

# **BOSWM DYNAMIC INCOME FUND**

**ANNUAL REPORT**  
**For the financial year ended 30 June 2023**

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**FUND INFORMATION****As At 30 June 2023**

Name Of Fund	: BOSWM Dynamic Income Fund
Manager Of Fund	: BOS Wealth Management Malaysia Berhad 199501006861 (336059-U)
Launch Date	: Class BOS MYR – 20 November 2020 (Class A - 2 October 2019 had been changed to Class BOS MYR)  The Fund will continue its operations until terminated as provided under Part 12 of the Deed.
Category Of Fund	: Fixed income
Type Of Fund	: Growth and income
Investment Objective	: BOSWM Dynamic Income Fund aims to deliver total return for its Unit Holder(s).  Note: 'total return' refers to income (in the form of income distribution) and potential capital growth.
Performance Benchmark	: Maybank Overnight Deposit Rate  Note: Maybank Overnight Deposit Rate is replacing 3-month KLIBOR to be the performance benchmark of the Fund. This is due to the potentially discontinuation of the Kuala Lumpur Interbank Offered Rate (KLIBOR) as a financial benchmark rate by Bank Negara Malaysia.
Distribution Policy	: Declaration of income distribution (if any) is at least once a year.
Fund Size	: Class BOS MYR - 146.14 million units

## FUND PERFORMANCE

## Financial Highlights

Category	As At 30.6.2023	As At 30.6.2022	As At 30.6.2021
	%	%	%
<b>Fixed Income Securities</b>	37.17	-	-
<b>Cash And Liquid Assets</b>	62.83	100.00	-
<b>Total</b>	100.00	100.00	-
Net Asset Value (RM'000)	149,563	85,216	-
Number Of Units In Circulation (Units '000)	146,137	84,521	-
Net Asset Value Per Unit (RM)	1.0235*	1.0083	-
Total Expense Ratio ("TER")	0.56%	0.37%	0.31%
Portfolio Turnover Ratio (times)	0.37	-#	0.65

The TER for the current financial year was higher as the TER for the previous financial year was calculated based on 226 days. The Fund does not charge performance fee.

# The PTR for the previous financial year was nil as the Fund only had placements with licensed financial institutions.

## 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.

\* Price quoted is ex-distribution.

	1.7.2022 To 30.06.2023 RM'000	1.7.2021 To 30.06.2022 RM'000	1.7.2020 To 30.06.2021 RM'000
<b>Source of Distributions</b>			
- Net realised income	2,077	-	-
- Capital (distribution equalisation)	553	-	-
<b>Total distributions</b>	<b>2,630</b>	<b>-</b>	<b>-</b>
	%	%	%
- Net realised income	79	-	-
- Capital (distribution equalisation)	21	-	-
<b>Total distributions</b>	<b>100</b>	<b>-</b>	<b>-</b>

**Performance Data**

	<b>1.7.2022 - 30.6.2023</b> 1 Year's Period	<b>1.7.2020 - 30.6.2023</b> 3 Years' Period	<b>2.10.2019 - 30.6.2023</b> Since Inception
BOSWM Dynamic Income Fund			
- Total Return	3.29%	2.54%	4.15%
- Average Return	3.29%	0.85%	1.11%
Maybank Overnight Deposit Rate			
- Total Return	1.02%	1.56%	2.46%
- Average Return	1.02%	0.52%	0.66%

	<b>1.7.2022 - 30.6.2023</b>	<b>1.7.2021 - 30.6.2022</b>	<b>1.7.2020 - 30.6.2021</b>	<b>Since Inception 2.10.2019 - 30.6.2020</b>
BOSWM Dynamic Income Fund				
- Capital Return	1.51%	0.83%	-1.55%	1.57%
- Income Return	1.76%	0.00%	0.00%	0.00%
- Total Return	3.29%	0.83%	-1.55%	1.57%
Maybank Overnight Deposit Rate	1.02%	2.02%	1.97%	2.02%

	<b>1.7.2022 - 30.6.2023</b>	<b>1.7.2021 - 30.6.2022</b>	<b>1.7.2020 - 30.6.2021</b>
<b>Unit Prices</b>			
Highest NAV (RM)	1.0415	1.0083	1.0221
Lowest NAV (RM)	1.0083	1.0000	1.0000

<b>Unit Splits</b>	-	-	-
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**Distributions**

## Gross Distribution Per Unit (sen)

1.7.2022 - 30.6.2023	1.7.2021 - 30.6.2022	1.7.2020 - 30.6.2021
30.6.2023 1.80		

## Net Distribution Per Unit (sen)

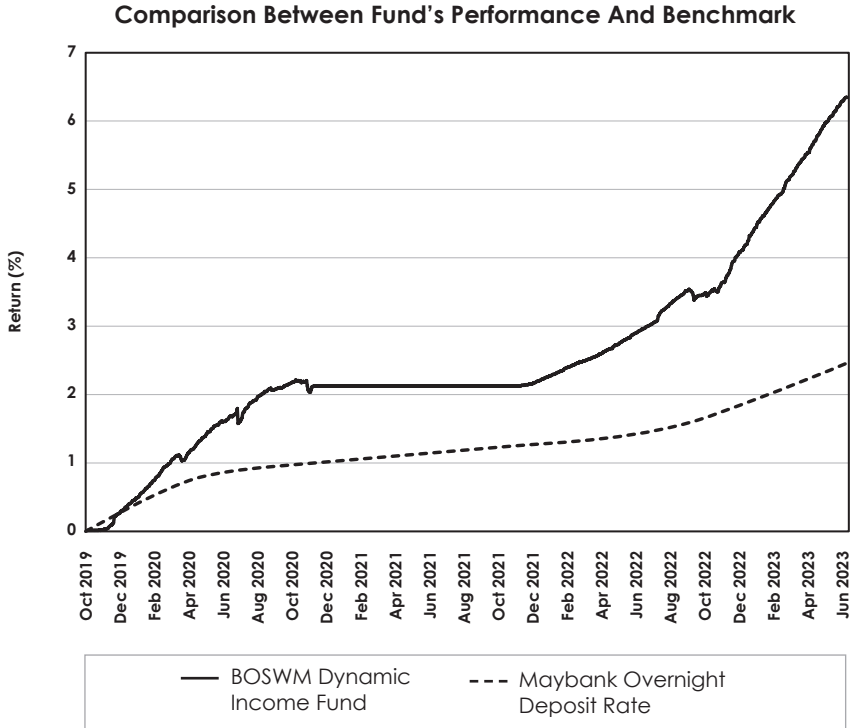
1.7.2022 - 30.6.2023	1.7.2021 - 30.6.2022	1.7.2020 - 30.6.2021
30.6.2023 1.80		

*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 2023

### Performance Review



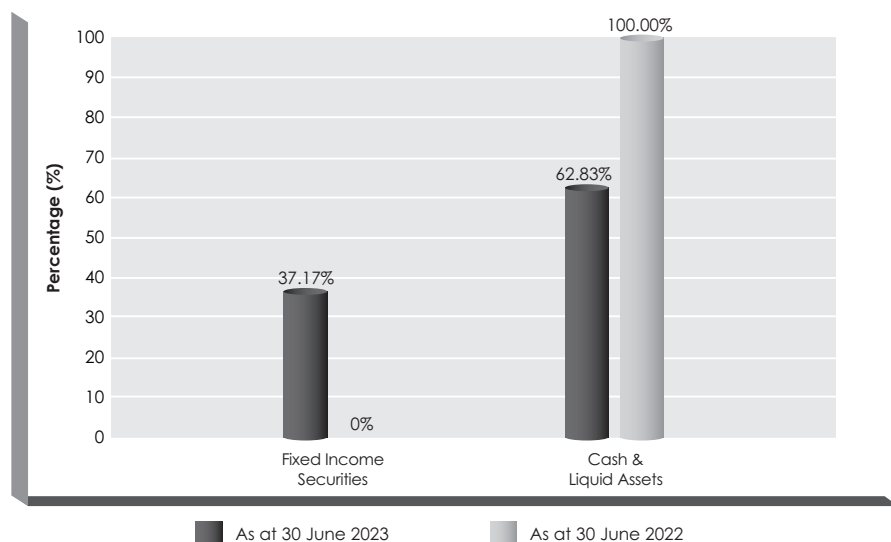
Source: Lipper

### Investment Strategy Review

Investment decisions were focused on a combination of yield accumulation and intermediate duration strategies in providing the required return commensurate with the risk tolerance of the Fund. In 3Q2022, the Fund initiated bond investments as market sell-down presented opportunities to accumulate bond exposures at attractive valuations. Selection was focused high rated Issuers as quality presents the best defense in a volatile yield environment.

Thereafter, the portfolio fixed income allocation was kept within the range of 30%-37% for most of 1H2023 as the Fund sought duration for capital appreciation as prospects of peak OPR coupled with a moderate growth outlook underpins the attractiveness of bond investments. Fundamentals of the underlying bond portfolio were satisfactory with decent earnings expectations and rating stability.

## Asset Allocation



The fixed income securities allocation of BOSWM Dynamic Income Fund increased to 37.17% as at 30 June 2023 due to net purchasing activities. Gradual increase in the fund's NAV allowed accumulation of bonds while ensuring sufficient portfolio diversification during the financial year in review.

## Securities Financing Transactions

Nil

## Analysis Of Net Asset Value

The net asset value (NAV) per unit of BOSWM Dynamic Income Fund increased from RM1.0083 to RM1.0235 (net of income distribution) during the financial year under review. Meanwhile, total NAV of the Fund increased to RM149,562,770 from RM85,215,985 on net fund inflows and higher price valuations.



## **Market Review**

### **Bond Market Review**

For most of the financial year, bond sentiment was largely dominated by global inflation and prospect of a more aggressive Fed tightening which added to further market volatility. The yield curve mirrored a bear flattening trend led by rising short-term yields as investors positioned for further tightening from the global central banks. The Federal Reserve's hawkish effort to stamp out inflation brought a total of 350bps hikes in the Fed funds rate to 5.00%-5.25%. Consequently, the yield curve inversion which started since July 2022 deepened as the financial year progresses, reflecting concerns that an extended Federal Reserve rate hiking cycle will tip the US economy into recession. Nonetheless, the pandemic's aftereffects fuel economic resilience despite rising interest rates and strong labor market strength continues to defy expectations of a slow-down this year. The Federal Reserve left interest rates unchanged at its June policy meeting, after 7 consecutive rate hikes since the start of the financial year. Despite the rate rise skip, forward guidance remains hawkish as the Fed signals 2 more hikes on the way by the end of the year. The US 10-year yield rose 82bps to 3.84% and the 2-year yield increased by 194bps to 4.90%.

The local yield curve mirrored a bull flattening trend as yields declined from 2022 highs. Yields mostly rallied, steered by resurgent global demand for bonds and falling Treasury yields as peak Fed rate narrative gained traction. With yields already on a downtrend in line with falling global bond yields, yields plunged significantly following BNM's decision to maintain OPR at 2.75% in 1Q2023. Into 2Q2023, BNM surprised the market by raising the OPR to 3%, back to its pre-pandemic level. With this decision, the MPC has withdrawn the monetary stimulus intended to address the COVID-19 crisis in promoting economic recovery. The domestic economy continues to benefit from resilient demand supported by strong labour market conditions and stronger than expected recovery in China. Despite upward yield adjustments towards end 2Q2023, pressured by a weaker Ringgit and broader global risk-off sentiment, domestic bonds remained relatively stable compared to the extreme volatility among developed market bonds. Over the financial year, the 3-year yield declined by 4bps to 3.48% while the 10-year declined by a larger quantum of 42bps to 3.85% notwithstanding BNM's cumulative 100bps OPR hikes during the financial year.

**Unit Split**

Not applicable

**Operational Review**

Nil

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

Nil

**Changes In The Fund's Prospectus**

Nil

**Circumstances That Materially Affect Interest Of Unitholders**

Nil

**Crossed Trade Transactions That Have Been Carried Out**

Nil

**Soft Commissions**

During the financial year under review, the Fund did not receive any soft commissions.

**TRUSTEE'S REPORT**

To the Unit Holders of **BOSWM DYNAMIC INCOME FUND** ("Fund")

We have acted as Trustee of the Fund for the financial year ended 30 June 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, **BOS WEALTH MANAGEMENT MALAYSIA 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.

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

For and on behalf of  
**CIMB COMMERCE TRUSTEE BERHAD**

**DATIN EZREEN ELIZA ZULKIPLEE**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
16 August 2023

**STATEMENT BY THE MANAGER**

We, **PETER JAMES WARNES** and **LIM HIAH ENG**, 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 16 to 35 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 **BOSWM DYNAMIC INCOME FUND** as at 30 June 2023 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

**PETER JAMES WARNES**

Petaling Jaya, Malaysia

16 August 2023

**LIM HIAH ENG**

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF BOSWM DYNAMIC INCOME FUND

### Report On The Audit Of The Financial Statements

#### *Opinion*

In our opinion, the financial statements of **BOSWM DYNAMIC INCOME FUND** ("the Fund") give a true and fair view of the financial position of the Fund as at 30 June 2023, 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 30 June 2023, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 25.

#### *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 Trustee's Report and 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.

#### *Responsibility Of The 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 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 of auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism 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 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 unitholders 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, Malaysia  
16 August 2023



**STATEMENT OF FINANCIAL POSITION**  
**As At 30 June 2023**

	<b>Note</b>	<b>2023 RM</b>	<b>2022 RM</b>
<b>Assets</b>			
Investments	<b>3</b>	55,598,532	-
Deposits with licensed financial institutions	<b>5</b>	87,000,000	63,000,000
Interest receivable		1,908,323	372,884
Cash and cash equivalents	<b>6</b>	7,773,139	21,896,967
<b>Total Assets</b>		<u>152,279,994</u>	<u>85,269,851</u>
<b>Liabilities</b>			
Amount due to Manager	<b>7</b>	62,472	34,998
Other payables		24,292	18,868
Distribution payable	<b>13</b>	2,630,460	-
<b>Total Liabilities (Excluding Net Asset Value Attributable To Unitholders)</b>		<u>2,717,224</u>	<u>53,866</u>
<b>Net Asset Value ("NAV") Of The Fund Attributable To Unitholders</b>		<u>149,562,770</u>	<u>85,215,985</u>
<b>Net Assets Attributable To Unitholders Of The Fund Comprise:</b>	<b>14</b>		
Unitholders' capital		146,835,508	84,780,231
Retained earnings		2,727,262	435,754
		<u>149,562,770</u>	<u>85,215,985</u>
<b>Number Of Units In Circulation (Units)</b>	<b>15</b>	<u>146,136,666</u>	<u>84,521,068</u>
<b>NAV Per Unit</b>	<b>14</b>	<u>1.0235*</u>	<u>1.00830</u>

\* Ex-distribution NAV per unit.

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**For The Financial Year Ended 30 June 2023**

	<b>Note</b>	<b>2023 RM</b>	<b>2022 RM</b>
<b>Investment Income</b>			
Interest income		4,404,876	531,087
Net unrealised gain on changes in value of financial assets at FVTPL		675,634	-
		<u>5,080,510</u>	<u>531,087</u>
<b>Expenses</b>			
Audit fee		7,700	7,700
Tax agent's fee		5,212	3,090
Manager's fee	<b>8</b>	635,026	127,454
Trustee's fee	<b>9</b>	50,802	10,219
Administration expenses		12,777	4,660
		<u>711,517</u>	<u>153,123</u>
<b>Net Income Before Taxation</b>		4,368,993	377,964
<b>Taxation</b>	<b>12</b>	-	-
<b>Net Income After Taxation, Representing Total Comprehensive Income For The Year</b>		<u>4,368,993</u>	<u>377,964</u>
<b>Total Comprehensive Income</b>		<u>4,368,993</u>	<u>377,964</u>
<b>Total Comprehensive Income</b>			
<b>Comprises The Following:</b>			
Realised income		3,693,359	377,964
Unrealised income		675,634	-
		<u>4,368,993</u>	<u>377,964</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 2023**

	<b>Unitholders'</b>	<b>Retained</b>	<b>NAV</b>
	<b>Capital</b>	<b>Earnings</b>	<b>Attributable</b>
	<b>RM</b>	<b>RM</b>	<b>To Unitholders</b>
			<b>RM</b>
<b>At 1 July 2021</b>	(57,790)	57,790	-
Net income after taxation	-	377,964	377,964
Creation of units	84,838,021	-	84,838,021
<b>At 30 June 2022</b>	<b>84,780,231</b>	<b>435,754</b>	<b>85,215,985</b>
<b>At 1 July 2022</b>	84,780,231	435,754	85,215,985
Net income after taxation	-	4,368,993	4,368,993
Creation of units	75,608,252	-	75,608,252
Cancellation of units	(13,000,000)	-	(13,000,000)
Distribution	(552,975)	(2,077,485)	(2,630,460)
<b>At 30 June 2023</b>	<b>146,835,508</b>	<b>2,727,262</b>	<b>149,562,770</b>

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

**STATEMENT OF CASH FLOWS**  
**For The Financial Year Ended 30 June 2023**

	<b>Note</b>	<b>2023 RM</b>	<b>2022 RM</b>
<b>Cash Flows From Operating And Investing Activities</b>			
Proceeds from sale of investments		20,000,000	-
Purchase of investments		(74,722,349)	-
Placement of deposits with licensed financial institutions		(87,000,000)	(63,000,000)
Withdrawal of deposits from licensed financial institutions		63,000,000	-
Interest received		2,668,889	158,204
Manager's fee paid		(607,553)	(92,457)
Trustee's fee paid		(48,604)	(7,719)
Payment for other fees and expenses		(22,463)	(3,970)
Net cash used in operating and investing activities		<u>(76,732,080)</u>	<u>(62,945,942)</u>
<b>Cash Flows From Financing Activities</b>			
Cash proceeds from units created		75,608,252	84,838,021
Cash paid on units cancelled		(13,000,000)	-
Net cash generated from financing activities		<u>62,608,252</u>	<u>84,838,021</u>
<b>Net (Decrease)/Increase In Cash And Cash Equivalents</b>		(14,123,828)	21,892,079
<b>Cash And Cash Equivalents At Beginning Of Financial Year</b>		<u>21,896,967</u>	<u>4,888</u>
<b>Cash And Cash Equivalents At End Of Financial Year</b>		<u>7,773,139</u>	<u>21,896,967</u>
<b>Cash And Cash Equivalents Comprise:</b>	<b>6</b>		
Cash at banks		73,139	16,967
Deposits with licensed financial institutions		7,700,000	21,880,000
		<u>7,773,139</u>	<u>21,896,967</u>

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

**NOTES TO THE FINANCIAL STATEMENTS****30 June 2023****1. The Fund, The Manager And Their Principal Activities**

BOSWM Dynamic Income Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Deed dated 15 August 2019, its First Supplemental Deed dated 5 October 2020 and its Second Supplemental Deed dated 8 November 2022 (hereinafter referred to as "the Deeds"), made between the Manager, BOS Wealth Management Malaysia Berhad and the Trustee, CIMB Commerce Trustee Berhad for 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 fixed income securities and money market instruments as approved by the Securities Commission Malaysia. The Fund was launched on 2 October 2019 and will continue its operations until terminated as provided in the Deeds.

The Manager is 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. As at end of the current financial year, no transactions relating to investment advice and marketing and distribution of third party funds were performed by the Manager.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors on 16 August 2023.

## 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"), 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 MFRS and Amendments to MFRS which are effective for financial years beginning on or after 1 January 2022. These new MFRS and Amendments to MFRS did not give rise to any significant effect on the financial statements.

The Fund will adopt the following new MFRS and Amendments to MFRS when they become effective in the respective financial periods and these new MFRS and Amendments to MFRS 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>Effective for annual periods beginning on or after</b>
Amendments to MFRS 101: <i>Presentation of Financial Statements Classification of Liabilities as Current or Non-Current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i> *	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i> *	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 101: <i>Presentation of Financial Statements Non-Current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 16: <i>Leases Lease liability in a Sale and Leaseback</i> *	1 January 2024
Amendments to MFRS 107: <i>Statement of Cash Flows</i> and MFRS 7 <i>Financial Instruments: Supplier Finance Arrangements</i>	1 January 2024

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

*\* These new MFRS and Amendments to MFRS 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.

The Fund includes in this category its Permitted Investments. These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

***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) Distributions**

Distributions made by the Fund are accounted for as a deduction from realised reserves except where distributions are sourced out of distribution equalisation which are accounted for as a deduction from unitholders' capital. Distributions are recognised in the statement of changes in NAV when they are approved by the Manager and the Trustee.

**(l) 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.

**(m) 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. Fixed Income Securities

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

Name Of Counter	Credit Rating	Nominal Value RM	Cost RM	Fair Value RM	Fair Value As A % Of NAV
					%
Cagamas Bhd	AAA	5,000,000	5,000,000	5,002,600	3.34
Sabah Credit Corporation Bhd	P1	5,000,000	4,899,582	4,899,582	3.28
CIMB Bank Berhad	AA2	5,000,000	5,000,000	5,037,500	3.37
Amanat Lebuhraya Rakyat	AAA	5,000,000	5,000,000	5,026,100	3.36
Eco World Capital Bhd	AA-	5,000,000	5,000,000	5,131,650	3.43
Digi Telecommunications Bhd	AAA	5,000,000	5,009,654	5,209,850	3.48
Affin Bank Bhd	A1	5,000,000	5,000,000	5,057,550	3.38
Point Zone Malaysia Sdn Bhd	AA-	5,000,000	5,000,000	5,060,050	3.38
YTL Power Bhd	AA1	5,000,000	5,013,662	5,126,900	3.43
RHB Bank Bhd	AA2	5,000,000	5,000,000	5,028,900	3.36
Gamuda Bhd	AA3	5,000,000	5,000,000	5,017,850	3.36
		<u>55,000,000</u>	<u>54,922,898</u>	<u>55,598,532</u>	<u>37.17</u>

#### UNREALISED GAIN FROM FIXED INCOME SECURITIES

675,634

The weighted average rate of return and remaining maturity at the reporting date were as follows:

	Weighted Average Rate Of Return (% Per Annum)		Weighted Average Remaining Maturity (Days)	
	2023	2022	2023	2022
Fixed income securities	<u>4.56</u>	<u>-</u>	<u>1,733</u>	<u>-</u>

#### 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).

	Level 2 RM	Total RM
<b>2023</b>		
<b>Financial Assets At FVTPL</b>		
Fixed income securities	<u>55,598,532</u>	<u>55,598,532</u>

<b>2022</b>		
<b>Financial Assets At FVTPL</b>		
Fixed income securities	<u>-</u>	<u>-</u>

#### 5. Deposits With Licensed Financial Institutions

	2023 RM	2022 RM
Deposits with licensed financial institutions:	87,000,000	61,000,000
- Commercial bank	-	2,000,000
- Investment bank	<u>87,000,000</u>	<u>63,000,000</u>

	Weighted Average Effective Interest Rate (% Per Annum)		Weighted Average Remaining Maturity (Days)	
	2023	2022	2023	2022
Deposits with licensed financial institutions:				
- Commercial bank	4.17	2.31	205	138
- Investment bank	<u>-</u>	<u>2.15</u>	<u>-</u>	<u>114</u>

**6. Cash And Cash Equivalents**

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

	<b>2023</b> <b>RM</b>	<b>2022</b> <b>RM</b>
Cash at banks	<u>73,139</u>	<u>16,967</u>
Deposits with licensed financial institutions:		
- Commercial bank	-	11,000,000
- Investment bank	7,700,000	10,880,000
(with maturity less than 3 months)	<u>7,700,000</u>	<u>21,880,000</u>
Cash and bank balances	<u>7,773,139</u>	<u>21,896,967</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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Deposits with licensed financial institutions:				
- Commercial bank	-	2.30	-	20
- Investment banks	<u>3.01</u>	<u>2.01</u>	<u>3</u>	<u>9</u>

**7. Amount Due To Manager**

The amount due to manager represents amount payable for management fee.

Management fee is payable on a monthly basis.

**8. Manager's Fee**

The Manager's fee provided in the financial statements is computed at 0.50% (2022: 0.50%) per annum of the NAV attributable to unitholders of the Fund, calculated on a daily basis.

**9. Trustee's Fee**

The Trustee's fee provided in the financial statements are computed at 0.04% (2022: 0.04%) per annum of the NAV attributable to unitholders of the Fund, calculated on a daily basis, subject to a minimum fee of RM8,400 per annum.

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

	<b>2023</b>	<b>2022</b>
Portfolio turnover ratio ("PTR")	<u>0.37 times</u>	<u>-</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 previous financial year was nil as the Fund only had placements with licensed financial institutions.

**11. Total Expense Ratio ("TER")**

	<b>2023</b>	<b>2022</b>
Total expense ratio ("TER") <sup>1</sup>	<u>0.56%</u>	<u>0.37%</u>

TER 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 period calculated on a daily basis. The TER for the current financial year was higher as the TER for the previous financial year was calculated based on 226 days. The Fund does not charge performance fee.

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

**12. Taxation**

	<b>2023 RM</b>	<b>2022 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% (2022: 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.

	<b>2023 RM</b>	<b>2022 RM</b>
Net income before taxation	<u>4,368,993</u>	<u>377,964</u>
Taxation at Malaysian statutory rate of 24%	1,048,558	90,711
Tax effects of:		
Income not subject to tax	(1,219,323)	(127,461)
Loss not subject to tax	-	-
Expenses not deductible for tax purpose	15,351	3,846
Restriction on tax deductible expenses for unit trust funds	155,414	32,904
Tax expense for the financial year	<u>-</u>	<u>-</u>

### 13. Distributions

Distribution payable to unitholders during the financial year.

<b>Payment Date</b>	<b>Gross Distribution Per Unit (sen)</b>	<b>Net Distribution Per Unit (sen)</b>	<b>Distribution Amount (RM)</b>
<b>2023</b>			
6 July 2023	1.80	1.80	2,630,460
		<b>2023 RM</b>	<b>2022 RM</b>
Distribution to unitholders is from the following sources:			
Interest income		2,477,707	-
Distribution equalisation		552,975	-
		3,030,682	-
Less:			
Expenses		(400,222)	-
Taxation		-	-
		2,630,460	-
Gross distribution per unit (sen)		1.80	-
Net distribution per unit (sen)		1.80	-

The unrealised gains arising from investments at the reporting date was RM675,634 (2022: nil).

### 14. Net Asset Value ("NAV") Attributable To Unitholders

	<b>2023 RM</b>	<b>2022 RM</b>
Unitholders' capital	146,835,508	84,780,231
Retained earnings		
- Realised reserves	2,051,628	435,754
- Unrealised reserves	675,634	-
NAV attributable to unitholders	149,562,770	85,215,985

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

**15. Number Of Units In Circulation**

	<b>2023</b>	<b>2022</b>
	<b>No. Of Units</b>	<b>No. Of Units</b>
At beginning of the financial year	84,521,068	-
Creation	74,304,715	84,521,068
Cancellation	(12,689,117)	-
At end of the financial year	<u>146,136,666</u>	<u>84,521,068</u>

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

	<b>2023</b>		<b>2022</b>	
	<b>No. Of Units</b>	<b>RM</b>	<b>No. Of Units</b>	<b>RM</b>
Holding Company Of The Manager	<u>91,326,197</u>	<u>93,472,363</u>	<u>29,877,502</u>	<u>30,125,486</u>

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

**17. Transactions With Brokers/Dealers**

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

<b>Brokers/Dealers</b>	<b>Value Of Trade RM</b>	<b>% Of Total Trades %</b>
Malayan Banking Bhd	693,653,849	30.36
Public Investment Bank Bhd	628,650,000	27.50
Public Bank Bhd	445,890,000	19.52
Kenanga Investment Bank Bhd	173,800,000	7.61
CIMB Bank Bhd	105,358,500	4.61
RHB Bank Bhd	54,500,000	2.39
RHB Islamic Bank Bhd	47,500,000	2.08
United Overseas Bank Bhd	45,420,000	1.99
CIMB Islamic Bank Bhd	40,000,000	1.75
AmBank (M) Bhd	15,000,000	0.66
* Others	35,000,000	1.53
	<u>2,284,772,349</u>	<u>100.00</u>

\*Included under others are transactions with OCBC Bank (Malaysia) Bhd, a subsidiary of Oversea-Chinese Banking Corporation Limited, the ultimate holding company of the Manager.

The directors of the Manager are of the opinion that the transactions with the related financial institution have been entered into the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.



## 18. 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) Interest Rate Risk

This risk refers to the effect of interest rate changes on the returns on deposits with licensed financial institutions and carrying value of investments. In the event of changes in interest rates, the returns on deposits with licensed financial institutions and fair value of investments will change, 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.

Change In Basis Point	Effect On Net Income Before Tax And NAV Attributable To Unitholders	
	Decrease/(Increase)	Increase/(Decrease)
	2023	2022
	RM	RM
+25/	111,391	40,497
(25)	<u>(111,391)</u>	<u>(40,497)</u>

## (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.

The following table sets of the credit risk concentration of the Fund at the end of each reporting year:

		<b>Deposits With Licensed Financial Institutions</b>	<b>Cash And Bank Balances</b>	<b>Total</b>
<b>2023</b>	<b>Investments</b>			
Credit rating	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
AAA/P1	20,138,132	42,000,000	7,773,139	69,911,271
AA1/AA+	5,126,900	40,000,000	-	45,126,900
AA2	10,066,400	-	-	10,066,400
AA3/AA-	15,209,550	5,000,000	-	20,209,550
A1	5,057,550	-	-	5,057,550
	<u>55,598,532</u>	<u>87,000,000</u>	<u>7,773,139</u>	<u>150,371,671</u>
<b>2022</b>				
Credit rating				
AAA/P1	-	38,000,000	11,896,967	49,896,967
AA2	-	23,000,000	5,000,000	28,000,000
A+	-	2,000,000	5,000,000	7,000,000
	<u>-</u>	<u>63,000,000</u>	<u>21,896,967</u>	<u>84,896,967</u>

## (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.

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

	Within 1 Month RM	Between 1 Month To 1 Year RM	Total RM
<b>2023</b>			
Amount due to manager	62,472	-	62,472
Other payables	24,292	-	24,292
Distribution payable	2,630,460	-	2,630,460
Net asset value attributable to unitholders	149,562,770	-	149,562,770
	<u>152,279,994</u>	<u>-</u>	<u>152,279,994</u>
<b>2022</b>			
Amount due to manager	34,998	-	34,998
Other payables	18,868	-	18,868
Net asset value attributable to unitholders	85,215,985	-	85,215,985
	<u>85,269,851</u>	<u>-</u>	<u>85,269,851</u>

(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.

## **19. 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.

## **20. 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.

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