



**BOS WEALTH
MANAGEMENT**

A subsidiary of Bank of Singapore

BOSWM EMERGING MARKET BOND FUND

ANNUAL REPORT

For the financial year ended 31 December 2021

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FUND INFORMATION**As At 31 December 2021**

Name Of Fund (Feeder)	: BOSWM Emerging Market Bond Fund
Manager Of Fund	: BOS Wealth Management Malaysia Berhad 199501006861 (336059-U)
Name Of Target Fund	: Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund
Investment Manager Of Target Fund	: Lion Global Investors Limited (198601745D) (formerly known as Lion Capital Management Limited)
Sub-Investment Manager Of Target Fund	: Bank of Singapore Limited (197700866R)
Launch Date	: Class MYR – 26 January 2016 Class MYR BOS – 12 September 2019 Class USD BOS – 12 September 2019 The Fund will continue its operations until terminated as provided under Part 11 of the Deed.
Category Of Fund	: Fixed income – feeder fund (wholesale)
Type Of Fund	: Growth and income [□]
Investment Objective	: BOSWM Emerging Market Bond Fund aims to provide capital growth and income [□] in the medium* to long term* by investing in the Target Fund. [□] <i>Income is in reference to the Fund's distribution, which will be in the form of cash or units.</i> [*] <i>Medium term is defined as a period of one to three years, and long term is a period of more than three years.</i>
Performance Benchmark	: From 1 March 2021 onwards: Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund Prior to 1 March 2021 – Composite Benchmark: 45% JP Morgan Emerging Market Bond Index (EMBI) Corporate Bond High Grade Index 50% JP Morgan Emerging Market Bond Index (EMBI) Corporate High Yield Index 5% 1-month USD LIBOR
Distribution Policy	: Subject to the availability of income, distribution of income will be on a quarterly basis.

Fund Size : 27.08 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	-	-	-
	500,001 units & above	4	100.00	27.08
	Total	4	100.00	27.08

FINANCIAL HIGHLIGHTS

Category	As At 31.12.2021	As At 31.12.2020	As At 31.12.2019
	%	%	%
Collective Investment Scheme	97.23	95.81	96.14
Cash And Liquid Assets	2.77	4.19	3.86
Total	100.00	100.00	100.00
	Class MYR	Class MYR	Class MYR
Net Asset Value (RM'000)	13,973	22,069	39,189
Number Of Units In Circulation (Units '000)	13,115	19,781	35,942
Net Asset Value Per Unit (RM)	1.0654	1.1157	1.0904
Management Expense Ratio ("MER")	0.98%	0.96%	0.91%
Portfolio Turnover Ratio (times)	0.28	0.25	0.27
	Class MYR BOS	Class MYR BOS	Class MYR BOS
Net Asset Value (RM'000)	13,466	2,436	3
Number Of Units In Circulation (Units '000)	13,964	2,348	3
Net Asset Value Per Unit (RM)	0.9644	1.0373	1.0017
Management Expense Ratio ("MER")	0.55%	0.57%	0.14%
Portfolio Turnover Ratio (times)	0.28	0.25	0.27
	Class USD BOS	Class USD BOS	Class USD BOS
Net Asset Value (RM'000)	12	12	10
Number Of Units In Circulation (Units '000)	3	3	3
Net Asset Value Per Unit (RM)	4.7563	4.8403	4.1690
Net Asset Value Per Unit (USD)	1.1423	1.2047	1.0194
Management Expense Ratio ("MER")	0.55%	0.54%	0.15%
Portfolio Turnover Ratio (times)	0.28	0.25	0.27

The MER for the current financial year remains relatively consistent with that of the previous financial year.

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 Emerging Market Bond Fund (Target Fund Of BOSWM Emerging Market Bond Fund)*January 2021

EM's credits started the year with muted performance over the month of January 2021, as moderate credit spread tightening failed to compensate for a bear-steepening in the US Treasury (UST) rate curve. Markets remained in a risk-on mode with more of the same, in terms of dovish signals from the US Federal Reserve (Fed), expectations of substantial fiscal stimulus in the US, and the rollout of virus campaigns globally. In the UST market, volatility remained at multi-year lows, and the curve bear-steepened as inflation expectations kept building up. JPM CEMBI Diversified Broad Investment Grade (IG) and High Yield (HY) indices returned -0.22% and -0.16% month-to-date (MTD), respectively. EM credit spreads tightened only moderately during the month, with JPM CEMBI Broad composite blended spread indices down 6.5 basis points (bps) (IG) and 5.0bps (HY) respectively from December 2020.

Going forward, we continue expecting investors to look past the emergence of new pandemic waves across the globe, with an eye on the improvement of fundamentals (based on expectations of economic re-opening in 2021 and a benign inflation outlook which should allow central banks to remain accommodative) and technical drivers (as the hunt for yield persists). However, we also recognize that January 2021's weaker performance seems to reflect some concerns regarding a lengthier timeline for new US fiscal stimulus support, and short-term hurdles in vaccine rollouts and renewed lockdowns. For example, Latin American credits saw negative spread movement in January 2021 as lockdown measures were re-imposed in the region, following a strong finish to 2020. Finally, we believe that the outlook for geopolitical risk has reduced under a Biden Presidency, across several fronts which include diplomatic ties with China and a potential revival of the Joint Comprehensive Plan of Action (JCPOA) with Iran, in addition to improved relations with its European allies.

We remain constructive on EM credit, as we expect the global recovery to translate into stronger credit fundamentals. As this has largely been priced-in already, we see limited potential for further spread tightening going forward. Indeed, JPM CEMBI broad blended spread indices indicate corporate credit spreads have now retraced 90-95% of their 1st quarter of 2020 widening. We remain overweight in cash, and continue to actively manage our portfolios by taking profit in bonds that are trading rich, and trimming risk as we see fit. The Fund retains its short duration, which we will look to extend to Neutral (versus our benchmarks), as the curve steepens and edges toward our year-end 2021 house projections (1.5% 10-Year and 2.50% 30-Year yields). We expect UST front-end rates to remain anchored at the zero-lower bound, as the Fed tolerates higher inflation in the years to come, to compensate for missing inflation targets in the past. We also think that the current UST curve steepness reflects substantial recovery optimism, and while we do not disagree with this view, we are wary of potential delays and regulatory hurdles in the roll-out of vaccine campaigns as well as potential inefficacy of current vaccines against new virus strains. Such events would penalize growth and inflation expectations, and pressure the UST curve into a bull-flattening.

The Fund's overweight in North Asian high yield segments has helped performance, although exposures to weaker ASEAN credits have posed a drag to the portfolio. Sector-wise, the better relative performance of the Fund's underweight in Energy was offset by its underweight in Industrials. In January 2021, the Fund deployed cash into attractively-valued Latin American and Middle Eastern credits with relatively stronger fundamentals.

February 2021

EM's credit had a bumpy ride during the month of February 2021, driven to large extent by bear-steepening and rise in volatility in the US Treasury (UST) market. Similar to the previous month, EM credit spread tightened only moderately and failed to compensate for UST rate movement. Markets remained in a risk-on mode with more of the same, in terms of dovish signals from the US Federal Reserve (Fed), expectations of substantial fiscal stimulus in the US, and the rollout of virus campaigns globally. JPM CEMBI Broad Diversified Investment Grade (IG) and High Yield (HY) indices returned -0.81% and +0.37% month-to-date, respectively.

EM credit spreads tightened some more during the month, with JPM CEMBI Broad composite blended spread indices down 19 basis points (bps) (IG) and 25bps (HY) respectively from January 2021, closing the month at their pre-pandemic levels. Going forward, we still expect credit investors to continue looking through the emergence of new pandemic waves across the globe, with an eye on the improvement of fundamentals (assuming gradual economic re-opening in 2021 and a benign inflation outlook which should allow central banks to remain accommodative) and technical drivers (as the hunt for yield persists). Finally, we believe that the outlook for geopolitical risk has diminished under a Biden Presidency, on several fronts which include diplomatic ties with China and a potential revival of the Joint Comprehensive Plan of Action with Iran, in addition to improved relations with traditional European allies. We continue to expect credit fundamentals to improve as social mobility normalizes and growth recovers globally, and stay constructive on EM credit. Nevertheless, valuations are currently stretched, with spreads back at their pre-pandemic levels amidst a UST curve bear-steepening trend.

On the monetary policy front, the US Federal Reserve guidance remains dovish, signaling stable Fed funds rate near the zero-lower bound until 2024. In addition, it has repeatedly messaged its intention to allow overshoots of the official 2% target, as the labour market recover stop re-pandemic levels. However, even while the Fed has dismissed plans to taper its asset purchases for now, we expect medium and long term rates to gradually move upward, driven by rising inflation expectations and further US Treasuries supply to fund the substantial fiscal spending aimed at reflating the economy. We will look to extend duration towards Neutral (vs our benchmarks), as the curve steepens and edges toward our year-end 2021 house projections.

The Fund stayed overweight in cash and remains positioned with a short duration, as we expect further bear steepening of the UST curve.

The Fund's underweight in Latin American credit has helped performance, offsetting the drag from Chinese high yield exposure as risk market stake a breather and consolidate. Sector-wise, the better relative performance of the Fund's underweight in Energy was offset by its underweight in Information Technology. In February 2021, the Fund deployed cash into attractively-valued Asian and Middle Eastern credits with relatively stronger fundamentals.

March 2020

US Treasury yields continued to grind higher, despite the US Federal Reserve (Fed) reiterating its dovish guidance and assurance that rates will not be raised for the next one to two years. In addition, the Fed continues to guide that any inflation overshoot will be temporary as its main concern is the slack in labour market, which is still below its optimal level, thus signaling that a tapering of its quantitative easing program is premature.

The return of investment grade EM bonds was negatively impacted by the sharp move in the US Treasury yields. However, with the significant drop in price, we do selectively see value in some of these bonds and may look for opportunity to add positions. In the high yield space, Asian markets outperformed even though having to contend with some idiosyncratic events that dampened investor sentiment. Notwithstanding the negative news on several credits (like on shore defaults and some property companies not meeting the three red line requirements), we believe that most high yield issuers in our portfolios have seen the worst and sentiment to improve when they release their result in the coming weeks.

We continue to expect credit fundamentals to improve as mobility normalizes and growth recovers globally. Therefore, we generally remain constructive on EM credit. With the recent drop in bond prices due to the steepening yield curve, we are beginning to see value again and will look for better entry level to establish our positions in the Investment Grade bonds segment. With cash rates to remain low for longer, technical support for EM bonds will remain as investors hunt for yield for their cash holdings.

We remain positioned with a short duration, as we expect further bear steepening of the US Treasury curve and will look to extend to neutral as the curve steepens and US Treasury yields edge towards our 12-months forecasts of 1.9% for 10 years and 2.9% for 30 years. Nevertheless, we are wary of potential disappointments. With regard to delays and regulatory hurdles to vaccine roll-outs potential inefficacy of current vaccines against new virus strains. These would penalize growth and inflation expectations, and pressure the US Treasury curve into an opposite bull-flattening trend.

The Fund's underweight in Latin-American credit has helped performance, offsetting the drag from Chinese and Indonesian credit-specific risks. Sector-wise, the better relative performance of the Fund's underweight in Communication Services was offset by its underweight in Industrials. In March 2021, the Fund deployed cash into attractively-valued Asian and Middle Eastern credits with relatively stronger fundamentals.

April 2021

The reversal in rates in April 2021 provided relief to fixed income returns overall as the rise in US Treasury yields in the first quarter of 2021 had contributed to most of the negative returns in Emerging Market (EM) bonds, especially EM Investment Grade (IG) bonds. In the month of April 2021, JPM CEMBI High Yield (HY) Bonds (+1.02%) continued to outperform the JPM CEMBI IG Bonds (-0.13%). The US Treasury 10-year yield closed the month at 1.62% (vs 1.74% as at end-March 2021) as the US Federal Open Market Committee (FOMC) reiterated its decision to continue with its asset purchases. In addition, the US Federal Reserve (Fed) continues to reiterate its dovish guidance and assurance that rates will not be raised for the next one to two years, whilst guiding that any inflation overshoot will be temporary in view of the labour market slack.

We continue to expect credit fundamentals to improve as mobility normalizes and growth recovers globally and remain constructive on EM credits. Our base case expectation is that Huarong should be supported by the government given its systemic importance and we expect further recovery in China credits as market sentiment stabilizes. The broad earnings trend also remains positive for EM corporates and renders support to the asset class, whilst new issuance has been measured and met with robust cash flows from both scheduled and non-scheduled redemptions, keeping net supply minimal which is another positive for EM debt.

We remain positioned with a short duration, as we expect medium- and long-term rates to move upward along with our house view of 1.9% for the US 10-Year Treasury yield by end 2021. We will look to extend to Neutral (versus our benchmarks), as the curve steepens and edges toward our year-end 2021 house projections. Nevertheless, we are wary of potential disappointments with regard to delays and regulatory hurdles to the roll-out of vaccine campaigns, and potential inefficacy of current vaccines against new virus strains. This would penalize growth and inflation expectations, and pressure the United States Treasury curve into an opposite bull-flattening trend. Other risks which we are closely watching include the political situation in Latin America with various upcoming elections in Peru (Presidential election in June 2021), Mexico and Argentina (mid-term election this year), Colombia and Brazil (Presidential elections in 2022).

The Fund's overweight in Asian high yield credit has helped performance, offsetting the drag from the under weights in Latin America and Eastern Europe. Sector-wise, the better relative performance of the Fund's overweight in Financials was offset by its underweight in Industrials. In April 2021, the Fund deployed cautiously into a Central American new issue but remained over weight cash in view of the market volatility.

May 2021

Despite the US manufacturing and services Purchasing Managers' Index (PMI) both beating expectations, investors were focused on the weaker data sets such as the miss in April 2021 employment report as well as the stronger-than-expected inflation print. This caused markets to sell off in the earlier part of the month, before the federal reserve (Fed) reiterated that they continue to see inflation overshoots as temporary. US Treasury yields stayed range bound in May 2021, with the 10-year Treasury yield remaining between 1.55% and 1.65% for most of the month. This provided a constructive backdrop for credit spreads to tighten. In the month of May 2021, JPM CEMBI High Yield (HY) Bonds (+0.94%) continued to outperform the CEMBI Investment Grade (IG) Bonds (+0.41%). The US Federal Reserve reiterated dovish guidance and assurance that rates will not be raised for the next one to two years. The Fed continues to guide that any inflation overshoot will be temporary as its main concern is the labour market slack. This has further contributed positively to the technical flows into Emerging Markets (EM) debt. Higher commodity prices and de-escalation of geopolitical risks were among other reasons which also supported EM debt, as the market took the surge in COVID-19 cases and lockdowns in certain emerging markets in its stride.

We continue to expect credit fundamentals to improve as mobility normalizes and growth recovers globally. We thus remain constructive on EM credits. Positive broad earnings trends, limited net new supply coupled with robust inflows renders support to the asset class. We maintain underweight IG, with a short duration bias premised on Bank of Singapore expectations of higher rates. We retain an overweight Emerging Market High Yield (EMHY) stance. We favour quality names in the BB/BB+ space, and selectively pick single B names with rating upgrade potential. By country, we remain overweight China with a bias toward the Property sector, focusing selectively on high quality names. We favour commodity and exporters as beneficiaries of the global recovery. Nevertheless, we remain cautious on potential disappointments in vaccination roll-out and a possible resurgence of COVID-19 infections in certain countries and regions as it would impede growth and inflation expectations. Other risks which we are closely watching include the political situation in Latin America with various upcoming elections.

June 2021

Rates continued to dominate fixed income performance, but quarter 2 (Q2) 2021 saw a reversal of quarter 1 (Q1) 2021, as 10-year Treasury yield fell from the high of 1.75% to finish the quarter at 1.47%. 28 basis points (bps) decline in yield over Q2 provided relief to fixed income returns as higher yields in Q1 2021 was the main detractor on Q1 2021 performance. In Q2 2021, JPM CEMBI High Yield (HY) Bonds (+2.63%) continued to outperform CEMBI Investment Grade (IG) Bonds (+1.17%). Lower rates, higher commodities prices, and de-escalation of geopolitical risks were among the reasons to support the positive performance of Emerging Markets (EM) credits. Despite a record high inflation not seen in decades, the markets reacted patiently, waiting for more evidence in future data releases. The US Federal Reserve reiterated dovish guidance and any inflation overshoot will be temporary, while its main concern is the labour market slack. However, they left the door open for potential tapering being brought forward.

We expect credit fundamentals to continue improving as the vaccination drive deepens and growth recovers globally. We thus maintain constructive view on EM credits, supported by better earnings, limited net new supply coupled with robust in flows. We maintain underweight on Investment Grade (IG), with a short duration bias on the expectation of higher rates. We are overweight on Emerging Market High Yield (EMHY). We favour quality names in BB/BB+ space, and selectively pick single B credits with potential for improving fundamentals. By country, we turn neutral from positive on China given the unresolved situation on Huarong and continued tight regulatory pressure and financing conditions on real estate. Nevertheless, we are cognizant of the risks such as the recent surge in the Delta COVID-19 variant infections and the political situation in Latin America with various upcoming elections.

The Fund's overweight in Asian high yield credit remained supportive, offsetting the drag from Latin America and China high yield bonds. Sector-wise, the Fund's overweight in Materials helped offset the drag from its Financial exposures. In June 2021, the Fund deployed cash across Asia and Latin America markets as volatility continue to normalize and valuations improve.

July 2021

Rates continued to support the performance of fixed income. The 10-year US Treasury yield fell 23 basis points over the month to end at 1.22% as COVID-19 resurgence in the US and other countries raised concerns over re-opening efforts and growth. In July 2021, the JPM CEMBI High Yield (HY) Bonds (-1.02%) underperformed CEMBI Investment Grade (IG) Bonds (+0.52%). Lower rates supported the outperformance of IG bonds while turbulence in China weighed on the HY Index. With the current US 10-year yield at 1.2% to 1.3% range compared to our house view of 1.75% by the end of the year, combined with tight credit spreads, we are inclined to stick with our short duration bias. While the US Federal Reserve (Fed) noted that the US recovery from the pandemic is making progress, Chairman Powell reiterated that the labour market needs to improve further before the Fed can start tapering its quantitative-easing program. Technicals also remain supportive for credits, helped by continuous in flows and manageable net supply.

We expect the trend of improving credit fundamentals to continue, and believe that the new Delta variant should delay but not derail growth. We thus maintain our constructive view on Emerging Market (EM) credits, supported by better earnings, limited net new supply and robust inflows. We stay underweight in IG bonds and keep the short duration bias, on expectations of higher long-term rates. We are overweight EM HY bonds, but favour quality names in BB/BB+ space and single-B credits with potential for improvements in their fundamentals. By region, we prefer Central & Eastern Europe, Middle East & Africa and have a neutral near-term view on Asia and expect the commodities and export sectors to ride on the global recovery. While valuations in China credits have become more attractive, we prefer to maintain current select high quality exposures rather than add further position still the regulatory overhang clears. We are conscious of headline risks such as the potential surge in the COVID-19 Delta variant, evolving regulatory conditions in China and the fluid political situation in Latin America.

Emerging Market Asia remains volatile as it weathers the rough patch led by Chinese bonds due to developments at Huarong and China Evergrande, with fragile sentiment further exacerbated by recent regulatory pressures on China's technology and education sectors. The Fund's exposure to China high yield credit was the main performance detractor, dragging down bright spots from Latin American and Central Asian bonds. Sector-wise, its overweight in Materials continue to help offset the drag from Financial exposures. In July 2021, the Fund has slowed cash deployment as market consolidation puts a check on global risk assets.

August 2021

The 10-year US Treasury bond yield edged up 7 basis points (bps) over the month to end at 1.29% as the odds shortened on an earlier-than-expected start to Fed quantitative easing tapering. However, lingering concerns of COVID-19 resurgence and a still dovish comment by Powell kept a lid on further spikes. In August 2021, the JPM CEMBI High Yield (EMHY) Bonds and CEMBI Investment grade (EMIG) indices rebounded +1.36% and +0.79% respectively, outperforming developed markets. The resolution of Huarong helped China credit spreads tighten after they had widened for most of the year. The current US 10-year yield is still hovering near its slow-end of the year's range at 1.3% compared to our house view of 1.75% by the end of the year. Hence, we are inclined to maintain our short duration bias.

With expectations of quantitative tapering to roll-out gradually and US rate hikes to only commence in 2024, we continue to maintain a favourable view on risk assets as markets continue to be driven by liquidity. However, keeping in mind that we have transited to mid-cycle, where economic growth is starting to moderate, greater selectivity is key. We expect the trend of improving credit fundamentals to continue, as we believe the new Delta COVID-19 variant should delay but not derail growth. We thus maintain our constructive view on emerging market (EM) credits, supported by better earnings and robust inflows. We maintain underweight on investment grade (IG), with a short duration bias on the expectation of higher long-term rates. We are overweight on EMHY and favour quality names in the BB/BB+ space. By region, we are overweight on Central and Eastern Europe Middle East and Africa (CEEMEA) and neutral on Asia, preferring commodities and exporters which would ride on the global recovery. We are reviewing our position in China following the resolution of high-profile IG issuers, although the precarious situation of selected property issuers still warrants caution in the high yield property segment. Nevertheless, we are conscious of the risks such as a potential further surge in the COVID-19 Delta variant, evolving regulatory conditions in China and the fluid political situation in Latin America.

The Fund's exposure to China and Indonesian high yield credit have helped performance turn around, offsetting the drag from Latin American bonds. Sector-wise, its exposure in Financials more than supported the weakness in Communication Services. In August 2021, the Fund stayed cautious ahead of potential contagion risk from highly-indebted China Evergrande but remain invested in good quality assets.

September 2021

The 10-year US Treasury yield finished the quarter broadly unchanged though the ride was not as smooth sailing, initially dipping below 1.2% in August 2021 amid growth concerns shadowed by Delta variant and then subsequently retracing back to 1.5% in late-September 2021 amid rising inflationary pressures and a tapering signal from the US Federal Reserve (Fed). Treasury yields rose approximately 20 basis points (bps) in September 2021 following signal of tapering from the Fed and hawkish tone from Bank of England. The Fed signalled tapering to start in November 2021. Fed Chairman Powell also indicated the Fed would aim to finish its bond buying by the middle of next year, while our house view expects Fed to start raising interest rates in 2023.

September 2021 was a poor month for Emerging Market (EM) Corporate Credit with High Yield (HY) down -1.5% and Investment Grade (IG) down -0.8%. In the HY sector, Asia was down -2.2% driven by epically poor results in China, which was down -7.7%. Conversely, Central and Eastern Europe Middle East and Africa (CEEMEA) and Latin America were down only -0.1% and -0.4% respectively. In IG, rising rates proved to be the predominant factor with Latin America the weakest performing region, down -1.0% versus -0.8% for Asia and -0.4% for CEEMEA. Chinese Investment Grade, dominated by big tech and Quasi-Sovereigns, was down -1.0%, only slightly underperforming the overall market. Despite a good rally in August 2021, September 2021 was a tough month, weighed by Evergrande contagion and rising Treasury yields. China credits remained the driver of Corporate Emerging Markets Bond Index HY performance 3Q as Evergrande risk spilled over to the rest of China HY and dampened risk sentiment in EMHY. By Region, Asia underperformed largely dragged by China HY and Sri Lanka amid concerns over the sovereign's liquidity and being placed under review for downgrade at Moody's. By sector, real estate was the worst performer EM HY while commodities related outperformed.

We expect the trend of improving credit fundamentals to continue, as vaccination rate continues to pick up globally. We thus maintain our constructive view on EM credits, supported by higher commodities prices and better earnings. We keep underweight on IG, with preference of short duration on the expectation of higher long-term rates. We are overweight on EM HY. We favour quality names in the BB/BB+ space. By region, we are overweight on CEEMEA and neutral on Asia. We like commodities and exporters to ride on the global recovery. We remain cautious in our Chinese exposure, but that said, credit valuations are starting to look cheap by historical standards. The Fund's exposure to China high yield credits have dragged down performance, deleting the positive from the underweight in Latin America. Sector-wise, its exposure in Energy less than offset the weakness in Financials. In September 2021, the Fund stayed cautious ahead of potential contagion risk from the China Evergrande saga but remain invested in good quality assets.

October 2021

The 10-year US Treasury yield ended October 2021 at 1.6%, marginally higher by +6 basis points (bps) vs the prior month. During the month, 10-year US Treasury hit an almost 6-month high of 1.7% on inflation concerns, commodity price surges and Fed tapering expectations. In October 2021, risk sentiments were dampened by developments in Asia/China due to ongoing property sector headlines and International Monetary Fund's weaker global growth forecasts. Monthly returns were mixed with -2.2% for J.P. Morgan Corporate Emerging Market Bond Index High Yield (EMHY), -0.3% for J.P. Morgan Corporate Emerging Market Bond Index Investment Grade (EMIG) and +0.3% for Bloomberg Barclays US (DMIG). Our 12-month forecast for US 10-year Treasury yield is 1.9%. We expect yields to rise given Fed signaling that tapering would commence soon, although yields would still be below compared to historical levels.

EMIG bond returns were affected by broad based weakness across regions led by Latin America partly due to the longer duration. By rating, the main driver of performance was the BBBs segment. EMHY bond performance was largely weighed down by China weakness. EMHY spread basis to US has widened versus historical average due to Asia/China, which was a main driver of performance. Following challenging market conditions last month, October 2021 saw more negative headlines related to China property bonds. Fantasia's default led to weak sentiments and exacerbated investors' concerns on contagion risk. There were also multiple negative credit rating actions for the sector's issuers, leading to downward price pressures. There are several early signs of green shoots in policy direction for China property—such as mortgages and loans easing—a space to watch as this will drive price action for the remainder of 2021. Central and Eastern Europe Middle East and Africa continues to be a bright spot, bolstered by improving fundamentals and relatively low duration in a rising rates environment.

As global activity rebounds post-pandemic and vaccination rates rise, the broad economic outlook suggests a supportive environment for risk assets in the near term. We remain overweight EMHY and underweight IG across both Developing Market and EM. EMHY presents attractive risk-reward given relative value versus other credit market segments. IG performance over the past year has led to generally low all-in yields. We are selectively positioned within IG—focusing on shorter duration and more resilient credits in a tapering environment. China property volatility has led to repricing in valuations and relatively more attractive entry points, even whilst we continue to monitor policy direction and the Evergrande situation closely. Given greater credit bifurcation, we favour a quality-bias such as BBBs/BBBs with a focus on high quality credits to better buffer against potential price volatility. In October 2021, the Fund remained cautious against further contagion risk from China HY sector but stayed invested in good quality assets.

November 2021

The 10-year US Treasury yield retraced lower by 11 basis points (bps) in November 2021 to end at 1.4%. The November 2021 US Federal Reserve (Fed) meeting confirmed its plans to start tapering the bond buying program but left interest rates near zero. While global recovery growth remains on track, the new Omicron variant poses new uncertain ties on effectiveness of vaccines and consequently growth trajectory. Global bond markets were mixed during the month with ongoing idiosyncratic emerging market volatility. Returns were -1.21% for JPM CEMBI High Yield (EMHY), +0.02% for JPM CEMBI Investment Grade (EMIG) and +0.02% for Bloomberg Barclays US (DMIG). Bank of Singapore's 12-month forecast for US 10-year Treasury yield is 1.9%. We expect yields to move modestly higher given Fed tapering expectations and an increasingly hawkish stance on inflation, while real yields remain low.

Asia IG benefitted from supportive technical as investors rotate into higher quality names and favour the region's shorter duration. In Asia HY, China property continues to be in focus with increasing signs that the government is taking constructive actions to stabilize the sector. Gradual policy support is likely to continue with the sector's socioeconomic significance. In other regions, Central and Eastern Europe Middle East and Africa (CEEMEA) weakness was mainly due to Russia/Ukraine geopolitical tensions and generally tight valuations for some segments, while Turkey's unorthodox monetary policy also weighed on credits. Idiosyncratic sovereign events will continue to drive returns going into the next year, especially as Latin America (Latam) gears up for a heavy election year and political/macro risk becomes a heavier drag on performance.

The global economic outlook suggests a supportive environment for risk assets. While new COVID-19 variants and more aggressive tapering pose near term risks, the growth trajectory remains on track as economic activity normalizes and vaccinations progress globally. Our regional preferences are overweight CEEMEA, neutral Asia and underweight Latam. EMHY continue to present favorable risk reward with robust underlying fundamentals and attractive relative valuations to other credit asset classes. Looking ahead, country specific sectors such as China property, CEEMEA geopolitics and Latam elections present both risks and opportunities for bond investors. We remain focused on diversification and high quality opportunities with good entry points. In November 2021, the Fund kept diversified across good quality assets ex-Asia, whilst monitoring for further contagion risk from the Chinese HY sectors.

December 2021

Treasury yields trended lower during the quarter after reaching a multi month high in October 2021. The 10- year US Treasury yield ended 2021 at 1.5%, roughly 60 basis points (bps) higher than 2020 year end levels and nearly flat to end of 3rd Quarter 2021 levels. Inflation expectations, Federal Reserve (Fed) policy dynamics and concerns over the new Omicron variant are likely to remain key near term drivers of rates. Global bond markets showcased general weakness during the last quarter, with various pockets of country/sector specific volatility. Returns were 2.9% for JPMC EMBI High Yield (EMHY), 0.2% for JPMC EMBI Investment Grade (EMIG) and +0.4% for Bloomberg Barclays US (DMIG). Looking ahead for 2022, we see major central banks continuing to support risk assets with a moderately accommodative policy. Bank of Singapore's 12 month forecast for 10-year Treasuries is 1.9%, anchored by strong global growth and slow monetary tightening.

The US economic recovery extended its pace through the quarter with robust consumer spending, business investments and improving labour market conditions. Credit fundamentals are solid with healthy credit metrics and earnings across sectors. Technical remain well supported by deep investor liquidity and moderate supply activity. Latin America (Latam) had a challenging quarter within creasing political/macro noise especially for Brazil and Colombia ahead of the 2022 elections. Geopolitical uncertainty dominated Central and Eastern Europe, Middle East & Africa due to Russia/Ukraine tensions weighing on asset prices. In Asia, the credit markets witnessed some of the most volatile spread moves for China property in recent years, with funding concerns and several onshore/offshore debt defaults.

While there are early signs of bottoming for China property as the Chinese authorities look to ease liquidity and stabilize this strategically important sector, we expect broad based normalisation in 2022 and prefer BBB/BB names which are more resilient and should benefit from improving sentiment. We continue to favour a diversified basket approach especially given some of the tail risks for the sector. Our asset class preferences are overweight EMHY and underweight Investment Grade (IG) across Developed Market / Emerging Market. Regionally, we favour Asia High Yield (HY) based on the belief that policy will remain supportive over the coming year for China property. Latam IG also looks attractive in terms of relative value given the healthy spread pick up over other regions. In December 2021, the Fund kept diversified across good quality assets ex-Asia, whilst monitoring for further contagion risk from the Chinese HY sectors.

Fund Returns

	Total Returns					
	Class MYR		Class MYR BOS		Class USD BOS	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
1.1.2021 To 31.3.2021	-1.25%	1.90%	-0.97%	1.90%	-1.29%	-1.14%
1.4.2021 To 30.6.2021	1.47%	1.67%	1.51%	1.67%	1.27%	1.54%
1.7.2021 To 30.9.2021	-1.61%	-0.77%	-1.79%	-0.77%	-1.93%	-1.60%
1.10.2021 To 31.12.2021	-3.14%	-3.72%	-3.03%	-3.72%	-3.27%	-3.24%
1 Year's Period (1.1.2021 To 31.12.2021)	-4.51%	-1.01%	-4.27%	-1.01%	-5.18%	-4.42%
3 Years' Period (1.1.2019 To 31.12.2021)	8.72%	12.08%	-	-	-	-
Financial Year-To-Date (1.1.2021 To 31.12.2021)	-4.51%	-1.01%	-4.27%	-1.01%	-5.18%	-4.42%
Since Investing Date to 31.12.2021	18.57%	25.33%	-0.70%	1.79%	14.23%	1.79%

Note:

- BOSWM Emerging Market Bond Fund Class MYR – Launch date: 26.1.2016; Investing date: 2.3.2016
- BOSWM Emerging Market Bond Fund Class MYR BOS – Launch date: 12.9.2019; Investing date: 12.9.2019
- BOSWM Emerging Market Bond Fund Class USD BOS – Launch date: 12.9.2019; Investing date: 12.9.2019

Source: Lipper, Bloomberg

Asset Allocation

As At 31 December 2021

Collective Investment Scheme:
Lion Capital Funds II – Lion-Bank of Singapore
Emerging Market Bond Fund USD
Class C (Distribution)

97.23%

Cash And Liquid Assets

2.77%
100.00%

Income Distribution

	Class MYR	Class MYR BOS	Class USD BOS
Gross distribution per unit	-	2.95 sen (29.1.2021: - 30.4.2021: 1.00 sen 30.8.2021: 1.00 sen 29.10.2021: 0.95 sen)	-
Net distribution per unit	-	2.95 sen (29.1.2021: - 30.4.2021: 1.00 sen 30.8.2021: 1.00 sen 29.10.2021: 0.95 sen)	-

NAV per unit

(as at 31 December 2021)

Class MYR

RM1.0654

Class MYR BOS

RM0.9644

Class USD BOS

USD1.1423

REPORT OF THE TRUSTEE

To the Unitholders of **BOSWM EMERGING MARKET BOND FUND**

We, **CIMB COMMERCE TRUSTEE BERHAD** being the Trustee of **BOSWM EMERGING MARKET BOND 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 26 to 51 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 EMERGING MARKET BOND 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 EMERGING MARKET BOND FUND**

Report On The Audit Of The Financial Statements*Opinion*

We have audited the financial statements of **BOSWM EMERGING MARKET BOND 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 26 to 51.

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

Kuala Lumpur, Malaysia
15 February 2022

BRANDON BRUCE STA MARIA

No. 02937/09/2023 J
Chartered Accountant

STATEMENT OF FINANCIAL POSITION
As At 31 December 2021

	Note	2021 RM	2020 RM
Assets			
Investments	3	26,691,443	23,490,582
Interest receivable		26	-
Amount due from foreign fund manager	7	-	200,900
Financial derivatives	8	273,716	847,640
Other receivables		48,822	43,683
Cash and cash equivalents	5	610,204	60,866
Total Assets		<u>27,624,211</u>	<u>24,643,671</u>
Liabilities			
Amount due to Manager	6	158,344	114,822
Other payables		15,146	11,774
Total Liabilities (Excluding Net Assets Attribute to Unitholders)		<u>173,490</u>	<u>126,596</u>
Net Asset Value ("NAV") Of The Fund Attributable To Unitholders		<u>27,450,721</u>	<u>24,517,075</u>
Net Assets Attributable To Unitholders Of The Fund Comprise:			
Unitholders' capital		29,617,517	25,013,876
Accumulated losses		<u>(2,166,796)</u>	<u>(496,802)</u>
		<u>27,450,721</u>	<u>24,517,075</u>
Net Asset Value			
Class MYR		13,973,073	22,068,996
Class MYR BOS		13,465,758	2,435,978
Class USD BOS		11,890	12,101
		<u>27,450,721</u>	<u>24,517,075</u>
Number Of Units In Circulation (Units)			
Class MYR	16	13,115,368	19,780,639
Class MYR BOS		13,963,905	2,348,495
Class USD BOS		2,500	2,500

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

	Note	2021 RM	2020 RM
NAV Per Unit In Ringgit Malaysia			
Class MYR		1.0654	1.1157
Class MYR BOS		0.9644	1.0373
Class USD BOS		4.7563	4.8403
NAV Per Unit In Respective Currency			
Class MYR		1.0654	1.1157
Class MYR BOS		0.9644	1.0373
Class USD BOS		USD 1.1423	USD1.2047

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")		1,071,224	1,324,563
Interest income		4,953	8,236
Net loss on investments			
- Financial assets at FVTPL		(52,173)	(566,513)
- Foreign exchange		(474,255)	(777,333)
- Financial derivatives		(57,803)	163,777
Other income		-	1,564
Net unrealised loss on foreign exchange		(573,744)	(94,232)
Net unrealised (loss)/gain on changes in the value of financial assets at FVTPL		(1,079,168)	373,409
		<u>(1,160,966)</u>	<u>433,471</u>
Expenses			
Audit fee		7,700	7,700
Tax agent's fee		2,500	2,900
Manager's fee	9	176,649	243,008
Trustee's fee	10	12,000	12,000
Administration expenses		18,112	15,885
		<u>216,961</u>	<u>281,493</u>
Net (Loss)/Income Before Finance Cost And Taxation		(1,377,927)	151,978
Finance costs - distribution			
- Class MYR BOS	14	(292,067)	-
		<u>(292,067)</u>	<u>-</u>
Net (Loss)/Income Before Taxation		(1,669,994)	151,978
Less: Taxation	13	-	-
Net (Loss)/Income After Taxation, Representing Total Comprehensive (Loss)/Income For The Financial Year		<u>(1,669,994)</u>	<u>151,978</u>
Total Comprehensive (Loss)/Income Comprises The Following:			
Realised loss		(17,082)	(127,199)
Unrealised (loss)/gain		(1,652,912)	279,177
		<u>(1,669,994)</u>	<u>151,978</u>

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

	Note	2021 RM	2020 RM
Distributions For The Financial Year			
Net distributions - Class MYR BOS	14	<u>292,067</u>	<u>-</u>
Gross/net distributions per unit in sen			
- Class MYR BOS		<u>2.95</u>	<u>-</u>

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		39,850,498	(648,780)	39,201,718
Net income after taxation		-	151,978	151,978
Creation of units	16			
Class MYR		2,380,504	-	2,380,504
Cancellation of units	16			
Class MYR		(17,217,125)	-	(17,217,125)
At 31 December 2020		<u>25,013,877</u>	<u>(496,802)</u>	<u>24,517,075</u>
At 1 January 2021		25,013,877	(496,802)	24,517,075
Net loss after taxation		-	(1,669,994)	(1,669,994)
Creation of units	16			
Class MYR BOS		11,996,031	-	11,996,031
Cancellation of units	16			
Class MYR		(7,381,598)	-	(7,381,598)
Class MYR BOS		(10,793)	-	(10,793)
At 31 December 2021		<u>29,617,517</u>	<u>(2,166,796)</u>	<u>27,450,721</u>

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

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

	2021	2020
	RM	RM
Cash Flows From Operating And Investing Activities		
Proceeds from sale of investments	5,027,196	14,889,116
Purchase of investments	(9,627,441)	(815,927)
Settlement of forward contracts	(57,803)	163,777
Dividends received	1,065,673	1,318,216
Interest received	4,927	8,236
Manager's fee paid	(181,797)	(236,022)
Trustee's fee paid	(10,367)	(12,415)
Payment for other fees and expenses	(26,574)	(24,774)
Net cash (used in)/generated from operating and investing activities	<u>(3,806,186)</u>	<u>15,290,207</u>
Cash Flows From Financing Activities		
Cash proceeds from units created	11,996,031	2,380,503
Cash paid on units cancelled	(7,348,858)	(17,857,826)
Finance costs - distributions paid	(292,067)	-
Net cash generated from/(used in) financing activities	<u>4,355,106</u>	<u>(15,477,323)</u>
Net increase/ (decrease) in cash and cash equivalents	548,920	(187,116)
Effect Of Exchange Rate Changes	418	(16,365)
Cash And Cash Equivalents At Beginning Of Financial Year	<u>60,866</u>	<u>264,347</u>
Cash And Cash Equivalents At End Of Financial Year	<u>610,204</u>	<u>60,866</u>
Cash And Cash Equivalents Comprise:		
Cash at banks	30,204	60,866
Deposits with financial institutions	580,000	-
	<u>610,204</u>	<u>60,866</u>

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 Emerging Market Bond 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, Fourth 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 of the Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond 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 26 January 2016 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"), 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 <i>COVID-19-Related Rent Concessions beyond 30 June 2021*</i>	1 April 2021
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements to MFRS Standards 2018-2020</i> "	1 January 2022
Reference to the Conceptual Framework (<i>Amendments to MFRS 3 Business Combinations</i>)*	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (<i>Amendments to MFRS 116 Property, Plant and Equipment</i>)*	1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (<i>Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets</i>)	1 January 2022
Amendments to MFRS 101: <i>Presentation of Financial Statements Classification of Liabilities as Current or Non-Current</i>	1 January 2023

Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i> *	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i> *	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> *	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	26,691,443	23,490,582
Total Investments	<u>26,691,443</u>	<u>23,490,582</u>

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 %
	<u>Singapore</u>			
6,574,409	Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund*	29,499,126	26,691,443	97.23
	TOTAL QUOTED INVESTMENTS	<u>29,499,126</u>	<u>26,691,443</u>	<u>97.23</u>
	UNREALISED LOSS FROM QUOTED INVESTMENTS		<u>(2,807,683)</u>	

* 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	26,691,443	-	-	26,691,443
Derivative assets	-	273,716	-	273,716
	<u>26,691,443</u>	<u>273,716</u>	<u>-</u>	<u>26,965,159</u>
2020				
Financial Assets At FVTPL				
Quoted investments	23,490,582	-	-	23,490,582
Derivative assets	-	847,640	-	847,640
	<u>23,490,582</u>	<u>847,640</u>	<u>-</u>	<u>24,338,222</u>

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

5. Cash And Cash Equivalents

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

	2021	2020
	RM	RM
Cash at banks	<u>30,204</u>	<u>60,866</u>
Deposits with licensed financial institutions:		
- Commercial bank	<u>580,000</u>	<u>-</u>
Cash and cash equivalents	<u><u>610,204</u></u>	<u><u>60,866</u></u>

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

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

6. Amount Due To Manager

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

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

7. Amount Due From Foreign Fund Manager

The amount due from foreign fund manager represents amount receivable from Lion Global Investors Limited (formerly known as Lion Capital Management Limited), a related party of the Manager for redemption of units into the target fund Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond Fund.

8. 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				
	15/03/2022	13,726,700	13,584,223	142,477
	15/06/2022	13,007,897	12,876,658	131,239
		<u>26,734,597</u>	<u>26,460,881</u>	<u>273,716</u>
2020				
	08/01/2021	10,832,900	10,456,264	376,636
	08/01/2021	83,330	80,433	2,897
	08/04/2021	12,523,800	12,104,229	419,571
	08/07/2021	1,485,036	1,436,500	48,536
		<u>24,925,066</u>	<u>24,077,426</u>	<u>847,640</u>

9. 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	1.50%
MYR BOS	1.10%
USD BOS	1.10%

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 Emerging Market Bond Fund	0.70%

10. 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.

11. Portfolio Turnover Ratio ("PTR")

	2021	2020
Portfolio Turnover Ratio ("PTR")	<u>0.28 times</u>	<u>0.25 times</u>

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

12. Management Expense Ratio ("MER")

Class	2021	2020
MYR	0.98%	0.96%
MYR BOS	0.55%	0.57%
USD BOS	0.55%	0.54%

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 remains relatively consistent with that of the previous financial year.

13. Taxation

	2021	2020
	RM	RM
Malaysian income tax:		
Current year's provision	<u>-</u>	<u>-</u>

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 and 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	2020
	RM	RM
Net (loss)/ income before taxation	<u>(1,669,994)</u>	<u>151,978</u>
Taxation at Malaysian statutory rate of 24%	(400,799)	36,475
Tax effects of:		
Income not subject to tax	(188,186)	(449,172)
Losses not subject to tax	536,915	345,139
Expenses not deductible for tax purpose	5,144	4,577
Restriction on tax deductible expenses for	-	-
Overprovision in prior years wholesale funds	<u>46,926</u>	<u>62,981</u>
Tax expense for the financial year	<u>-</u>	<u>-</u>

14. Distribution

Distributions paid to unitholders during the current financial year was as follows:

Class MYR BOS

Payment Dates	Gross Distribution Per Unit (sen)	Net Distribution Per Unit (sen)	Distribution Amount (RM)
<u>2021</u>			
30 April 2021	1.00	1.00	23,485
30 August 2021	1.00	1.00	137,132
29 October 2021	0.95	0.95	131,450
	2.95	2.95	292,067

2020

There was no distributions paid for the previous financial year.

Class MYR BOS

	2021 RM	2020 RM
Distribution to unitholders was from the following sources:		
Dividend income	142,538	-
Distribution equalisation	178,550	-
	321,088	-
Less:		
Expenses	(29,021)	-
	292,067	-
Gross distribution per unit (sen)	2.95	-
Net distribution per unit (sen)	2.95	-

The unrealised losses arising from investments at the reporting date are RM2,533,967 (2020: RM880,874).

15. Net Asset Value ("NAV") Attributable To Unitholders

	2021	2020
	RM	RM
Unitholders' contribution		
- Class MYR	15,243,594	22,625,192
- Class MYR BOS	14,368,242	2,383,004
- Class USD BOS	10,411	10,411
	<u>29,622,247</u>	<u>25,018,607</u>
Accumulated losses		
- Realised reserves	369,169	386,251
- Unrealised deficits	<u>(2,540,695)</u>	<u>(887,783)</u>
NAV attributable to unitholders	<u>27,450,721</u>	<u>24,517,075</u>

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	1.50% of Class NAV	1.10% of Class NAV	1.10% of Class NAV
Sales charge	Up to 3.0% 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 distribution is on a quarterly basis.		

16. Number Of Units In Circulation

	2021		2020	
	No. Of Units	RM	No. Of Units	RM
Class MYR				
1 January	19,780,639	22,625,192	35,941,956	39,842,318
Creation	-	-	-	-
Cancellation	(6,665,271)	(7,381,598)	(16,161,317)	(17,217,126)
31 December	<u>13,115,368</u>	<u>15,243,594</u>	<u>19,780,639</u>	<u>22,625,192</u>
Class MYR BOS				
1 January	2,348,495	2,383,004	2,500	2,500
Creation	11,625,876	11,996,031	2,345,995	2,380,504
Cancellation	(10,466)	(10,793)	-	-
31 December	<u>13,963,905</u>	<u>14,368,242</u>	<u>2,348,495</u>	<u>2,383,004</u>
Class USD BOS				
1 January/31 December	<u>2,500</u>	<u>10,411</u>	<u>2,500</u>	<u>10,411</u>

17. 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	13,963,905	13,465,758	2,348,495	2,435,978
Manager				
Class USD BOS	2,500	11,890	2,500	12,101

There were no units held by other related parties.

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

18. 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*	14,383,785	100.00

* The Fund is a feeder fund into the target fund, Lion Capital Funds II – Lion-Bank of Singapore Emerging Market Bond 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.

19. 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 Manager 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	1,334,572	1,174,529
(5)	(1,334,572)	(1,174,529)

(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 does not have any deposits with licensed financial institutions as at 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.

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

	Currency Risk Concentration As A % Of NAV	Changes In Currency Rates	Effect On Net (Loss)/Income Before Tax And NAV Attributable To Unitholders
	RM	%	RM
2021			
USD	<u>26,701,678</u>	<u>97.27</u>	<u>+5</u>
			<u>1,335,084</u>
2020			
USD	<u>23,701,439</u>	<u>96.67</u>	<u>+5</u>
			<u>1,185,072</u>

(ii) Credit Risk

The Fund's principal exposure to credit risk arises primarily due to changes in the financial conditions of an issuer or a counterparty to make payment of principals, interest and proceeds from realisation of investments. Such events can lead to loss of capital or delayed or reduced income for the Fund resulting in a reduction in the Fund's 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.

20. 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 Emerging Market Bond 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.

21. 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 us as above.