



A Prudential plc company 

# EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2024



**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 Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 May 2024.**

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 be 'Yap Sioh Hoon', written in a cursive style.

**YAP SIOK HOON**

Executive Director/Chief Executive Officer

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## FUND INFORMATION

<b>Name of Fund</b>	<p>Eastspring Investments Global Target* Income Fund (the "Fund")</p> <p>* The Fund aims (i.e. Target) to distribute income at least once a year subject to availability of income.</p>
<b>Fund Category/ Type</b>	<p>Bond/income</p>
<b>Fund Objective</b>	<p>The Fund endeavours to provide regular income**.</p> <p><b>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</b></p> <p>** Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.</p>
<b>Performance Benchmark</b>	<p>12 month Maybank fixed deposit rate + 1% per annum.</p> <p><b>Source:</b> <a href="http://www.maybank2u.com.my">www.maybank2u.com.my</a></p> <p><b>Note:</b> As the Fund will invest in global markets across various bonds of different rating, 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>At least once a year, subject to the availability of income.</p>

## KEY PERFORMANCE DATA FOR THE FINANCIAL YEAR ENDED

Category	2024 (%)	2023 (%)	2022 (%)
Unquoted fixed income securities	86.64	101.86	84.68
Derivatives	(0.50)	(10.34)	(3.17)
Cash and other assets	13.86	8.48	18.49
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	83,223	95,653	139,820
Units In Circulation (Units '000)	214,573	263,564	321,121
Net Asset Value Per Unit (RM)	0.3879	0.3629	0.4354
Highest Net Asset Value Per Unit (RM) <sup>#</sup>	0.3943	0.4373	0.4787
Lowest Net Asset Value Per Unit (RM) <sup>#</sup>	0.3303	0.3625	0.4156
Total Return (%)			
- Capital Growth	6.89	(16.65)	(12.80)
- Income Distribution	-	-	5.24
Total Return (%)	6.89	(16.65)	(8.22)
Gross Distribution Per Unit (RM)	-	-	0.0250
Net Distribution Per Unit (RM)	-	-	0.0250
Total Expense Ratio (TER) (%) <sup>*</sup>	1.41	1.38	1.38
Portfolio Turnover Ratio (PTR) (times) <sup>^</sup>	0.88	0.37	0.35

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

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

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

## KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.6.2023 to 31.5.2024	3 years 1.6.2021 to 31.5.2024	5 years 1.6.2019 to 31.5.2024
	(%)	(%)	(%)
Average total return	6.89	(6.49)	(2.59)

Year ended	1.6.2023 to 31.5.2024	1.6.2022 to 31.5.2023	1.6.2021 to 31.5.2022	1.6.2020 to 31.5.2021	1.6.2019 to 31.5.2020
	(%)	(%)	(%)	(%)	(%)
Annual total return	6.89	(16.65)	(8.22)	9.00	(1.62)

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

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

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

NAV<sub>t</sub> = NAV at the end of the period

NAV<sub>0</sub> = 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

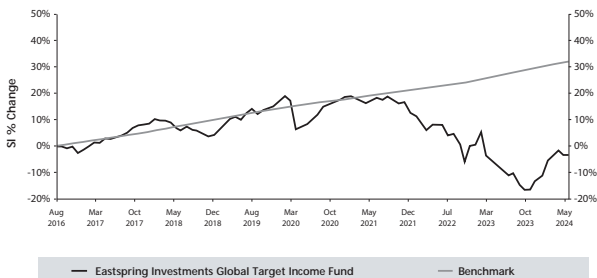
## Fund Performance

Over the 5-year period, the Fund registered a return of -12.33%, underperforming the benchmark return of 18.60% by 30.93%.

For the period under review, the Fund registered a return of 6.89%, outperforming the benchmark return of 4.04% by 2.85%.

Tighter credit spreads and income from coupon returns supported the Fund's performance over the period under review. The portfolio benefitted from the recovery in risk sentiment and from positive idiosyncratic developments. Across geographies, most markets contributed positively to returns, with Singapore, Ukraine, and India being the key return contributors. Sectoral performance was led by real estate and financial credits, which performed well despite the upward climb in US Treasury yields.

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



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

**Benchmark:** 12 month Maybank fixed deposit rate + 1% per annum.

**Source:** Lipper for Investment Management, [www.maybank2u.com.my](http://www.maybank2u.com.my), as at 31 May 2024.

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

## MANAGER'S REPORT (CONTINUED)

### Analysis of Fund Performance

For the financial year ended 31 May 2024:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	6.89	6.89	4.04

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

### Distribution/ Unit Split

No distribution or unit split were declared for the financial year ended 31 May 2024.

### Investment Strategy During the Period Under Review

The Fund seeks to achieve its objective by investing in bonds such as rated bonds, non-rated bonds or bonds rated below investment grade globally, including Malaysia. Non-rated bonds are bonds that have not received a credit rating from major credit rating agencies. The Fund's investments may also include liquid assets.

The Fund is expected to invest up to 40% of the Fund's Net Asset Value ("NAV") in non-rated bonds or bonds rated below investment grade. There is a risk that this limit may be exceeded due to reasons such as market value fluctuations and rating downgrades. This may result in the Fund being exposed to higher credit risk. In the event the 40% limit is exceeded, the Manager will rectify such breach within a reasonable period of not more than three (3) months, by disposing non-rated bonds or bonds rated below investment grade, reducing this exposure to the 40% threshold.



## MANAGER'S REPORT (CONTINUED)

## Asset Allocation

Asset Allocation	31-May 2024	31-May 2023	Changes
	(%)	(%)	(%)
Unquoted fixed income securities	86.64	101.86	(15.22)
Derivatives	(0.50)	(10.34)	9.84
Cash and other assets	13.86	8.48	5.38

## Asset Allocation as at 31 May 2024



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. There were no cross-trades executed for the period from June 2023 to August 2023, the period from December 2023 to February 2024 and the month of April 2024. The investment committee for the Fund has reviewed the trades for the months of September 2023, November 2023, and March 2024; and partially reviewed the trades for the month of October 2023 were transacted on an arm's length and fair value basis and in the best interest of the Fund. The remaining trades for the month of October 2023 and May 2024 will be tabled for review at the upcoming investment committee meeting.

## MARKET REVIEW

Fixed income markets had a weak start to the third quarter of 2023 with higher Treasury yields and general economic weakness in China weighing on sentiment. Higher US Treasury yields and a general weakness in China weighed on performance over the third quarter of 2023. A hawkish Fed, US rating downgrade and the rising prospect of a US government shutdown pushed the 10-year US Treasury yield to as high as 5%.

The Gaza Strip and Red Sea geopolitical tensions beginning in October 2023 threw sand in the gears, but economic data turned out to be less inflationary than expected and the US Treasury decided to issue fewer long-term bonds. In December, the Federal Reserve held rates unchanged with Chairman Powell introducing the notion of whether it might be appropriate to reduce interest rates. The meeting kept a less hawkish narrative that drove benchmark yields lower and led the Fed funds futures market to price in several rate cuts for 2024.

Bond yields however drifted modestly higher during the first quarter of this year, as rate cut expectations were partially unwound from forward rate markets amid stronger-than-expected economic activity data and a relatively sticky US inflation backdrop. The Fed adopted a more neutral tone and argued that they would need see more evidence of moderating inflation before cutting rates considering the current economic resilience of the US economy.

As the tug-of-war between stronger growth and inflation concerns persisted, US Treasury yields rose over the period under review, with yields on 2-year and 10-year Treasury notes rising 50 and 88 bps to 4.89% and 4.51% respectively. The JP Morgan EMBI Global Diversified Index rallied 11.0% as credit spreads tightened. Index constituents in Africa, Emerging Asia and Emerging Europe topped returns. Across countries, Venezuela, Pakistan, Argentina and Ukraine were the best performing bonds.

Overall, even after witnessing a selloff in the third quarter of 2023, Asian bonds represented by the JP Morgan Asia Credit Index still posted a decent return of 6.0% in the twelve months ended May. High-yield bonds registered much stronger gains compared to their investment-grade counterpart, benefitting from both the risk rally since November and tightening credit spreads that mitigated the adverse impact from rising bond yields. China real estate credits were notable laggards, weighed down by weak sales, elevated vacancy rates and the general lack of an upturn in the physical property market. Nonetheless, metal mining and consumer corporate bonds were among leaders within sectors, supported by constructive technical factors such as strong investor demand.

## REBATES AND SOFT COMMISSIONS

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

## SECURITIES LENDING OR REPURCHASE TRANSACTIONS

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

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# EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

## FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

## STATEMENT BY THE MANAGER

We, Yap Siok Hoon and John Campbell Tupling, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 18 to 72 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 May 2024 and of its financial performance, changes in equity and cash flows for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

**YAP SIOK HOON**  
Executive Director/Chief Executive Officer

**JOHN CAMPBELL TUPLING**  
Independent, Non-Executive Director

Kuala Lumpur  
Date: 24 July 2024

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

We have acted as Trustee of the Fund for the financial year ended 31 May 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Eastspring Investments Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

For Deutsche Trustees Malaysia Berhad

**Ng Hon Leong**  
Head, Fund Operations

**Sylvia Beh**  
Chief Executive Officer

Kuala Lumpur  
Date: 24 July 2024



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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Eastspring Investments Global Target Income Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 May 2024, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 18 to 72.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence and other ethical responsibilities*

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to terminate the Fund, or has no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- d. Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- e. Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

## OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
Date: 24 July 2024

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

	Note	2024	2023
		RM	RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Interest income from deposits			
with licensed financial institutions		80,678	111,286
Interest income from unquoted			
fixed income securities		5,626,917	10,972,993
Net gain/(loss) on financial assets at			
fair value through profit or loss	6	5,701,174	(20,918,202)
Net loss on forward foreign currency contracts	8	(5,236,843)	(7,488,554)
Net foreign currency exchange (loss)/gain		(90,984)	141,022
		<u>6,080,942</u>	<u>(17,181,455)</u>
<b>EXPENSES</b>			
Management fee	3	(1,048,355)	(1,464,674)
Trustee fee	4	(58,708)	(82,022)
Audit fee		(13,000)	(13,000)
Tax agent fee		(8,099)	(5,496)
Other expenses		(54,170)	(57,702)
		<u>(1,182,332)</u>	<u>(1,622,894)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		4,898,610	(18,804,349)
<b>TAXATION</b>	5	<u>131,635</u>	<u>(2,099,132)</u>
<b>PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<u>5,030,245</u>	<u>(20,903,481)</u>
Profit/(loss) after taxation is made up			
of the following:			
Realised amount		(21,003,935)	(3,305,621)
Unrealised amount		26,034,180	(17,597,860)
		<u>5,030,245</u>	<u>(20,903,481)</u>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2024

	Note	2024	2023
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	7	13,764,873	8,765,739
Financial assets at fair value through profit or loss	6	72,069,778	97,428,544
Forward foreign currency contracts at fair value through profit or loss	8	82,936	-
Amount due from Manager		852,536	-
Tax recoverable		1,183,538	-
<b>TOTAL ASSETS</b>		<b>87,953,661</b>	<b>106,194,283</b>
<b>LIABILITIES</b>			
Forward foreign currency contracts at fair value through profit or loss	8	493,684	9,891,210
Accrued management fee		87,623	104,169
Amount due to Manager		379,407	282,088
Amount due to Trustee		4,907	5,833
Amount due to broker		3,744,831	-
Tax payable		-	228,741
Other payables and accruals		20,330	29,311
<b>TOTAL LIABILITIES</b>		<b>4,730,782</b>	<b>10,541,352</b>
<b>NET ASSET VALUE OF THE FUND</b>		<b>83,222,879</b>	<b>95,652,931</b>
<b>EQUITY</b>			
Unit holders' capital		118,896,493	136,356,790
Accumulated losses		(35,673,614)	(40,703,859)
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>83,222,879</b>	<b>95,652,931</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<b>214,572,939</b>	<b>263,564,010</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<b>0.3879</b>	<b>0.3629</b>

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

	Unit holders' capital	Accumulated losses	Total
	RM	RM	RM
Balance as at 1 June 2023	136,356,790	(40,703,859)	95,652,931
Movement in unit holders' contribution:			
Creation of units from applications	4,978,275	-	4,978,275
Cancellation of units	(22,438,572)	-	(22,438,572)
Total comprehensive income for the financial year	-	5,030,245	5,030,245
Balance as at 31 May 2024	<u>118,896,493</u>	<u>(35,673,614)</u>	<u>83,222,879</u>
Balance as at 1 June 2022	159,620,153	(19,800,378)	139,819,775
Movement in unit holders' contribution:			
Creation of units from applications	2,875,064	-	2,875,064
Cancellation of units	(26,138,427)	-	(26,138,427)
Total comprehensive loss for the financial year	-	(20,903,481)	(20,903,481)
Balance as at 31 May 2023	<u>136,356,790</u>	<u>(40,703,859)</u>	<u>95,652,931</u>

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

# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

	Note	2024	2023
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		99,044,635	63,764,310
Payments for purchase of investments		(63,493,588)	(59,899,061)
Net realised loss on forward foreign currency contracts		(14,717,305)	(2,023,301)
Interest income received from deposits with licensed financial institutions		80,678	111,286
Interest income received from unquoted fixed income securities		4,880,642	6,327,840
Management fee paid		(1,064,901)	(1,508,834)
Trustee fee paid		(59,634)	(84,495)
Payment for other fees and expenses		(84,251)	(75,750)
Tax paid		(1,280,644)	(1,971,433)
Net realised foreign exchange (loss)/gain		(90,518)	139,132
Net cash generated from operating activities		<u>23,215,114</u>	<u>4,779,694</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from units created		4,125,739	2,875,064
Payments for cancellation of units		(22,341,253)	(26,269,419)
Net cash used in financing activities		<u>(18,215,514)</u>	<u>(23,394,355)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		4,999,600	(18,614,661)
<b>EFFECTS OF FOREIGN EXCHANGE DIFFERENCES</b>			
		(466)	1,890
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>			
		<u>8,765,739</u>	<u>27,378,510</u>
<b>CASH AND CASH EQUIVALENTS END OF THE FINANCIAL YEAR</b>			
	7	<u>13,764,873</u>	<u>8,765,739</u>

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



## MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

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

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

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

The preparation of financial statements in conformity with the MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgement are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

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

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

b. New standards, amendments and interpretations effective after 1 January 2023 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 June 2023 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

**B. INCOME RECOGNITION**

Interest income from short-term deposits placed with licensed financial institution and unquoted fixed income securities are recognised on an accrual basis using the effective interest rate method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

**C. TAXATION**

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

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

**D. FUNCTIONAL AND PRESENTATION CURRENCY**

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

**E. FOREIGN CURRENCY TRANSLATION**

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

## F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### i. Classification

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

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents and amount due from Manager 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 Manager, amount due to Trustee, amount due to broker and other payables and accruals as financial liabilities measured at amortised cost.

### ii. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

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

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

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

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

Derivative investments are forward foreign currency contracts. Financial derivative position will be “marked to market” at the close of each valuation day.

Foreign exchange gains and losses on the derivative financial instrument are recognised in statement of comprehensive income when settled or at date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

Unquoted fixed income securities are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis based on fair value prices quoted by a bond pricing agency (“BPA”) registered with the Securities Commission as per the Securities Commission’s (“SC”) Guidelines on Unit Trust Funds. Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the price obtained by Reuters. Where Reuters prices are not available on valuation day, these unquoted fixed income securities will be valued by reference to the average indicative yield quoted by three independent and reputable financial institutions.

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

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

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

iii. Impairment for assets carried at amortised costs

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

iv. Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

v. Definition of default and credit-impaired financial assets

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

vi. Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

## G. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits with licensed financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## H. UNIT HOLDERS' CAPITAL

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

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

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

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

## **I. DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss and accounted for in accordance with the accounting policy set out in Note F to the financial statements.

## **J. AMOUNT DUE FROM/(TO) BROKERS**

Amount due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amount due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12 months expected credit losses. Significant financial difficulties of the brokers, probability that the brokers will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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

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



**K. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

### 1. INFORMATION ON THE FUND

Eastspring Investments Global Target Income Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 15 December 2015 (the “Deed”) entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”), followed by first Supplemental Deed dated 22 June 2022 (collectively referred to as the “Deeds”).

The Fund was launched on 18 July 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 bonds such as rated bonds, non-rated bonds and/or bonds rated below investment grade globally including Malaysia. Non-rated bonds are bonds that have not received a credit rating from one or more of the major credit rating agencies. The Fund’s investments may also include liquid assets.

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

All investments will be subject to the Securities Commission’s (“SC”) Guidelines on Unit Trust Funds, the Deed and the Fund’s objective.

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

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Financial instruments of the Fund are as follows:

Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss		Financial liabilities at fair value through profit or loss		Total
		RM	RM	RM	RM	
<b>2024</b>						
7	Cash and cash equivalents	13,764,873	-	-	-	13,764,873
6	Unquoted fixed income securities	-	72,069,778	-	-	72,069,778
8	Forward foreign currency contracts at fair value through profit or loss	-	82,936	(493,684)	(410,748)	(410,748)
	Amount due from Manager	852,536	-	-	-	852,536
		<u>14,617,409</u>	<u>72,152,714</u>	<u>(493,684)</u>	<u>-</u>	<u>86,276,439</u>
<b>2023</b>						
7	Cash and cash equivalents	8,765,739	-	-	-	8,765,739
6	Unquoted fixed income securities	-	97,428,544	-	-	97,428,544
8	Forward foreign currency contracts at fair value through profit or loss	-	-	(9,891,210)	(9,891,210)	(9,891,210)
		<u>8,765,739</u>	<u>97,428,544</u>	<u>(9,891,210)</u>	<u>-</u>	<u>96,303,073</u>

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

## Market risk

### i. Price risk

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

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

	<b>2024</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities*	<u>72,069,778</u>	<u>97,428,544</u>

\* Includes interest receivable of RM847,927 (2023: RM1,020,380).

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

% Change in price	2024		2023	
	Market value	Impact on profit after tax and net asset value	Market value	Impact on loss after tax and net asset value
	RM	RM	RM	RM
+5% (2023: +5%)	74,782,944	3,561,093	101,228,572	4,820,408
-5% (2023: -5%)	67,660,758	(3,561,093)	91,587,756	(4,820,408)

ii. Interest rate risk

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

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

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

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

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

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

The Fund's investments in deposits with licensed financial institutions 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 net asset value to movements in pricing of unquoted fixed income securities held by the Fund at the end of each reporting financial year as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

	2024	2023
% Change in interest rate of unquoted fixed income securities	Impact on profit after tax and net asset value	Impact on loss after tax and net asset value
	RM	RM
+1% (2023: +1%)	(380,721)	(503,240)
-1% (2023: -1%)	385,759	510,684

iii. Foreign exchange/Currency risk

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

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

	<b>Unquoted fixed income securities</b>	<b>Forward foreign currency contracts</b>	<b>Cash and cash equivalents</b>	<b>Amount due to broker</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2024</u>					
EUR	-	-	57	-	57
SGD	10,857,912	-	25	-	10,857,937
USD	61,211,866	(410,748)	6,549,778	(3,744,831)	63,606,065
	<u>72,069,778</u>	<u>(410,748)</u>	<u>6,549,860</u>	<u>(3,744,831)</u>	<u>74,464,059</u>
<u>2023</u>					
EUR	-	-	19	-	19
SGD	4,480,383	(3,076,489)	1,033,399	-	2,437,293
USD	92,948,161	(6,814,721)	132,442	-	86,265,882
	<u>97,428,544</u>	<u>(9,891,210)</u>	<u>1,165,860</u>	<u>-</u>	<u>88,703,194</u>

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

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

	Change in foreign exchange rate	Impact on profit/(loss) after tax	Impact on net asset value
	%	RM	RM
<u>2024</u>			
EUR	5.30	3	3
SGD	3.44	373,513	373,513
USD	5.39	3,428,367	3,428,367
<u>2023</u>			
EUR	8.19	2	2
SGD	4.45	108,460	108,460
USD	5.73	4,943,035	4,943,035

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

### **Liquidity risk**

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

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

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

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2024</b>				
Forward foreign currency contracts at fair value through profit or loss	188,941	251,350	53,393	493,684
Accrued management fee	87,623	-	-	87,623
Amount due to Manager	379,407	-	-	379,407
Amount due to Trustee	4,907	-	-	4,907
Amount due to broker	3,744,831	-	-	3,744,831
Other payables and accruals	-	20,330	-	20,330
Contractual undiscounted cash outflows	<u>4,405,709</u>	<u>271,680</u>	<u>53,393</u>	<u>4,730,782</u>
<b>2023</b>				
Forward foreign currency contracts at fair value through profit or loss	-	9,891,210	-	9,891,210
Accrued management fee	104,169	-	-	104,169
Amount due to Manager	282,088	-	-	282,088
Amount due to Trustee	5,833	-	-	5,833
Other payables and accruals	-	29,311	-	29,311
Contractual undiscounted cash outflows	<u>392,090</u>	<u>9,920,521</u>	<u>-</u>	<u>10,312,611</u>

### **Non-compliance risk**

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

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

### **Capital risk**

The capital of the Fund is represented by equity consisting of unit holders' capital of RM118,896,493 (2023: RM136,356,790) and accumulated losses of RM35,673,614 (2023: RM40,703,859). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### **Credit/Default risk**

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

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

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

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

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

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

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Amount due from Manager	Total
	RM	RM	RM	RM
<u>2024</u>				
Financial Services				
- AAA	5,802,622	-	-	5,802,622
- AA1	7,962,251	-	-	7,962,251
Unquoted Fixed Income Securities				
Communications				
- BBB	-	1,273,451	-	1,273,451
Consumer Discretionary				
- A	-	565,682	-	565,682
- B	-	8,544,032	-	8,544,032
Consumer Staples				
- Baa2	-	806,584	-	806,584
Energy				
- BB	-	946,735	-	946,735
- BBB	-	1,353,772	-	1,353,772
- BBB+	-	1,179,815	-	1,179,815
- C	-	759,696	-	759,696
Financials				
- A-	-	1,880,353	-	1,880,353
- A+	-	5,898,882	-	5,898,882
- A3	-	799,957	-	799,957
- Aa3	-	1,967,263	-	1,967,263
- B+	-	968,573	-	968,573
- Baa2	-	1,890,930	-	1,890,930
- Baa3	-	2,807,328	-	2,807,328

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Amount due from Manager	Total
	RM	RM	RM	RM
<u>2024</u> (continued)				
Unquoted Fixed Income Securities (continued)				
Financials (continued)				
- BBB	-	3,196,535	-	3,196,535
- NR	-	13,756,413	-	13,756,413
Government				
- A	-	579,552	-	579,552
- A+	-	938,448	-	938,448
- AA	-	3,314,330	-	3,314,330
- AA+	-	458,595	-	458,595
- Aaa	-	2,451,627	-	2,451,627
- BB+	-	628,528	-	628,528
- BBB	-	1,471,704	-	1,471,704
- BBB-	-	1,560,899	-	1,560,899
- BBB+	-	1,892,170	-	1,892,170
- NR	-	2,816,890	-	2,816,890
Industrials				
- BBB-	-	1,886,957	-	1,886,957
- NR	-	2,834,748	-	2,834,748
Materials				
- BBB-	-	933,378	-	933,378
Utilities				
- A2	-	917,012	-	917,012
- BB+	-	788,939	-	788,939
Forward Foreign Currency Contracts				
- AAA	-	82,936	-	82,936
Other				
- NR	-	-	852,536	852,536
	<u>13,764,873</u>	<u>72,152,714</u>	<u>852,536</u>	<u>86,770,123</u>

	Cash and cash equivalents	Financial assets at fair value through profit and loss	Total
	RM	RM	RM
<b>2023</b>			
Financial Services			
- AA2	8,765,739	-	8,765,739
Unquoted Fixed Income Securities			
Communications			
- BBB	-	1,422,068	1,422,068
Consumer Discretionary			
- A	-	580,086	580,086
- A3	-	610,764	610,764
- B+	-	11,396,032	11,396,032
- Baa1	-	931,041	931,041
Consumer Staples			
- Baa2	-	732,183	732,183
Energy			
- A+	-	1,560,082	1,560,082
- A1	-	727,606	727,606
- Aa2	-	1,431,604	1,431,604
- B2	-	2,707,500	2,707,500
- BB+	-	927,463	927,463
- BBB	-	3,641,364	3,641,364
- BBB-	-	925,367	925,367
- NR	-	853,405	853,405
Financials			
- A+	-	2,764,788	2,764,788
- A3	-	4,674,484	4,674,484
- AA+	-	934,372	934,372
- Aa3	-	2,802,552	2,802,552
- Baa1	-	876,662	876,662
- Baa3	-	15,102,283	15,102,283
- BBB-	-	2,727,511	2,727,511
- BBB+	-	625,281	625,281
- C	-	212,175	212,175
- Ca	-	6,707,902	6,707,902
- NR	-	4,932,662	4,932,662

	Cash and cash equivalents	Financial assets at fair value through profit and loss	Total
	RM	RM	RM
<u>2023</u> (continued)			
Unquoted Fixed Income Securities (continued)			
Government			
- A	-	600,529	600,529
- AA	-	1,122,858	1,122,858
- Aa2	-	919,419	919,419
- Ba1u	-	1,847,158	1,847,158
- BB	-	1,513,792	1,513,792
- BB+	-	583,825	583,825
- BBB	-	1,224,644	1,224,644
- BBB-	-	3,706,506	3,706,506
- BBB+	-	929,264	929,264
- D	-	337,902	337,902
Industrials			
- Baa2	-	900,111	900,111
- Baa3	-	925,714	925,714
- BBB-	-	2,371,797	2,371,797
- CC	-	251,447	251,447
Materials			
- A-	-	872,382	872,382
- Baa2	-	1,771,446	1,771,446
Utilities			
- A2	-	1,807,117	1,807,117
- Baa2	-	2,766,791	2,766,791
- Baa3	-	799,314	799,314
- BBB	-	627,402	627,402
- BBB-	-	741,889	741,889
	<u>8,765,739</u>	<u>97,428,544</u>	<u>106,194,283</u>

None of these financial assets are past due or impaired.

## **Fair value estimation**

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

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

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

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.



i. Fair value hierarchy

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

The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2024</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	72,069,778	-	72,069,778
Forward foreign currency contracts	-	82,936	-	82,936
	-	72,152,714	-	72,152,714
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	-	(493,684)	-	(493,684)
<u>2023</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	97,428,544	-	97,428,544
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	-	(9,891,210)	-	(9,891,210)

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

- ii. The carrying value of cash and cash equivalents, amount due from Manager and all liabilities, except for forward foreign currency contracts, are a reasonable approximation of their fair values due to their short-term nature.

### **3. MANAGEMENT FEE**

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 2.00% per annum of the net asset value of the Fund accrued and calculated on a daily basis.

For the financial year ended 31 May 2024, the Management fee is recognised at a rate of 1.25% (2023: 1.25%) per annum on the net asset value of the Fund, calculated on daily basis.

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.20% per annum of the net asset value of the Fund, subject to a minimum fee of RM15,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 31 May 2024, the Trustee fee is recognised at a rate of 0.07% (2023: 0.07%) subject to a minimum fee of RM15,000 per annum on the net asset value of the Fund, excluding foreign custodian charges, calculated on daily basis.

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

## 5. TAXATION

	<b>2024</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial year:		
Current taxation	669,366	2,079,372
(Over)/under provision of taxation in prior year	(801,001)	19,760
Taxation	<u>(131,635)</u>	<u>2,099,132</u>

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

	<b>2024</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>
Profit/(loss) before taxation	<u>4,898,610</u>	<u>(18,804,349)</u>
Tax at Malaysian statutory rate of 24% (2023: 24%)	1,175,666	(4,513,044)
Tax effects of:		
(Investment income not subject to tax)/ investment loss not deductible for tax purposes	(727,192)	6,181,849
Expenses not deductible for tax purposes	28,682	34,853
Restriction on tax deductible expenses for Unit Trust Funds	192,210	354,642
Foreign income subject to different tax rate	-	21,072
(Over)/under provision of taxation in prior year	(801,001)	19,760
Taxation	<u>(131,635)</u>	<u>2,099,132</u>

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

	2024	2023
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities	72,069,778	97,428,544
Net gain/(loss) on financial assets at fair value through profit or loss:		
Realised loss on disposals	(10,853,010)	(8,783,705)
Change in unrealised fair value gain/(loss)	16,554,184	(12,134,497)
	5,701,174	(20,918,202)

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2024	Percentage of net asset value of the Fund
	SGD	RM	RM	%
0.00% Lippo Malls Indonesia Retail Trust 31.12.2099 (NR)	9,750,000	28,476,214	10,857,912	13.05

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2024	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.375% AES Panama Generation Holdings S. De R.L. 31.5.2030 (BB+)	196,419	823,304	788,939	0.95
3.064% Axiata SPV5 (Labuan) Limited 19.8.2050 (BBB)	200,000	672,701	620,280	0.75

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2024	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.08% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A2)	200,000	825,444	917,012	1.10
2.78% Dua Capital Ltd 11.5.2031 (A3)	200,000	770,421	799,957	0.96
5.50% Emirate of Abu Dhabi 30.4.2054 (AA)	200,000	937,195	939,430	1.13
2.70% Emirate of Abu Dhabi 2.9.2070 (AA)	200,000	621,342	531,678	0.64
3.068% Empresa De Los Ferrocarriles Del Estado 18.8.2050 (A)	200,000	846,458	565,682	0.68
3.939% ESIC Sukuk Limited 30.7.2024 (Baa3)	400,000	1,812,209	1,895,222	2.28
5.70% Export-Import Bank of India 11.3.2025 (BBB-)	200,000	966,131	953,385	1.15
4.50% First Abu Dhabi Bank P.J.S.C. 31.12.2099 (Baa3)	200,000	837,386	912,106	1.10
5.375% GACI First Investment Company 29.1.2054 (A+)	200,000	850,337	845,050	1.02
3.25% Government of Chile 21.9.2071 (A)	200,000	647,938	579,552	0.70
5.55% Greenko Solar (Mauritius) Limited 29.1.2025 (BB)	200,000	942,536	946,735	1.14

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2024	Percentage of net asset value of the Fund
	USD	RM	RM	%
5.75% Gulf International Bank B.S.C 5.6.2029 (A-)	200,000	933,131	937,093	1.13
6.375% HSBC Holdings Plc 30.3.2025 (BBB)	200,000	820,416	943,907	1.13
6.00% HSBC Holdings Plc 22.5.2027 (BBB)	500,000	2,163,528	2,252,628	2.71
6.45% International Bank for Reconstruction and Development 11.10.2033 (Aaa)	500,000	2,457,922	2,451,627	2.95
3.375% IOI Investment (L) Berhad 2.11.2031 (Baa2)	200,000	785,796	806,584	0.97
4.687% Khazanah Global Sukuk Berhad 1.6.2028 (A-)	200,000	947,603	943,260	1.13
0.00% Kondor Finance Plc 19.7.2025 (C)	190,000	773,577	759,696	0.91
5.92% Kookmin Bank 2.8.2024 (Aa3)	200,000	955,813	986,413	1.19
5.40% Kookmin Bank 12.1.2025 (NR)	400,000	1,904,380	1,910,595	2.30
5.51% Kookmin Bank 7.3.2025 (A+)	200,000	960,444	950,659	1.14
5.25% KSA Sukuk Limited 4.6.2027 (A+)	200,000	937,466	938,448	1.13
5.25% Li & Fung Limited 31.12.2099 (B)	4,000,000	14,087,915	8,544,032	10.27
5.375% Metropolitan Bank & Trust Co. 6.3.2029 (Baa2)	200,000	959,013	950,406	1.14

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2024	Percentage of net asset value of the Fund
	USD	RM	RM	%
5.50% Metropolitan Bank & Trust Co. 6.3.2034 (Baa2)	200,000	953,395	940,524	1.13
5.00% Modernland Overseas Pte Ltd 30.4.2027 (NR)	600,000	2,613,158	760,765	0.91
5.00% Modernland Overseas Pte Ltd 30.4.2027 (NR)	210,578	373,535	227,141	0.27
5.95% Nonghyup Bank 16.11.2024 (A+)	200,000	970,754	970,039	1.17
3.45% PLDT Inc. 23.6.2050 (BBB)	200,000	665,555	653,171	0.78
4.75% PT Indonesia Asahan Aluminium (Persero) 15.5.2025 (BBB-)	200,000	865,128	933,378	1.12
4.875% PT Pelabuhan Indonesia (Persero) 1.10.2024 (NR)	600,000	2,833,175	2,834,748	3.41
4.25% PT Tower Bersama Infrastructure TBK 21.1.2025 (BBB-)	400,000	1,811,489	1,886,957	2.27
5.70% QNB Finance Ltd 24.8.2024 (Aa3)	200,000	970,379	980,850	1.18
5.445% QNB Finance Ltd 10.1.2025 (A+)	400,000	1,904,986	1,914,789	2.30
4.125% Reliance Industries Limited 28.1.2025 (BBB+)	250,000	1,189,730	1,179,815	1.42
3.87% Republic of Panama 23.7.2060 (BBB)	200,000	690,425	542,145	0.65



## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2024	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.60% Republic of Peru 15.1.2072 (BBB-)	200,000	687,689	607,514	0.73
5.50% Republic of The Philippines 17.1.2048 (BBB+)	200,000	957,021	950,181	1.14
5.60% Republic of The Philippines 14.5.2049 (BBB+)	200,000	933,728	941,989	1.13
4.125% Republica De Colombia 22.2.2042 (BB+)	200,000	642,767	628,528	0.76
3.75% Thailoil Treasury Center Company Limited 18.6.2050 (BBB)	400,000	1,737,948	1,353,772	1.63
5.64% The Korea Development Bank 19.4.2025 (AA)	200,000	959,051	945,702	1.14
5.103% The State of Qatar 23.4.2048 (AA)	200,000	914,295	897,520	1.08
8.25% Turkiye Wealth Fund Management Co. 14.2.2029 (B+)	200,000	971,301	968,573	1.16
6.00% United Mexican States (Mexico) 7.5.2036 (BBB)	200,000	922,695	929,559	1.12
0.00% United States of America 28.5.2024 (NR)	200,000	948,479	940,663	1.13
0.00% United States of America 6.6.2024 (NR)	200,000	948,192	940,390	1.13

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2024	Percentage of net asset value of the Fund
	USD	RM	RM	%
0.00% United States of America 4.6.2024 (NR)	200,000	935,847	935,837	1.12
1.25% United States of America 15.5.2050 (AA+)	200,000	497,678	458,595	0.55
6.00% Woori Bank 18.10.2024 (A+)	250,000	1,224,959	1,218,345	1.46
	<u>26,446,997</u>	<u>97,839,979</u>	<u>72,069,778</u>	<u>86.64</u>

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

(25,770,201)

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

72,069,778

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	SGD		RM	RM
0.00% Lippo Malls Indonesia Retail Trust 31.12.2099 (NR)*	9,750,000	28,467,081	4,480,383	4.69

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD		RM	RM
4.375% AES Panama Generation Holdings S. de R.L. 31.5.2030 (Baa3)	200,000	838,312	799,314	0.84
3.064% Axiata SPV5 (Labuan) Limited 19.8.2050 (BBB)	200,000	668,281	660,795	0.69
3.425% CCCI Treasure Limited 21.11.2024 (Baa2)	200,000	848,424	900,111	0.94
7.65% Central China Real Estate Limited 27.8.2023 (C)**	200,000	900,659	212,175	0.22
2.85% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A2)	200,000	824,163	919,377	0.96

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.08% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A2)	200,000	825,177	887,740	0.93
2.95% Chinalco Capital Holdings Limited 24.2.2027 (A-)	200,000	834,586	872,382	0.91
3.15% Chouzhou International Investment Limited 11.8.2023 (Baa3)	200,000	846,880	925,714	0.97
3.875% CNAV (HK) Finbridge Company Limited 19.6.2029 (Baa2)	200,000	922,978	863,044	0.90
3.30% CNOOC Finance (2013) Limited 30.9.2049 (A+)	200,000	670,450	677,264	0.71
4.875% CNOOC Finance (2014) ULC 30.4.2044 (A+)	200,000	1,132,184	882,818	0.92
4.30% Coastal Emerald Limited 1.8.2024 (A3)	200,000	836,824	906,993	0.95
4.677% Comision Federal de Electricidad 9.2.2051 (BBB)	200,000	638,712	627,402	0.66
6.20% Democratic Socialist Republic of Sri Lanka 11.5.2027 (D)***	200,000	867,000	337,902	0.36

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
2.95% DIB Sukuk Limited 16.1.2026 (A3)	300,000	1,297,673	1,333,626	1.39
5.30% Dominican Republic 21.1.2041 (BB)	200,000	743,988	734,979	0.77
1.658% Dua Capital Ltd 11.5.2026 (A3)	200,000	793,047	835,803	0.87
2.78% Dua Capital Ltd 11.5.2031 (A3)	400,000	1,512,199	1,598,062	1.67
8.875% Ecopetrol S.A. 13.1.2033 (BB+)	200,000	895,504	927,463	0.97
4.387% EIG Pearl Holdings S.A R.L. 30.11.2046 (A1)	200,000	748,947	727,606	0.76
2.70% Emirate of Abu Dhabi 2.9.2070 (AA)	400,000	1,238,597	1,122,858	1.17
3.068% Empresa de los Ferrocarriles del Estado 18.8.2050 (A)	200,000	846,298	580,086	0.61
5.125% Empresa De Transmision Electrica, S.A. 2.5.2049 (BBB-)	200,000	749,751	741,889	0.78
3.693% Empresa de Transporte de Pasajeros Metro S.A. 13.9.2061 (A3)	200,000	635,303	610,764	0.64
3.939% ESIC Sukuk Limited 30.7.2024 (Baa3)	1,000,000	4,250,626	4,535,407	4.74
6.07% Export-Import Bank of India 6.3.2024 (BBB-)	200,000	910,223	937,234	0.98

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.875% Export-Import Bank of India 12.3.2024 (BBB-)	200,000	898,551	918,673	0.96
6.20% Export-Import Bank of India 20.3.2024 (BBB-)	200,000	907,681	937,120	0.98
4.50% First Abu Dhabi Bank P.J.S.C 31.12.2099 (Baa3)	200,000	837,258	876,009	0.92
4.00% Franshion Brilliant Limited 21.6.2024 (BBB-)	400,000	1,709,473	1,804,196	1.89
3.25% Galaxy Pipeline Assets Bidco Limited 30.9.2040 (Aa2)	200,000	746,099	722,154	0.75
2.94% Galaxy Pipeline Assets Bidco Limited 30.9.2040 (Aa2)	189,970	705,632	709,450	0.74
2.95% GLP China Holdings Limited 29.3.2026 (BBB-)	200,000	740,673	549,021	0.57
3.25% Government of Chile 21.9.2071 (A)	200,000	646,435	600,529	0.63
6.375% HSBC Holdings Plc 17.9.2024 (Baa3)	1,000,000	4,125,911	4,479,565	4.68
6.375% HSBC Holdings Plc 30.3.2025 (Baa3)	500,000	2,051,622	2,239,155	2.34
6.00% HSBC Holdings Plc 22.5.2027 (Baa3)	500,000	2,163,460	2,049,556	2.14
3.75% Huarong Finance 2019 Co., Ltd 29.5.2024 (Baa1)	200,000	856,788	876,662	0.92

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.73% Indian Railway Finance Corporation Limited 29.3.2024 (BBB-)	200,000	883,406	913,479	0.95
3.375% IOI Investment (L) Berhad 2.11.2031 (Baa2)	200,000	774,355	732,183	0.77
7.375% Kondor Finance Plc 19.7.2022 (NR)****	500,000	2,099,896	853,405	0.90
5.40% Kookmin Bank 21.1.2024 (Aa3)	200,000	884,929	933,191	0.98
5.40% Kookmin Bank 28.5.2024 (A+)	200,000	918,492	920,109	0.96
5.355% Korea Development Bank 25.11.2023 (Aa2)	200,000	915,823	919,419	0.96
5.25% Li & Fung Limited 31.12.2099 (B+)	5,000,000	17,606,032	11,396,032	11.91
3.10% Minor International Public Company Limited 31.12.2099 (Baa1)	200,000	895,292	931,041	0.97
3.00% Modernland Overseas Pte. Ltd. 30.4.2027 (NR)	144,415	2,295	273,592	0.29
6.95% Modernland Overseas Pte Ltd 14.7.2023 (Ca)	3,467,875	14,548,936	6,707,902	7.01
5.36% Nonghyup Bank 20.4.2024 (A+)	200,000	885,369	922,935	0.96
5.375% Oil India Limited 17.4.2024 (BBB-)	200,000	883,283	925,367	0.97

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
2.50% PLDT Inc. 23.1.2031 (BBB)	200,000	773,175	761,273	0.80
4.75% PT Indonesia Asahan Aluminium (Persero) 15.5.2025 (Baa2)	200,000	863,374	908,402	0.95
5.125% PT Perusahaan Gas Negara TBK 16.5.2024 (Baa2)	600,000	2,682,456	2,766,791	2.89
4.45% PT Saka Energi Indonesia 5.5.2024 (B2)	600,000	2,562,142	2,707,500	2.83
4.25% PT Tower Bersama Infrastructure TBK 21.1.2025 (BBB-)	400,000	1,772,663	1,822,776	1.91
3.70% PTT Treasury Center Company Limited 16.7.2070 (BBB+)	200,000	653,290	625,281	0.65
5.60% QNB Finance Ltd 23.12.2023 (Aa3)	200,000	908,675	942,157	0.98
5.285% QNB Finance Ltd 18.4.2024 (A+)	200,000	885,424	921,744	0.96
8.25% Rail Capital Markets Plc 9.7.2026 (CC)*****	200,000	883,229	251,447	0.26
5.25% REC Limited 13.11.2023 (Baa3)	200,000	889,201	922,591	0.96
4.75% Republic of Azerbaijan 18.3.2024 (Ba1u)	400,000	1,727,595	1,847,158	1.93



## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.87% Republic of Panama 23.7.2060 (BBB)	200,000	688,292	612,385	0.64
5.40% Republic of Paraguay 30.3.2050 (BB)	200,000	746,756	778,813	0.81
3.60% Republic of Peru 15.1.2072 (BBB)	200,000	686,328	612,259	0.64
4.20% Republic of the Philippines 21.1.2024 (BBB+)	200,000	890,631	929,264	0.97
4.125% Republica de Colombia 22.2.2042 (BB+)	200,000	635,410	583,825	0.61
5.60% Shimao Group Holdings Limited 15.7.2026 (NR)*****	200,000	869,928	116,391	0.12
5.00% Shinhan Bank 14.10.2023 (Aa3)	200,000	935,680	927,204	0.97
4.50% State Bank of India 28.9.2023 (BBB-)	200,000	881,900	923,315	0.97
3.50% Thailoil Treasury Center Company Limited 17.10.2049 (BBB)	400,000	1,120,710	1,166,773	1.22
3.75% Thailoil Treasury Center Company Limited 18.6.2050 (BBB)	800,000	3,474,660	2,474,591	2.59
5.40% The Hong Kong Mortgage Corporation Limited 26.2.2024 (AA+)	200,000	898,025	934,372	0.98

## Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
8.30% Zhenro Properties Group Limited				
15.9.2023 (NR)*****	200,000	891,827	62,296	0.07
	<u>37,552,260</u>	<u>139,752,929</u>	<u>97,428,544</u>	<u>101.86</u>

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

(42,324,385)

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

97,428,544

- \* Lippo Malls Indonesia Retail Trust (the "Company") is in active discussions with its bank lenders for a comprehensive solution to address the bank debts maturing over the next 12 months as well as the US\$ bonds due in 2024 and 2026. It is also exploring asset recycling opportunities to divest its non-core non-strategic assets at reasonable market prices.
- \*\* On 23 June 2023, Central China Real Estate Limited (the "Company") announced that it was not able to make interest payments within the grace period ending 23 June 2023 for its 7.75% Senior Notes due 2024 and will suspend payments to all offshore creditors. It will engage advisors and pursue a holistic solution for its liquidity issues. The suspension of payments came shortly after the Company completed the exchange offer for three of its 2023 maturing USD bonds on 28 April 2023.

\*\*\* Sri Lanka, Democratic Socialist Republic Of (Government) defaulted on its foreign debt on 12 April 2022 after suffering fallout from COVID-19 pandemic, high oil prices and depleting foreign reserves. The Government has engaged International Monetary Fund (IMF) assistance for reform and was granted a 48-month Extended Fund Facility valued at US\$3bn on 31 March 2023. The Government has subsequently launched a Domestic Debt Optimization (DDO) program on 7 July 2023 and will likely proceed with external debt restructuring thereafter.

\*\*\*\* Kondor Finance PLC, the financing arm of Naftogaz of Ukraine (“Naftogaz”), Ukraine’s largest national oil and gas company defaulted on its U\$335M bond due on 19 July 2022 when the Government of Ukraine instructed it to defer payments for up to 2 years. At the time of default, Naftogaz had more than sufficient cash on its balance sheet to make the payments and leading up to the event, the Company communicated that it had the resources and the intention to pay its obligations on time. The Government nonetheless ordered it to not pay and approach investors with a restructuring plan, part of a 2-year freeze on all sovereign and state agencies payments to free up resources to deal with Russia’s invasion. Bondholders have rejected three proposals since.

On 31 May 2023, Naftogaz announced that it has agreed a debt restructuring plan with a group of key bondholders with improved terms and has begun a consent solicitation to amend the terms of the 2022 and 2026 notes. On 24 June 2023, the Cabinet of Ministers of Ukraine approved the new terms of the consent solicitation in the form they were previously announced. Naftogaz and its advisors continue to work towards completing the consent solicitation by the end of July 2023.

\*\*\*\*\* Rail Capital Markets PLC and Ukrainian Railways (UR) proposed to defer payments on all debt obligations by 24 months, and on 21 Dec 2022, the required majority of bondholders of Rail Capital Markets PLC’s 2024 and 2026 bonds gave consent. The completed debt reprofiling has significantly eased UR’s debt service needs until January 2025 and removes immediate pressure from their liquidity position. Contractual debt repayments have declined by over 90% over 2023 – 2024 to about U\$40M, from U\$627M before the restructuring. Despite liquidity relief, uncertainty remains with any escalation of war potentially further impacting the company.

- \*\*\*\*\* On 3 July 2023, Shimao Group Holdings Limited (the “Company”) disclosed that it is still working with financial and legal advisors on the proposed restructuring. The Company had circulated the draft restructuring proposals with both the Ad Hoc Group (AHG), representing the US\$ bondholders and the Co-ordination Committee (CoCom), representing offshore banks. They are also facilitating the advisors of the AHG and CoCom in their due diligence and trying to narrow the differences on the terms contemplated in the proposal.
- \*\*\*\*\* Zhenro Properties Group Limited (the “Company”) announced on 10 April 2022 that they are unable to pay US\$20.42million in interest payment due on 10 March 2022. Events of default have thus occurred across the outstanding senior notes including 8.300% 15.9.2023 that is held by the Fund. The Company cited the Shanghai COVID lockdown situation, unfavourable housing and financing environment as the reasons for the tight liquidity. The Company has announced the appointment of Ernst & Young (China) Advisory Limited on 30 August 2022 for a holistic debt restructuring review. On 6 March 2023, the Company indicated a preliminary proposal will be circulated for consideration by the end of March 2023.

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:

	<b>2024</b>	<b>2023</b>
	%	%
Unquoted fixed income securities	5.36	7.37

**7. CASH AND CASH EQUIVALENTS**

	<b>2024</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>
Bank balances with a licensed bank	7,962,251	8,765,739
Deposits with licensed financial institution	5,802,622	-
	<u>13,764,873</u>	<u>8,765,739</u>

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

	<b>2024</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>
- EUR	57	19
- MYR	7,215,013	7,599,879
- SGD	25	1,033,399
- USD	6,549,778	132,442
	<u>13,764,873</u>	<u>8,765,739</u>

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

	<b>2024</b>	<b>2023</b>
	<b>%</b>	<b>%</b>
Deposits with licensed financial institution	<u>3.30</u>	<u>-</u>

The deposits have an average maturity of 4 days (2023: Nil).

## 8. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 27 (2023: 13) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM59,438,940 (receivable) and RM59,849,688 (payable) (2023: RM137,968,875 (receivable) and RM147,860,085 (payable)). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in SGD and USD. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward foreign currency contracts is recognized immediately in the statement of comprehensive income.

	2024	2023
	RM	RM
Financial assets at fair value through profit or loss:		
Forward foreign currency contracts	82,936	-
Financial liabilities at fair value through profit or loss:		
Forward foreign currency contracts	493,684	9,891,210
Net loss on forward foreign currency contracts at fair value through profit or loss:		
Realised loss on forward foreign currency contracts	(14,717,305)	(2,023,301)
Unrealised gain/(loss) on forward foreign currency contracts	9,480,462	(5,465,253)
	(5,236,843)	(7,488,554)

Forward foreign currency contracts

Name of issuer	Receivables	Payables	Fair value	Percentage
			as at	of net asset
			31.5.2024	value of
	RM	RM	RM	the Fund
				%
CIMB Bank Berhad	23,947,150	24,060,706	(113,556)	(0.14)
Hong Leong Bank Berhad	6,512,900	6,535,271	(22,371)	(0.03)
HSBC Bank Malaysia Berhad	28,978,890	29,253,711	(274,821)	(0.33)
	59,438,940	59,849,688	(410,748)	(0.50)

Name of issuer	Receivables	Payables	Fair value	Percentage
			as at	of net asset
			31.5.2023	value of
	RM	RM	RM	the Fund
				%
CIMB Bank Berhad	56,382,475	60,470,943	(4,088,468)	(4.27)
Hong Leong Bank Berhad	6,401,550	6,828,532	(426,982)	(0.45)
HSBC Bank Malaysia Berhad	75,184,850	80,560,610	(5,375,760)	(5.62)
	137,968,875	147,860,085	(9,891,210)	(10.34)

**9. UNITS IN CIRCULATION**

	2024	2023
	No. of units	No. of units
At the beginning of the financial year	263,564,010	321,120,727
Creation of units arising from applications during the financial year	13,208,354	6,993,156
Cancellation of units during the financial year	(62,199,425)	(64,549,873)
At the end of the financial year	214,572,939	263,564,010

## 10. TRANSACTIONS WITH DEALERS

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

Name of dealers	Value	Percentage	Brokerage	Percentage
	of trades	of total	fees	of total
	RM	%	RM	%
<u>2024</u>				
BNP Paribas Securities Services	16,935,632	11.79	-	-
HSBC Bank (Singapore) Limited	15,850,985	11.04	-	-
Credit Agricole Corporate and Investment Bank	15,266,704	10.63	-	-
UBS AG	14,682,004	10.22	-	-
Deutsche Bank AG London	9,375,253	6.53	-	-
MarketAxess Capital Limited	8,297,491	5.78	-	-
J.P. Morgan Securities Plc	7,224,360	5.03	-	-
Wells Fargo Securities LLC	7,068,580	4.92	-	-
Morgan Stanley & Co. International Plc	6,242,124	4.35	-	-
Nomura International Plc	5,991,426	4.17	-	-
Others	36,684,666	25.54	-	-
	<u>143,619,225</u>	<u>100.00</u>	-	-
<u>2023</u>				
BNP Paribas Securities Services	9,853,908	11.43	-	-
Wells Fargo Securities LLC	8,595,661	9.97	-	-
HSBC Bank (Singapore) Limited	7,737,673	8.97	-	-
MarketAxess Capital Limited	6,492,733	7.53	-	-
Citigroup Global Markets Limited	5,566,067	6.46	-	-
Barclays Capital Inc	4,907,275	5.69	-	-
CSI Global Markets Limited	4,432,301	5.14	-	-
Deutsche Bank AG London	3,903,824	4.53	-	-
Goldman Sachs International	3,707,898	4.30	-	-
Nomura International Plc	3,316,528	3.85	-	-
Others	27,709,306	32.13	-	-
	<u>86,223,174</u>	<u>100.00</u>	-	-

All dealers highlighted above are not related to the Manager.



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

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

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

### Units held by Manager:

	2024		2023	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	2,503	971	2,503	908

The above units were transacted at the prevailing market price.

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

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

**12. TOTAL EXPENSE RATIO (“TER”)**

	<b>2024</b>	<b>2023</b>
	%	%
TER	1.41	1.38

TER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses

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

The average net asset value of the Fund for the financial year calculated on a daily basis is RM83,899,211 (2023: RM117,250,947).

### 13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2024	2023
PTR (times)	0.88	0.37

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM67,238,419 (2023: RM59,069,324)

total disposals for the financial year = RM80,421,865 (2023: RM28,691,360)

### 14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 24 July 2024.

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

200001028634 (531241-U)

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BUSINESS OFFICE

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Persiaran TRX Barat

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## **TRUSTEE**

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DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

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## **SALE & PURCHASE OF UNITS**

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Persiaran TRX Barat

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Kuala Lumpur

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