BOS WEALTH MANAGEMENT
A subsidiary of Bank of Singapore

# BOSWM ASIAN INCOME FUND

## ANNUAL REPORT
## For the financial year ended 31 December 2021

## CONTENTS

## FUND INFORMATION
**As At 31 December 2021**

| | |
|---|---|
| Name Of Fund (Feeder) | : BOSWM Asian Income Fund |
| Manager Of Fund | : BOS Wealth Management Malaysia Berhad<br>199501006861 (336059-U) |
| Name Of Target Fund | : Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund |
| Investment Manager Of Target Fund | : Lion Global Investors Limited (198601745D)<br>(formerly known as Lion Capital Management Limited) |
| Sub-Investment Manager Of Target Fund | : Bank of Singapore Limited (197700866R) |
| Launch Date | : Class MYR – 12 January 2017<br>Class MYR BOS – 12 September 2019<br>Class USD BOS – 12 September 2019<br><br>The Fund will continue its operations until terminated as provided under Part 11 of the Deed. |
| Category Of Fund | : Mixed assets – feeder fund (wholesale) |
| Type Of Fund | : Growth and income[□] |
| Investment Objective | : BOSWM Asian Income Fund aims to provide capital growth and income[□] in the medium* to long term* by investing in the Target Fund – Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund.<br><br>□ *Income is in reference to the Fund's distribution, which will be in the form of cash or units.*<br><br>* *Medium term is defined as a period of one to three years, and long term is a period of more than three years.* |
| Performance Benchmark | : From 1 March 2021 onwards: Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund<br><br>Prior to 1 March 2021 onwards: Composite Benchmark:<br>50% JP Morgan Asia Credit Composite Total Return Index<br>50% MSCI Far East ex Japan Index |
| Distribution Policy | : Subject to the availability of income, distribution of income will be on a quarterly basis. |

Fund Size : 17.80 million units

Breakdown Of Unitholdings :

| Size Of Holdings | No. Of Unitholders | % Of Unitholders | No. Of Units (million) |
|---|---|---|---|
| 5,000 units & below | - | - | - |
| 5,001-10,000 units | - | - | - |
| 10,001-50,000 units | - | - | - |
| 50,001-500,000 units | 1 | 33.33 | 5.93 |
| 500,001 units & above | 2 | 66.67 | 11.87 |
| Total | 3 | 100.00 | 17.80 |

## FINANCIAL HIGHLIGHTS

| Category | As At 31.12.2021 | As At 31.12.2020 | As At 31.12.2019 |
|---|---|---|---|
| | % | % | % |
| **Collective Investment Scheme** | 96.96 | 95.60 | 99.08 |
| **Cash And Liquid Assets** | 3.04 | 4.40 | 0.92 |
| **Total** | 100.00 | 100.00 | 100.00 |
| | **Class MYR** | **Class MYR** | **Class MYR** |
| Net Asset Value (RM'000) | 3,245 | 6,324 | 18,348 |
| Number Of Units In Circulation (Units '000) | 3,127 | 5,824 | 18,275 |
| Net Asset Value Per Unit (RM) | 1.0378 | 1.0859 | 1.0041 |
| Management Expense Ratio ("MER") | 1.45% | 1.21% | 0.97% |
| Portfolio Turnover Ratio (times) | 0.67 | 0.54 | 0.68 |
| | **Class MYR BOS** | **Class MYR BOS** | **Class MYR BOS** |
| Net Asset Value (RM'000) | 15,586 | 112 | 1 |
| Number Of Units In Circulation (Units '000) | 14,677 | 95 | 1 |
| Net Asset Value Per Unit (RM) | 1.0620 | 1.1799 | 1.0404 |
| Management Expense Ratio ("MER") | 0.65% | 0.97% | 0.14 |
| Portfolio Turnover Ratio (times) | 0.67 | 0.54 | 0.68 |
| | **Class USD BOS** | **Class USD BOS** | **Class USD BOS** |
| Net Asset Value (RM'000) | 5 | 5 | 4 |
| Number Of Units In Circulation (Units '000) | 1 | 1 | 1 |
| Net Asset Value Per Unit (RM) | 5.2550 | 5.4792 | 4.3635 |
| Net Asset Value Per Unit (USD) | 1.2620 | 1.3637 | 1.0669 |
| Management Expense Ratio ("MER") | 1.06% | 0.92% | 0.16 |
| Portfolio Turnover Ratio (times) | 0.67 | 0.54 | 0.68 |

The MER for the current financial year is higher due to a lower percentage of decrease in expenses compared with the average NAV attributable to unitholders except for Class MYR BOS where the MER is lower due to a lower percentage of increase in expenses of the class compared with the average NAV attributable to unitholders of that class.

[1] *The MER does not include brokerage and other transaction fees.*

The Portfolio Turnover Ratio for the current financial year is higher due to increase 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.*

**FUND PERFORMANCE**
**For The Financial Year Ended 31 December 2021**

**Market And Fund Review**
*Review Of The Lion Capital Funds II – Lion-Bank Of Singapore Asian Income Fund (Target Fund Of BOSWM Asian Income Fund)*

<u>January 2021</u>
Market overview:
Asia markets initially started off very strongly before erasing some of the gains to a more palatable positive month. Big swings in prices were seen in some of the largest companies in Asia. The large price performance and strong economic rebound attracted China's Central Bank to promptly withdraw liquidity in the market and warned that the stock frenzy is leading to a bubble. The People's Bank of China withdrew a total of 78 billion yuen or USD$12 billion via open market operations. The Authorities will continue to monitor the situation and prevent any overheating in the economy. The inflation rates are still very low and not an issue for now.

On the economic front, Asian Exports continue to grow and China's industrial profits for December 2020 was up 20.1% year-on-year, external demand pushed China's exports up by 18% in December 2020. China is now out of recession, recording 4th quarter Gross Domestic Product growth of 6.5% bringing the whole year to a positive 2.3%. Not everything is rosy as retail sales fell -3.9% on a year-to-date. North Asia as a whole is doing better than South East Asia. With the economic rebound and low interest rates, we are seeing strong demand for property in China and Singapore, pushing up the prices. South East Asia has not been able to control the COVID-19 outbreak as well and the numbers are still going up. Malaysia has extended its Movement Control Order as the number of new cases were still on the rise. New cases in Indonesia brought the total infection numbers to just above 1 million.

As vaccinations are rolled out globally, the expectation of a return to normalcy has taken even deeper roots. The path will not be easy but there is good reason for being positive. Asia still offers one of the best investments globally, COVID-19 has allowed Asia to take the lead both economically and also politically. Controlling the spread of COVID-19 has allowed manufacturing to get back online. China is one of the few major economies in the world whose factories are able to start running at full capacity and as such, demand has been coming from all over the world.

We are constructive on the equity markets as Asia leads in organic growth. The approval for the next fiscal stimulus under the new administration in the US will continue to be positive for risk assets. We will have overweight equities with about 53% weight, cash has 3% weight and the remainder as fixed income.

January 2021 ushered a sharp rise in long-end US rates and aggressive US yield curve as markets steeped up expectation of a large fiscal rescue package from the Biden administration and a Democrat-controlled US Congress. Credit spread tightened but was not enough to offset the increase in rates and the JPMorgan Asia Credit Index generated flat returns. Most sectors were flat except for higher beta Sovereign debt like Sri Lanka and Pakistan.

Towards the end of the month, trading sentiment weakened as market digested the heavy supply pipeline. There were more news headlines on the tightening liquidity and funding situation in the Chinese onshore market. There were also increasing occurrences of debt default/restructuring. While we do not see a systemic problem, sentiment overall has turned negative and we will remain cautious with the portfolio.

Portfolio asset allocation:
The Fund allocation is 51.2 % in equities, 44.0% in fixed income and the balance 4.8% in cash.

Portfolio update:
In the Fund, we stopped writing call options as the markets remained too strong. We have reiterated that the premium for writing is not enough to compensate for some of the stronger performance we have seen in a while. We would rather retain the upside for now and will start writing again once we see some potential easing of stock price action.

<u>February 2021</u>
Market overview:
Asian equity markets started strongly in February 2021 on the back of expected continued growth and recovery. Markets were being bid up. By the middle of the month, there were some concerns of potential inflation and the US 10-year Treasury yield started moving up. The expectation of a recovery and subsequent inflation started to worry investors. Long end rates were moving higher and this caused increased volatility in the equity markets. Asian equities were not spared. By the 3rd week of February 2021, markets were selling off and at times the selling pressure was high, especially in technology names. Those that performed well last were sold down most. However, growth and long-term recovery in Asia remains intact. Controlling COVID-19 and the ongoing vaccine rollout added some positivity that will likely support markets.

The move in the 10-year US Treasury yield from 0.9% at the start of the year to 1.3%, which is about a third of its level, has come alongside an increase in inflation expectations. But the Federal Reserve is now prepared to remain very accommodative through what is likely to be a temporary spike in inflation in mid-2021 (due to base effects) with their primary focus on resuscitating the still very weak labor market.

Policies and budgets were some of the focus in Asia. China announced a new land bidding policy which seems to favour the larger developers and pushed the larger developers' prices up. Hong Kong and Singapore announced their budget for 2021 which were mostly pro-growth and more focused in supporting sectors that continue to struggle as a result of the pandemic. Hong Kong's Budget placed key emphasis on local consumption and tourism. In addition to conventional relief measures, such as, tax rebates and fee waivers, Hong Kong's permanent residents will receive HK$5,000 of consumption vouchers and is estimated to amount to HK$36 billion or 1.3% of Gross Domestic Product.

Chinese exports continue to grow strongly and reached 60% year-on-year for the month of February 2021. There was a low base effect as February 2020 was the start of the pandemic. It is still a good growth rate as most economists expected a growth of 40%. What was more telling was the import growth of 22% versus expected growth of 16% which suggests a stronger domestic economy.

The benign reflation trade turned a little more threatening in the last week of February 2021 when a poor outcome of a 7 year in auction triggered a spike in volatility in US interest rates resulting in higher yields across the curve but led by the belly. Credit spread is treading water as investors remain wary of higher base rates and there is a clear avoidance of duration in the market.

In High Yield space, with negative developments relating to China Fortune Land and the default of Chinese's local government financing vehicle, credit differentiation between the good and the bad has become more marked.

Portfolio asset allocation:
The Fund allocation is 51.6% in equities, 45.4% in fixed income and the balance 3.0% in cash.

Portfolio update:
In the Fund, we did not write any call options and there are no outstanding options. We are still slightly overweight on equity at 51.6%. We remain constructive of Asian equities and Asia will continue to attract investments. We expect sentiment to stay cautious and the gap to continue to widen. The Fund continues to stay short duration and selective with credit exposure.

March 2021

Market overview:

Asian market correction continued in March 2021 led by the Chinese stock markets as it reacted to a slew of information. Overvaluation of over owned stocks in the technology sectors were the leading reasons for the selloff. US Biden's administration first meeting with the Chinese in Alaska resulted in little progress and only showed how deep the gulf of differences can be. China's stock market is showing the world what happens when central banks and governments start exiting pandemic-era stimulus. But not all Asian markets were running in the red. Singapore has lagged most in 2020 but is now one of the best performing stock markets. Economic data continue to be strong with the latest Chinese home prices growing at one of the fastest pace in the month of February 2021. Asia continues to be an attractive region for investors, with the recent pull back, valuations are now more appealing. As such, we remain constructive and remain invested to take advantage of Asian Growth for the future.

US again threatened to delist the big Chinese names on the US bourses. The Securities Exchange Commission reiterated accountancy standards to be met, delisting being the penalty for non-compliance. Adding to the big tech woes, domestically, China is also moving ahead to regulate big technology companies whose influence has grown tremendously. China established a new joint venture with local companies to oversee the lucrative data that have been collected by hundreds of millions of people. The initiative is led by the People's Bank of China. All this led to the weakening stock market, especially in the technology companies that were the darling of 2020.

On a brighter note, the region is seeing some semblance of normality as economies start to open up, allowing more people to go back to work. Singapore announced relaxation of workplace measures such that more people can return to their offices. Perhaps even more telling is the increase in the number of people allowed for live performances, conferences and sports events to 750 attendees. With vaccination taking hold, the various governments are starting to allow more activities that will be positive to the economy as a whole. We still expect increased number of Initial Public Offerings as names like Baidu and Bilibili seek dual listing on the Hong Kong Exchange. Most investment bankers continue to work overtime to meet deadlines.

The end of March 2021 closes the first quarter of 2021 where Asian Investment Grade (IG) credits experienced the worst first quarter in a decade. Credit risk premium has continued to decline but this was insufficient to compensate for the rapid rise in Treasury yields. In general, the markets felt lackluster and performances of new issues in March 2021 continued to be mixed.

Portfolio update:
As the Asian markets started to correct, we started to write call options again. But we met with some difficulties as option pricing model and actual pricing that counter parties were willing to accept was quite different. The pricing could be as wide as 30% difference. Despite many attempts, we only managed to write one call option whose pricing was not too far from the fair value at the time of strike. We will continue to look for opportunities to enhance yields.

Price dynamics in Asia stock markets historically tends to be more volatile, giving heart burns to some investors as the prices of some stocks get sold off. But the exact same price dynamics offers many investment opportunities. Not panicking during the sell off and picking up good quality stocks can work in the longer term. As such, we remain positive and have been building up the portfolios to include more industrials and real estate exposure. We have also looked into alternative energy and have positions in Solar, Wind and Electric Vehicles. These are our long term investments as we continue to envisage a carbon neutral world. The attempts to achieve this will take some time but there will be winners and losers as well. Giving us a new perspective to remain invested for the longer term.

We expect US treasury yield increases to slow from here and relative returns for IG credits should improve. High yield credit curves are steep (with bonds of long duration having fallen more) and may present opportunities but the Fund will be very selective as the overall low yield environment affords little cushion for credit events.

April 2021

Market overview:

After a slightly higher volatile first quarter of 2021, Asian markets manage to come up positive for the month of April 2021. Result seasons started in earnest and most were in-line or better than expected, leading to better price reactions in the market. On top of that, North Asian economic growth continue to remain strong, led by China which registered a record 18.3% Gross Domestic Product (GDP) growth for the first quarter 2021 versus the same period last year, 2020. The numbers were of course skewed by the fact first quarter 2020 was the time China started to shut down to curb the first sign of the COVID-19 outbreak. On a quarterly basis, the growth was more sedate with 0.6% increase versus the last quarter. China has already slowed its fiscal and monetary stimulus as the economic rebound took roots. Most telling is the strong industrial output and export numbers that were generated by a pandemic fueled demand for medical and electronic devices from Asia and mostly made in China. China is also a beneficiary of the US economic stimulus. The Chinese government can now focus on reducing the build-up of excessive risk and debt levels. We have already seen the three red lines introduced for the Real estate sector on various debt ratios property companies must maintain. On top of that, concerns on anti-trust measures on big tech companies in China continue to weigh on the share prices. Meituan and Tencent Holdings Ltd are the latest companies the regulators are looking into while up to a total of 30 other companies will come under scrutiny.

Across the straits is the island of Taiwan is also benefiting from the technology demand globally. Housing Taiwan semiconductor and other technology export companies, the country is in a sweet spot of increasing demand and shortage of supplies. The country is also benefitting from the US stimulus as up to 60% of Taiwan Semiconductor Manufacturing Co Ltd (TSMC) revenues are from the US. Global demand for semiconductors and electronic components has fueled the country's exports numbers and help bolster its GDP growth. Singapore is also opening up even more and this should be good for the domestic economy. But a resurgent of COVID-19 within the community may lead to some concerns. Overall the market has been one of the best performing in the world. Still emerging Asia is still struggling with COVID-19 with economic data not improving.

April 2021 was marked by consolidation in US treasury yields which left the coast clear for the reach for yield momentum to continue. High yield benefitted from this and spread tightened versus widening in Investment Grade (IG). Midmonth, sentiment turned jittery after Huarong, China's largest asset management company, delayed filing its financial statements and rumours circulated of potential restructuring. Doubts surfaced on whether the company would receive state support to pay off its liabilities. China credits underperformed marginally as skittish investors shunned China IG bonds.

Portfolio asset allocation:
The Fund allocation is 53.2% in equities, 42.8% in fixed income and the balance 4.0% in cash.

Portfolio update:
For the Fund we have started to write call options again. Although it has taken some time to get better pricing. We have now 3 outstanding call options that we are balancing between having higher capital gains versus capping it with writing call options.

The Fund is still overweight equities with the bulk of the investments into North Asia including China. We have overweight Singapore as the country continues to open up and its stock market is performing better. Singapore also continues to attract foreign investment with major Chinese technology companies setting up or increasing their presence. The country experienced a jump in the number of Family offices set ups. The Fund is also overweight Real estate as we continue to see big demands for housing and increasing logistic demand from trades and delivery.

We are positive on Asia, especially in North Asia where economic growth is getting better. While there are bumps along the way, we see Asia continuing to dominate the world stage as it recovers faster than most. The 'Huarong saga' caused a very brief seize up in the new issues market but the plentiful liquidity in the markets ensured that market participants went back to chasing yield once it became clear Huarong was not in imminent danger of defaulting.

We continue to expect higher US treasury yields by the end of the year. As such, we prefer to stay short in duration but given that credit curves have steepened somewhat, we see some relative value in longer duration bonds. We will remain conservative with name selection.

May 2021
Market overview:
COVID-19 resurgent in various Asian countries resulted in higher market volatility for the month of May 2021. What was worrying were the upsurge in cases in Taiwan and Singapore which had controlled the pandemic well. Low level of vaccination rate are now taking a toll on the economy and reversing what was a well-controlled pandemic. Taiwan's equity market briefly fell over 10% in the first two weeks before regaining some ground. Singapore suffered resurgence of COVID-19 and it's from the new variant that seems to be more virulent. The government promptly announced a semi lock down where "work from home" is the default. Hospitality sectors continue to suffer and some F&B outlets started to close down for good.

Still, Asia economic activities for May 2021 continued to advance, despite this flare up. Taiwan's May 2021 Purchasing Managers Index (PMI) declined slightly to 62 from 62.4, which remained very strong, signaling continued expansion in new orders. South Korea experience similar dip in PMI, but remain well above 50 at 53.7. In China, the official PMI index slowed slightly to 51 while the non-manufacturing gauge that measures construction and service sector activity climbed to 55.2.

Exports continue to be strong with South Korea reporting a surge in May 2021. Exports increased 45.6% year-on-year. Exports to China rose to 22.7% and semiconductor shipments increased 24.5% in May 2021. Global trade continues to expand. With the developed world opening up, demand for electronics continue to be strong, keeping factories busy. The shortage of parts and materials globally has led to increased fears of inflation. Supply side constrain should be transitory in the near term. Still there are economies that continue to struggle. Malaysia is headed to a full shut down with COVID-19 cases increasing unabetted.

In the rest of Asia, Chief trade negotiators for China and US met for the first time since the US elections, signaling some form of coordinated effort in improving ties. China's big tech companies are now forced to invest heavily into existing and new avenues of business after Chinese government curtailed the lucrative fintech and e-commerce business. Large investments have been announced in areas like cloud computing, autonomous driving and artificial intelligence.

Most Asian countries are now concentrating on getting their populations vaccinated as soon as possible. Ramping up the drive, China again is leading the way with up to nearly 20,000 doses a day. We already have reasons to remain constructive. In the developed world where vaccination rates are higher, we can see how the countries and cities are now opening up. Things are beginning to look "normal", even not having to wear masks. It's a matter of time that Asia will head that way. Especially for the more developed countries.

Two big economic surprises in May 2021 came from Non-Farm Payroll and Consumer Price Index (CPI). In terms of impact on the markets, the data more or less cancelled out each other. The miss in Non-Farm Payroll was arguably, the more significant outlier. While the large positive surprise in CPI could be branded as transitory, any further downside surprises in future payroll reports would likely postpone any announcement of tapering.

Portfolio asset allocation:
The Fund allocation is 52.2% in equities, 44.1% in fixed income and the balance 3.7% in cash.

Portfolio update:
For the Fund, we remain overweight equities and constructive in the region. The market correction since February 2021 this year has made Asian equities even more attractive in terms of valuation. We have also continued to look at writing call options. Currently, we still have 3 open call options. With further stimulus from the impending infrastructure expenditure in the US, Asia will be one of the beneficiaries as demand will drive Asian supple. We remain overweight in Singapore as a country and overweight real estate, the recovery is in place and these are the areas that will benefit.

JACI Index generated a total return of 0.48% in May 2021. Spreads widened while treasury yields were lower. Investment Grade (IG) spreads widened by 3 basis points (bps) while High Yield (HY) spreads tightened by 4bps. While most regions performed more or less in-line with the benchmark, China underperformed marginally more as investor skittishness lingered in the Chinese complex as a result of the Huarong saga.

With US and European central banks set to start “taper talks” in the coming months, we continue to believe that carry will be the dominant form of returns for the rest of the year and for now continue to think HY credits would prove initially to be more resilient to “taper talks” compared to IG credits.

<u>June 2021</u>
Market overview:
Asian markets managed to flatten out in the month of June 2021. Underlying stock performance continue to be divergent with some big Tech names rebounding from the recent sell offs. Singapore and Taiwan markets continue to improve post the latest COVID-19 resurgences. Singapore is now going the way of treating COVID-19 as endemic and living with it. What has changed has been the drive to improve vaccination rates. Emerging Asia also saw a resurgence that is impacting the country negatively. Malaysia is extending the Movement Control Order (MCO) and Indonesia implementing another round of lock downs. All these will continue to dampen its economy.

Latest economic numbers are still encouraging especially compared to the unusually low base effect year which is ending. Industrial output for China was up 36.4% in May 2021 (Source: Bloomberg, 27 June 2021). Profitability continues to climb. As a result, economic expansion for China is more balanced. As China celebrates 100 years of China Communist party, we should expect some positive rhetoric. China's governmental controls on the big Technology companies continue to drag on the share price. The view is for long term sustainability of big technological companies versus short term profiteering that could hurt the country in the future. It is clear that China is still driving ahead with its domestic consumption, innovation and value creation. The structure transition will enhance a tech-enabled population to emerge.

Singapore continues to attract foreign direct investments. The latest of which is the announcement of Global Foundries Inc building a USD4 billion chip making plant. We are looking for some success in controlling COVID-19 as the country ramps up on vaccination. We expect some form of normalization soon where working in office will return, if not at least at half of the strength at first. The country expects at least 66.6% fully vaccinated by National Day, which is 9 August 2021.

There are pockets of countries trying to open or help drive up economic activities. The latest being Thailand's resort island, Phuket. Thailand is allowing tourist who are vaccinated to visit Phuket, jump start economic activity in the tourist spot, while sand boxing the activity to the island. This test may be the backdrop on how a country may open up slowly. Unfortunately, the rest of Emerging Asia is still struggling to contain the spread. The new Delta strain is the most concerning. New infection rates are still climbing in some countries with the government imposing complete or selected lock downs to combat the spread.

JP Morgan Asia Credit Index (JACI) generated a total return of 0.43% in June 2021. Index Spreads widened while treasury yields were lower. Investment Grade spreads tightened by 4.6 basis points (bps) while High Yield (HY) spreads widened by 38bps. Indonesia and Malaysia outperformed despite worsening COVID-19 situation while the main drag on HY was Chinese property names. Increased regulatory scrutiny on the banking relationship between Evergrande and its 38% owned Shengjing Bank led other banks to curtail lending to Evergrande. The negative sentiment spilled over into other leveraged Chinese property names and dragged the whole sector down by 1.8%. Sri Lankan bonds also underperformed but it was hard to put an immediate catalyst for the selloff. The usual suspects of difficulties refinancing and rumours about difficulties at Ceylon Petroleum Corporation, the national oil and gas company, were cited as reasons.

Portfolio asset allocation:
The Fund allocation is 52.3% in equities, 44.9% in fixed income and the balance 2.7% in cash.

Portfolio update:
Still, we remain constructive of the Region. Economic activity remained strong with good export numbers. North Asia is still doing much better. Again reiterated that it is a matter of time for the roll out of vaccination rate amongst the countries. Valuations in Asia are also now more appealing, having lagged behind the developed world. In the Fund, we continue to overweight Singapore and underweight emerging Asia. We also continue to overweight Real estate and are slightly overweight on Financials. We have been building up on our healthcare positions and adding to pharmaceuticals. Living with COVID-19 will probably result in annual booster shots, very much like our flu jabs we take every year. We only have 2 call options at the moment after one expired this month.

June 2021 has seen a significant decompression in credit spread for the HY sector with the credit tightening measures imposed onshore in China as the dominating theme. At the same time, there has been very limited issuance out of the other Asian countries. The macro picture appears stable but underlying this, are many credit stories unfolding. There is now a very sharp bifurcation in credit premium between the good sought-after names and the less-favoured issuers. This is likely to be a continuous theme for the rest of the year. The Fund will remain conservative.

July 2021

Market overview:

Increased regulatory concerns in China have led to a sell-off in the equity market. The recent being the tough imposition of new rules for the Educational Technology companies. They are now subject to reforms that have fundamentally and structurally change the way the companies do business. We do not own any Education stocks. Further controls on property and big technology companies only created deep uncertainty in the market. China tried to calm the markets by reaffirming their objectives of protecting online data security and social welfare rather than stopping the business. Asian markets had one of their worst months before finding some stability. Investors in some of the largest and most vibrant companies were caught in China's objective of reigning in private companies that have grown too big in both size and influence. The China government is trying to address the inequality and potential misuse of big data, accepting short-term pain for a longer-term goal of sustainable growth and stability. The result was a stunning risk off sell down of some of the world's largest and fastest growing companies. Unsure of further regulatory hurdles, investors decided to exit first. China's aim to increase long term domestic consumption will still need to depend on big technology and e-commerce to drive the country to the next level. There will be a point where support has to continue to reach these goals. The cost of compliance will go up, profit margins will be trimmed, growth may slow down, but in the end, it's a sector that is still in one of the fastest growing regions in the world.

Other than China, emerging Asia is still struggling with managing COVID-19 and the new variant that is spreading fast. These economies have had its worst with the lack of vaccination and logistic nightmare in rolling out vaccines. Still it should be a matter of time that vaccination rates should start to take hold. Already in countries like Singapore, has ramped up its vaccination programs with success.

The northern economies are still doing well, where exports are growing. We continue to see good economic data being released. Company results are also much better. Bellwether companies like Samsung and Taiwan Semiconductor Manufacturing Company (TSMC) has continued to generate better than expected results. Asian government expenditure has also been one of the lowest during the pandemic last year, which means if the region starts to slow down the governments should still be able to increase spending to help support the economy. The exception is Singapore but the country has ample reserves.

We expect growth to moderate to a more sustainable level. We remain constructive as the region still remains one of the fastest growing in the world and valuations are now more attractive.

In the Fund, we have been trimming some equities and bringing down our overall exposure. We are already invested into stocks that will benefit from the tailwind of China policy of being carbon neutral. We have exposure to wind, solar, future electric vehicle and autonomous driving. We are also overweight in Singapore and remain invested into semi-conductors, which is enjoying some amount of high demand for now.

The markets are volatile but the future for Asia remains bright. Vaccination should improve. Exports will continue to be strong if at a slower rate of growth. The sheer demographics of South East Asia should bode well into the future.

Portfolio asset allocation:
The Fund allocation is 50.1% in equities, 47.4% in fixed income and the balance 2.5% in cash.

Portfolio update:
Peak growth fears as well as rising Delta-related COVID-19 cases led to lower Treasury yields throughout the month of July 2021. J.P Morgan Asia Credit Index generated a total return of -0.42% for the month as credit risk premium rose. Investment grade (IG) credit outperformed High Yield (HY) as investors flock to safety. The Greater China complex accounted for the bulk of the underperformance as negative sentiment due to uncertainty with regard to Huarong and Evergrande spilled over to both China IG and HY. The market was also shaken by the regulatory bombshell thrown by Beijing when it put a ban on for-profit activities in its education sector.

As a result, July 2021 saw a significant repricing in the HY market with risk premium rising in a meaningful quantum. Valuation is currently looking much more interesting. However, we expect regulatory pressure to continue to be a headwind for Chinese HY property developers and developments surrounding Evergrande will continue to pose a potential contagion risk. We expect it to be trading market marked with volatility for the rest the year. We will look for opportunities to add risk but only very selectively.

August 2021

Market overview:

Asian markets ended flat for the month of August 2021 although the markets were initially sold down at the beginning of the month. Chinese regulatory curbs continue to haunt the market with increased controls from gaming, video sharing and terms of engagement for e commerce companies. On the back of this, the new delta variant of COVID-19 had the Chinese government imposing stringent controls on travel, mass testing and quarantine. This resulted in a drop in business confidence and the manufacturing purchasing manager's index (PMI) dropped to 50.1. However, company results remains strong and bellwether stocks reported mostly better than expected earnings and growth. We may see more cuts in the Reserve Requirements Ratio to support the economy. In other parts of Asia, Singapore is now opening up again, which bodes well for the economy.

Dual hindrance in China marked August 2021 performance as the country grapples with increased regulations and trying to have a zero tolerance to COVID-19. While the rest of the developed world have been opening up despite record cases, China has gone to stringent controls on travel, mass testing and quarantine. After one case of COVID-19 was discovered in one of China busiest port, the authority quickly shut Services at a terminal at Ningbo-Zhoushan. A worker was infected with the Delta variant of COVID-19. The port is the world's third busiest. The shutdown will threaten further the fragile supply chain that was already strained. Christmas shoppers may not get their items in time.

As a result there has been a marked slowdown in China economic activities. Exports have slowed, so has retail sales and industrial production. The government is now looking at targeted ways to improve the economy. Reserve requirements Ratio is one way but also fiscal policy that can help aid smaller firms overcome the short term difficulties. On the other hand, we have had good results from companies that were even under the government regulatory sights. Food delivery company Meituan's second quarter earnings beat estimates with a solid result while embracing regulations. JD.com also had a good beat with quite an optimistic outlook.

Taiwan economic report card is better. Exports remain robust increasing 34% year on year for the month of July 2021 while imports continue to be strong as well at 41% year on year growth signalling domestic consumption recovery is continuing. Taiwan remains a beneficiary of supply shortages of semiconductors. South Korea's export has slowed down although still high at 29.6% year on year for July 2021 although a pick up is expected for the month of August 2021.

In the Fund, we continue to be overweight Singapore, and also invested into policy friendly companies in the alternative energy and electric vehicle (EV) space. We ae not reducing our China big Tech space, valuations are now appealing and some are looking interesting again. We are also underweight Emerging Asia as it struggles to contain COVID-19. We are constructive of the changes China is making. The short-term pain should reap longer term social cohesion that will allow China to continue growing.

Portfolio asset allocation:
The Fund allocation is 49.6% in equities, 47.7% in fixed income and the balance 2.7% in cash.

Portfolio update:
The main event in August 2021 for markets was Jackson Hole when the US Federal Chairman sent a message to delink the timing of rate hikes from asset purchase tapering – a message that helped to boost market sentiment. August 2021 also saw the Chinese government led bailout of Huarong which boosted risk sentiment and led to a 'risk on' rally. Spreads tightened while treasury yields were higher. investment grade spreads tightened by 16 basis points (bps) while high yield (HY) spreads tightened by 55bps. J.P. Morgan Asia Credit Index (JACI) generated a total return of 1.08% in August 2021 with China, Indonesia and Sri Lanka outperforming.

While the bailout of Huarong led to a rebound in Asian Credit, Evergrande remains the elephant in the room for Asia High Yield. So far, the negative sentiment from Evergrande does not seem to have spilled over to other non-property segments but it remains uncertain how Chinese authorities will handle the situation. Markets are certainly not optimistic on Evergrande escaping this episode unscathed as its bonds continued to make new lows. At the same time, credit premium for the HY sector has decompressed significantly in the last couple of month and valuation have reached attractive levels. But without a resolution in the Evergrande saga, the primary issuance pipeline for Chinese developers will likely remain closed. The Fund will stay cautious.

September 2021
Market overview:
Asian Markets took a tumble in the month of September 2021, led mostly by the Chinese markets. MSCI Asia Ex Japan was down 4.08% for the month of September 2021 and down 11.90% for the quarter. Property stocks weakened with the contagion fear of potential default by Evergrande spreading to the sector. Energy rationing was next on the cards, affecting manufacturing and the already stretched global supply chain. China's expected growth has been cut. This will take some time to unwind. China remains as one of the fastest growing country in the world. In other parts of Asia, Singapore has entered a pseudo lock down with working from home as default as the country's COVID-19 cases climb. Still, Asia offers one of the best exposures to growth and now at a more reasonable price.

The disruption to the global supply chain is certainly one of the biggest concerns to global growth and its effect on expected recovery. China's latest energy crisis and rationing of electricity usage, in the name of cutting emissions, has led to production slippage. The disruption comes as China grapples with soaring raw material costs and long delays in ports as the country fights COVID-19 with a zero-tolerance stance. With energy cuts, many manufacturers of toys, garments, shoes, electronics, and others are struggling to meet demand. It is likely there will be delays in deliveries this year for certain products. China's target of cutting coal and meeting emission standards have meant supply of electricity has not met the surge in demand for energy as the world recovers from the pandemic. The adjustments will take time. Overall, China's growth will be adjusted down, but it remains as one of the fastest growing economy in the world.

Risk assets were hit in September 2021 as the Federal Reserve was more hawkish than expected, with participants signaling that tapering was imminent and that in 2024 there could be up to three rate hikes. This came on the back of already jittery sentiment as a result of China Evergrande's liquidity problems and non-payment of interest due. Towards the end of the month, markets also started to worry about possible stagflation risks as energy prices in Europe shot up and China experienced intermittent power failures.

JACI generated a total return of -1.63% in September 2021. Index spreads widened while treasury yields were higher. Investment Grade spreads tightened by 5 basis points (bps) while High Yield (HY) spreads widened by 49bps. The Greater China complex accounted for the bulk of the underperformance as negative sentiment from Evergrande continued to impact HY, especially Chinese Property HY. Macau gambling credits were also hit hard as China hinted at new regulations on the gambling sector in Macau.

While Evergrande's debt issues will take a while to be resolved, we think the market is in the process of stabilizing as there are signs participants are starting to 'bottom fish' in anticipation of the Chinese government enacting some property loosening measures to address falling growth rates.

Portfolio asset allocation:
The Fund allocation is 48.5% in equities, 45.1% in fixed income and the balance 6.5% in cash.

Portfolio update:
China has a long-term goal of achieving carbon neutral status. In the Fund, we have been investing into alternative energy, having taken positions early in the year. Solar, Wind and Electric vehicles have taken center stage of our investments in China, as we move into companies that sit in the tail wind of the government's policies. On the e-commerce platform, we have also invested outside of China and thus away from Chinese regulations. We are also slightly underweight in Chinese Equities and Chinese big technology names. We are overweight Singapore. We remain invested into both Taiwan and South Korea which has weathered the selloff better.

We do have exposure in the real estate. These were the most affected as the spillover effect from the Evergrande issues. To be fair, we only have two Chinese developers that have better and stronger balance sheets. The vast majority of our real estate exposure is in Singapore, Real Estate Investment Trusts making up the majority of the Fund's exposure. These will give decent yields and should weather the volatility better.

While the volatility has caused risk appetite to drop tremendously for the region, we still think it offers the growth that will not be seen in the other parts of the world. China will refocus on domestic consumption as it moves to be less reliant on exports. This will again benefit the big technology names. Asia is also a region that the governments have the ability to re-start any fiscal or monetary policy to support any drop in economic activities. As such, we remain constructive and we think the Fund is well placed for any recovery in the future.

The Fund maintains exposure to Chinese High yield but we have been positioned defensively. We have avoided names like Evergrande and Fantasia which elected to default on its USD bond in early October 2021. The current selling in Chinese property developers reflect less of fundamentals but more a function of technical market factors. At this point, bond prices are already reflecting wide-scale restructuring within the sector which we feel is overdone. The high yield property names within the portfolio have either pre-funded or taken the opportunity to buy back their own bonds at current steep discounts. We will continue to monitor the situation closely and take action where necessary.

October 2021

Market overview:

October 2021 was a positive month for Asian markets. Market sentiment towards Chinese big tech space improved as regulatory concerns and implementation may be less severe than expected. As the Chinese real estate debt issues seem to be an increasing problem, big tech internet names refresh with their high cash levels. This should also buffer any operational concerns and volatility due to regulations.

China's gross domestic product for third quarter of 2021 came in at 4.9% down from 7.9% in the previous quarter of 2021. Headwinds in property and a supply issue for energy affected its growth. Still, China's export numbers remain strong with last month's exports number beating estimates coming in at 28.1% from a year ago. The numbers continue to show good demand for Chinese goods. Higher input cost was also a factor. Demand should continue into the year-end Christmas season.

Results have been resilient and should help buffer valuations as Asian performance lagged the rest of the world. Bellwether companies like Taiwan Semiconductor announced a set of stellar results for third quarter of 2021. The company is now firmly ahead in the new computing revolution in the semi-conductor industry with cutting edge technology for computing and Artificial Intelligence innovation. Most companies in the region reported better than expected results leading to more confidence in the market and resulting in good performances in October 2021.

Singapore continues to open with several Vaccinated Travel Lane being set up. The no quarantine travel has been very well received with initial reports of Singapore Airlines website going down from too many people accessing it. Travel is one of the pent-up demands that will surely be taken up by many. The balance between control via locking down and economic growth are what the government hope to achieve. The Monetary Authority of Singapore tightened its monetary policy modestly considering potential risk to persistent inflation.

Given valuations are lower now with this year's correction, we do see that equities in the region are becoming more compelling. While the velocity of regulatory changes seems to have slowed, we must still gauge if any further control in China could affect a sector. Now we are still invested into policy tailwind sectors and big tech E-commerce company outside of China.

Inflation risk was very much in focus with short end rates of many countries around the world jumping significantly higher in October 2021. Rising energy prices in Europe, electricity shortages in China as well as continued supply chain pressures led many to believe inflationary pressures will be less 'transitory' than previously envisioned. The Reserve Bank of Australia's failure to defend their Yield Curve Control target of 0.1% toward the end of the month only made markets more jittery, especially after European Central Bank's (ECB) Christine Lagarde did not successfully push back on the market's hawkish repricing of front-end rates at October 2021 ECB meeting's press conference.

JACI generated a total return of -1.35% in October 2021. Index spreads widened while treasury yields were higher. Investment Grade spreads tightened by 7 basis points (bps) while High Yield (HY) spreads widened by 100bps. The Greater China complex accounted for the bulk of the underperformance as negative sentiment from defaults in the China HY property space continued to impact overall sentiment in High Yield.

The mood in the Chinese HY market continued to be tentative even though the Chinese government has allowed some property measures to be loosened example, mortgage loans. Evergrande has also surprisingly paid off some of its overdue coupons and it seems that the founder is putting some of his personal wealth into addressing some of Evergrande's liabilities.

Portfolio asset allocation:
The Fund allocation is 52.2% in equities, 46.0% in fixed income and the balance 1.8% in cash.

Portfolio update:
Market volatility remains in the region and especially in China. In the Fund, we have remained invested into equities and in China as well. But we had been underweight Chinese big tech names and invested into alternative energy and electric vehicles. Our holdings in Wind and Solar have held up better and outperformed the big tech names. For E-commerce space, we invested outside of China, and this has done well for us. With earnings mostly better than expected and region remaining the manufacturing hub for the world, we are constructive as Asia has a lot to offer going forward. We are also overweight Singapore; the market here has outperformed the region by a large margin.

The Fund continued to position itself defensively in October 2021 as volatility in bid-ask spreads continued to be high and wide. Trading in the High Yield market remains very technical with little conviction given the uncertain outlook. Some of the single-B issuers have stepped in to support the market with buy-backs of their bonds. Valuations are at extremely distressed levels almost indiscriminately but until there is more clarity on the policy front, buyers are afraid to step in. We will continue to monitor the liquidity positions of the bonds we hold and take appropriate action where necessary.

November 2021

Market overview:

Asian markets turned negative in the month of November 2021 led mainly by the announcement of a new strain of COVID-19. Uncertainty of the severity of Omicron, equities were generally sold off. Results for some of the big tech names also came out rather subdued that led to some selling in these index heavy stocks. President Biden and President Xi met for the very first time virtually and had a long broad discussion that seem to imply more cooperation and avoidance of conflict which is a positive move in the right direction. Economic numbers remain mixed but constructive for a regional recovery. Singapore continues to open adding more countries to its Vaccinated Travel Lane (VTL). But there were gainers too as investors look for companies that benefitted from a work from home environment.

China's economic activity was lifted in the month of November 2021 as the Manufacturing Purchasing Manager's index came in stronger than expected rising to expansion of 50.1 after being negative for two months. The above consensus number may give policy makers some reduced urgency to turn on any support for the economy.

Inflationary risk remains in the region as the bigger economies experience elevated producer price increases. Producer price index for China in October 2021 rose 13.5%, which was above expectations thus leading to fears that consumer prices will rise as well.

On a brighter side, Alibaba's single day sales posted a new record sale of over CNY 540billion which was above an already high number from last year. The sales numbers were a reprieve for the big e-commerce companies that have been subjected to regulatory concerns for most part of the year.

In a challenging environment, a disciplined approach to equity investing becomes even more important. Stock picking and research during volatility can not only diversify the portfolio but add returns on a longer term. We feel that the new COVID-19 strain may delay any expected recovery but should not derail it.

We still expect monetary and fiscal policy to become more supportive in the coming months, although the next cut in the reserve requirement ratio for Chinese banks might not happen by the year end. There should be greater clarity on the policy outlook when the central government economic conference is held around mid-December 2021 in Beijing.

JACI index generated a total return of 0.24% in November 2021. Index spreads widened while treasury yields were lower. Investment Grade spreads widened by 8 basis points (bps) while High Yield spreads widened by 43bps. Higher beta countries like Sri Lanka and Pakistan sold off while the rest of the markets were more muted. Sector wise, Property continued to underperform while Financials outperformed.

Portfolio asset allocation:
The Fund allocation is 51.3% in equities, 44.6% in fixed income and the balance 4.1% in cash.

Portfolio update:
The Fund remains overweight in Singapore, which has helped the Fund navigate a difficult 2021 year. We have also taken evasive action by going underweight China Big tech names. Earnings for Chinese companies have been mixed with regulatory hit sectors coming in subdued. While sales at the top line remain healthy, there is a cost of compliance that has affected the bottom-line. We still keep certain exposure to the Chinese companies that are beneficiary of Chinese longer-term policies, e.g. going carbon neutral in the future. On the other hand, China continues to grow but with the government managing and weaving in 'common prosperity' into its economy.

Singapore continues to recover, and the country is learning to live with COVID-19 with shopping centres and restaurants now seeing the crowd coming in. It is still a country that will continue to attract foreign direct investments. At the current understanding, we think that the current COVID-19 variants will slow the recovery but will not stall it.

Even though negative China property news continued to fill headlines, price action in bonds suggested that cumulative property loosening measures by the Chinese authorities have started to calm the market. As the year end approaches, bonds are likely to continue trading at current levels with bid-ask remaining wide as most desks would have closed their books for the year. Going into the year-end, liquidity is likely to dry up. We are likely to stay status-quo with the Fund while monitoring for market developments. Going into 2022, the sector should stabilize as further easing measures are put in place.

December 2021
Market overview:
Asian markets ended mixed for the month of December 2021. For 2021, the Asian equity market as measured by MSCI Asia Far East Ex Japan (MXFEJ) is down 8.46%. As the new variant of Covid-19, Omicron, is spreading much faster, several countries have resorted to more restrictive regulations to curb it.

After property prices kept going up, Singapore introduced new property curbs to cool down the surge in home prices. Higher stamp duties and loan limits have been imposed.

China signals its intention to shift its focus to support the economy during the annual Central Economic Work Conference, with expectation of increased infrastructure investments along with cuts in fees and taxes for 2022. The move will certainly be a welcome for many companies with maturing debt. A reduction of the Reserve Requirement Ratio for Chinese banks could help elevate some of these concerns. The move also signals a change in the government stance from the previous deleveraging of the economy to supporting growth.

Regulatory concerns in China continue with the impending delisting of Didi Chuxing from the US exchange. On shoring will be a buzzword in 2022 as Chinese companies seek to list locally in China or Hong Kong. Both the US and the Chinese governments have concerns on Chinese listed American depository Receipts. Most large Chinese listed entities already have dual listing.

We remain constructive in the region. While growth is slowing, we still see potential in the region and favourable demographics for emerging Asia. It will continue to be one of the fastest growing regions in the world.

JACI generated a total return of -0.24% in December 2021. Investment Grade (IG) spreads tightened by 6 basis points (bps) while High Yield (HY) spreads tightened by 171 bps. The market rallied towards the last day of 2021 with Indonesia, Pakistan and Philippines outperforming while Greater China and Sri Lanka continued to underperform.

While the month of December 2021 did not start off on a very good note for Asian Credit markets with Guangzhou R&F (a small sized Chinese property developer) conducting a distressed bond exchange even though it had sealed deals to sell assets for cash, it ended on a more positive note with the bailout of China South City, another small sized Chinese property developer by a Shenzhen's state-owned enterprise.

Liquidity was very thin into the end of December 2021 with even market makers taking an earlier break than usual as risk appetite had already been significantly dented by the ferocious selloff in Chinese High Yield Property credits.

Portfolio asset allocation:
The Fund allocation is 51.6% in equities, 43.5% in fixed income and the balance 4.9% in cash.

Portfolio update:
In absolute terms, the Fund returned a negative performance for 2021 on the back of many challenges in Asia and most of it pertaining to China. Within the Chinese country allocation, we started to go slightly underweight on Chinese internet companies. We prefer to be invested in companies riding on policy tail winds of a carbon neutral future. We initiated investments into Wind, Solar and Electric Vehicles. We do like E-commerce and added a large E-Commerce company outside of China.

In terms of country allocation, we continue to overweight both Taiwan and Singapore, which has helped in terms of relative performances.

Asian Region will have some challenges as the world moves and dances around new Covid-19 variants and interest rate increases. Tight supply chain issues will persist for a while more, which will drive up prices.

Despite all these, we feel that the region still offers some solid growth especially when compared globally and valuations are now even more compelling. Singapore will continue to attract foreign direct investments and the Asian region remains as one of the largest technology hubs for the world.

Asian credit markets head into 2022 facing at least a couple of headwinds – just like in 2021, the market will have to contend with rising US interest rates and such adjustments could pick up pace if inflation remains high. (The US Fed has already signaled potentially 3 rate hikes next year); and a negative credit environment for Chinese issuers which effectively make up half the Asian credit universe. The risk of further new government policy changes across industries (e.g. property and technology sectors) could continue to weigh on sentiment. Even for those sectors that are not specifically targeted, they will have to deal with the indirect impact of slower economic growth. One mitigating factor is that the danger spots are now well marked, lowering the risk of being blindsided, as happened in 2021. We maintain a cautious outlook.

**Fund Returns**

| | Total Returns | | | | | |
|---|---|---|---|---|---|---|
| | Class MYR | | Class MYR BOS | | Class USD BOS | |
| | Fund | Benchmark | Fund | Benchmark | Fund | Benchmark |
| **1.1.2021 To 3.3.2021** | 2.59% | 3.35% | 0.26% | 3.35% | -0.41% | 0.26% |
| **1.4.2021 To 30.6.2021** | 1.07% | 1.87% | -0.16% | 1.87% | 1.03% | 1.74% |
| **1.7.2021 To 30.9.2021** | -5.22% | -4.34% | -5.77% | -4.34% | -5.98% | -5.14% |
| **1.10.2021 To 31.12.2021** | -2.87% | -2.69% | -1.99% | -2.69% | -2.28% | -2.21% |
| **1 Year's Period (1.10.2021 to 31.12.2021)** | -4.54% | -2.00% | -7.56% | -2.00% | -7.56% | -5.38% |
| **3 Years' Period (1.1.2019 to 31.12.2021)** | 16.12% | 24.82% | - | - | - | - |
| **Financial Year-To-Date (1.1.2021 to 31.12.2021)** | -4.54% | -2.00% | -7.56% | -2.00% | -7.56% | -5.38% |
| **Since Investing Date to 31.12.2021** | 11.13% | 23.11% | 9.19 | 13.08% | 26.20% | 13.08% |

Note:
- BOSWM Asian Income Fund Class MYR – Launch/investing date: 12.1.2017
- BOSWM Asian Income Fund Class MYR BOS – Launch/investing date: 12.9.2019
- BOSWM Asian Income Fund Class USD BOS – Launch/investing date: 12.9.2019

*Source: Lipper, Bloomberg*

**Asset Allocation**

| | As At 31 December 2021 |
|---|---|
| Collective Investment Scheme: | 96.96% |
| Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund USD Class C | |
| Cash And Liquid Assets | 3.04% |
| | 100.00% |

**Income Distribution**

| | Class MYR | Class MYR BOS | Class USD BOS |
|---|---|---|---|
| **Gross distribution per unit** | - | 3.15 sen (29.1.2021: - 30.4.2021: 1.00 sen 30.8.2021: 1.10 sen 29.10.2021: 1.05 sen) | - |
| **Net distribution per unit** | - | 3.15 sen (29.1.2021: - 30.4.2021: 1.00 sen 30.8.2021: 1.10 sen 29.10.2021: 1.05 sen) | - |

**NAV per unit**
(as at 31 December 2021)

| | |
|---|---|
| Class MYR | RM1.0378 |
| Class MYR BOS | RM1.0620 |
| Class USD BOS | USD1.2620 |

**REPORT OF THE TRUSTEE**

To the Unitholders of **BOSWM ASIAN INCOME FUND**

We, **CIMB COMMERCE TRUSTEE BERHAD** being the Trustee of **BOSWM ASIAN INCOME FUND** ("the Fund"), are of the opinion that **BOS WEALTH MANAGEMENT MALAYSIA BERHAD** ("the Manager"), acting in the capacity as the Manager of the Fund, has fulfilled its duties in the following manner for the financial year ended 31 December 2021.

(a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager under the Deeds, the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws;

(b) Valuation and pricing for the Fund has been carried out in accordance with the Deeds and relevant regulatory requirements;

(c) Creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements; and

(d) The distributions of income by the Fund are appropriate and reflect the investment objective of the Fund.

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

**EZREEN ELIZA ZULKIPLEE**
Chief Executive Officer

Kuala Lumpur, Malaysia
15 February 2022

## 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 36 to 60 are prepared in accordance with the requirements of the Deeds, Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework in Malaysia so as to give a true and fair view of the financial position of **BOSWM ASIAN INCOME FUND** as at 31 December 2021 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
15 February 2022

## INDEPENDENT AUDITORS' REPORT

To the Unitholders of **BOSWM ASIAN INCOME FUND**

### Report On The Audit Of The Financial Statements

*Opinion*
We have audited the financial statements of **BOSWM ASIAN INCOME FUND** ("the Fund"), which comprise the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 36 to 60.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021, 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 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 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.

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 Fund Manager And Trustee For The Financial Statements*

The Manager 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 unit holders of the Fund, as a body, in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the 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

**BRANDON BRUCE STA MARIA**
No. 02937/09/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 February 2022

## STATEMENT OF FINANCIAL POSITION
## As At 31 December 2021

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| **Assets** | | | |
| Investments | 3 | 18,265,027 | 6,158,020 |
| Interest receivable | | 18 | 24 |
| Financial derivatives | 7 | 153,896 | 3,298 |
| Other receivables | | 38,132 | 13,524 |
| Cash and cash equivalents | 5 | 419,938 | 293,919 |
| **Total Assets** | | 18,877,011 | 6,468,785 |
| **Liabilities** | | | |
| Amount due to Manager | | 20,388 | 8,789 |
| Other payables | | 19,858 | 18,353 |
| **Total Liabilities (Excluding Net Assets Attribute to Unitholders)** | 6 | 40,246 | 27,142 |
| **Net Asset Value ("NAV") Of The Fund Attributable To Unitholders** | | 18,836,765 | 6,441,643 |
| **Net Assets Attributable To Unitholders Of The Fund Comprise:** | 14 | | |
| Unitholders' capital | | 20,737,071 | 6,662,895 |
| Accumulated losses | | (1,900,306) | (221,252) |
| | | 18,836,765 | 6,441,643 |
| **Net Asset Value** | | | |
| Class MYR | | 3,245,070 | 6,324,202 |
| Class MYR BOS | | 15,586,440 | 111,962 |
| Class USD BOS | | 5,255 | 5,479 |
| | | 18,836,765 | 6,441,643 |
| **Number Of Units In Circulation (Units)** | 15 | | |
| Class MYR | | 3,126,921 | 5,824,057 |
| Class MYR BOS | | 14,677,462 | 94,895 |
| Class USD BOS | | 1,000 | 1,000 |

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

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| **NAV Per Unit In Ringgit Malaysia** | | |
| Class MYR | 1.0378 | 1.0859 |
| Class MYR BOS | 1.0620 | 1.1799 |
| Class USD BOS | 5.2550 | 5.4792 |
| **NAV Per Unit In Respective Currency** | | |
| Class MYR | 1.0378 | 1.0859 |
| Class MYR BOS | 1.0620 | 1.1799 |
| Class USD BOS | USD 1.2620 | USD 1.3637 |

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

## STATEMENT OF COMPREHENSIVE INCOME
### For The Financial Year Ended 31 December 2021

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| **Investment (Loss)/Income** | | | |
| Gross dividends from financial assets at fair value through profit or loss ("FVTPL") | | 482,082 | 612,223 |
| Interest income | | 3,867 | 4,641 |
| Net loss on investments | | | |
| - Financial assets at FVTPL | | 2,577 | (40,673) |
| - Foreign exchange | | (258,416) | (434,686) |
| - Financial derivatives | | - | 624 |
| Financial derivatives movement | | (191,570) | 1,344 |
| Net unrealised gains/(losses) on foreign exchange | | 153,637 | (1,925) |
| Net unrealised (loss)/gain on changes in fair value of financial assets at FVTPL | | (1,432,072) | 705,019 |
| | | (1,239,895) | 846,567 |
| **Expenses** | | | |
| Audit fee | | 7,700 | 7,700 |
| Tax agent's fee | | 2,500 | 2,900 |
| Manager's fee | **8** | 75,863 | 97,782 |
| Trustee's fee | **9** | 12,000 | 12,000 |
| Administration expenses | | 29,190 | 22,267 |
| | | 127,253 | 142,649 |
| **Net (Loss)/Income Before Finance Cost And Taxation** | | (1,367,148) | 703,918 |
| Finance costs - distribution | **13** | | |
| - Class MYR BOS | | (311,906) | - |
| | | (311,906) | - |
| **Net (Loss)/ Income Before Taxation** | | (1,679,054) | 703,918 |
| **Less: Taxation** | **12** | - | - |
| **Net (Loss)/Income After Taxation, Representing Total Comprehensive (Loss)/Income For The Financial Year** | | (1,679,054) | 703,918 |
| **Total Comprehensive (Loss)/Income Comprises The Following:** | | | |
| Realised (loss)/income | | (400,619) | 824 |
| Unrealised (loss)/ income | | (1,278,435) | 703,094 |
| | | (1,679,054) | 703,918 |

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

| | Note | 2021<br>RM | 2020<br>RM |
|---|---|---|---|
| **Distributions For The Financial Year** | | | |
| Net distributions - Class MYR BOS | **13** | 311,906 | - |
| Gross/net distributions per unit in sen<br>- Class MYR BOS | | 3.15 | - |

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

## STATEMENT OF CHANGES IN NET ASSET VALUE
## For The Financial Year Ended 31 December 2021

| | Note | Unitholders' Capital RM | Accumulated Losses RM | NAV Attributable To Unitholders RM |
|---|---|---|---|---|
| **At 1 January 2020** | | 19,278,940 | (925,170) | 18,353,770 |
| Net income after taxation | | - | 703,918 | 703,918 |
| Creation of units | **15** | | | |
| Class MYR | | 485,437 | - | 485,437 |
| Class MYR BOS | | 98,947 | - | 98,947 |
| Cancellation of units | **15** | | | |
| Class MYR | | (13,200,429) | - | (13,200,429) |
| **At 31 December 2020** | | 6,662,895 | (221,252) | 6,441,643 |
| | | | | |
| **At 1 January 2021** | | 6,662,895 | (221,252) | 6,441,643 |
| Net loss after taxation | | - | (1,679,054) | (1,679,054) |
| Creation of units | **15** | | | |
| Class MYR BOS | | 17,025,857 | - | 17,025,857 |
| Cancellation of units | **15** | | | - |
| Class MYR | | (2,951,681) | - | (2,951,681) |
| **At 31 December 2021** | | 20,737,071 | (1,900,306) | 18,836,765 |

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

## STATEMENT OF CASH FLOWS
## For The Financial Year Ended 31 December 2021

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| **Cash Flows From Operating And Investing Activities** | | |
| Proceeds from sale of investments | 2,131,564 | 12,456,169 |
| Purchase of investments | (15,920,967) | (184,307) |
| Dividends received | 479,464 | 608,984 |
| Interest received | 3,874 | 4,640 |
| Manager's fee paid | (88,872) | (87,348) |
| Trustee's fee paid | (12,234) | (5,838) |
| Custodian's fee paid | 350 | (2,356) |
| Payment for other fees and expenses | (229,222) | (31,376) |
| Net cash (used in)/generated from operating and investing activities | (13,636,043) | 12,758,568 |
| **Cash Flows From Financing Activities** | | |
| Cash proceeds from units created | 17,025,858 | 584,382 |
| Cash paid on units cancelled | (2,951,681) | (13,200,429) |
| Finance costs - distributions paid | (311,906) | - |
| Net cash generated from/(used in) financing activities | 13,762,271 | (12,616,047) |
| **Net increase in cash and cash equivalents** | 126,228 | 142,521 |
| **Effect of exchange rate changes** | (209) | (14,495) |
| **Cash and cash equivalents at beginning of financial year** | 293,919 | 165,893 |
| **Cash and cash equivalents at end of financial year** | 419,938 | 293,919 |
| **Cash and cash equivalents comprise:** | | |
| Cash at banks | 19,938 | 23,919 |
| Deposits with financial institutions | 400,000 | 270,000 |
| | 419,938 | 293,919 |

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

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

### 1. The Fund, The Manager And Their Principal Activities

BOSWM Asian Income Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Deed dated 20 November 2015 as amended by the First Supplemental Master Deed dated 18 April 2016, Second Supplemental Master Deed dated 22 December 2016, Third Supplemental Master Deed dated 12 January 2017, Forth Supplemental Master Deed dated 17 July 2019 and its Fifth Supplemental Master Deed dated 19 May 2020 (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 the USD Class C (Distribution) of the Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund (Target Fund), or a Collective Investment Scheme with a similar investment objective, financial derivatives, money market instruments and any other investments approved by the Securities Commission Malaysia. The Fund was launched on 12 January 2017 and will continue its operations until terminated as provided in the Deeds.

The Fund previously offered one class of units i.e. Class MYR which was the sole and unnamed class of units established before 12 September 2019. On 12 September 2019, the Fund added two new classes of units i.e. Class MYR BOS and Class USD BOS.

Prior to 29 November 2019, the Manager, a company incorporated in Malaysia was a 70% owned subsidiary of Lion Global Investors Limited (formerly known as Lion Capital Management 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 15 February 2022.

**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") and International Financial Reporting Standards ("IFRS") and the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework 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, Amendments to MFRSs and IC Interpretations which are effective for the financial year beginning on or after 1 January 2021. 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 MFRSs and Amendments to MFRSs when they become effective in the respective financial periods and these MFRSs 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:**

| | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to MFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021** | 1 April 2021 |
| Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020" | 1 January 2022 |
| Reference to the Conceptual Framework *(Amendments to MFRS 3 Business Combinations)** | 1 January 2022 |
| Property, Plant and Equipment – Proceeds before Intended Use *(Amendments to MFRS 116 Property, Plant and Equipment)** | 1 January 2022 |
| Onerous Contracts - Cost of Fulfilling a Contract *(Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)* | 1 January 2022 |
| Amendments to MFRS 101: *Presentation of Financial Statements Classification of Liabilities as Current or Non-Current* | 1 January 2023 |

| | |
|---|---|
| Amendments to MFRS 101: *Disclosure of Accounting Policies* | 1 January 2023 |
| MFRS 17 *Insurance Contracts** | 1 January 2023 |
| Amendments to MFRS 17 *Insurance Contracts** | 1 January 2023 |
| Amendments to MFRS 108: *Definition of Accounting Estimates* | 1 January 2023 |
| Amendments to MFRS 112 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |
| 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) Foreign Currency Translation**

Assets and liabilities denominated in foreign currencies are translated into RM at rates of exchange prevailing at the reporting date.

Transactions in foreign currencies are translated into RM at the rates of exchange ruling on the dates of transactions. Exchange differences arising are included in profit or loss.

**(d) 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.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value with gain and loss recognised in profit or loss. Transaction costs are recognised in profit or loss as incurred. Exchange differences on financial assets at FVTPL are not recognised separately in profit or loss but are included in net gains or net losses on changes in fair value of financial assets at FVTPL.

The fair value of collective investment scheme is determined from last published repurchase price at the reporting date as reported by the management company of such funds and as agreed by the Trustee and the Manager so as to reflect its fair value.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(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 FVTPL 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 and financial derivative assets. 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.

**(e) 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.

**(f) 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 and amount due from brokers/dealers), full impairment will be recognised on uncollected balances after the grace period is exceeded.

**(g) 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.

**(h) 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.

**(i) 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.

**(j) 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.

**(k) 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.

**(l) Distribution**

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 comprehensive income , as the Unitholders' contribution are classified as financial liability as per Note 2 (m) when they are approved by the Manager and the Trustee. Distribution is either reinvested or paid in cash to the Unitholders' on the income payment date. Reinvestment of units is based on the NAV per unit on the income payment date, which is also the time of creation.

**(m) Unitholders' Capital**

Unitholders' Capital meets the conditions for the definition of puttable instruments classified as liability instruments under the requirements of MFRS 132 Financial Instruments: Presentation ("MFRS 132").

Under MFRS 132, a unit trust fund with one common class of unitholders is classified as Equity as it meets the requirement of having identical features. In a multi-unit class fund, if any one class (or a group of classes) can be differentiated in terms of their features, then all the classes will be classified as Liability.

The Fund issues cancellable units in three classes on which further details are disclosed in Notes 15 and 16.

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.

**(n) 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 or 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

| | 2021 RM | 2020 RM |
|---|---|---|
| **Financial Assets At FVTPL** | | |
| Quoted investments | | |
| - Collective investment scheme | 18,265,027 | 6,158,020 |

Quoted investments at the reporting date is as detailed below.

**COLLECTIVE INVESTMENT SCHEME**

| Quantity | Name Of Fund | Cost RM | Fair Value RM | Fair Value As A % Of NAV % |
|---|---|---|---|---|
| | **Singapore** | | | |
| 3,868,090 | Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund* | 19,475,560 | 18,265,027 | 96.96 |
| | | | | |
| **UNREALISED LOSS FROM QUOTED INVESTMENTS** | | | (1,210,533) | |

* *Managed by a related party of 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).

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---|---|---|---|---|
| **2021** | | | | |
| **Financial Assets At FVTPL** | | | | |
| Quoted investments | 18,265,027 | - | - | 18,265,027 |
| Derivative assets | - | 153,896 | - | 153,896 |
| | 18,265,027 | 153,896 | - | 18,418,923 |
| **2020** | | | | |
| **Financial Assets At FVTPL** | | | | |
| Quoted investments | 6,158,020 | - | - | 6,158,020 |
| Derivative assets | - | 3,298 | - | 3,298 |
| | 6,158,020 | 3,298 | - | 6,161,318 |

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.

| | 2021 RM | 2020 RM |
|---|---|---|
| Cash at banks | 19,938 | 23,919 |
| Deposits with licensed financial institutions: | | |
| - Commercial bank | 400,000 | 270,000 |
| | 400,000 | 270,000 |
| Cash and cash equivalents | 419,938 | 293,919 |

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

| | Weighted Average Effective Interest Rate (% Per Annum) | | Weighted Average Remaining Maturity (Days) | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Deposits with licensed financial institutions: | | | | |
| - Commercial bank | 1.65 | 2.00 | 4 | 4 |

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. **Financial Derivatives**

Financial derivatives contracts comprise forward foreign currency contracts due for settlement within 3 months from the reporting date. The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in Target Fund which is denominated in US Dollar. The contract amounts and their corresponding gross fair values at the reporting date were as follows:

| | Maturity Date | Contracts Or Underlying Principal Amounts RM | Contract Value At The Reporting Date RM | Unrealised Gains From Forward Foreign Currency Contracts RM |
|---|---|---|---|---|
| **2021** | | | | |
| | 15/06/2022 | 15,253,560 | 15,099,664 | 153,896 |
| **2020** | | | | |
| | 08/01/2021 | 8,333 | 8,043 | 290 |
| | 08/07/2021 | 92,031 | 89,023 | 3,008 |
| | | 100,364 | 97,066 | 3,298 |

**8. Manager's Fee**

The Manager's fee provided in the financial statements is calculated on a daily basis based on NAV attributable to unitholders of the Fund for the respective class of units at the following rates:-

| Class | Rate p.a. |
|---|---|
| MYR | 1.60% |
| MYR BOS | 1.20% |
| USD BOS | 1.20% |

The Manager’s fee provided in the financial statements is net of the Manager's fee rebate on the collective investment scheme as agreed by the Trustee and the Manager as follows:-

| Name of Fund | Rate p.a. |
|---|---|
| Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund | 0.80% |

**9. Trustee's Fee**

The Trustee's fee provided in the financial statements is computed at 0.04% (2020: 0.04%) per annum of the NAV attributable to unitholders of the Fund, calculated on a daily basis, subject to a minimum fee of RM12,000 per annum.

**10. Portfolio Turnover Ratio**

| | 2021 | 2020 |
|---|---|---|
| Portfolio Turnover Ratio ("PTR") | 0.67 times | 0.54 times |

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 higher due to increase in investing activities.

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

| | 2021 | 2020 |
|---|---|---|
| Class | | |
| MYR | 1.45% | 1.21% |
| MYR BOS | 0.65% | 0.97% |
| USD BOS | 1.06% | 0.92% |

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 the average NAV attributable to unitholders except for Class MYR BOS where the MER is lower due to a lower percentage of increase in expenses of the class compared with the average NAV attributable to unitholders of that class.

## 12. Taxation

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Malaysian income tax: | | |
| Current year's provision | - | - |

Income tax is calculated at the Malaysian statutory rate of taxation of 24% (2020: 24%) of the estimated assessable income for the financial year.

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

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

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Net (loss)/ income before taxation | (1,679,054) | 703,918 |
| Taxation at Malaysian statutory rate of 24% | (402,973) | 168,940 |
| Tax effects of: | | |
| Income not subject to tax | (79,262) | (317,724) |
| Losses not subject to tax | 451,694 | 114,548 |
| Expenses not deductible for tax purpose | 7,502 | 5,794 |
| Restriction on tax deductible expenses for wholesale funds | 23,039 | 28,442 |
| Tax expense for the financial year | - | - |

## 13. Distribution

Distributions paid to unitholders during the financial year are as follows:

**Class MYR BOS**

| Payment Dates | Gross Distribution Per Unit (sen) | Net Distribution Per Unit (sen) | Distribution Amount (RM) |
|---|---|---|---|
| 30 April 2021 | 1.00 | 1.00 | 949 |
| 30 August 2021 | 1.10 | 1.10 | 158,345 |
| 29 October 2021 | 1.05 | 1.05 | 152,612 |
| | 3.15 | 3.15 | 311,906 |

There was no distribution paid for the previous financial year.

| | 2021 RM | 2020 RM |
|---|---|---|
| Distribution to unitholders was from the following sources: | | |
| Dividend income | 31,392 | - |
| Distribution equalisation | 297,205 | - |
| | 328,597 | - |
| Less: | | |
| Expenses | (16,691) | - |
| | - | - |
| | 311,906 | - |
| Gross distribution per unit (sen) | 3.15 | - |
| Net distribution per unit (sen) | 3.15 | - |

The unrealised loss arising from investments at the reporting date was RM1,056,637 (2020: unrealised gain: RM224,838)

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

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Unitholders' contribution | | |
| - Class MYR | 3,526,945 | 6,478,626 |
| - Class MYR BOS | 17,125,804 | 99,947 |
| - Class USD BOS | 4,165 | 4,165 |
| | 20,656,914 | 6,582,738 |
| Accumulated losses | | |
| - Realised deficits | (761,283) | (360,664) |
| - Unrealised (deficits)/reserves | (1,058,866) | 219,569 |
| NAV attributable to unitholders | 18,836,765 | 6,441,643 |

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

The Fund issues cancellable units in three classes. The following are the features of each class:

| Features | Class MYR | Class MYR BOS | Class USD BOS |
|---|---|---|---|
| Management fee rate | 1.6% of Class NAV | 1.2% of Class NAV | 1.2% of Class NAV |
| Sales charge | Up to 5.0% of Class NAV | Up to 1.0% of Class NAV | Up to 1.0% of Class NAV |
| Distribution policy | Subject to the availability of income and distibution is on a quarterly basis. | | |

## 15. Number Of Units In Circulation

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | No. Of Units | RM | No. Of Units | RM |
| **Class MYR** | | | | |
| 1 January | 5,824,057 | 6,478,626 | 18,274,950 | 19,193,618 |
| Creation | - | - | 480,013 | 485,437 |
| Cancellation | (2,697,136) | (2,951,681) | (12,930,906) | (13,200,429) |
| 31 December | 3,126,921 | 3,526,945 | 5,824,057 | 6,478,626 |
| **Class MYR BOS** | | | | |
| 1 January | 94,895 | 99,947 | 1,000 | 1,000 |
| Creation | 14,582,567 | 17,025,857 | 93,895 | 98,947 |
| 31 December | 14,677,462 | 17,125,804 | 94,895 | 99,947 |
| **Class USD BOS** | | | | |
| 1 January/31 December | 1,000 | 4,165 | 1,000 | 4,165 |

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | No. Of Units^ | RM | No. Of Units^ | RM |
| **Holding Company Of The Manager** | | | | |
| Class MYR BOS | 14,677,462 | 15,586,440 | 94,895 | 111,962 |
| **Manager** | | | | |
| Class USD BOS | 1,000 | 5,255 | 1,000 | 5,479 |

There were no units held by other related parties.

^ *All units are held legally by the Manager as per the unitholders' register.*

**17. Transactions With Brokers/Dealers**

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

| Brokers/Dealers | Value Of Trade RM | % Of Total Trades % |
|---|---|---|
| Lion Global Investors Limited* | 17,885,939 | 100.00 |

* *The Fund is a feeder fund into the Target Fund, Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund, hence transactions were made wholly with the foreign fund manager of the target fund, Lion Global Investors Limited (formerly known as Lion Capital Management Limited), 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 party have been entered into in 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 and target fund 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 Unlisted Capital Market Products under the Lodge and Launch Framework 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.

Financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as Covid-19. The outbreak of Covid-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The outcomes of global and local financial markets are highly uncertain and cannot be predicted at this point in time. Due to this, the Provider of the Fund is unable to reliably estimate the quantitative impact of Covid-19 towards the Fund's performance for the next twelve months. The Manager of the Fund will continue to actively monitor the developments in the market to minimise any potential impact to the Fund.

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

(a) Price Risk

The Manager manages this risk by monitoring the performance of the investment portfolio. The price risk exposure arises from the Fund's investment in collective investment scheme.

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 (Loss)/Income Before Tax And NAV Attributable To Unitholders Decrease/(Increase) 2021 RM | Increase/(Decrease) 2020 RM |
|---|---|---|
| +5 | 913,251 | 307,901 |
| (5) | (913,251) | (307,901) |

(b) Interest Rate Risk

This risk refers to the effect of interest rate changes on the returns of 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 the duration structure of the deposits with licensed financial institutions.

The Fund's exposure to interest rate risk with respect to 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.

(c) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund invests in securities and other investments that are denominated in currencies other than the functional currency. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore subject to foreign exchange risks.

The Fund Manager employs forward foreign currency contracts to reduce the Fund's exposure to foreign exchange fluctuations of the Target Fund as part of its currency risk management.

The table below indicates the currency to which the Fund had significant exposure at the reporting date on its NAV. The analysis shows the currency risk concentration and calculates the effect on net income before tax and NAV attributable to unitholders due to fluctuations in currency rates against the functional currency, with all other variables held constant.

| | Currency Risk Concentration RM | As A % Of NAV % | Changes In Currency Rates % | Effect On Net (Loss)/Income Before Tax And NAV Attributable To Unitholders RM |
|---|---|---|---|---|
| **2021** | | | | |
| USD | 18,269,016 | 96.99 | +5 | 913,451 |
| **2020** | | | | |
| USD | 6,161,949 | 95.66 | +5 | 308,097 |

An equivalent decrease in the currency rate shown above would have resulted in an equivalent, but opposite impact.

(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 asset value and thus, unit price. This risk is mitigated by setting counterparty limits and vigorous credit analyses.

Credit risk generally arises from investments, financial derivatives, 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. Financial derivatives and cash and cash equivalents are placed in licensed financial institutions with strong credit ratings.

(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) Target Fund Risk
The Fund is exposed to target fund risk as it feeds into a single target fund. This risk may occur when there is an underperformance or non-performance due to less optimal investment management at the target fund level in terms of securities selection and market, sector and economic analysis. This risk is mitigated by selecting a target fund which has a long track record and managed by a reputable investment manager.

**19. Operating Segment**

The Fund is a feeder fund whose assets are primarily invested in the target fund, Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund. The target fund is domiciled in Singapore and managed by Lion Global Investors Limited (formerly known as Lion Capital Management Limited), the holding company of the Manager.

As the Fund is a feeder fund it only has one business segment.

**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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*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

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 by downloading and completing the Update of Particulars Form available at www.boswealthmanagement.com.my, and e-mail to customercare@boswm.com. Alternatively, you may call or email us as above.