



**BOS WEALTH  
MANAGEMENT**

*A subsidiary of Bank of Singapore*

# **PACIFIC SELECT INCOME FUND**

**ANNUAL REPORT**

**For the financial year ended 30 June 2020**



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**FUND INFORMATION**  
**As At 30 June 2020**

Name Of Fund	: Pacific SELECT Income Fund
Manager Of Fund	: BOS Wealth Management Malaysia Berhad (formerly known as Pacific Mutual Fund Bhd) 199501006861 (336059-U)
Launch Date	: 11 August 2003  The Fund will continue its operations until terminated as provided under Part 12 of the Deed.
Category Of Fund	: Fixed income
Type Of Fund	: Income
Investment Objective	: Pacific SELECT Income Fund aims to provide a consistent and attractive stream of income <sup>□</sup> higher than fixed deposit rates and may also provide moderate capital growth over the medium* to long term* by investing in a diversified portfolio of fixed income and equity securities.  <sup>□</sup> <i>Income is in reference to the Fund's distribution, which could be in the form of cash or units.</i>  <sup>*</sup> <i>Medium term is defined as a period of one to three years, and long term is a period of more than three years.</i>
Performance Benchmark:	Composite benchmark: Since inception until 5 July 2009 20% Kuala Lumpur Composite Index (KLCI) 80% 3-Month Kuala Lumpur Interbank Offer Rate (KLIBOR)  From 6 July 2009 onwards 20% FTSE Bursa Malaysia Top 100 Index (FBM 100) 80% 3-Month Kuala Lumpur Interbank Offer Rate (KLIBOR)
Distribution Policy	: Income, if any, will be distributed annually.
Fund Size	: 2.82 million units

Breakdown Of Unitholdings	:	Size Of Holdings	No. Of Unitholders	% Of Unitholders	No. Of Units (million)
		5,000 units & below	0	0.00	0.00
		5,001-10,000 units	0	0.00	0.00
		10,001-50,000 units	2	33.33	0.03
		50,001-500,000 units	3	50.00	0.79
		500,001 units & above	1	16.67	2.00
		Total	6	100.00	2.82

**FUND PERFORMANCE**

**Financial Highlights**

<b>Category</b>	<b>As At 30.6.2020</b>	<b>As At 30.6.2019</b>	<b>As At 30.6.2018</b>
<b>Quoted Equity Securities</b>	<b>%</b>	<b>%</b>	<b>%</b>
Banks	1.56	4.90	4.09
Capital Goods	1.12	2.30	0.76
Consumer Durables & Apparel	1.28	-	-
Consumer Services	2.40	1.49	0.39
Diversified Financials	3.55	3.43	0.46
Energy	2.53	3.26	1.00
Food, Beverage & Tobacco	-	-	2.33
Health Care Equipment & Services	2.77	-	-
Materials	-	-	1.25
Real Estate	1.47	-	0.97
Semiconductors & Semi. Equipment	-	1.15	-
Telecommunication Services	-	-	1.37
Transportation	-	-	0.20
Utilities	-	1.07	2.32
	16.68	17.60	15.14
<b>Warrants</b>	-	0.09	0.22
<b>Fixed Income Securities</b>	59.37	55.57	61.03
<b>Collective Investment Scheme</b>	16.61	18.41	14.86
<b>Cash And Liquid Assets</b>	7.34	8.33	8.75
<b>Total</b>	100.00	100.00	100.00
Net Asset Value (RM'000)	1,375	1,816	2,379
Number Of Units In Circulation (Units '000)	2,815	3,628	4,849
Net Asset Value Per Unit (RM)	0.4884	0.5006	0.4908
Management Expense Ratio ("MER") <sup>1</sup>	3.22%	2.94%	2.87%
Portfolio Turnover Ratio (times)	0.47	1.10	1.46

The Management Expense Ratio for the current financial year is higher due to a lower percentage of decrease in expenses compared with average NAV attributable to unitholders.

<sup>1</sup> The MER does not include brokerage and other transaction fees.

The Portfolio Turnover Ratio for the current financial year is lower due to decrease in investing activities.

*Notes:*

*The net asset value per unit of the Fund is largely determined by market factors. Therefore past performance figures shown are only a guide and should not be taken as indicative of future performance. Net asset value per unit and investment returns may go up or down.*

**Performance Data**

	Pacific SELECT Income Fund		Composite Benchmark		
	Total Return	Average Annual Return	Total Return	Average Annual Return	
1 Year's Period (1.7.2019 to 30.6.2020)	-2.44%	-2.44%	0.47%	0.47%	
3 Years' Period (1.7.2017 to 30.6.2020)	0.27%	0.09%	5.39%	1.80%	
5 Years' Period (1.7.2015 to 30.6.2020)	2.38%	0.48%	13.10%	2.62%	
	<b>1.7.2019 to 30.6.2020</b>	<b>1.7.2018 to 30.6.2019</b>	<b>1.7.2017 to 30.6.2018</b>	<b>1.7.2016 to 30.6.2017</b>	<b>1.7.2015 to 30.6.2016</b>
Pacific SELECT Income Fund					
- Capital Return	-2.44%	2.00%	0.76%	2.83%	-2.75%
- Income Return	-	-	-	-	2.11%
- Total Return	-2.44%	2.00%	0.76%	2.83%	-0.70%
Composite Benchmark	0.47%	2.76%	2.08%	4.52%	2.67%
	<b>1.7.2019 to 30.6.2020</b>	<b>1.7.2018 to 30.6.2019</b>	<b>1.7.2017 to 30.6.2018</b>		
<b>Unit Prices</b>					
Highest NAV (RM)	0.5043	0.5006	0.5005		
Lowest NAV (RM)	0.4661	0.4835	0.4860		
<b>Distributions</b>					
Gross Distribution Per Unit (sen)	-	-	-		
	(30.6.2020)	(28.6.2019)	(29.6.2018)		
Net Distribution Per Unit (sen)	-	-	-		
	(30.6.2020)	(28.6.2019)	(29.6.2018)		
<b>Unit Splits</b>	-	-	-		

**Notes:**

1. All figures pertaining to the Fund's return were extracted from Lipper.
2. The net asset value per unit of the Fund is largely determined by market factors. Therefore past performance figures shown are only a guide and should not be taken as indicative of future performance. Net asset value per unit and investment returns may go up or down.



**MANAGER'S REPORT**  
**30 June 2020**

**Performance Review**

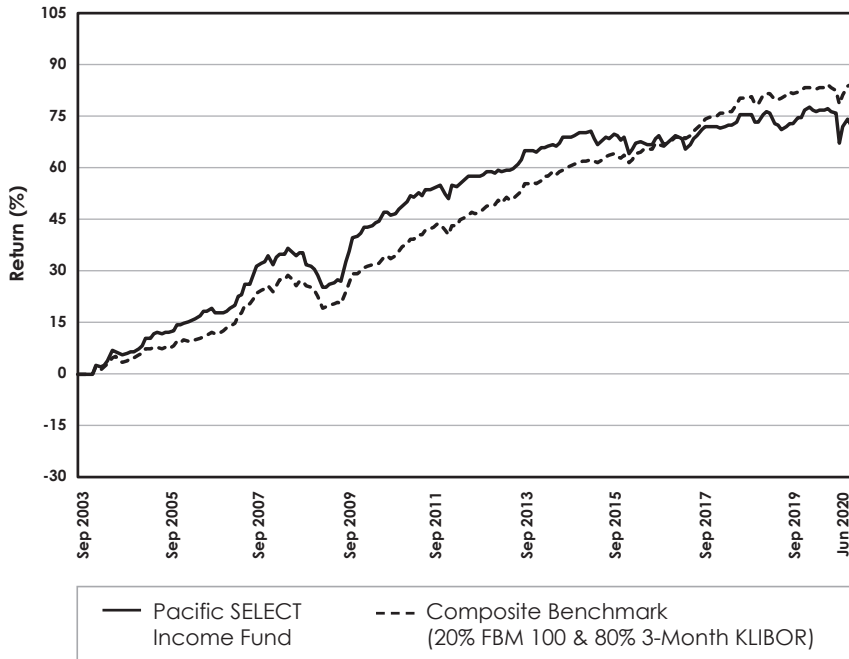
From 2 September 2003 (date of launch: 11 August 2003) to 30 June 2020, the Pacific SELECT Income Fund registered a total return of 71.25%, while its composite benchmark (20% FTSE Bursa Malaysia Top 100 Index [FBM 100] and 80% 3-Month Kuala Lumpur Interbank Offer Rate [KLIBOR]), rose 83.09%.

For the financial year under review (1 July 2019 to 30 June 2020), the Fund registered a total return of -2.44%. In comparison, its composite benchmark rose 0.47%.

The Pacific SELECT Income Fund has provided moderate capital growth over the medium to long term.

However, the Fund has not met its investment objective of providing a consistent and attractive stream of income higher than fixed deposit rates. Distributions were halted for the past four financial years amidst portfolio restructuring to ensure a more sustainable performance going forward.

**Comparison Between Fund's Performance And Benchmark**



Source: Lipper

## Investment Strategy Review

### Equity Strategy Review

The financial year under review was eventful with a global sell-down in emerging markets and weak domestic earnings setting the tone in the third quarter of 2019 against the backdrop of on-and-off again tensions between US and China. The domestic market was beleaguered further by the failure of a mega-merger to materialise while FTSE Russell kept Malaysia on the watchlist of the World Government Bond Index until the next review in March 2020. Some optimism was stirred in October by the government's expansionary 2020 Budget, but a proper recovery was derailed by another soft 3Q2019 earnings season plus the slowdown in 3Q2019 GDP growth to 4.4% from 4.9% in 2Q2019. A turning point came in December as strong tailwinds from the Tech and Plantation sectors nudged the Malaysian market upwards, in tandem with the appreciation of other global equities. In this period, the Pacific SELECT Income Fund maintained a stable level of equity exposure at 17-18%, employing a trading strategy to generate gains.

2020 began on a higher note with the culmination of months of tensions in the form of a Phase 1 deal between US and China. Domestically, the outlook for the year was similarly optimistic with stable oil prices, the onset of mega infrastructure spending, global 5G-related spending and resilient domestic consumer spending to spur sentiment. However the early optimism quickly faded by the end of the first quarter with a trio of negative events hitting the local market; namely an unexpected change in government, the accelerating spread of the COVID-19 coronavirus pandemic and a breakdown in oil cartel cooperation impacting oil prices and economic growth. The Fund cut equity allocation to 14% by the end of March 2020 from 18% at the end of December 2019 in a risk-off move.

Rapid reactions by central banks and governments across the world to provide monetary and fiscal stimulus to stem the drastic economic pressure from pandemic control actions fuelled a rise in equity markets that belied many market participants and economic views. In this context, the Fund gradually raised equity exposure in the second quarter of 2020 to 18% by the end of June 2020, favouring defensive stocks and attractively valued companies.

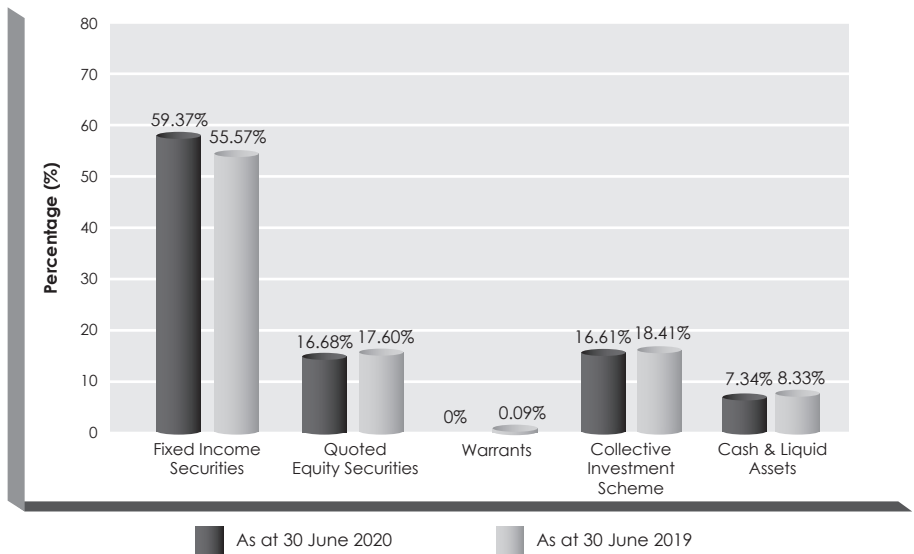
Looking ahead, equity markets remain priced for perfection and volatility is likely to remain elevated notwithstanding the upcoming US elections and continued uncertainties surrounding the prevalence of the COVID-19 coronavirus. The Fund will remain tactical in its asset allocation and stock selection to take advantage of the presently elevated levels of volatility, underscored by the longer-term strategy of favouring good quality businesses with healthy balance sheets.

**Fixed Income Strategy Review**

As at 30 June 2020, fixed income allocation of the Pacific SELECT Income Fund increased to 75.98% from 73.98% on outflow of funds. For most of the financial year under review, investment decisions were largely focused on liquidity management and maintaining fixed income weightings within its long-term target allocation range.

The Fund mainly adopted a neutral duration approach in 1H2020 given the volatility in yields following the twin shocks of COVID-19's economic standstill and the oil-related market collapse. After a strong rally fueled by Bank Negara's aggressive easing measures, allocation were kept at constructive levels within the range of 73-76%. Fundamentals of the underlying bond portfolio remained satisfactory with decent earnings expectations and rating stability.

**Asset Allocation**



The fixed income securities allocation (inclusive of collective investment scheme) of Pacific SELECT Income Fund increased to 75.98% as at 30 June 2020 from 73.98% recorded at the beginning of the financial year under review due to fund redemptions.

The 16.61% in collective investment scheme was placed in the Pacific Dana Murni, a sukuk fund managed by the Manager. Such investment is in line with the objective of Pacific SELECT Income Fund and is an efficient way to manage the exposure of Pacific SELECT Income Fund in fixed income securities. The exposure of Pacific SELECT Income Fund in the collective investment scheme is taken into account when assessing the asset allocation of Pacific SELECT Income Fund in fixed income securities. Management fee on the collective investment scheme managed by the Manager is rebated to the Fund.

The quoted equity securities allocation of Pacific SELECT Income Fund decreased to 16.68% as at 30 June 2020 from 17.60% recorded at the beginning of the financial year under review due to net equity sales.

### **Analysis Of Net Asset Value**

The net asset value (NAV) per unit of Pacific SELECT Income Fund decreased from RM0.5006 to RM0.4884 during the financial year under review. Meanwhile, total NAV of the Fund decreased from RM1,815,731 to RM1,374,895 due to net fund redemptions.

### **Market Review**

#### **Equity Market Review**

The FBMKLCI fell 4.23% quarter-on-quarter (QoQ) in the first quarter of the financial year under review alongside regional markets. Foreign fund flows reversed with net selling of RM3.2 billion, bringing YTD outflows to RM7.9 billion. The decline was led by the Telco sector as it de-rated when the proposed mega merger between Axiata Group and Telenor's Asian operations was called off. Banks were also a drag to the index due to concerns over subdued loan growth and margin contraction. On a positive note, Malaysia did not see exclusion or weightage reduction in the World Government Bond Index from FTSE Russell's September review. However, the country remained on watchlist until its next review in March 2020 – dragging out the near-term overhang.

The FBMKLCI rebounded 0.90% QoQ in the second quarter of the financial year under review as several large-cap stocks closed the year higher on the back of window dressing activities, however the index remained a stark underperformer in 2019 as it ended the year 6% lower year-on-year (YoY). A key event during the quarter was the Budget 2020 announcement which generally met expectations of a slightly more expansionary stance, as the government revised its fiscal deficit target to 3.2% from 3.0%. Stimulatory measures were broad-based from a sectorial perspective, and envisioned to support the government's 2020 GDP growth target of 4.8% (up from 4.7% estimated for 2019). Notably, the Ringgit saw late strengthening to close the year at 4.09 to the US Dollar from 4.18 at end-December. Nevertheless, foreign fund outflows continued with net selling of RM2.7 billion for the quarter, bringing YTD net outflows to RM10.8 billion.

In the third quarter of the financial year under review, the FBMKLCI fell 14% QoQ along with global markets. Investor's confidence declined as the global economy entered into a recession caused by the COVID-19 pandemic. Oil prices suffering from a shock due to the virus outbreak plunged further when OPEC and Russia could not come to an agreement to constrain supply. Uncertainty grew further as local markets had to deal with an untimely political upheaval when the Pakatan Harapan government was replaced by a backdoor coalition formed by oppositions. However, the new government was quick to respond to the severity of the outbreak. It imposed a nationwide lockdown for a month and announced a stimulus package amounting to RM250 billion or 15.5% of the country's GDP. To support economic growth and mitigate the economic impact of COVID-19, Bank Negara Malaysia cut the overnight policy rate by 50 basis points (bps) with 25bps in two occasions.

The FBMKLCI rebounded 12% QoQ in the second quarter of 2020 driven by ample liquidity, rallies in the glove sector and strong retail participation. Despite a spat of discouraging 1Q2020 corporate results, the index entered into a bull market territory as glove manufacturers single-handedly lifted the market. Share prices of glove manufacturers continue to break new highs as investors bet on the higher consumption of glove amidst the pandemic. Separately, Bank Negara cut the overnight policy rate by 50bps in early-May, the most since early 2009, as it seeks to bolster the reopening of the economy. Surprisingly, Malaysia's GDP grew at a slower pace of 0.6% in the 1Q2020, but better than expected on the back of stronger exports and domestic demand. Market sentiment could continue to improve as lockdown measures are reduced and as infection rates of COVID-19 continue to trend downwards.

### **Bond Market Review**

US Treasuries had staged a remarkable rally during the financial year under review as yields drifted into record low levels on the back of five rate cuts from the Federal Open Market Committee (FOMC). Yields were generally coming down in 2H2019 as the Federal Reserve (Fed) had moved with its three “insurance cuts” in order to sustain the economic expansion. Thereafter, bond yields had surged dramatically in 1H2020 underpinned by rising fears from the fast-spreading COVID-19 pandemic. Multiple corporations with global footprints issued profit warnings as disruptions in the global chain had interrupted business activities. In attempt to assuage the ensuing panic, the Fed moved twice by bringing the Federal funds target rate (FFTR) to 0-0.25% in two off-cycle meetings in March 2020. Importantly, the US central bank has also launched an onslaught of measures to support companies' short-term funding needs and to relieve stresses in money markets. Following the Fed's swift actions, credit spreads had started to tighten in April and May despite the pandemic outbreak still hanging in the background as market sentiment improved markedly. Indeed, US financial market saw a broad-based rally heading into end-1H2020. In its latest meeting in June, the FOMC had affirmed its accommodative stance, signaling that FFTR will remain at current range well into 2022 followed by a sobering assessment of the economy. The 2Y and 10Y Treasuries declined by 177 basis points (bps) and 146bps to 0.14% and 0.65% respectively.

In line with downward bias in global interest rates and the consequent search for yields, local government bonds retreated at the start of the financial year under review. Government bonds and government guaranteed bonds plunged by as much as 40bps in August 2019, led by long tenures. Yields subsequently lacked any strong convictions and buying interests only had started to pick up in January, following Monetary Policy Committee's (MPC) surprise overnight policy rate (OPR) cut. Thereafter, interests had deepened further as Bank Negara settled further onto its dovish stance by reducing OPR cumulatively by 75bps in March and May 2020 following the twin shocks of the pandemic and oil-related market collapse. Yields, despite the downtrends, were volatile in 1H2020. Foreign selling was pervasive as greater risk aversion had engulfed the local bond market amid a strong USD and depressed oil prices. Furthermore, Fitch Ratings and subsequently S&P Global Ratings, had lowered the nation's outlook to Negative from Stable whilst affirming Malaysia's long-term foreign currency rating at A-. That said, liquidity remained ample as primary market continued to garner strong demand coverages across the board over the review period. Additionally, Bank Negara was seen engaging in more direct bond purchases this time around due to macro headwinds, albeit not at quantitative easing levels, indicating room for further policy measures. The 3Y MGS yield declined by 115bps to 2.24% while the 10Y MGS yield declined by 92bps to 2.85% over the financial year under review.

**Income Distribution** Nil

**Unit Split** Nil

**Significant Changes In The State Of Affairs Of The Fund** Nil

**Circumstances That Materially Affect Interest Of Unitholders** Nil

**Soft Commissions**

During the financial year under review, the Fund has received soft commissions from brokers. Soft commissions received from brokers are retained by the Manager for purchasing goods and services which are of demonstrable benefit to the unitholders and in the form of research and advisory services that assist in the decision-making process relating to the investment of the Fund such as research materials, data and quotation services, computer software, investment advisory services, and investment related publications.

**REPORT OF THE TRUSTEE**

To the Unitholders of **PACIFIC SELECT INCOME FUND**

We, **MTRUSTEE BERHAD**, being the Trustee of **PACIFIC SELECT INCOME FUND** ("the Fund"), are of the opinion that in its capacity as Manager of the Fund, **BOS WEALTH MANAGEMENT MALAYSIA BERHAD (formerly known as Pacific Mutual Fund Bhd)** ("the Manager"), has managed the Fund for the financial year ended 30 June 2020 in accordance with the following:

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

For and on behalf of  
**MTRUSTEE BERHAD**



**NURIZAN JALIL**  
Chief Executive Officer

Selangor, Malaysia  
11 August 2020



**STATEMENT BY THE MANAGER**

We, **TEH CHI-CHEUN** and **TAN AI CHIN**, being two of the Directors of **BOS WEALTH MANAGEMENT MALAYSIA BERHAD**, do hereby declare that, in the opinion of the Manager, the accompanying financial statements set out on pages 20 to 40 are prepared in accordance with the requirements of the Deeds, Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission's Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of **PACIFIC SELECT INCOME FUND** as at 30 June 2020 and of its results, changes in net asset value and cash flows for the financial year then ended.

Signed on behalf of the Manager in accordance with a resolution of the Directors



**TEH CHI-CHEUN**



**TAN AI CHIN**

Kuala Lumpur, Malaysia  
11 August 2020

**INDEPENDENT AUDITORS' REPORT**

To the Unitholders of **PACIFIC SELECT INCOME FUND**

**Report On The Audit Of The Financial Statements***Opinion*

We have audited the financial statements of **PACIFIC SELECT INCOME FUND** ("the Fund"), which comprise the statement of financial position as at 30 June 2020, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 40.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

*Basis For Opinion*

We conducted our audit in accordance with approved standards of 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' Code of Ethics for Professional Accountants ("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 information included in the annual report of the Fund, 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.

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.

### *Responsibility Of The Fund Manager And Trustee For The Financial Statements*

The Manager of the Fund is responsible for the preparation of 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 cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

### *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 of auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of 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.
- 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 unitholders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**ERNST & YOUNG PLT**

202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
11 August 2020



**BRANDON BRUCE STA MARIA**

No. 02937/09/2021 J  
Chartered Accountant

**STATEMENT OF FINANCIAL POSITION**  
**As At 30 June 2020**

	Note	2020 RM	2019 RM
<b>Assets</b>			
Investments	3	1,273,842	1,664,368
Dividend receivable		480	1,378
Interest receivable		10,875	16,362
Amount due from brokers/dealers	7	-	7,460
Cash and cash equivalents	5	117,570	140,434
<b>Total Assets</b>		<u>1,402,767</u>	<u>1,830,002</u>
<b>Liabilities</b>			
Amount due to Manager	6	14,924	1,965
Other payables		12,948	12,306
<b>Total Liabilities</b>		<u>27,872</u>	<u>14,271</u>
<b>Net Asset Value ("NAV") Of The Fund</b>		<u>1,374,895</u>	<u>1,815,731</u>
<b>Equity</b>			
Unitholders' capital		1,407,236	1,813,217
(Accumulated loss)/retained earnings		(32,341)	2,514
<b>NAV Attributable To Unitholders</b>	13	<u>1,374,895</u>	<u>1,815,731</u>
<b>Total Equity And Liabilities</b>		<u>1,402,767</u>	<u>1,830,002</u>
<b>Number Of Units In Circulation (Units)</b>	14	<u>2,815,411</u>	<u>3,627,600</u>
<b>NAV Per Unit</b>	13	<u>RM0.4884</u>	<u>RM0.5006</u>

The accompanying notes form an integral part of the financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**  
**For The Financial Year Ended 30 June 2020**

	Note	2020 RM	2019 RM
<b>Investment Income</b>			
Gross dividends from financial assets at fair value through profit or loss ("FVTPL")		18,400	27,804
Interest income		42,248	62,265
Net gain/(loss) from sale of financial assets at FVTPL		5,171	(5,877)
Net unrealised (loss)/gain on changes in value of financial assets at FVTPL		(46,933)	23,537
		<u>18,886</u>	<u>107,729</u>
<b>Expenses</b>			
Audit fee		7,700	7,700
Tax agent's fee		3,000	3,350
Manager's fee	8	19,894	27,957
Trustee's fee	9	9,000	13,500
Brokerage and other transaction fees		5,020	10,723
Administration expenses		9,127	9,205
		<u>53,741</u>	<u>72,435</u>
<b>Net (Loss)/Income Before Taxation</b>		(34,855)	35,294
<b>Taxation</b>	12	-	-
<b>Net (Loss)/Income After Taxation</b>		<u>(34,855)</u>	<u>35,294</u>
<b>Total Comprehensive (Loss)/Income</b>		<u>(34,855)</u>	<u>35,294</u>
<b>Total Comprehensive (Loss)/Income</b>			
<b>Comprises the Following:</b>			
Realised loss		12,078	11,757
Unrealised (loss)/income		(46,933)	23,537
		<u>(34,855)</u>	<u>35,294</u>

The accompanying notes form an integral part of the financial statements.

**STATEMENT OF CHANGES IN NET ASSET VALUE**  
**For The Financial Year Ended 30 June 2020**

	<b>Unitholders' Capital RM</b>	<b>Retained Earnings/ Accumulated Losses RM</b>	<b>NAV Attributable To Unitholders RM</b>
<b>At 1 July 2018</b>	2,412,270	(32,780)	2,379,490
Net income after taxation	-	35,294	35,294
Cancellation of units	(599,053)	-	(599,053)
<b>At 30 June 2019</b>	<b>1,813,217</b>	<b>2,514</b>	<b>1,815,731</b>
<b>At 1 July 2019</b>	1,813,217	2,514	1,815,731
Net loss after taxation	-	(34,855)	(34,855)
Cancellation of units	(405,981)	-	(405,981)
<b>At 30 June 2020</b>	<b>1,407,236</b>	<b>(32,341)</b>	<b>1,374,895</b>



**STATEMENT OF CASH FLOWS**  
**For The Financial Year Ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>Cash Flows From Operating And Investing Activities</b>		
Proceeds from sale of investments	896,298	2,560,507
Purchase of investments	(539,487)	(2,043,308)
Dividends received	9,843	16,458
Interest received	52,677	73,035
Manager's fee paid	(20,320)	(28,637)
Trustee's fee paid	(8,995)	(14,245)
Custodian's fee paid	(29)	-
Payment for other fees and expenses	(20,256)	(21,267)
Net cash generated from operating and investing activities	<u>369,731</u>	<u>542,543</u>
<b>Cash Flows From Financing Activities</b>		
Cash paid on units cancelled	(392,595)	(612,305)
Net cash used in financing activities	<u>(392,595)</u>	<u>(612,305)</u>
<b>Net Decrease In Cash And Cash Equivalents</b>	(22,864)	(69,762)
<b>Cash And Cash Equivalents At Beginning Of Financial Year</b>	140,434	210,196
<b>Cash And Cash Equivalents At End Of Financial Year</b>	<u>117,570</u>	<u>140,434</u>
<b>Cash And Cash Equivalents Comprise:</b>		
Cash at banks	17,570	10,434
Deposits with licensed financial institutions	100,000	130,000
	<u>117,570</u>	<u>140,434</u>

*The accompanying notes form an integral part of the financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 June 2020****1. The Fund, The Manager And Their Principal Activities**

Pacific SELECT Income Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Master Deed dated 4 August 2003 as amended by the First Supplemental Deed dated 23 September 2005, Second Supplemental Deed dated 28 June 2007, Supplemental Master Deed dated 22 May 2009, Second Supplemental Master Deed dated 14 December 2009, Third Supplemental Master Deed dated 26 April 2010, Fourth Supplemental Master Deed dated 8 January 2014, Fifth Supplemental Master Deed dated 7 July 2017, Sixth Supplemental Master Deed dated 22 November 2018 and Seventh Supplemental Master Deed dated 22 January 2019 (hereinafter referred to as "the Deeds") made between the Manager, BOS Wealth Management Malaysia Berhad, the Trustee, MTrustee Berhad and the registered holders of the Fund.

The principal activity of the Fund is to invest in "Permitted Investments" as defined in the Deeds, which include stocks and shares of companies quoted on Bursa Malaysia Securities Berhad, fixed income securities and money market instruments as approved by the Securities Commission Malaysia. The Fund was launched on 11 August 2003 and will continue its operations until terminated as provided in the Deeds.

Prior to 29 November 2019, the Manager, a company incorporated in Malaysia was a 70% owned subsidiary of Lion Global Investors Limited, a company incorporated in Singapore. The remaining 30% of the share capital of the Manager was held by Koperasi Angkatan Tentera Malaysia Bhd.

On 29 November 2019, the Manager became a wholly owned subsidiary of Bank of Singapore Limited, a private bank based in Singapore. The ultimate holding company is Oversea-Chinese Banking Corporation Limited, a public listed company incorporated in Singapore.

The principal activities of the Manager are the establishment and management of unit trust funds as well as the management of private investment mandates. The Manager received approval from the Securities Commission Malaysia to include the regulated activity of investment advice under the variation of its Capital Markets Services License on 25 October 2019. The Manager registered to be an Institutional Unit Trust Adviser with the Federation of Investment Managers Malaysia on 13 November 2019. The Manager has not commenced activities relating to investment advise and marketing and distribution of third party funds as of the end of the financial year.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors on 11 August 2020.

**2. Summary Of Significant Accounting Policies**

**(a) Basis Of Preparation**

The financial statements of the Fund have been prepared on a historical cost basis, except as otherwise stated in the accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the Deeds and the Securities Commission Malaysia's Guidelines on Unit Trust Funds in Malaysia.

The significant accounting policies adopted are consistent with those applied in the previous financial year end except for the adoption of new MFRSs and Amendments to MFRSs which are effective for the financial year beginning on or after 1 January 2019. These new MFRSs and Amendments to MFRSs did not give rise to any significant effect on the financial statements.

The Fund will adopt the following MFRS and Amendments to MFRSs when they become effective in the respective financial periods and these MFRS and Amendments to MFRSs are not expected to have any material impact to the financial statements of the Fund upon initial application.

**Standards issued but not yet effective:**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 17 <i>Insurance Contracts</i> *	1 January 2021
Amendments to MFRS 101: <i>Presentation of Financial Statement Classification of Liabilities as Current or Non-Current</i>	1 January 2022
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements to MFRS Standards 2018-2020</i> "	1 January 2022
<i>Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combination)</i> *	1 January 2022
<i>Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)</i> *	1 January 2022
<i>Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)</i>	1 January 2022

Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture\**

Deferred

\* These MFRS and Amendments to MFRSs are not relevant to the Fund.

**(b) Functional And Presentation Currency**

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (“the functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is also the Fund’s functional currency.

**(c) Financial Instruments**

The Fund recognises financial assets and financial liabilities in the statement of financial position on the date it becomes a party to the contractual provisions of the instruments.

Regular way purchase and sales of all categories of investments in financial instruments are recognised on trade dates i.e. dates on which the Fund commits to purchase or sell the financial instruments.

*Financial Assets*

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss (“FVTPL”) on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

*(i) Financial Assets At Amortised Cost*

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Receivables are classified as financial assets at amortised cost. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include cash and cash equivalents, amount due from Manager, brokers/dealers and other receivables.

(ii) *Financial Assets At FVTPL*

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- (b) It is held within a business model whose objective is to sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

*Financial Liabilities*

Financial liabilities are recognised initially at fair value i.e. the consideration for goods and services received and subsequently stated at amortised cost. These include amounts due to Manager, brokers/dealers, Trustee and other payables. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

**(d) Derecognition Of Financial Assets And Liabilities**

*Financial Assets*

A financial asset is derecognised when the asset is disposed and the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

*Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liability is derecognised, and through the amortisation process.

**(e) Impairment Of Financial Assets**

Credit losses are recognised based on the expected credit loss ("ECL") model. The Fund recognises loss allowances for ECL on financial instruments that are not measured at FVTPL, either on a 12-month or lifetime basis based on the significant increase in credit risk since initial recognition. The impairment model does not apply to equity investments.

Given the limited exposure of the Fund to credit risk, there is no material impact on the Fund's financial statements. For balances which are short-term in nature and with no financing component (e.g. interest receivable, dividend receivable, amount due from brokers/dealers and amount due from manager) full impairment will be recognised on uncollected balances after the grace period is exceeded.

**(f) Income Recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Dividend income is recognised when the Fund's right to receive payment is established.

Interest income, accretion of discount and amortisation of premium are recognised using the effective interest method on an accrual basis.

**(g) Unrealised Reserves/(Deficits)**

The unrealised reserves/(deficits) represent the net gain or loss arising from carrying quoted investments at their fair value and are recognised in the statement of comprehensive income.

**(h) Cash And Cash Equivalents**

Cash and cash equivalents comprise cash at banks and deposits with licensed financial institutions with original maturities of 3 months or less which have an insignificant risk of changes in value.

**(i) Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

**(j) Fair Value Measurement**

Fair value is 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.

**(k) Unitholders' Capital**

Unitholders' capital meets the conditions for the definition of puttable instruments classified as equity instruments.

Distribution equalisation is accounted for on the date of creation and cancellation of units. It represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

**(l) Significant Accounting Estimates And Judgments**

The preparation of financial statements in accordance with MFRS and IFRS requires the use of certain accounting estimates and exercise of judgments. Estimates and judgments are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

No major estimates and judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the reporting date.

**3. Investments**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>Financial Assets At FVTPL</b>		
Fixed income securities	816,229	1,008,986
Quoted investments		
- Equity securities	229,291	319,493
- Warrants	-	1,544
- Collective investment scheme	228,322	334,345
	<u>457,613</u>	<u>655,382</u>
<b>Total Investments</b>	<u>1,273,842</u>	<u>1,664,368</u>

**FIXED INCOME SECURITIES**

The composition of fixed income securities at the reporting date is as detailed below:

<b>Name Of Counter</b>	<b>Credit Rating</b>	<b>Nominal Value RM</b>	<b>Cost RM</b>	<b>Fair Value RM</b>	<b>Fair Value As A % Of NAV %</b>
BEWG (M) Sdn. Bhd.	AA	250,000	250,022	250,243	18.20
WCT Holdings Berhad	AA-	100,000	99,936	101,701	7.40
UEM Sunrise Berhad	AA-	250,000	265,125	262,575	19.10
Alliance Bank (Malaysia) Berhad	A2	200,000	200,558	201,710	14.67
		<u>800,000</u>	<u>815,641</u>	<u>816,229</u>	<u>59.37</u>

**UNREALISED GAIN FROM  
FIXED INCOME SECURITIES**

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**EQUITY SECURITIES**

The composition of quoted investments at the reporting date is as detailed below. The industry classifications are based on MSCI's Global Industry Classification Standard.

<b>Quantity</b>	<b>Name Of Counter</b>	<b>Cost RM</b>	<b>Fair Value RM</b>	<b>Fair Value As A % Of NAV %</b>
<b>Banks</b>				
2,864	Malayan Banking Berhad	<u>26,623</u>	<u>21,509</u>	1.56
<b>Capital Goods</b>				
30,000	Kumpulan Perangsang Selangor Berhad	<u>29,848</u>	<u>15,450</u>	1.12
<b>Consumer Durables &amp; Apparel</b>				
8,400	Magni-Tech Industries Berhad	<u>15,556</u>	<u>17,640</u>	1.28
<b>Consumer Services</b>				
8,000	Genting Berhad	<u>49,254</u>	<u>32,800</u>	2.40



Quantity	Name Of Counter	Cost RM	Fair Value RM	Fair Value As A % Of NAV %
<b>Diversified Financials</b>				
6,700	Bursa Malaysia Bhd	41,185	48,776	3.55
<b>Energy</b>				
6,100	Dialog Group Berhad	20,323	22,021	1.60
88,200	Velesto Energy Berhad	25,597	12,789	0.93
		45,920	34,810	2.53
<b>Health Care Equipment &amp; Services</b>				
91,700	Focus Point Holdings Bhd	43,827	38,056	2.77
<b>Real Estate</b>				
12,500	Sunway Real Estate Investment Trust	20,052	20,250	1.47
<b>Total Equity Securities</b>		272,265	229,291	16.68
<b>COLLECTIVE INVESTMENT SCHEME</b>				
409,475	Pacific Dana Murni*	214,196	228,322	16.61
<b>TOTAL QUOTED INVESTMENTS</b>		486,461	457,613	33.29
<b>UNREALISED LOSS FROM QUOTED INVESTMENTS</b>			(28,848)	

\* Managed by the Manager

**4. Fair Value Hierarchy**

The Fund uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

Level 1: Quoted prices (unadjusted) in active markets 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 (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Total RM</b>
<b>2020</b>			
<b>Financial Assets At FVTPL</b>			
Fixed income securities	-	816,229	816,229
Quoted investments	457,613	-	457,613
	<u>          </u>	<u>          </u>	<u>          </u>
<b>2019</b>			
<b>Financial Assets At FVTPL</b>			
Fixed income securities	-	1,008,986	1,008,986
Quoted investments	655,382	-	655,382
	<u>          </u>	<u>          </u>	<u>          </u>

The carrying amounts of other financial assets and financial liabilities, approximate fair values due to the relatively short term maturities of these financial instruments.

**5. Cash And Cash Equivalents**

Cash and cash equivalents include cash at banks and deposits with licensed financial institutions.

	<b>2020 RM</b>	<b>2019 RM</b>
Cash at banks	<u>17,570</u>	<u>10,434</u>
Deposits with licensed financial institutions:		
- Commercial bank	<u>100,000</u>	<u>130,000</u>
Cash and cash equivalents	<u><u>117,570</u></u>	<u><u>140,434</u></u>

The weighted average effective interest rate and remaining maturity of deposits with licensed financial institutions at the reporting date were as follows:

	<b>Weighted Average Effective Interest Rate (% Per Annum)</b>		<b>Weighted Average Remaining Maturity (Days)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Deposits with licensed financial institutions:				
- Commercial bank	<u>1.95</u>	<u>2.95</u>	<u>1</u>	<u>1</u>

**6. Amount Due To Manager**

The amount due to manager represents amount payable for units cancelled and amount payable for management fee.

Management fee is payable on a monthly basis and amount payable for units cancelled is paid within 10 days of the transaction dates.

**7. Amount Due From Brokers/Dealers**

The amount due from brokers/dealers relates to disposal of investments which remain outstanding at the reporting date. These are normally received within two (2) business days of the transaction dates.

**8. Manager's Fee**

The Manager's fee provided in the financial statements is computed at 1.50% (2019: 1.50%) per annum of the NAV attributable to unitholders of the Fund, calculated on a daily basis net of Manager's fee rebate on the collective investment schemes as agreed by the Trustee and the Manager as follows:

<b>Name of Funds</b>	<b>Rate p.a.</b>
Pacific Dana Murni	1.00%

**9. Trustee's Fee**

The Trustee's fee provided in the financial statements is computed at 0.06% (2019: 0.07%) per annum of the NAV attributable to unitholders of the Fund, calculated on a daily basis, subject to a minimum fee of RM9,000 per annum. Effective from 1 January 2019, the Trustee's fee was revised to 0.06% per annum, subject to a minimum fee of RM9,000 per annum.

**10. Portfolio Turnover Ratio ("PTR")**

	<b>2020</b>	<b>2019</b>
Portfolio turnover ratio ("PTR")	<u>0.47 times</u>	<u>1.10 times</u>

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial year over the average NAV attributable to unitholders of the Fund calculated on a daily basis. The PTR for the current financial year is lower due to decrease in investing activities.

**11. Management Expense Ratio ("MER")**

	<b>2020</b>	<b>2019</b>
Management expense ratio ("MER") <sup>1</sup>	<u>3.22%</u>	<u>2.94%</u>

MER is the ratio of expenses of the Fund expressed as a percentage of the average NAV attributable to unitholders of the Fund for the financial year calculated on a daily basis. The MER for the current financial year is higher due to a lower percentage of decrease in expenses compared with average NAV attributable to unitholders.

<sup>1</sup> The MER does not include brokerage and other transaction fees.

**12. Taxation**

	<b>2020 RM</b>	<b>2019 RM</b>
Malaysian income tax:		
Current financial year's provision	<u>-</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory rate of taxation of 24% (2019: 24%) of the estimated assessable income for the financial year.

There was no taxation charge for the current and previous financial years due to tax exempt income received.

A reconciliation of income tax expense applicable to net (loss)/gain before taxation at the statutory rate of taxation to income tax expense at the effective rate of taxation is as follows:

	<b>2020 RM</b>	<b>2019 RM</b>
Net (loss)/income before taxation	<u>(34,855)</u>	<u>35,294</u>
Taxation at Malaysian statutory rate of 24%	(8,365)	8,471
Tax effects of:		
Income not subject to tax	(15,796)	(27,265)
Loss not subject to tax	11,264	1,410
Expenses not deductible for tax purpose	4,950	7,335
Restriction on tax deductible expenses for unit trust funds	7,947	10,049
Tax expense for the financial year	<u>-</u>	<u>-</u>

**13. Net Asset Value ("NAV") Attributable To Unitholders**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Unitholders' capital	1,407,236	1,813,217
(Accumulated losses)/retained earnings		
- Realised deficits	(4,084)	(16,162)
- Unrealised (deficits)/reserves	(28,257)	18,676
NAV attributable to unitholders	<u>1,374,895</u>	<u>1,815,731</u>

The NAV per unit is rounded up to four decimal places.

**14. Number Of Units In Circulation**

	<b>2020</b>	<b>2019</b>
	<b>No. Of Units</b>	<b>No. Of Units</b>
At beginning of the financial year	3,627,600	2,815,411
Cancellation	(812,189)	(1,221,400)
At end of the financial year	<u>2,815,411</u>	<u>3,627,600</u>

**15. Units Held By The Manager And Its Related Parties**

There were no units held by the Manager and other related parties.

## 16. Transactions With Brokers/Dealers

Details of transactions with the brokers/dealers for the financial year are as follows:

Brokers/Dealers	Value Of Trade <sup>#</sup> RM	% Of Total Trades %	Brokerage Fee* RM	% Of Total Brokerage Fees %
RHB Investment Bank Bhd	560,870	55.62	760	24.68
Hong Leong Investment Bank Bhd	161,751	16.04	880	28.58
CIMB Investment Bank Bhd	128,405	12.73	620	20.14
Maybank Investment Bank Bhd	65,191	6.46	338	10.98
UOB Kay Hian Securities (M) Sdn Bhd	34,430	3.41	160	5.20
Alliance Investment Bank Berhad	26,188	2.60	81	2.63
Credit Suisse Securities (Singapore) Pte Ltd	20,378	2.02	160	5.20
Nomura Securities Malaysia Sdn Bhd	11,279	1.12	80	2.59
	<b>1,008,492</b>	<b>100.00</b>	<b>3,079</b>	<b>100.00</b>

<sup>#</sup> Excludes brokerage and other transaction fees.

\* Only applicable to equity securities.

The transactions above are with non related parties.

## 17. Financial Risk Management Objectives And Policies

The Fund is exposed to a variety of risks which include market risk, credit risk, liquidity risk, specific risk and single issuer risk.

Financial risk management is carried out through policy reviews, internal control systems and adherence to the investment restrictions as stipulated in the Securities Commission Malaysia's Guidelines on Unit Trust Funds in Malaysia.

### (i) Market Risk

The Fund's principal exposure to market risk arises primarily due to changes in the market environment, global economic and geo-political developments. The Fund seeks to diversify some of these risks by investing into different sectors to mitigate risk exposure to any single asset class.

The Fund's market risk is affected primarily by the following risks:

(a) Price Risk

Price risk is the adverse changes in the fair value of securities as a result of changes in the levels of equity indices and the value of individual securities. The price risk exposure arises from the Fund's quoted investments.

The table below summarises the effect on the net (loss)/income before tax and NAV attributable to the unitholders of the Fund at the reporting date due to possible changes in prices, with all other variables held constant:

Change In Price (%)	Effect On Net Income Before Tax And NAV Attributable To Unitholders	
	Decrease/(Increase)	Increase/(Decrease)
	2020 RM	2019 RM
+5	22,881	32,769
(5)	<u>(22,881)</u>	<u>(32,769)</u>

(b) Interest Rate Risk

This risk refers to the effect of interest rate changes on the returns on deposits with licensed financial institutions. In the event of reduction in interest rates, the returns on deposits with licensed financial institutions will decrease, thus affecting the NAV of the Fund. This risk will be minimised via the management of duration structure of the deposits with licensed financial institutions.

The Fund's exposure to interest rate risk with respect to fixed income securities and deposits with licensed financial institutions is not considered to be significant at the reporting date and consequently no sensitivity analysis on interest rate risk has been presented.



(ii) Credit Risk

The Fund's principal exposure to credit risk arises primarily due to changes in the financial conditions of an issuer or a counterparty to make payment of principals, interest and proceeds from realisation of investments. Such events can lead to loss of capital or delayed or reduced income for the Fund resulting in a reduction in the Fund's NAV and thus, unit price. This risk is mitigated by setting counterparty limits and vigorous credit analyses.

Credit risk is generally arising from investments, cash and cash equivalents and other receivables. The maximum exposure to credit risk is presented in the statement of financial position. None of these balances are impaired. Cash and cash equivalents are placed in licensed financial institutions with strong credit ratings.

Fixed income securities are either government-guaranteed or rated by RAM Rating Services Berhad ("RAM") or Malaysian Rating Corporation Berhad ("MARC").

The following table analyses the Fund's portfolio of fixed income securities by rating categories at the reporting date:

**2020**

<b>RAM Credit Rating</b>	<b>MARC Credit Rating</b>	<b>As A % Of NAV</b>
-	AA	18.20
-	AA-	26.50
A2	-	14.67
		59.37

**2019**

<b>RAM Credit Rating</b>	<b>MARC Credit Rating</b>	<b>As A % Of NAV</b>
-	AA	13.91
-	AA-	5.51
A1	-	16.55
A2	-	19.60
		55.57

(iii) Liquidity Risk

This risk occurs in thinly traded or illiquid securities. Should the Fund need to sell a relatively large amount of such securities, the act itself may significantly depress the selling price. The risk is minimised by maintaining a prudent level of liquid assets that allows the Fund to meet daily redemption of units without jeopardising potential returns.

The maturity of the Fund's financial liabilities fall due within three months while the NAV attributable to unitholders are repayable on demand.

(iv) Specific Risk

The Fund is exposed to the individual risks of the respective companies issuing securities which includes changes to the business performance of the company, consumer tastes and demands, lawsuits and management practices. This risk is minimised through the diversification of the portfolio of investments of the Fund.

(v) Single Issuer Risk

The Fund's exposure to securities issued by any issuer is limited to not more than a certain percentage of the Fund's NAV. Under such restriction, the risk exposure to the securities of any issuer is minimised.

## **18. Operating Segment**

The Fund is organised into one main operating segment for investment management purposes. The Investment Department takes a team approach to the investment process of the Fund. The decision-making process involves input from the entire team, with each team member (inclusive of analysts) contributing their respective expertise and views to yield fully informed conclusions. The Investment Committee is responsible for ensuring adherence to investment guidelines, both internal and external, as well as to assess strategy and implementation effectiveness, and to oversee the entire investment function. Accordingly, significant operating decisions are based upon the analysis of the Fund as one operating segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

## **19. Capital Management**

The Fund's capital comprises unitholders' subscription to the Fund. The unitholders' capital fluctuates according to the daily subscription and redemption of units at the discretion of unitholders.

The Fund aims to achieve its investment objective and at the same time maintain sufficient liquidity to meet unitholders' redemptions.



## **BOS WEALTH MANAGEMENT MALAYSIA BERHAD**

(formerly known as Pacific Mutual Fund Bhd) 199501006861 (336059-U)

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## **INSTITUTIONAL UNIT TRUST ADVISERS**

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<b>iFAST Capital Sdn Bhd</b> 200701024957 (782978-H)	Tel: 03-2149 0600
<b>Phillip Mutual Bhd</b> 200201002746 (570409-K)	Tel: 03-2783 0300
<b>Areca Capital Sdn Bhd</b> 200601021087 (740840-D)	Tel: 03-7956 3111

*Our IUTA may not carry the complete set of our Funds. Investments made via our IUTA may be subject to different terms and conditions.*

## **IMPORTANT NOTICES**

### **Beware of phishing scams**

Kindly be alert of any email or SMS that requires you to provide your personal information and/or to login to your account via an unsolicited link. Do not click on email links or URLs without verifying the sender of the email. Please ensure the actual internet address is displayed i.e. [www.boswealthmanagement.com.my](http://www.boswealthmanagement.com.my)

If you suspect your account may be compromised and/or would like to seek clarification, please contact us as above.

### **Update of particulars**

Investors are advised to furnish us with updated personal details on a timely basis. You may do so via the E-Service portal at [www.boswealthmanagement.com.my](http://www.boswealthmanagement.com.my). Alternatively, you may call or email us as above.