	94.22	93.95
Derivatives	(3.13)	(0.03)	3.56
Cash and other assets	1.41	5.81	2.49
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	159,474	170,721	172,745
Units In Circulation (Units '000)	160,819	162,162	165,795
Net Asset Value Per Unit (RM)	0.9916	1.0528	1.0419
Highest Net Asset Value Per Unit (RM) <sup>#</sup>	0.9928	1.0779	1.0560
Lowest Net Asset Value Per Unit (RM) <sup>#</sup>	0.9542	1.0470	1.0404
Total Return (%)			
- Capital Growth	(6.95)	1.65	(6.37)
- Income Distribution	6.20	5.72	5.61
Total Return (%)	(1.18)	7.47	(1.09)
Gross Distribution Per Unit (RM)	0.0592	0.0592	0.0592
Net Distribution Per Unit (RM)	0.0592	0.0592	0.0592
Management Expense Ratio (MER) (%) <sup>*</sup>	0.15	0.15	0.16
Portfolio Turnover Ratio (PTR) (times) <sup>^</sup>	0.17	0.21	0.12

<sup>#</sup> Figures shown as ex-distribution.

<sup>\*</sup> There were no significant changes to the MER during the period under review.

<sup>^</sup> There were no significant changes to the PTR during the period under review.

## KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.7.2019 to 30.6.2020	3 years 1.7.2017 to 30.6.2020	Since commencement 7.4.2016 to 30.6.2020
	(%)	(%)	(%)
Average total return	0.07	3.30	5.25

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

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

### Bases of calculation and assumptions made in calculating returns:

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

$\text{NAV}_t$  = NAV at the end of the period

$\text{NAV}_0$  = 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.**

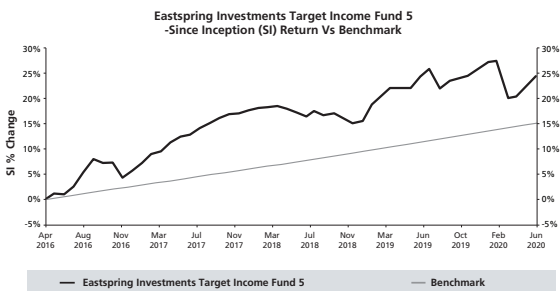
# MANAGER'S REPORT

## Fund Performance

Since inception, the Fund registered a return of 24.21%, outperforming the benchmark return of 15.20% by 9.01%.

For the period under review, the Fund registered a return of -1.18%, underperforming the benchmark return of 1.39% by 2.57%.

The Fund's modest decline over the period under review was attributed mainly to the correction in global credit markets in March. On a country basis, the Fund's exposure to Hong Kong, Australia and China credits were the top contributors to Fund performance, while exposures to Indonesia and Argentina weighed on performance.



**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 June 2020 and the benchmark is obtainable from Eastspring Investments Berhad upon request.

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



## MANAGER'S REPORT (CONTINUED)

**Analysis of Fund Performance**

For the financial period ended 30 June 2020:

<b>Income Return</b>	<b>Capital Return*</b>	<b>Total Return</b>	<b>Total Return of Benchmark</b>
<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
6.20	(6.95)	(1.18)	1.39

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

**Distribution/ Unit Split**

<b>Ex-Date</b>	<b>27-Apr-20</b>
<b>Distribution Per Unit</b>	<b>(RM)</b>

Gross	0.0592
Net	0.0592

Impact on NAV arising from distribution for the financial period ended 30 June 2020.

<b>Ex-Date</b>	<b>27-Apr-20</b>
	<b>(RM per Unit)</b>

Net Asset Value before distribution	1.0135
Less: distribution	<u>(0.0592)</u>
Net Asset Value after distribution	<u>0.9543</u>

No unit split were declared for the financial period ended 30 June 2020.

## MANAGER'S REPORT (CONTINUED)

### Investment Strategy During the Period Under Review

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

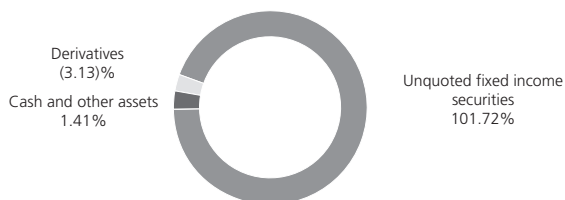
Nevertheless, the Fund Manager continues to monitor the Fund's investments and may trade and rebalance its investments under the following scenarios:

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

### Asset Allocation

Asset Allocation	30-Jun	31-Dec	Changes
	2020	2019	
	(%)	(%)	(%)
Unquoted fixed income securities	101.72	89.86	11.86
Derivatives	(3.13)	1.23	(4.36)
Cash and other assets	1.41	8.91	(7.50)

#### Asset Allocation as at 30 June 2020



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.

## MANAGER'S REPORT (CONTINUED)

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**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.

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**Cross-Trade Transaction**

During the period under review, there were cross-trades executed through a dealer or a financial institution on an arm's length and fair value basis and in the best interest of the Fund. The investment committee for the Fund has reviewed that such trades for the period from January to March 2020 were transacted on an arm's length and fair value basis and in the best interest of the Fund. Whilst the trades for the period from April to June 2020 will be tabled for review at the upcoming investment committee meeting.

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## MARKET REVIEW

Global markets sustained heightened volatility over the period under review. The year started on a positive note as markets were cheered by the announcement of a Phase One trade deal in December and signs of stronger global growth momentum. However, the improvement in risk sentiment proved short-lived as the COVID-19 outbreak since late January dented confidence. As the number of infections climbed globally and lockdown measures were introduced in affected countries, risk markets registered sharp declines globally in March. Rising worries over the pandemic's impact on global economy also triggered unprecedented fiscal and monetary policy measures as governments sought to mitigate its economic impact. The aggressive policy moves and signs of slowing death rates from the pandemic eventually helped calm financial markets and risk assets staged a strong rebound subsequently in the second quarter.

Despite the rebound in risk sentiment, credit spreads of Asian and Emerging Market ("EM") USD credit markets were generally still wider than at the start of the year. However, the sharp falls in US interest rates on the back of the US Federal Reserve's rate cut and enlarged quantitative easing program helped cushion the impact. This resulted in uneven performance across Asia and EM credit markets, with investment grade credits registering a positive performance as they benefitted more from the sharp falls in US interest rates and amid investors' preference for quality. In contrast, high yield credits, particularly high yield sovereigns and commodity-related sector, declined over the period under review, weighed down by the sharp spread widening pressure during the March sell-off.

## REBATES AND SOFT COMMISSIONS

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

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# EASTSPRING INVESTMENTS TARGET INCOME FUND 5

## UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020

## STATEMENT BY THE MANAGER

We, Tang Chee Kin and Iskander Bin Ismail Mohamed Ali, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 14 to 65 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 June 2020 and of its financial performance, changes in equity and cash flows for the six months financial period ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,  
**EASTSPRING INVESTMENTS BERHAD**

**TANG CHEE KIN**  
Executive Director/Chief Executive Officer

**ISKANDER BIN ISMAIL MOHAMED ALI**  
Independent, Non-Executive Director

Kuala Lumpur  
Date: 14 August 2020

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

We have acted as Trustee for Eastspring Investments Target Income Fund 5 (the "Fund") for the financial period ended 30 June 2020. To the best of our knowledge, for the financial period under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:-

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

We are of the view that the distribution made during the financial period ended 30 June 2020 by the Manager is not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

**Ng Hon Leong**  
Head, Trustee Operations

**Richard Lim Hock Seng**  
Chief Executive Officer

Kuala Lumpur  
Date: 14 August 2020



# UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	6-months financial period ended 30.6.2020	6-months financial period ended 30.6.2019
		RM	RM
<b>INVESTMENT (LOSS)/INCOME</b>			
Interest income from deposits			
with licensed financial institutions		45,334	93,567
Interest income from unquoted			
fixed income securities		4,395,535	4,556,969
Exit fee income		15,776	68,862
Net (loss)/gain on financial assets at			
fair value through profit or loss	6	(6,727,448)	8,976,782
Net loss on forward foreign currency contracts		(608,633)	(1,138,970)
Net foreign currency exchange gain		735,154	301,374
		<u>(2,144,282)</u>	<u>12,858,584</u>
<b>EXPENSES</b>			
Management fee	3	(164,166)	(172,078)
Trustee fee	4	(49,250)	(51,624)
Audit fee		(6,215)	(6,199)
Tax agent fee		(1,691)	(1,687)
Other expenses		(31,088)	(30,659)
		<u>(252,410)</u>	<u>(262,247)</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(2,396,692)	12,596,337
<b>TAXATION</b>	5	-	-
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME</b>		<u>(2,396,692)</u>	<u>12,596,337</u>
(Loss)/profit after taxation is made up of the following:			
Realised amount		(1,211,738)	4,336,430
Unrealised amount		(1,184,954)	8,259,907
		<u>(2,396,692)</u>	<u>12,596,337</u>

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

# UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020	2019
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	7	2,002,879	10,069,959
Other receivables		150,143	84,973
Tax recoverable		147,346	127,833
Financial assets at fair value through profit or loss	6	162,226,733	160,846,450
Forward foreign currency contracts at fair value through profit or loss	8	897,111	1,184,501
<b>TOTAL ASSETS</b>		<u>165,424,212</u>	<u>172,313,716</u>
<b>LIABILITIES</b>			
Forward foreign currency contracts at fair value through profit or loss	8	5,883,850	1,231,649
Amount due to Manager		-	213,867
Accrued management fee		26,084	27,905
Amount due to Trustee		7,825	8,371
Amount due to broker		-	81,236
Other payables and accruals		32,204	29,699
<b>TOTAL LIABILITIES</b>		<u>5,949,963</u>	<u>1,592,727</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>159,474,249</u>	<u>170,720,989</u>
<b>EQUITY</b>			
Unit holders' capital		159,362,392	160,764,611
Retained earnings		111,857	9,956,378
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>159,474,249</u>	<u>170,720,989</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>160,819,214</u>	<u>162,161,759</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)</b>		<u>0.9916</u>	<u>1.0528</u>

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

## UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 January 2020		159,783,676	12,035,358	171,819,034
Movement in unit holders' contribution:				
Cancellation of units		(421,284)	-	(421,284)
Distribution (Gross/Net: 5.92 sen)	10	-	(9,526,809)	(9,526,809)
Total comprehensive loss for the financial period		-	(2,396,692)	(2,396,692)
Balance as at 30 June 2020		<u>159,362,392</u>	<u>111,857</u>	<u>159,474,249</u>
Balance as at 1 January 2019		163,057,995	7,016,119	170,074,114
Movement in unit holders' contribution:				
Cancellation of units		(2,293,384)	-	(2,293,384)
Distribution (Gross/Net: 5.92 sen)	10	-	(9,656,078)	(9,656,078)
Total comprehensive income for the financial period		-	12,596,337	12,596,337
Balance as at 30 June 2019		<u>160,764,611</u>	<u>9,956,378</u>	<u>170,720,989</u>

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

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	6-months financial period ended 30.6.2020	6-months financial period ended 30.6.2019
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		32,464,429	43,178,964
Payments for purchase of investments		(41,372,898)	(36,046,517)
Interest income received from deposits with licensed financial institutions		45,334	93,567
Interest income received from unquoted fixed income securities		4,302,268	4,556,370
Exit income fee received		15,776	68,862
Management fee paid		(167,116)	(172,976)
Trustee fee paid		(50,135)	(51,894)
Payment for other fees and expenses		(37,242)	(46,263)
Tax paid		(30,450)	(35,700)
Net foreign exchange gain		735,154	301,374
Net cash (used in)/generated from operating activities		(4,094,880)	11,845,787
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for cancellation of units		(421,284)	(2,091,525)
Distribution paid		(9,526,809)	(9,656,078)
Net cash used in from financing activities		(9,948,093)	(11,747,603)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(14,042,973)	98,184
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		16,045,852	9,971,775
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	7	2,002,879	10,069,959

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020

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

### **A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss, except as disclosed in this summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The preparation of financial statements in conformity with the MFRS and IFRS 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 period. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

a. Standards, amendments that have been issued and effective:

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

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

The definition of ‘material’ has been revised as “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements for general purposes make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments also:

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

The amendments shall be applied prospectively.

This standard is not expected to have a significant impact on the Fund's financial statements.

## **B. INCOME RECOGNITION**

Interest income from short term deposits with licensed financial institutions is recognised on an accrual basis using the effective interest rate method.

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.

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).

## **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 period.

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 period-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 (either through other comprehensive income (“OCI”) or 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 other receivables as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies accrued management fee, amount due to 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. Transaction costs are expensed in the statement of comprehensive income.

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' 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 period in which they arise. Any unrealised gains however are not distributable.

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.

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

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

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the price obtained from at least three financial institutions. However, if such quotations are not available or should the gaps of the quotations provided by the financial institutions differ by more than 20 basis points, the valuation shall be determined by reference to the value of such debt securities quoted by Reuters.

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

iii. Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 months expected credit losses as any such impairment would be wholly insignificant to the Fund.

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.

Definition of default and credit-impaired financial assets

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

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that 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 period.

## **G. CASH AND CASH EQUIVALENTS**

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

## **H. UNIT HOLDERS' CAPITAL**

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

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

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

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

## **I. DISTRIBUTION**

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

## **J. TRANSACTION COSTS**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

## **K. 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 held-for-trading and accounted for in accordance with the accounting policy set out in Note F to the financial statements.

## **L. 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 impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

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

### **a. Estimate of fair value of unquoted fixed income securities**

The Fund uses significant judgement in determining whether an investment is impaired. The Fund evaluates, among other factors, the duration and extent to which the fair value of the investment is less than cost, and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, macroeconomic factors and speculation.

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.

Unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency (BPA). Where the Manager is of the view that the price quoted by BPA for a specific bond differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the price obtained from at least three financial institutions. However, if such quotations are not available or should the gaps of the quotations provided by the financial institutions differ by more than 20 basis points, the valuation shall be determined by reference to the value of such debt securities quoted by Reuters.

# NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020

### 1. INFORMATION ON THE FUND

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

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

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

The main objective of the Fund is to provide regular income during the tenure 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	Total
		RM	RM	RM
<u>2020</u>				
Cash and cash equivalents	7	2,002,879	-	2,002,879
Other receivables		150,143	-	150,143
Unquoted fixed income securities	6	-	162,226,733	162,226,733
Forward foreign currency contracts at fair value through profit or loss	8	-	(4,986,739)	(4,986,739)
		<u>2,153,022</u>	<u>157,239,994</u>	<u>159,393,016</u>
<u>2019</u>				
Cash and cash equivalents	7	10,069,959	-	10,069,959
Other receivables		84,973	-	84,973
Unquoted fixed income securities	6	-	160,846,450	160,846,450
Forward foreign currency contracts at fair value through profit or loss	8	-	(47,148)	(47,148)
		<u>10,154,932</u>	<u>160,799,302</u>	<u>170,954,234</u>

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



## Market risk

### i. Price risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The very nature of a Unit Trust Fund, however, helps mitigate this risk because a Fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the Fund.

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

	2020	2019
	RM	RM
Unquoted fixed income securities designated at fair value through profit or loss*	<u>162,226,733</u>	<u>160,846,450</u>

\* Includes interest receivable of RM2,446,326 (2019: RM2,230,462).

### Derivatives

Forward foreign currency contracts at fair value through profit or loss	<u>(4,986,739)</u>	<u>(47,148)</u>
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The following table summarises the sensitivity of the Fund's net asset value and (loss)/profit after tax to movements in prices of unquoted fixed income securities and derivatives at the end of the reporting financial period. The analysis is based on the assumptions that the market price of the unquoted fixed income securities and derivatives increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities and derivatives, having regard to the historical volatility of the prices.

% Change in	2020		2019	
	Market value	Increase/ (decrease) in loss after tax and net asset value	Market value	Increase/ (decrease) in profit after tax and net asset value
	RM	RM	RM	RM
+5%	162,533,351	7,739,683	166,497,282	7,928,442
-5%	147,053,985	(7,739,683)	150,640,398	(7,928,442)

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

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

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

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

The table below summarises the sensitivity of the Fund's (loss)/profit after tax and NAV to movements in prices of unquoted fixed income securities and money market instruments held by the Fund at the end of the reporting financial period 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.

	2020	2019
% Movement in interest rate	Impact on loss after tax/change in net asset value	Impact on profit after tax/change in net asset value
	RM	RM
+1%	(175,453)	(221,785)
-1%	176,065	222,519

### iii. Foreign exchange/Currency risk

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

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

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

	<b>Unquoted fixed income securities</b>	<b>Forward foreign currency contracts</b>	<b>Cash and cash equivalents</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2020</u>				
SGD	13,617,529	897,111	309,286	14,823,926
USD	143,448,422	(5,883,850)	1,624,580	139,189,152
	<u>157,065,951</u>	<u>(4,986,739)</u>	<u>1,933,866</u>	<u>154,013,078</u>
<u>2019</u>				
SGD	13,551,660	795,811	2,018,848	16,366,319
USD	147,294,790	(842,959)	122,813	146,574,644
	<u>160,846,450</u>	<u>(47,148)</u>	<u>2,141,661</u>	<u>162,940,963</u>

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

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

	<b>Change in foreign exchange rate</b>	<b>Impact on (loss)/profit after tax</b>	<b>Impact on net asset value</b>
	<b>%</b>	<b>RM</b>	<b>RM</b>
<u>2020</u>			
SGD	5	741,196	741,196
USD	5	6,959,458	6,959,458
<hr/>			
<u>2019</u>			
SGD	5	818,316	818,316
USD	5	7,328,732	7,328,732
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## Country risk

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

## **Fund management risk**

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

## **Liquidity risk**

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

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

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

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2020</u>			
Accrued management fee	26,084	-	26,084
Amount due to Trustee	7,825	-	7,825
Forward foreign currency contracts at fair value through profit or loss	-	5,883,850	5,883,850
Other payables and accruals	-	32,204	32,204
Contractual cash outflows	<u>33,909</u>	<u>5,916,054</u>	<u>5,949,963</u>
<u>2019</u>			
Amount due to Manager	213,867	-	213,867
Accrued management fee	27,905	-	27,905
Amount due to Trustee	8,371	-	8,371
Amount due to broker	81,236	-	81,236
Forward foreign currency contracts at fair value through profit or loss	-	1,231,649	1,231,649
Other payables and accruals	-	29,699	29,699
Contractual cash outflows	<u>331,379</u>	<u>1,261,348</u>	<u>1,592,727</u>

## **Non-compliance risk**

Non-compliance risk arises when the Manager and others associated with the Fund do not comply 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 capital of RM159,362,392 (2019: RM160,764,611) and retained earnings of RM111,857 (2019: RM9,956,378). 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 Securities Commission.

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

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



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

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Other receivables	Total
	RM	RM	RM	RM
<u>2020</u>				
Finance				
- AA1	2,002,879	-	-	2,002,879
Unquoted fixed income securities				
- A-2	-	2,861,130	-	2,861,130
- A-3	-	877,955	-	877,955
- AA3	-	5,160,782	-	5,160,782
- B-	-	7,911,234	-	7,911,234
- B	-	3,572,893	-	3,572,893
- B+	-	2,679,471	-	2,679,471
- B1	-	872,187	-	872,187
- Ba2	-	2,209,690	-	2,209,690
- Ba3	-	2,902,371	-	2,902,371
- Baa1	-	1,642,463	-	1,642,463
- Baa2	-	5,300,039	-	5,300,039
- Baa3	-	25,191,594	-	25,191,594
- BB-	-	2,250,280	-	2,250,280
- BB	-	14,538,245	-	14,538,245
- BB+	-	8,194,586	-	8,194,586
- BBB-	-	12,836,649	-	12,836,649
- BBB	-	29,126,363	-	29,126,363
- BBB+	-	8,000,475	-	8,000,475
- CCC	-	1,182,032	-	1,182,032
- CCC+	-	608,695	-	608,695
- NR	-	24,307,599	-	24,307,599
Forward foreign currency contracts				
- AAA	-	897,111	-	897,111
Other				
- NR	-	-	150,143	150,143
	<u>2,002,879</u>	<u>163,123,844</u>	<u>150,143</u>	<u>165,276,866</u>

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Other receivables	Total
	RM	RM	RM	RM
<u>2019</u>				
Finance				
- AAA	4,502,848	-	-	4,502,848
- AA1	5,567,111	-	-	5,567,111
Unquoted fixed income securities				
- A-2	-	2,580,184	-	2,580,184
- A-3	-	870,074	-	870,074
- B	-	20,803,535	-	20,803,535
- B+	-	882,288	-	882,288
- B2	-	2,989,899	-	2,989,899
- Ba3	-	1,707,351	-	1,707,351
- Baa1	-	6,409,687	-	6,409,687
- Baa2	-	5,081,032	-	5,081,032
- Baa3	-	30,995,586	-	30,995,586
- BB	-	4,915,260	-	4,915,260
- BB-	-	13,766,717	-	13,766,717
- BB+	-	1,212,656	-	1,212,656
- BBB	-	28,360,131	-	28,360,131
- BBB-	-	12,707,157	-	12,707,157
- BBB+	-	4,293,207	-	4,293,207
- NR	-	23,271,686	-	23,271,686
Forward foreign currency contracts				
- AAA	-	1,184,501	-	1,184,501
Other				
- NR	-	-	84,973	84,973
	<u>10,069,959</u>	<u>162,030,951</u>	<u>84,973</u>	<u>172,185,883</u>

None of these assets are past due or impaired.

## **Fair value estimation**

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

The fair value of financial assets traded in active market (such as traded derivatives and trading securities) are based on quoted market prices at the close of trading on the 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. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period 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.

## **Fair value hierarchy**

- i. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:
  - Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
  - Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
  - Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires 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 that 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 the Fund's financial assets (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2020</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	162,226,733	-	162,226,733
Forward foreign currency contracts	-	897,111	-	897,111
<hr/>				
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	-	5,883,850	-	5,883,850
<hr/>				
<u>2019</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	160,846,450	-	160,846,450
Forward foreign currency contracts	-	1,184,501	-	1,184,501
<hr/>				
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	-	1,231,649	-	1,231,649
<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, these include unquoted fixed income securities and forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note F to the financial statements.

- ii. The carrying value of cash and cash equivalents, other receivables and all liabilities, 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 0.20% per annum of the net asset value of the Fund accrued and calculated on a daily basis.

For the financial period ended 30 June 2020, the management fee is recognised at a rate of 0.20% (2019: 0.20%) per annum on the net asset value of the Fund, excluding foreign custodian charges, calculated on daily basis.

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

### **4. TRUSTEE FEE**

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

For the financial period ended 30 June 2020, the Trustee fee is recognised at a rate of 0.06% (2019: 0.06%) per annum on the net asset value of the Fund, excluding foreign custodian charges, calculated on daily basis.

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

## 5. TAXATION

	6-months financial period ended 30.6.2020	6-months financial period ended 30.6.2019
	RM	RM

Tax charged for the financial period:

Current taxation - local

-

-

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

	6-months financial period ended 30.6.2020	6-months financial period ended 30.6.2019
	RM	RM
(Loss)/profit before taxation	(2,396,692)	12,596,337
Tax at Malaysian statutory rate of 24% (2019: 24%)	(575,206)	3,023,121
Tax effects of:		
Investment loss not deductible for tax purpose/(investment income exempt from tax)	514,628	(3,086,060)
Expenses not deductible for tax purposes	19,687	20,153
Restriction on tax deductible expenses for Unit Trust Funds	40,891	42,786
Taxation	-	-

**6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Designated at fair value through profit or loss:		
Unquoted fixed income securities	162,226,733	160,846,450
Net (loss)/gain on financial assets at fair value through profit or loss:		
Realised (loss)/gain on disposals	(801,457)	716,875
Change in unrealised fair value (loss)/gain	(5,925,991)	8,259,907
	<u>(6,727,448)</u>	<u>8,976,782</u>

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2020	Percentage of net
				asset value of the Fund
	RM	RM	RM	%
<u>Bond</u>				
11.50% Alam Synergy Pte Ltd 22.04.2021 (CCC+)	194,186	818,665	608,695	0.38
5.75% Ausnet Services Holdings Pty Ltd 17.09.2021 (BBB)	4,000,000	17,258,670	17,819,305	11.17
3.25% Avenue International Holding Limited 25.10.2020 (NR)	700,000	2,938,221	3,006,894	1.89
4.50% CCB Life Insurance Company Limited 21.04.2022 (BBB)	500,000	2,223,234	2,108,885	1.32
6.875% Central China Real Estate Limited 12.08.2020 (NR)	400,000	1,701,804	1,758,267	1.10



## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
0% Champion Sincerity Holdings Limited 08.02.2022 (Ba3)	200,000	849,640	894,745	0.56
4.80% China Aoyuan Group Limited 18.02.2021 (NR)	200,000	845,544	866,962	0.54
3.876% Chong Hing Bank Limited 26.07.2022 (NR)	200,000	871,092	853,984	0.54
4.00% Chouzhou International Investment Ltd 18.02.2025 (Baa3)	400,000	1,675,336	1,678,163	1.05
7.625% CIFI Holdings (Group) Co Ltd 02.03.2021 (BB)	300,000	1,298,545	1,337,853	0.84
4.875% Commerzbank AG 01.03.2022 (BB+)	500,000	1,607,005	1,485,896	0.93
6.125% Emirates NBD Bank (P.J.S.C) 20.03.2025 (B1)	200,000	829,916	872,187	0.55
7.50% ENN Clean Energy International Investment Limited 27.02.2021 (Ba2)	500,000	2,170,490	2,209,690	1.39
3.939% ESIC Sukuk Limited 30.07.2024 (Baa3)	1,700,000	7,032,046	7,278,249	4.56
0.25% Ezion Holdings Limited 20.11.2022 (NR)	750,000	2,280,437	1,870,389	1.17

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
4.00% Franshion Brilliant Limited 21.06.2024 (BBB-)	900,000	3,812,383	3,929,146	2.46
4.25% GOHL Capital 24.01.2027 (Baa2)	1,000,000	4,511,860	4,377,423	2.74
4.55% Greentown China Holdings Limited 10.11.2020 (NR)	500,000	2,075,812	2,151,583	1.35
3.375% Hong Kong Red Star Macalline Universal Home Furnishings Ltd 21.09.2022 (BB)	200,000	843,530	739,180	0.46
3.85% Hong Leong Assurance Berhad 31.01.2030 (AA3)	5,000,000	5,080,196	5,160,782	3.24
6.25% HSBC Holdings Plc 23.03.2023 (Baa3)	500,000	1,993,927	2,172,074	1.36
4.70% HSBC Holdings Plc 06.08.2022 (Baa3)	1,250,000	3,881,987	3,788,005	2.38
1.485% Huarong Finance 2019 Co., Ltd 24.01.2023 (Baa1)	400,000	1,675,543	1,642,463	1.03
5.75% Hyundai Capital America 06.04.2023 (BBB+)	700,000	3,087,665	3,319,703	2.08
5.875% Indika Energy Capital III Pte Ltd 09.11.2021 (Ba3)	200,000	865,580	771,605	0.48

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
9.375% Kuwait Projects Co SPC Limited				
15.07.2020 (BB+)	1,500,000	6,817,444	6,708,690	4.21
7.00% Lippo Malls Indonesia Retail Trust 27.09.2021 (NR)	1,000,000	3,097,405	2,565,494	1.61
6.125% Logan Property Holdings Company Limited 17.07.2020 (BB)	1,250,000	3,857,783	3,907,745	2.45
4.638% MAF Sukuk Ltd 14.05.2029 (BBB)	200,000	834,586	894,771	0.56
3.905% Malayan Banking Berhad 29.10.2021 (BBB)	1,500,000	5,894,696	6,578,599	4.13
5.625% Minejesa Capital B.V. 10.08.2037 (Baa3)	300,000	1,312,901	1,345,016	0.84
4.625% Minejesa Capital B.V. 10.08.2030 (Baa3)	300,000	1,307,870	1,329,323	0.83
6.95% Modernland Overseas Pte Ltd 13.04.2021 (CCC)	800,000	3,694,814	1,182,032	0.74
5.50% Nan Fung Treasury (II) Limited 29.11.2020 (Baa3)	1,800,000	7,763,282	7,600,764	4.77
4.75% New World China Land Limited 23.01.2027 (NR)	200,000	911,854	891,827	0.56

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
5.75% NWD Finance (BVI) Ltd 05.10.2021 (NR)	400,000	1,672,327	1,699,125	1.07
5.95% Powerlong Real Estate Holdings Limited 19.07.2020 (B)	200,000	848,498	878,260	0.55
9.125% Powerlong Real Estate Holdings Limited 14.01.2021 (B)	400,000	1,819,388	1,817,418	1.14
4.20% PT Bank Tabungan Negara (Persero) TBK 23.01.2025 (Ba3)	300,000	1,241,979	1,236,021	0.78
4.75% PT Indonesia Asahan Aluminium (Persero) 15.05.2025 (Baa2)	200,000	862,161	922,616	0.58
3.75% Rongshi International Finance Ltd 21.05.2029 (A-2)	600,000	2,504,947	2,861,130	1.79
11.00% Scenery Journey Limited 06.11.2020 (B)	200,000	848,460	877,215	0.55
6.375% Shimao Property Holdings Limited 15.10.2020 (BBB-)	200,000	880,907	900,041	0.56
6.125% Shimao Property Holdings Limited 21.02.2022 (BBB-)	600,000	2,637,112	2,770,543	1.74

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
6.50% SMC Global Power Holdings Corp. 25.04.2024 (NR)	300,000	1,255,208	1,279,033	0.80
6.75% SMC Global Power Holdings Corp. 26.02.2021 (NR)	1,000,000	4,276,550	4,366,302	2.74
7.50% Standard Chartered Plc 02.04.2022 (BB-)	500,000	2,052,698	2,250,280	1.41
4.05% Standard Chartered Plc 12.04.2026 (BBB+)	1,000,000	3,932,182	4,680,772	2.94
8.375% Sunac China Holdings Limited 15.01.2021 (B+)	300,000	1,311,798	1,355,084	0.85
3.70% Taiyuan Longcheng Development Investment Group Co., Ltd 26.06.2023 (NR)	500,000	2,133,600	2,131,909	1.34
5.25% TBG Global Pte Ltd 15.07.2020 (BB)	600,000	2,422,327	2,622,029	1.64
5.50% The Bank of East Asia Limited 31.12.2020 (BB)	1,400,000	5,564,596	5,931,438	3.72
6.25% The Democratic Socialist Republic of Sri Lanka 04.10.2020 (B-)	1,000,000	4,139,946	4,132,533	2.59

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
6.85% The Democratic Socialist Republic of Sri Lanka 14.03.2024 (B-)	500,000	2,088,090	1,531,570	0.96
6.825% The Democratic Socialist Republic of Sri Lanka 18.07.2026 (B-)	300,000	1,227,697	882,690	0.55
6.25% Times China Holdings Limited 01.07.2020 (B+)	300,000	1,301,631	1,324,387	0.83
5.00% Westpac Banking Corporation 21.09.2027 (BBB-)	300,000	1,274,842	1,287,990	0.81
5.98% Wuhan Metro Group Company Limited 05.12.2021 (A-3)	200,000	839,268	877,955	0.55
4.00% Xi'an Municipal Infrastructure Construction Investment Group Corporation Ltd 24.06.2022 (BBB)	400,000	1,667,797	1,724,803	1.08
4.75% Yuexiu REIT MTN Company Limited 27.04.2021 (BBB-)	900,000	3,532,495	3,948,929	2.48

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2020	Percentage of net asset value of the Fund
	RM	RM	RM	%
<u>Bond</u> (continued)				
12.50% Zhenro Properties Group Limited 02.01.2021 (B-)	300,000	1,319,136	1,364,441	0.86
5.60% Zhenro Properties Group Limited 22.02.2021 (NR)	200,000	852,353	865,830	0.54
	<u>43,344,186</u>	<u>162,229,756</u>	<u>162,226,733</u>	<u>101.72</u>

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

(3,023)

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

162,226,733

## Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
11.50% Alam Synergy Pte Limited 22.04.2020 (B)	300,000	1,270,430	1,354,588	0.79
5.75% Ausnet Services Holdings Pty Ltd 17.09.2021 (BBB)	4,000,000	17,590,240	17,517,166	10.26
4.50% CCB Life Insurance Company Limited 21.04.2022 (BBB)	500,000	2,222,569	2,003,608	1.17
0% Champion Sincerity Holdings Limited 08.02.2022 (Ba3)	200,000	848,659	890,861	0.52
7.00% China Evergrande Group 23.03.2020 (B2)	200,000	830,254	845,870	0.50
3.876% Chong Hing Bank Limited 26.07.2022 (BBB-)	200,000	870,585	838,884	0.49
4.875% Commerzbank AG 01.03.2022 (BBB-)	500,000	1,606,870	1,584,743	0.93
4.05% Dianjian Haixing Limited 21.10.2019 (Baa1)	500,000	1,971,662	2,081,262	1.22
0% Emirates NBD Bank (P.J.S.C) 20.03.2025 (NR)	200,000	829,394	864,974	0.51
0.25% Ezion Holdings Limited 20.11.2022 (NR)	750,000	2,221,466	1,618,880	0.95
0% Ezion Holdings Limited 20.11.2027 (NR)	26,613	78,745	81,236	0.05



## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b> (continued)				
4.00% Franshion Brilliant Limited 21.06.2024 (BBB-)	900,000	3,823,451	3,780,899	2.21
4.25% GOHL Capital 24.01.2027 (Baa1)	1,000,000	4,507,700	4,328,425	2.54
3.375% Hong Kong Red Star Macalline Universal Home Furnishings Ltd 21.09.2022 (BB)	200,000	842,365	771,794	0.45
5.625% HSBC Holdings Plc 17.01.2020 (Baa3)	2,500,000	10,075,034	10,649,360	6.24
4.70% HSBC Holdings Plc 06.08.2022 (Baa3)	1,250,000	3,881,926	3,876,071	2.27
6.25% HSBC Holdings Plc 23.03.2023 (Baa3)	500,000	1,992,634	2,161,495	1.27
6.375% HSBC Holdings Plc 17.09.2024 (Baa3)	1,000,000	3,798,130	4,355,773	2.55
5.875% Indika Energy Capital III Pte Ltd 09.11.2021 (Ba3)	200,000	856,298	816,490	0.48
7.00% Lippo Malls Indonesia Retail Trust 27.09.2021 (NR)	1,000,000	3,097,099	2,534,341	1.48
6.125% Logan Property Holdings Company Limited 16.04.2020 (BB-)	1,250,000	3,806,898	3,856,389	2.26
4.638% MAF Sukuk Ltd 14.05.2029 (BBB)	200,000	834,402	865,570	0.51

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
3.905% Malayan Banking Berhad 29.10.2021 (BBB)	1,500,000	5,893,163	6,324,632	3.70
4.625% Minejesa Capital B.V. 10.08.2030 (Baa3)	300,000	1,307,044	1,275,829	0.75
5.625% Minejesa Capital B.V. 10.08.2037 (Baa3)	300,000	1,311,897	1,327,516	0.78
4.375% MMK International Capital Designated Activity Company 13.06.2024 (Baa2)	1,000,000	4,182,034	4,206,147	2.46
6.95% Modernland Overseas Pte Ltd 13.04.2021 (B)	800,000	3,661,754	3,262,893	1.91
5.50% Nan Fung Treasury (II) Limited 29.05.2020 (Baa3)	1,800,000	7,761,944	7,349,542	4.31
5.15% National Savings Bank 10.09.2019 (B)	500,000	1,974,999	2,097,522	1.23
4.75% New World China Land Limited 23.01.2027 (NR)	200,000	911,220	879,043	0.51
5.75% NWD Finance (BVI) Ltd 05.10.2021 (NR)	400,000	1,671,492	1,654,191	0.97
5.23% PT Indonesia Asahan Aluminium (Persero) 15.11.2021 (Baa2)	200,000	836,709	874,885	0.51

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
6.875% Republica Argentina 22.04.2021 (B)	2,000,000	8,080,416	7,346,668	4.30
6.625% Republica Argentina 06.07.2028 (B)	1,000,000	4,129,006	3,318,269	1.94
3.75% Rongshi International Finance Ltd 21.05.2029 (A-2)	600,000	2,503,574	2,580,184	1.51
5.875% Royal Capital B.V. 05.05.2022 (NR)	400,000	1,609,097	1,636,122	0.96
6.30% Serba Dinamik Holdings Berhad 09.05.2022 (BB-)	800,000	3,342,866	3,367,106	1.97
6.125% Shimao Property Holdings Limited 21.02.2022 (BBB-)	600,000	2,653,023	2,656,709	1.56
7.50% SMC Global Power Holdings Corp. 07.11.2019 (NR)	2,000,000	8,029,203	8,402,568	4.92
6.75% SMC Global Power Holdings Corp. 26.02.2021 (NR)	1,000,000	4,332,309	4,324,884	2.53
0% SMC Global Power Holdings Corp. 25.04.2024 (NR)	300,000	1,254,665	1,275,447	0.75
7.50% Standard Chartered Plc 02.04.2022 (BB-)	700,000	2,871,804	3,115,028	1.82
4.05% Standard Chartered Plc 12.04.2026 (BBB+)	1,000,000	3,929,977	4,293,207	2.51

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
8.625% Sunac China Holdings Limited 27.07.2020 (B+)	200,000	842,076	882,288	0.52
5.25% TBG Global Pte Ltd 14.07.2019 (BB-)	600,000	2,451,343	2,587,806	1.52
5.50% The Bank of East Asia Limited 31.12.2020 (BB)	1,000,000	3,876,658	4,143,466	2.43
6.85% The Democratic Socialist Republic of Sri Lanka 14.03.2024 (B)	500,000	2,086,543	2,150,941	1.26
6.825% The Democratic Socialist Republic of Sri Lanka 18.07.2026 (B)	300,000	1,226,288	1,272,654	0.75
5.00% Westpac Banking Corporation 21.09.2027 (BB+)	300,000	1,274,208	1,212,656	0.71
5.98% Wuhan Metro Group Company Limited 05.12.2021 (A-3)	200,000	838,625	870,074	0.51
4.00% Xi'An Municipal Infrastructure Construction Investment Group Corporation Ltd 24.06.2022 (BBB)	400,000	1,665,132	1,649,155	0.97
5.75% Yancoal International Resources Development Co., Limited 13.04.2020 (BB-)	200,000	896,991	840,388	0.49

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
Bond (continued)				
8.25% Yapi Ve Kredi Bankasi Anonim Sirketi 15.10.2024 (B2)	500,000	2,097,019	2,144,029	1.26
4.75% Yuexiu REIT MTN Company Limited 27.04.2021 (BBB-)	900,000	3,523,615	3,845,922	2.25
	<u>39,876,613</u>	<u>160,883,505</u>	<u>160,846,450</u>	<u>94.22</u>

**ACCUMULATED**
**UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**
(37,055)
**FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**
160,846,450

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

	2020	2019
	%	%
Unquoted fixed income securities	<u>5.39</u>	<u>5.39</u>

## 7. CASH AND CASH EQUIVALENTS

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Bank balances with a licensed bank	2,002,879	5,567,111
Deposits with a licensed financial institution	-	4,502,848
	<u>2,002,879</u>	<u>10,069,959</u>

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

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
MYR	69,013	7,928,298
SGD	309,286	2,018,848
USD	1,624,580	122,813
	<u>2,002,879</u>	<u>10,069,959</u>

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

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Deposit with a licensed financial institution	-	3.30

The deposit has an average maturity of Nil (2019: 7 days).

## 8. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 15 (2019: 13) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward currency contracts amounted to RM897,111 (receivable) and RM5,883,850 (payable) (2019: RM1,184,501 (receivable) and RM1,231,649 (payable)). The forward foreign currency contracts entered into during the financial period were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in SGD and USD. As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward foreign currency contract is recognised immediately in the statement of comprehensive income.

## 9. UNITS IN CIRCULATION

	2020	2019
	No. of units	No. of units
At the beginning of the financial period	161,229,408	164,308,228
Cancellation of units during the financial period	(410,194)	(2,146,469)
At the end of the financial period	<u>160,819,214</u>	<u>162,161,759</u>

## 10. DISTRIBUTION

	2020	2019
	RM	RM
Distributions to unit holders are from the following sources:		
Exit fee income (net of tax)	87,813	118,146
Interest income	8,161,773	8,266,673
Net realised gain on sale of investments	1,744,259	1,739,356
	<u>9,993,845</u>	<u>10,124,175</u>
Gross realised income		
Less: Expenses	(467,036)	(468,097)
	<u>9,526,809</u>	<u>9,656,078</u>
Gross distribution per unit (RM)	<u>0.0592</u>	<u>0.0592</u>
Net distribution per unit (RM)	<u>0.0592</u>	<u>0.0592</u>
Ex-date	<u>27 April 2020</u>	<u>24 April 2019</u>

Gross distribution is derived using total income less total expenses. The distribution is made from previous period's 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.



**11. TRANSACTIONS WITH DEALERS**

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

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2020</u>				
BNP Paribas S.A. France	8,879,467	16.13	-	-
Citigroup Global Markets Limited	7,545,196	13.71	-	-
Standard Chartered Bank	5,837,342	10.61	-	-
Hong Leong Bank Berhad	5,000,250	9.09	-	-
JP Morgan Securities Ltd London	4,462,668	8.11	-	-
Goldman Sachs International London	4,180,563	7.60	-	-
SGX Bond Trading Pte Ltd	3,394,973	6.17	-	-
Marketaxess Capital Limited	2,557,572	4.65	-	-
Morgan Stanley and Co. International Plc	2,515,946	4.57	-	-
First Abu Dhabi Bank PJSC	2,449,124	4.45	-	-
Others	8,210,106	14.91	-	-
	<b>55,033,207</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2019</u>				
Nomura International Plc	16,209,913	22.08	-	-
HSBC Singapore	10,755,941	14.65	-	-
JP Morgan Securities Ltd London	7,037,162	9.59	-	-
DBS Bank Ltd	5,664,833	7.72	-	-
Morgan Stanley And Co. International Plc London Branch	5,514,403	7.51	-	-
UBS AG London	4,891,163	6.66	-	-
Merrill Lynch International Limited	4,067,702	5.54	-	-
Citigroup Global Markets Limited	2,865,173	3.90	-	-
SGX Bond Trading Pte Ltd	2,598,960	3.54	-	-
Australia And New Zealand Banking Group Limited	2,070,245	2.82	-	-
Others	11,723,602	15.99	-	-
	<b>73,399,097</b>	<b>100.00</b>	-	-

All dealers highlighted above are not related to the Manager.

## 12. UNITS HELD BY THE MANAGER

The related party of and its relationship with the Fund are as follows:

Related party	Relationship				
Eastspring Investments Berhad	The Manager				
		2020		2019	
		No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,000	992	1,000	1,052	

The above units were transacted at the prevailing market price.

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

## 13. MANAGEMENT EXPENSE RATIO ("MER")

	2020	2019
	%	%
MER	0.15	0.15

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses

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

The average net asset value of the Fund for the financial period calculated on a daily basis is RM165,191,412 (2019: RM173,503,256).

**14. PORTFOLIO TURNOVER RATIO ("PTR")**

	<b>2020</b>	<b>2019</b>
PTR (times)	0.17	0.21

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM40,543,938 (2019: RM36,047,126)

total disposals for the financial period = RM14,489,269 (2019: RM37,351,971)

**15. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD**

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, has resulted in the deterioration of the Fund's Net Asset Value/unit as of the date of this report. This is mainly due to the decrease in fair value of the Fund's investments at fair value through profit or loss.

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

**16. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 14 August 2020.

## CORPORATE DIRECTORY

### **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

200001028634 (531241-U)

REGISTERED OFFICE

Level 25, Menara Hong Leong

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Bukit Damansara

50490 Kuala Lumpur

BUSINESS OFFICE

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Persiaran TRX Barat

55188 Tun Razak Exchange

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603-2789 7220

EMAIL

cs.my@eastspring.com

WEBSITE

[www.eastspring.com/my](http://www.eastspring.com/my)

### **TRUSTEE**

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE & BUSINESS OFFICE

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FAX NO.

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### **SALE & PURCHASE OF UNITS**

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Persiaran TRX Barat

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Kuala Lumpur

TELEPHONE NO.

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TELEPHONE NO.

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**ENQUIRIES**

CLIENT SERVICES

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