

# EASTSPRING INVESTMENTS TARGET INCOME FUND 6

## INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD  
ENDED 30 NOVEMBER 2019



**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 Interim Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 30 November 2019.**

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', written in a cursive style.

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

# TABLE OF CONTENTS

Fund Information	1
Key Performance Data	3
Manager's Report	5
Market Review	8
Rebates and Soft Commissions	8
Statement by the Manager	10
Trustee's Report to the Unit Holders of Eastspring Investments Target Income Fund 6	11
Unaudited Statement of Comprehensive Income	12
Unaudited Statement of Financial Position	13
Unaudited Statement of Changes in Equity	14
Unaudited Statement of Cash Flows	15
Summary of Significant Accounting Policies	16
Notes to the Unaudited Financial Statements	25
Corporate Directory	57

## FUND INFORMATION

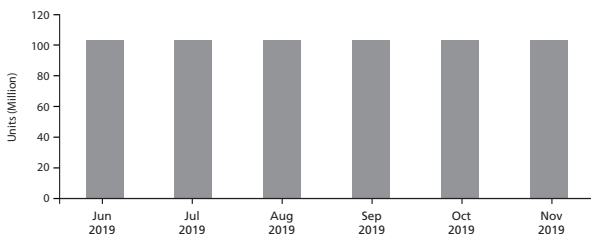
<b>Name of Fund</b>	<p>Eastspring Investments Target* Income Fund 6 (the "Fund")</p> <p>* The Fund aims (i.e. Target) to distribute income on an annual basis from the coupon payments received from the bonds investments.</p>
<b>Fund Category/ Type</b>	<p>Bond (close-ended)/income</p>
<b>Fund Objective</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>12 May 2022</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 the 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 November 2019, the size of Eastspring Investments Target Income Fund 6 stood at 105.494 million units

#### Fund Size



#### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	96	23.88	327	0.31
5,001 to 10,000 units	95	23.63	872	0.82
10,001 to 50,000 units	148	36.82	4,511	4.28
50,001 to 500,000 units	58	14.43	5,927	5.62
500,001 units and above	5	1.24	93,856	88.97
<b>Total</b>	<b>402</b>	<b>100.00</b>	<b>105,493</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	30.11.2019	30.11.2018	Since commencement 12.5.2017 to 30.11.2017
	(%)	(%)	(%)
Unquoted fixed income securities	89.57	90.32	91.38
Derivatives	6.14	6.62	5.26
Cash and other assets	4.29	3.06	3.36
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	116,487	105,007	113,310
Units In Circulation (Units '000)	105,494	106,224	107,780
Net Asset Value Per Unit (RM)	1.1042	0.9885	1.0513
Highest Net Asset Value Per Unit (RM) <sup>#</sup>	1.1042	1.0201	1.0553
Lowest Net Asset Value Per Unit (RM) <sup>#</sup>	1.0487	0.9885	0.9997
Total Return (%)			
- Capital Growth	5.08	(3.44)	5.13
- Income Distribution	-	2.04	-
Total Return (%)	5.08	(1.47)	5.13
Gross Distribution Per Unit (RM)	-	0.0206	-
Net Distribution Per Unit (RM)	-	0.0206	-
Management Expense Ratio (MER) (%) <sup>*</sup>	0.16	0.16	0.21
Portfolio Turnover Ratio (PTR) (times) <sup>^</sup>	0.06	0.10	0.77

<sup>#</sup> Figure 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 1.12.2018 to 30.11.2019 (%)	Since commencement 12.5.2017 to 30.11.2019 (%)
Average total return	15.24	6.06

Year ended	1.6.2018 to 31.5.2019 (%)	Since commencement 12.5.2017 to 31.5.2018 (%)
Annual total return	8.06	2.37

The unit prices of the Fund may go down as well as up and the past performance figures shown are not indicative of future performance.

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

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

$\text{NAV}_t$  = 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.

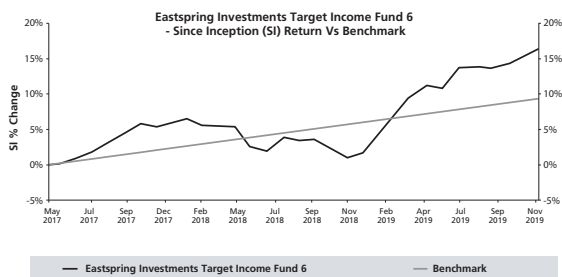
## MANAGER'S REPORT

### Fund Performance

Since inception, the Fund registered a return of 16.24%, outperforming the benchmark return of 9.17% by 7.07%.

For the period under review, the Fund registered a return of 5.08%, outperforming the benchmark return of 1.66% by 3.42%.

The Fund's focus on Asian USD-denominated corporate bonds contributed to overall performance, given the fall in US risk-free rates over the review period and overall tighter credit spreads. The main contributors were the allocations to Hong Kong and Chinese USD credits, notably financial and real estate names, while the holding in the Australian bank also bolstered performance. Conversely, the exposure to Indonesian corporates detracted slightly.



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

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

**Fund performance is sourced from Lipper for Investment Management, 30 November 2019 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 November 2019:

<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>
0.00	5.08	5.08	1.66

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

**Distribution/ Unit Split**

No distribution or unit split were declared for the financial period ended 30 November 2019.

**Investment Strategy During the Period Under Review**

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

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

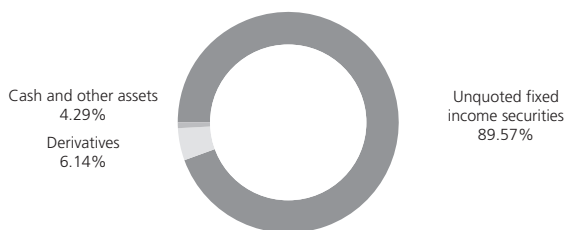
- Increased default risk and/or from uptrend interest rate concerns;
- Hedging transactions in the event that the sale of the security at risk is not possible; and
- Reinvesting proceeds from maturing securities

## MANAGER'S REPORT (CONTINUED)

## Asset Allocation

Asset Allocation	30-Nov 2019 (%)	31-May 2019 (%)	Changes (%)
Unquoted fixed income securities	89.57	91.77	(2.20)
Derivatives	6.14	6.04	0.10
Cash and other assets	4.29	2.19	2.10

## Asset Allocation as at 30 November 2019



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

Over the half year under review, the Asian USD bond market posted healthy returns on the back of lower US risk-free rates and overall tighter credit spreads. Major central banks led by the Federal Reserve ("Fed") maintained their easy monetary policy stance against the backdrop of worsening macroeconomic headwinds, with China-US trade talks continuing to meander with no clear breakthrough for much of the review period. The Fed cut rates thrice by a cumulative 75 bps. Towards the period-end, however, risk appetite improved as tensions abated somewhat, with Beijing and Washington inching towards a Phase 1 trade deal. A rebound in US economic prints also led to improving risk sentiment, which led market participants to temper future rate-cut expectations. The 10-year US Treasury yield fell by 35 bps to 1.8% over the half year.

In Asia, USD credit markets posted a return of 4.34% as measured by the JPMorgan Asia Credit index. Investment-grade credits, notably investment-grade sovereigns, outperformed, given their longer duration profile that benefited from the fall in US rates. High-yield bonds, however, saw gains pared by wider credit spreads, particularly spreads in high-yield sovereigns. Meanwhile, the broader emerging-market USD bond market also strengthened, with the JPMorgan EMBIG Diversified index rising 4.75% over the review period, aided by credit spreads that tightened by 54 bps.

## REBATES AND SOFT COMMISSIONS

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

# EASTSPRING INVESTMENTS TARGET INCOME FUND 6

UNAUDITED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 NOVEMBER 2019

## 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 12 to 56 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 November 2019 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: 3 January 2020

## TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS TARGET INCOME FUND 6

We have acted as Trustee for Eastspring Investments Target Income Fund 6 (the "Fund") for the financial period ended 30 November 2019. 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.

For Deutsche Trustees Malaysia Berhad

**Ng Hon Leong**  
Head, Trustee Operations

**Richard Lim Hock Seng**  
Chief Executive Officer

Kuala Lumpur  
Date: 3 January 2020

# UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 NOVEMBER 2019

	Note	6-months financial period ended 30.11.2019	6-months financial period ended 30.11.2018
		RM	RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Interest income from deposits with licensed financial institutions		1,925	7,007
Interest income from unquoted fixed income securities		3,167,130	3,087,166
Exit fee income		3,790	31,642
Net gain/(loss) on financial assets at fair value through profit or loss	7	2,208,683	(539,821)
Net gain/(loss) on forward foreign currency contracts		453,572	(4,095,196)
Net foreign currency exchange gain		9,589	141,189
		<u>5,844,689</u>	<u>(1,368,013)</u>
<b>EXPENSES</b>			
Management fee	3	(114,197)	(108,749)
Trustee fee	4	(34,259)	(32,625)
Audit fee		(6,249)	(6,768)
Tax agent fee		(1,700)	(1,706)
Other expenses		(29,028)	(27,055)
		<u>(185,433)</u>	<u>(176,903)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		5,659,256	(1,544,916)
<b>TAXATION</b>	6	-	-
<b>PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<u>5,659,256</u>	<u>(1,544,916)</u>
Profit/(loss) after taxation is made up of the following:			
Realised amount		2,573,775	3,518,875
Unrealised gain/(loss)		3,085,481	(5,063,791)
		<u>5,659,256</u>	<u>(1,544,916)</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 NOVEMBER 2019

	Note	2019	2018
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	8	5,042,898	5,321,440
Financial assets at fair value through profit or loss	7	104,318,299	94,843,446
Tax recoverable		24,376	29,953
Forward foreign currency contracts	9	7,152,256	6,955,336
<b>TOTAL ASSETS</b>		<u>116,537,829</u>	<u>107,150,175</u>
<b>LIABILITIES</b>			
Accrued management fee		19,036	17,428
Amount due to brokers		-	2,087,065
Amount due to Trustee		5,711	5,228
Other payables and accruals		25,702	33,635
<b>TOTAL LIABILITIES</b>		<u>50,449</u>	<u>2,143,356</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>116,487,380</u>	<u>105,006,819</u>
<b>EQUITY</b>			
Unit holders' capital		105,410,937	106,169,870
Retained earnings/(accumulated losses)		11,076,443	(1,163,051)
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>116,487,380</u>	<u>105,006,819</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	10	<u>105,494,401</u>	<u>106,223,646</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)</b>		<u>1.1042</u>	<u>0.9885</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 NOVEMBER 2019

	Note	Unit holders' capital	Retained earnings/ (accumulated losses)	Total
		RM	RM	RM
Balance as at 1 June 2019		105,568,480	5,417,187	110,985,667
Movement in unit holders' contribution:				
Cancellation of units		(157,543)	-	(157,543)
Total comprehensive income for the financial period		-	5,659,256	5,659,256
Balance as at 30 November 2019		<u>105,410,937</u>	<u>11,076,443</u>	<u>116,487,380</u>
Balance as at 1 June 2018		107,239,328	2,581,782	109,821,110
Movement in unit holders' contribution:				
Cancellation of units		(1,069,458)	-	(1,069,458)
Distribution (Gross: 0.0206 sen/ Net: 0.0206 sen)	5	-	(2,199,917)	(2,199,917)
Total comprehensive loss for the financial period		-	(1,544,916)	(1,544,916)
Balance as at 30 November 2018		<u>106,169,870</u>	<u>(1,163,051)</u>	<u>105,006,819</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 NOVEMBER 2019

	6-months financial period ended	6-months financial period ended
Note	30.11.2019	30.11.2018
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of investments	6,345,710	15,162,503
Payments for purchase of investments	(6,463,764)	(10,523,708)
Interest income received from deposits with licensed financial institutions	1,925	7,007
Interest income received from unquoted fixed income securities	3,028,853	2,930,078
Exit income fee received	3,790	31,642
Management fee paid	(114,032)	(110,165)
Trustee fee paid	(34,209)	(33,050)
Payment for other fees and expenses	(41,656)	(49,079)
Tax paid	(12,000)	(18,400)
Net foreign currency exchange gain	9,589	141,189
Net cash generated from operating activities	<u>2,724,206</u>	<u>7,538,017</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for cancellation of units	(259,375)	(1,094,330)
Distribution paid	-	(2,199,917)
Net cash used in financing activities	<u>(259,375)</u>	<u>(3,294,247)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,464,831	4,243,770
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>2,578,067</u>	<u>1,077,670</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	8 <u>5,042,898</u>	<u>5,321,440</u>

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 NOVEMBER 2019

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 M to the financial statements.

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

The Fund has applied the following amendments for the first time for the financial year beginning on 1 June 2019:

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

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 is recognised on the accrual basis using the effective interest method.

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

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, determined on a cost adjusted basis for accretion of discount or amortisation of premium.

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

## **C. TAXATION**

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable income earned during the financial 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. PRESENTATION AND FUNCTIONAL CURRENCY**

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

## **E. FOREIGN CURRENCY TRANSLATION**

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

## **F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

### **i. Classification**

The Fund classify 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 Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund’s classifies amount due to brokers, 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, within the scope of MFRS 139, 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 liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

Unrealised 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.

Derivative investments consist of forward foreign currency contracts. Financial derivative positions will be “marked to market” at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instruments are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

Loans and receivables 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 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.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

## **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. SEGMENTAL INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting used by chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Fund Manager that undertakes strategic decisions for the Fund.

## **J. DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

The 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.

## **K. AMOUNTS DUE FROM/(TO) BROKERS**

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

## **L. DISTRIBUTION**

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

## **M. 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 Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

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

### **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 and in compliance with Securities Commission Guidelines on Unit Trust Funds.

However, the Manager is of the opinion that in applying the accounting policies, no significant judgment was required.

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 NOVEMBER 2019

### 1. INFORMATION ON THE FUND

Eastspring Investment Target Income Fund 6 (the “Fund”) was constituted pursuant to the execution of a Deed dated 30 May 2016 (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 28 March 2017 and will continue its operations until terminated by the Trustee or the Manager 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:

	<b>Note</b>	<b>Financial assets at amortised cost</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2019</u>				
Cash and cash equivalents	8	5,042,898	-	5,042,898
Unquoted fixed income securities	7	-	104,318,299	104,318,299
Forward foreign currency contracts	9	-	7,152,256	7,152,256
		<u>5,042,898</u>	<u>111,470,555</u>	<u>116,513,453</u>

	<b>Note</b>	<b>Loans and receivables</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2018</u>				
Cash and cash equivalents	8	5,321,440	-	5,321,440
Unquoted fixed income securities	7	-	94,843,446	94,843,446
Forward foreign currency contracts	9	-	6,955,336	6,955,336
		<u>5,321,440</u>	<u>101,798,782</u>	<u>107,120,222</u>

All liabilities 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 November which are exposed to price risk:

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Unquoted fixed income securities designated at fair value through profit or loss*	104,318,299	94,843,446
<u>Derivatives</u>		
Forward foreign currency contracts	7,152,256	6,955,336

\* Includes interest receivable of RM1,236,227 (2018:RM1,226,901).

The following table summarises the sensitivity of the Fund's net asset value and profit/(loss) after tax to movements in prices of unquoted fixed income securities and derivatives at the end of the reporting 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 price	Market value RM	Impact on profit/(loss) after tax and net asset value RM
<u>2019</u>		
+5%	115,746,044	5,511,716
-5%	104,722,612	(5,511,716)
<u>2018</u>		
+5%	105,600,475	5,028,594
-5%	95,543,287	(5,028,594)

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 profit/(loss) 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 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.

	2019	2018
% Change in interest rate of unquoted fixed income securities	Impact on profit after tax/ change in net asset value	Impact on loss after tax/ change in net asset value
	RM	RM
+1%	(164,999)	275,773
-1%	165,580	(277,094)



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, the net asset value of the Fund expressed in Ringgit Malaysia may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between Ringgit Malaysia and such other currencies. The risk is minimised through investing in a wide range of foreign currencies denominated assets and thus, diversifying the risk of single currency exposure.

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

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

	<b>Financial assets at fair value through profit or loss</b>	<b>Cash and cash equivalents</b>	<b>Forward foreign currency contracts</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2019</u>				
SGD	23,902,806	567,179	1,569,944	26,039,929
USD	80,415,493	4,040,141	5,582,312	90,037,946
	<u>104,318,299</u>	<u>4,607,320</u>	<u>7,152,256</u>	<u>116,077,875</u>
<u>2018</u>				
SGD	20,865,976	596,183	1,013,063	22,475,222
USD	73,977,470	4,351,448	5,942,273	84,271,191
	<u>94,843,446</u>	<u>4,947,631</u>	<u>6,955,336</u>	<u>106,746,413</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 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.

	Change in foreign exchange rate	Impact on profit after tax	Impact on net asset value
	%	RM	RM
<u>2019</u>			
SGD	5	1,301,996	1,301,996
USD	5	4,501,897	4,501,897
<u>2018</u>			
SGD	5	1,123,761	1,123,761
USD	5	4,213,559	4,213,559

### Country risk

A Unit Trust Fund ("UTF") 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 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>
<b>2019</b>			
Accrued management fee	19,036	-	19,036
Amount due to Trustee	5,711	-	5,711
Other payables and accruals	-	25,702	25,702
Contractual cash outflows	<u>24,747</u>	<u>25,702</u>	<u>50,449</u>
<b>2018</b>			
Accrued management fee	17,428	-	17,428
Amount due to brokers	2,087,065	-	2,087,065
Amount due to Trustee	5,228	-	5,228
Other payables and accruals	-	33,635	33,635
Contractual cash outflows	<u>2,109,721</u>	<u>33,635</u>	<u>2,143,356</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 law that governs the Fund or applicable internal control procedures, or act fraudulently or dishonestly.

The 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 RM105,410,937 (2018: RM106,169,870) and retained earnings/(accumulated losses) of RM11,076,443 (2018: RM(1,163,051)). 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 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	Total
	RM	RM	RM
<u>2019</u>			
Finance			
- AA1	5,042,898	-	5,042,898
Unquoted fixed income securities			
- A-2	-	1,781,375	1,781,375
- A-3	-	896,936	896,936
- B	-	8,692,917	8,692,917
- B-	-	1,280,629	1,280,629
- B+	-	878,594	878,594
- B1	-	884,749	884,749
- B2	-	4,877,199	4,877,199
- Ba2	-	788,611	788,611
- Ba3	-	2,975,042	2,975,042
- Baa3	-	39,194,897	39,194,897
- BB	-	6,432,834	6,432,834
- BB-	-	908,063	908,063
- BBB	-	898,777	898,777
- BBB-	-	10,460,694	10,460,694
- BBB+	-	4,232,606	4,232,606
- Caa2	-	1,909,939	1,909,939
- NR	-	17,224,437	17,224,437
Forward foreign currency contracts			
- AAA	-	7,152,256	7,152,256
	<u>5,042,898</u>	<u>111,470,555</u>	<u>116,513,453</u>

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Total
	RM	RM	RM
<u>2018</u>			
Finance			
- AA1	5,321,440	-	5,321,440
Unquoted fixed income securities			
- B	-	8,382,917	8,382,917
- B+	-	5,770,633	5,770,633
- B2	-	742,171	742,171
- Ba3	-	1,928,878	1,928,878
- Baa3	-	15,225,617	15,225,617
- BB	-	3,525,940	3,525,940
- BB+	-	9,915,739	9,915,739
- BB-	-	5,678,109	5,678,109
- BBB	-	23,589,579	23,589,579
- BBB-	-	4,860,474	4,860,474
- Caa1	-	842,812	842,812
- NR	-	14,380,577	14,380,577
Forward foreign currency contracts			
- AAA	-	6,955,336	6,955,336
	5,321,440	101,798,782	107,120,222

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 publicly traded derivatives) 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 Fund Manager will determine the point within the bid-ask spread that is representative of the fair value.

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

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each 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>2019</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	104,318,299	-	104,318,299
Forward foreign currency contracts	-	7,152,256	-	7,152,256

2018

Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	94,843,446	-	94,843,446
Forward foreign currency contracts	-	6,955,336	-	6,955,336

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 derivatives. 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 and all liabilities are a reasonable approximation of their fair values due to their short term nature.

### **3. MANAGEMENT FEE**

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

For the financial period ended 30 November 2019, the Management fee is recognised at a rate of 0.20% (2018: 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, inclusive of local custodian 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.

For the financial period ended 30 November 2019, the Trustee fee is recognised at a rate of 0.06% (2018: 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. DISTRIBUTION

	2019	2018
	RM	RM
Distribution to unit holders are from the following sources:		
Prior and current financial years' realised income	-	2,455,515
Gross realised income	-	2,455,515
Less: Expenses	-	(255,598)
	-	2,199,917
Gross distribution per unit (sen)	-	0.0206
Net distribution per unit (sen)	-	0.0206
Ex-date	-	24 August 2018

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

**6. TAXATION**

	<b>6-months financial period ended 30.11.2019</b>	<b>6-months financial period ended 30.11.2018</b>
	<b>RM</b>	<b>RM</b>

Tax charged for the financial period:

Current taxation - local

-

-

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

	<b>6-months financial period ended 30.11.2019</b>	<b>6-months financial period ended 30.11.2018</b>
	<b>RM</b>	<b>RM</b>
Profit/(loss) before taxation	5,659,256	(1,544,916)
Tax at Malaysian statutory rate of 24% (2018: 24%)	1,358,221	(370,780)
Tax effects of:		
(Investment income exempt from tax)/ investment loss not deductible for tax purpose	(1,402,725)	328,323
Expenses not deductible for tax purposes	15,597	14,733
Restriction on tax deductible expenses for Unit Trust Funds	28,907	27,724
Taxation	-	-

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RM	RM
Designated at fair value through profit or loss:		
Unquoted fixed income securities	104,318,299	94,843,446
Net gain/(loss) on financial assets at fair value through profit or loss:		
Realised (loss)/gain on disposals	(423,227)	429,074
Change in unrealised fair value gain/(loss)	2,631,910	(968,895)
	<u>2,208,683</u>	<u>(539,821)</u>

### Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2019	Percentage of net asset
				value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
11.50% Alam Synergy Pte Ltd 22.04.2020 (B-)	300,000	1,271,585	1,280,629	1.10
5.95% APL Realty Holdings Pte. Ltd. 02.06.2021 (B2)	300,000	1,340,291	1,075,064	0.92
5.20% Ara Asset Management Limited 19.07.2022 (NR)	1,750,000	5,549,310	5,458,917	4.69
3.25% Avenue International Holding Limited 25.10.2020 (NR)	1,000,000	4,193,222	4,182,470	3.59
4.25% Chalco Hong Kong Investment Company Limited 07.11.2021 (BBB+)	1,000,000	3,981,699	4,232,606	3.63

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
0% Champion Sincerity Holdings Limited 08.02.2022 (Ba3)	200,000	843,295	900,133	0.77
8.75% China Evergrande Group 28.06.2025 (B)	1,000,000	4,440,758	3,677,914	3.16
7.50% China Evergrande Group 28.06.2023 (B)	700,000	3,093,005	2,610,158	2.24
6.125% Emirates NBD Bank (P.J.S.C) 20.03.2025 (B1)	200,000	825,287	884,749	0.76
3.375% Hong Kong Red Star Macalline Universal Home Furnishings Ltd 21.09.2022 (BB)	300,000	1,260,698	1,116,682	0.96
6.25% HSBC Holdings Plc 23.03.2023 (Baa3)	300,000	1,189,286	1,326,780	1.14
4.70% HSBC Holdings Plc 06.08.2022 (Baa3)	3,500,000	11,079,916	11,087,948	9.52
6.00% HSBC Holdings Plc 22.05.2027 (Baa3)	1,000,000	4,326,263	4,421,325	3.80
5.875% Indika Energy Capital III Pte. Ltd 09.11.2021 (Ba3)	200,000	856,015	801,467	0.69
10.75% JGC Ventures Pte Ltd 30.12.2019 (B)	200,000	909,415	894,720	0.77

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
7.00% Lippo Malls Indonesia Retail Trust 27.09.2021 (NR)	1,000,000	3,179,146	2,605,142	2.24
6.125% Logan Property Holdings Company Limited 16.04.2020 (BB)	750,000	2,289,256	2,347,473	2.02
4.638% MAF Sukuk Ltd. 14.05.2029 (BBB)	200,000	831,229	898,777	0.77
5.625% Minejesa Capital B.V. 10.08.2037 (Baa3)	300,000	1,306,323	1,374,937	1.18
6.95% Modernland Overseas Pte. Ltd. 13.04.2021 (B)	400,000	1,758,039	1,510,125	1.30
5.50% Nan Fung Treasury (II) Limited 29.05.2020 (Baa3)	4,500,000	19,319,741	18,816,725	16.15
5.00% New Metro Global Ltd 08.08.2020 (Ba2)	200,000	883,901	788,611	0.68
5.75% NWD Finance (BVI) Ltd 05.10.2021 (NR)	300,000	1,306,580	1,262,275	1.08
7.875% RKP Overseas 2019 (A) Limited 01.02.2021 (BB-)	200,000	856,712	908,063	0.78
3.75% Rongshi International Finance Ltd. 21.05.2029 (A-2)	400,000	1,664,214	1,781,375	1.53
4.50% Singapore Press Holdings Limited 07.06.2024 (NR)	750,000	2,335,817	2,403,326	2.06



## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
5.25% Sino-Ocean Land Trasure Iv Limited 30.03.2022 (Baa3)	500,000	2,064,311	2,167,182	1.86
6.50% SMC Global Power Holdings Corp 25.04.2024 (NR)	300,000	1,248,041	1,312,307	1.13
7.75% SSMS Plantation Holdings Pte Ltd 23.01.2021 (B2)	500,000	2,058,243	1,769,272	1.52
8.625% Sunac China Holdings Limited 27.07.2020 (B+)	200,000	836,406	878,594	0.75
5.625% The Bank Of East Asia Limited 18.05.2022 (BB)	700,000	3,046,736	2,968,679	2.55
5.125% Turkiye Cumhuriyeti Ziraat Bankasi 29.09.2023 (B2)	500,000	2,112,607	2,032,863	1.75
6.125% Turkiye Garanti Bankasi AS 24.05.2022 (Caa2)	500,000	2,114,396	1,909,939	1.64
5.00% Westpac Banking Corporation 21.09.2027 (BBB-)	2,500,000	10,612,909	10,460,694	8.98
5.25% Wisdom Glory Group Ltd 19.07.2020 (Ba3)	300,000	1,311,711	1,273,442	1.09

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2019	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
5.98% Wuhan Metro Group Company Limited 05.12.2021 (A-3)	200,000	859,713	896,936	0.77
	<u>27,150,000</u>	<u>107,156,076</u>	<u>104,318,299</u>	<u>89.57</u>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>(2,837,777)</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>104,318,299</u>	

## Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2018	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
6.00% The Democratic Socialist Republic of Sri Lanka 14.01.2019 (B+)	700,000	2,983,693	2,979,605	2.84
8.125% Jiayuan International Group Limited 17.01.2019 (NR)	400,000	1,638,000	1,687,466	1.61
6.125% Logan Property Holdings Company Limited 16.04.2020 (BB-)	750,000	2,250,564	2,193,944	2.09
5.50% Nan Fung Treasury (II) Limited 29.05.2020 (Baa3)	4,500,000	19,319,750	15,225,617	14.50
5.25% Wisdom Glory Group Ltd. 19.07.2020 (Ba3)	300,000	1,311,751	1,222,294	1.16
8.625% Sunac China Holdings Limited 27.07.2020 (B)	200,000	836,448	853,930	0.81
5.00% New Metro Global Ltd. 08.08.2020 (BB)	200,000	873,786	728,249	0.69
9.75% Anton Oilfield Services Group 05.12.2020 (Caa1)	200,000	853,128	842,812	0.80
7.75% SSMS Plantation Holdings Pte. Ltd. 23.01.2021 (B+)	300,000	1,224,158	1,132,346	1.08
6.95% Modernland Overseas Pte. Ltd. 13.04.2021 (B)	400,000	1,745,504	1,387,197	1.32

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2018	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
4.75% Yuexiu Reit Mtn Company Limited 27.04.2021 (BBB-)	900,000	3,504,859	3,761,828	3.58
5.95% APL Realty Holdings Pte. Ltd. 02.06.2021 (B+)	300,000	1,331,206	907,496	0.86
7.00% Lippo Malls Indonesia Retail Trust 27.09.2021 (NR)	1,000,000	3,208,900	2,632,814	2.51
5.75% NWD Finance (Bvi) Ltd 05.10.2021 (NR)	300,000	1,305,926	1,088,346	1.04
4.25% Chalco Hong Kong Investment Company Limited 07.11.2021 (BBB)	1,000,000	3,935,076	3,952,106	3.76
5.875% Indika Energy Capital III Pte. Ltd 09.11.2021 (B2)	200,000	847,360	742,171	0.71
5.23% Pt Indonesia Asahan Aluminium (Persero) 15.11.2021 (NR)	200,000	832,179	850,890	0.81
Wuhan Metro Group Company Limited 05.12.2021 (NR)	200,000	834,133	834,133	0.79
5.875% Royal Capital B.V. 05.05.2022 (NR)	200,000	800,549	780,355	0.74
5.625% The Bank of East Asia Limited 18.05.2022 (BB)	700,000	3,046,746	2,797,691	2.66

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2018	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
6.125% Turkiye Garanti Bankasi AS 24.05.2022 (BB-)	500,000	2,112,211	1,685,745	1.61
5.20% ARA Asset Management Limited 19.07.2022 (NR)	1,750,000	5,547,409	5,226,920	4.98
4.70% HSBC Holdings Plc 06.08.2022 (BBB)	3,500,000	11,079,527	10,812,298	10.30
3.375% Hong Kong Red Star Macalline Universal Home Furnishings Ltd. 21.09.2022 (BB+)	300,000	1,259,419	977,412	0.93
6.875% Agile Group Holdings Ltd 07.03.2023 (Ba3)	200,000	785,266	706,584	0.67
6.25% HSBC Holdings Plc 23.03.2023 (BBB)	500,000	1,982,185	2,000,683	1.91
5.75% The Democratic Socialist Republic of Sri Lanka 18.04.2023 (B+)	200,000	780,744	751,186	0.72
7.50% China Evergrande Group 28.06.2023 (B)	700,000	3,093,161	2,577,942	2.46
5.125% Turkiye Cumhuriyeti Ziraat Bankasi Anonim Sirketi 29.09.2023 (BB-)	500,000	2,107,736	1,798,420	1.71

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.11.2018	Percentage of net asset value of the Fund
	RM	RM	RM	%
<b>Bond</b>				
8.75% China Evergrande Group 28.06.2025 (B)	1,000,000	4,441,018	3,563,848	3.39
6.00% HSBC Holdings Plc 22.05.2027 (BBB)	1,800,000	7,787,291	6,824,492	6.50
5.00% Westpac Banking Corporation 21.09.2027 (BB+)	2,500,000	10,615,877	8,938,327	8.51
6.15% Power Finance Corporation Limited 06.12.2028 (NR)	300,000	1,253,231	1,279,653	1.22
5.625% Minejesa Capital B.V. 10.08.2037 (BBB-)	300,000	1,306,359	1,098,646	1.05
	<u>27,000,000</u>	<u>106,835,150</u>	<u>94,843,446</u>	<u>90.32</u>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>(11,991,704)</u>	
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>94,843,446</u>	

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:

	2019	2018
	%	%
Unquoted fixed income securities	5.89	8.71

## 8. CASH AND CASH EQUIVALENTS

	2019	2018
	RM	RM
Bank balances	5,042,898	5,321,440

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

	2019	2018
	RM	RM
- MYR	435,578	373,809
- SGD	567,179	596,183
- USD	4,040,141	4,351,448
	5,042,898	5,321,440

## 9. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 17 (2018: 17) forward foreign currency contracts outstanding. The fair value of the outstanding forward foreign currency contracts amounted to RM7,152,256 (receivable) (2018: RM6,955,336 (receivable)). 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 contracts is recognised immediately in the statement of comprehensive income.

**10. UNITS IN CIRCULATION**

	<b>2019</b>	<b>2018</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial period	105,640,394	107,278,440
Cancellation of units during the financial period	(145,993)	(1,054,794)
	<hr/>	<hr/>
At the end of the financial period	105,494,401	106,223,646

**11. TRANSACTIONS WITH BROKERS/DEALERS**

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

Name of brokers/dealers	Value of trades	Percentage of total trades	Brokerage	Percentage
			fees	of total
	RM	%	RM	brokerage fees
				fees
				%
<b>2019</b>				
Standard Chartered Bank Limited	4,177,914	32.62	-	-
Societe Generale	3,058,318	23.88	-	-
Oversea-Chinese Banking Corporation Limited	2,285,850	17.85	-	-
Merrill Lynch International Ltd	1,706,418	13.32	-	-
Credit Agricole CIB	1,287,599	10.05	-	-
UBS AG	290,319	2.28	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	12,806,418	100.00	-	-



Name of brokers/dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2018</u>				
Societe Generale	8,103,974	37.66	-	-
Oversea-Chinese Banking Corporation Limited	3,904,285	18.14	-	-
Morgan Stanley And Co. International Plc	3,722,568	17.30	-	-
UBS AG	2,067,113	9.61	-	-
Barclay PLC	1,253,231	5.82	-	-
Standard Chartered Bank Limited	834,133	3.88	-	-
Citigroup Global Markets Inc	829,442	3.85	-	-
JP Morgan Securities Ltd	805,633	3.74	-	-
	<u>21,520,379</u>	<u>100.00</u>	-	-

All brokers/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			

	2019		2018	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,000	1,104	1,000	988

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")**

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
MER	0.16	0.16

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 RM114,196,063 (2018: RM108,450,596).

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

	<b>2019</b>	<b>2018</b>
PTR (times)	0.06	0.10

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 = RM6,463,764 (2018: RM12,610,772)

total disposals for the financial period = RM6,342,654 (2018: RM8,909,607)

## **15. SEGMENTAL INFORMATION**

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest income and gains on the appreciation in the value of investments, and is derived from Ringgit-denominated unquoted fixed income securities traded in Malaysia and unquoted fixed income securities in foreign markets where the regulatory authority is a member of the International Organisation of Securities Commission ("IOSCO").

There were no changes in the reportable operating segments during the financial period.

## **16. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 3 January 2020.

# CORPORATE DIRECTORY

## NAME

EASTSPRING INVESTMENTS BERHAD

## COMPANY NO.

200001028634 (531241-U)

## REGISTERED OFFICE

Level 25, Menara Hong Leong  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur

## BUSINESS OFFICE

Level 22, Menara Prudential  
Persiaran TRX Barat  
55188 Tun Razak Exchange  
Kuala Lumpur

## TELEPHONE NO.

603-2778 3888

## FAX NO.

603-2789 7220

## EMAIL

cs.my@eastspring.com

## WEBSITE

www.eastspring.com/my

## **TRUSTEE**

### NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

### COMPANY NO.

763590-H

### REGISTERED OFFICE & BUSINESS OFFICE

Level 20, Menara IMC  
No. 8, Jalan Sultan Ismail  
50250 Kuala Lumpur

### TELEPHONE NO.

603-2053 7522

### FAX NO.

603-2053 7526

## **SALE & PURCHASE OF UNITS**

### **Eastspring Investments Berhad**

Level 22, Menara Prudential  
Persiaran TRX Barat  
55188 Tun Razak Exchange  
Kuala Lumpur

### TELEPHONE NO.

603-2778 1000

**BRANCHES**

**Petaling Jaya**

Eastspring Investments Berhad  
A-17-P1 & M  
Block A, Jaya One  
72A, Jalan Universiti  
46200 Petaling Jaya, Selangor

TELEPHONE NO.

603-7948 1288

**Kota Kinabalu**

Eastspring Investments Berhad  
Suite E3, 9<sup>th</sup> Floor  
CPS Tower, Centre Point Sabah  
No. 1, Jalan Centre Point  
88000 Kota Kinabalu, Sabah

TELEPHONE NO.

6088-238 613

**ENQUIRIES**

CLIENT SERVICES

603-2778 1000

Eastspring Investments Berhad 200001028634 (531241-U)  
Level 22, Menara Prudential, Persiaran TRX Barat  
55188 Tun Razak Exchange, Kuala Lumpur  
T: (603) 2778 3888 F: (603) 2789 7220  
[eastspring.com/my](http://eastspring.com/my)

Client Services  
T: (603) 2778 1000  
[cs.my@eastspring.com](mailto:cs.my@eastspring.com)