# Nomura Global High Conviction Fund

## Annual Report and Audited Financial Statements For The Financial Year Ended 31 August 2022

**MANAGER:**
NOMURA ASSET MANAGEMENT MALAYSIA SDN. BHD.
Business Registration No.: 200601028939 (748695-A)

**TRUSTEE:**
CIMB COMMERCE TRUSTEE BERHAD
Business Registration No.: 199401027349 (313031-A)

**AUDITOR:**
Pricewaterhouse Coopers PLT
Business Registration No.: LLP0014401-LCA & AF1146

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## MANAGER'S REPORT

**Category, Objective and Distribution Policy**
Nomura Global High Conviction Fund ( "Fund") is a wholesale feeder fund which seeks to achieve long term capital growth by investing in the Target Fund (Nomura Funds Ireland plc – Global High Conviction Fund) which invests primarily in global equity securities.

Distribution of income, if any, is subject to the availability of income and shall be in line with the dividend policy of the Target Fund.

**Fund Type**
Growth

**Benchmark**
MSCI All Country World Index

**Performance (%) as at 31 August 2022**

| | **1 Month** (31/Jul/22-31/Aug/22) | **3 Months** (31/May/22–31/Aug/22) | **6 Months** (28/Feb/22–31/Aug/22) | **1 Year** (31/Aug/21–31/Aug/22) | **3 Year** (31/Aug/19–31/Aug/22) | **Since Commencement** (02/Feb/17–31/Aug/22)* |
|---|---|---|---|---|---|---|
| Fund – Class USD | -4.38 | -4.39 | -11.30 | -20.62 | N/A | -2.32 |
| Benchmark – USD* | -3.64 | -5.53 | -10.95 | -15.49 | N/A | 9.43 |
| **Out/ (Under) Performance** | -0.74 | 1.14 | -0.35 | -5.13 | N/A | -11.75 |
| Fund – Class MYR | -3.84 | -2.21 | -5.43 | -14.48 | 15.95 | 39.79 |
| Benchmark – MYR | -3.10 | -3.44 | -5.08 | -9.01 | 36.07 | 62.86 |
| **Out/ (Under) Performance** | -0.74 | 1.23 | -0.35 | -5.47 | -20.12 | -23.07 |

*Source of Fund and Benchmark Returns: Refinitiv Lipper.*
** There were no units in circulation for Class USD during the period from 19 May 2020 to 22 October 2020. Hence, the since commencement performance calculation commenced from 23 October 2020.*

**Volatility (%) as at 31 August 2022**

| | **3-Year** |
|---|---|
| **Fund – Class USD#** | **N/A** |
| **Fund – Class MYR** | **16.21** |

*Source: Refinitiv Lipper.*

*# There were no units in circulation for Class USD during the period from 19 May 2020 to 22 October 2020. Hence, there is no volatility for Class USD as the information is less than three (3) years.*

Volatility is measured by calculating the annualised standard deviation on the Fund's month-end returns for the immediate preceding 36 months.

*This information is prepared by Nomura Asset Management Malaysia ("NAMM") for information purposes only. Past earnings or the Fund's distribution record is not a guarantee or reflection of the Fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up.*

## Strategies Employed (1 September 2021 to 31 August 2022)

During the period under review, the Fund remained closely aligned with its investment philosophies and process.

## Strategies Employed by the Target Fund (1 September 2021 to 31 August 2022)

During the period under review, the Target Fund remained closely aligned with its investment philosophies and process.

From the end of May to September 2021, the strategy had underperformed its benchmark – a period of marked underperformance seen once before when the inauguration of President Trump in 2016 spurred a rally in low-quality, often interest rate sensitive businesses. Similar to then, there appear to be large factor rotations at play, for which the Target Fund is structurally positioned against. Year-to-date the vast majority of the fund's underperformance is from just two sectors, Financials and Energy. The strategy has maintained small exposures to these as it is harder to find quality businesses therein and returns are driven by macroeconomic variables for which we have no edge. On a shorter time period however, from May onwards, the strategy's weakness came from elsewhere; primarily Consumer Discretionary, Information and Technology, where over half of the Target Fund's assets are invested. Taken together, where underperformance has come from modest exposure to interest rate sensitive and higher exposure to economically sensitive stocks, this pattern accords with current concerns over persistent stagflation. Over September, DaVita, the leading American dialysis services operator, was the greatest detractor. Having performed strongly the month prior, the stock was pressured from concerns that the new Delta variant would raise mortality and rising costs would hit margins. This was offset by Inditex, the European fast fashion retailer, as second quarter sales were better than expected from a rebound in consumer demand and strong execution in their online channel.

In October, the greatest contributors to performance were AO Smith (+20%) and Novo Nordisk (+13%). The market has been concerned over the impact of sharply rising raw materials and the impact of the Evergrande debt crisis on new construction in China and AO Smith was unfairly hit by these concerns given its long standing track record for being able to put through price hikes to offset cost inflation and the relative size of the China business. AO Smith subsequently rallied very strongly following its third quarter earnings release which evidenced continued strong demand in the North America business despite large price hikes. Novo Nordisk remains in a sweet spot with regards to the tailwinds faced by its core business and once again raised its guidance for the full year driven by higher than expected share gains for Ozempic, broader strength in the GLP-1 market and very robust obesity care sales. The greatest detractors were PayPal (-11%) and DaVita (-11%). News that PayPal was exploring the acquisition of Pinterest was received very poorly by the market and ourselves, and despite confirming it will not be pursuing the acquisition the fact it was considered raises questions around the growth potential of the core business. We are awaiting further commentary from management before taking any action. DaVita disappointed the market with guidance for the full year that reflects greater than expected cost headwinds that will persist into 2022. Whilst this is a disappointing and the recovery in earnings will be pushed out further than we anticipated we believe the share price reaction reflects an excessive focus on near term earnings.

The greatest contributors to the Target Fund's performance in November was AO Smith (+5%). AO Smith continued its rebound following numerous broker upgrades after its strong third quarter earnings release. The greatest detractor was PayPal (-21%) that was hit following weak Q3 results whereby slowing growth disappointed. Furthermore, Amazon's ban of Visa raised concerns about the pricing power in the broader payments sector. Over the month, we completed our exit of Network International. The business is exposed to both payment processor industry de-rating along with heavy dependency on UAE tourism. In November, we also added two new holdings. ThermoFisher Scientific is a market-leading life sciences business with a strong track record of prudent capital allocation. We also added LVMH, the renowned luxury goods company with a basket of highly valuable brands. Our purchase coincided with elevated concerns over the Chinese economy and we like the company's pricing power.

December 2021 saw a relief rally in global equity markets as the Omicron variant appeared not as severe as Delta before it. The Target Fund managed to outperform the benchmark in the month of December 2021. The greatest contributor over the month was Cigna, a leading health insurer as it rebounded from being punished earlier when it was pressured due to cost overshoots from the COVID-19 pandemic. AIA was the greatest detractor over the month as investors reduced exposure to China given growing concerns over the domestic trajectory of the pandemic. The Target Fund Manager completed the exit of Unilever in December. Initially attracted to the company's brand positioning and Emerging Market exposure, however the Target Fund Manager lost conviction on both of these.

In January, yields and oil rose, with higher quality stocks and even more so growth stocks fell, while lower quality stocks rose with Energy in particular doing well. This was not a conducive environment for the Target Fund, with its focus on higher quality companies. The greatest contributor over the month was Mastercard, a leading payment processor which rebounded from earlier concerns over payment industry competition, which the Target Fund Manager believes it is well able to withstand. Persimmon was the greatest detractor over the month with the UK government putting pressure on the housebuilders to pay for the removal of dangerous building cladding. Persimmon generally builds houses rather than apartments so is less exposed, but still may experience industry wide tax increases to pay for the work.

As Russia's invasion of Ukraine began in February, the Target Fund had been approximately in line with the benchmark for the month, which implies reasonable risk management, that is to say not impacted significantly positively or negatively by such an extreme event. The underperformance in February came earlier in the month with the bulk coming from selection effects and PayPal being the most negative. PayPal is the largest online payment processor with a very large user base and acceptance across many online retailers. However the end of the pandemic has caused growth to slow and, in hindsight, the expected longer term effects of the pandemic on PayPal growth were too optimistic. While the weight of the holding had reduced the fall of the stock on the announcement of disappointing management guidance still had a significantly negative impact on Target Fund's performance. The greatest contributor was Novo Nordisk, which has a very defensive characteristic and is unlikely to be impacted by the effects of the war in Ukraine.

The Target Fund was ahead of benchmark up until the middle of the month of March, but then in the strong growth rally in the second half of the month, lost performance with NVR and AO Smith the key losers and not holding Tesla (which rallied 40% from the mid-month low to the end of March) also being a notable negative contributor to performance. Across the whole month, the key detractors were Persimmon, NVR and AO Smith. NVR and Persimmon were hit by higher interest rates, which will push mortgage rates up although this is offset by the continued tightness of housing supply particularly in the UK. The flammable cladding issues remain an overhang for Persimmon despite having very limited exposure to high rise apartment building construction, although it appears the issue is now moving towards resolution. AO Smith was weaker after China again moved to Covid related lock-downs in some places. China is a large market for AO Smith. The best performing stocks were in healthcare, which rallied in the month. Thermo Fisher and Novo Nordisk were the main winners.

In April, the Target Fund benefitted from its philosophical focus on higher quality companies, which tend to outperform in difficult periods. In particular the Target Fund Manager did well from being overweight healthcare stocks, which was an outperforming sector, but generally the outperformance came from stock selection. Ross Stores did well, rising 10% in the month with Pepsi Co also up, 2.6%, and Mastercard up 1.8%. With oil price high the Energy stocks performed well and that the Target Fund Manager held none of them was a negative influence. The Target Fund Manager tends to find Energy companies to be of lower quality and difficult to invest in, but ultimately if oil price is high then their profits will be boosted. That said the Target Fund Manager observe now that politicians may consider good profits from high oil prices as 'windfall' profits that should be subject to additional tax. Whether you agree with this or not, given the cyclicality of their profitability (that is to say there is no 'windloss' tax claw back ever proposed) it illustrates the quality issue these companies face. The Target Fund Manager also observe the market has become increasingly intolerant of disappointing earnings results, particularly among "Growth" stocks, with multiple significant falls on disappointment. This is again an indication of a panicky market.

The key issue for the Target Fund in May was the performance of the sectors to which it is exposed rather than specific stocks. Primarily the overweight position in Consumer stocks, which has been a source of higher quality companies and thus several long term holdings for the Target Fund. That said Ross Stores a discount clothing retailer, in particular, fell sharply on weaker than expected quarterly results and a bearish outlook which focused on the pressure the consumer is under from rising fuel and food costs. The Target Fund had more success in stocks like Comcast which performed well in the month after falling the previous month with other stocks such as AiA also contributing well.

In June, the Target Fund's underweight position in Energy stocks, on the grounds of their relatively lower quality, had been a significant headwind year-to date. However in this month the situation reversed and not holding any Energy stocks added 0.3% to performance. In a down-market AiA, the Hong Kong based life insurer, being up 5% was a significant performance positive, after being impacted by the zero COVID policy in China the move to reopen was a boost to that stock. On the other side, Ross Stores was again a headwind for the Target Fund, with the consumer spending outlook causing concern despite the company's attractive track record during past economic weakness. Being a discount retailer, Ross Stores has, in the past, benefited from people 'down trading' from more expensive retail stores during tough economic times.

The Target Fund Manager also saw some better than expected results in July from large cap technology stocks and consumer discretionary bounced back. For example Apple, Alphabet and Amazon were better than expected and helped those stocks do well, with the fall in bond yield also supportive for them. As in June, the Target Fund benefited from not holding Energy stocks, on the grounds of their relatively lower quality, but most of the excess return actually came from stock specific returns. In addition to those mentioned Thermo Fisher did well as did LVMH and IMI.

Brent crude price actually rallied in late August (even as the gasoline price was falling) and this was a trigger for stronger Energy stock performance, a key headwind for the Target Fund during the month. Additional pressure on monthly performance came from the underweight position in Asia and the stock specific big detractor was Persimmon, which fell sharply on UK related concerns and in particular some sign that perhaps the UK housing market is finally under pressure.

*Source: Nomura Asset Management U.K. Limited*

**Summary of Asset Allocation**

| | 31 August 2022 | 31 August 2021 |
|---|---|---|
| Target Fund | 99.46% | 98.96% |
| Cash and Others# | 0.54% | 1.04% |
| Total | 100.00% | 100.00% |

# *Included in Cash and Others are cash on hand and net current assets/ liabilities*

**Review of Market (1 September 2021 to 31 August 2022)**

As of September, most developed market economies were in an environment of rising inflationary expectations set against a backdrop of slowing economic growth. This is the reverse situation to a year ago where economic growth was recovering yet inflation was contained, and when the fund outperformed. Whilst macroeconomic forecasting plays no role in our investment process, it seems likely that the near term pressures due to higher commodities will ameliorate as even these high prices anniversary and incremental supply comes on stream. Same too with economic growth – headline numbers were inevitably going to weaken as last year's weak comparable periods were lapped. But we remain unconvinced that economies will weaken markedly into 2022 given still highly accommodative monetary policies and pent-up demand as more areas of the economy open up. If the UK economy is any guide, given its relatively advanced vaccination programme rollout, the growth of other economies could also surprise to the upside as lockdown measures ease.

In October, the month was a difficult one for quality investors as further oil price increases and a 20bp intra-month hike in the US 10-year treasury yield saw Energy and Financials rally strongly. Global equity markets rebounded strongly from September's sell-off. Sector allocation contributed towards 0.5% of the underperformance with the underperformance driven predominantly by stock selection. This was most pronounced within Tech as a number of the 'Payment' holdings were impacted by a pushing out of expectations for COVID driven headwinds to dissipate and increasingly negative sentiment around the prospect for these business to be disrupted.

Finally, towards the end of the month of November, news of the new Omicron variant of concerns hit the headlines. With early indications that Omicron has around 10x the number of mutations of the prior variants of concern, and was infecting the immunised, volatility spiked and global equity markets sold off.

As the month of December 2021 progressed, early indications from South African hospitals that the COVID-19 Omicron variant was not as severe as Delta raised hopes of an easing of the global pandemic. Hence, most global equity markets staged a relief rally to end the calendar year on a more positive note.

The month of January saw volatility rise as bond yields rose sharply and the market began to focus again on inflation and the likely action of central banks. At the same time oil prices rose sharply on supply concerns at the same time as the economic recovery has driven demand back to pre-pandemic levels. Additional oil market concern came from the tensions between Russia and the West over possible war in Ukraine. With yields and oil rising, so higher quality stocks and even more so growth stocks fell, while lower quality stocks rose with Energy in particular doing well.

The start of the month of February saw a continuation of the trend of January with bond yields rising and a market focus on inflation and the likely response of central banks. However, towards the end of the month, the focus shifted very much to the impact of the invasion of Ukraine by Russia. This caused energy and other commodity prices to spike higher as fears grew over the continuation of supply, particularly natural gas to Europe, but also oil, certain metals and soft commodities such as wheat (Ukraine being a large producer). Additionally, Western governments applied severe sanctions to the Russian economy and its wealthy citizens and politicians, which will impact Western companies in different ways. Although the sanctions stop short of banning exports of energy products from Russia, which Europe in particular is reliant on, their impact on the Russian economy will be severe. Multiple companies have also temporarily or permanently closed operations in Russia, which will impact their earnings and since Russian exposure was typically not broken out in annual reports the impact of the invasion on corporate earnings has in some cases been larger than expected.

The US 10 year bond yield rallied throughout March, rising from roughly 1.85% to 2.35% as investors focused on high inflation and the prolonged effect on inflation due to the conflict in Ukraine. Oil price, for example, shot up to around $130 per barrel at the start of the month before falling back to $110 by the end of the month. This is materially higher than 12 months ago and that plus other commodity price increases will flow through to input costs and ultimately consumer prices in the coming months. The reaction from central banks has been to raise policy rates, with the Federal Reserve raising by 25bp in March and increasingly making hawkish comments, implying much more tightening is yet to come. The US real yield is now getting close to positive for the first time since the pandemic started. Early in March, this had the expected effect of causing a rally in value stocks, however perhaps surprisingly that rally reversed later in the month with growth recovering with high growth/high valuation stocks in particular, for example Tesla, doing particularly well (up 40% from the mid-month low to the end of March).

The US 10 year yield continued to rally in April which naturally pressures equity valuation and "Growth" stocks in particular. Continued concerns over inflation and that the need for central banks to move to an increasingly hawkish stance has increasingly became the central scenario assumption for the markets hence the rise in bond yield. Oil price remained high although down from its peak and supply chain disruption remained an issue particularly with China continuing to follow a zero Covid policy and thus locking down parts of the country. These are additionally inflationary factors and in totality created a worrying environment for investors, hence the market sold off, with the high valuation Growth stocks, which the Target Fund Manager tends to avoid, bearing the brunt of the selling and thus contributing to the Target Fund's outperformance.

The US 10 year bond yield oscillated in May rising at the start then falling back as the market initially focused on inflation in what seemed a good economy and then began to focus more on the potentially weaker economic situation drawing closer. Continued concerns over inflation and the need for central banks to move to an increasingly hawkish stance has become the central scenario but it is the impact of this on the economy that is where the market has uncertainty. Hence the oscillations. Oil price rose over the course of May and consequently energy stocks did by far the best in the month. Meanwhile food prices also continued to rise, which put additional pressure on consumers and that started to show in the results of several retail stocks with the Consumer sectors the worst performing in the month.

Looming recession became the dominant sentiment during the latter half of June with inflation and the prospect of interest rate rises the focus in the first half In sympathy with that the US 10 year bond yield was quite volatile, initially rising to around 3.5% and then falling back to 3% by the end of the month but going as low as 2.8%. The consequence of this was a significant equity market fall, but also a fall in the oil price and several other commodities, such as copper, which caused a rotation away from the stocks that have recently been performing well, namely Energy and Materials.

In July, oil price rolled over and gasoline prices in the US continued coming down, falling from over US 5 in mid-June to US $4.2 per gallon by the end of the month, and various metal prices also fell, for example copper and iron ore. Despite the expectation of continued rate hikes the US 10 year yield pulled back from around 3 to about 2 65 by the end of the month. Recession appears to have become the central thesis for most investors now, but with indication that things are not getting worse the market rallied with certain higher quality stocks doing better and commensurate with the falling oil price Energy stocks doing worse.

The outperformance of the growth factor continued into the first part of August, from July, but then reversed sharply as bond yields rallied, with the US 10 year treasury yield ending the month back at about 3.2%. Concerns over energy prices, particularly in Europe, continued to dominate as do the issues of inflation and what central banks can do about it. The Federal Reserve continues to be hawkish, which was the driver for rising bond yields and the availability of natural gas continues to be a serious concern in Europe. That said there was some relief to the consumer from gasoline prices which has fallen sharply, from USD5 per gallon in June to around USD3.80 at the end of the month.

*Source: Nomura Asset Management U.K. Limited*

**SOFT COMMISSIONS RECEIVED FROM BROKERS**

Soft commissions received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unit holders of the Fund.

During the financial period under review, the Manager did not receive any soft commission.

## BREAKDOWN OF UNITHOLDERS BY SIZE

**Fund - Class USD**

| Size of holdings (units) | No. of unitholders | No. of units held* |
|---|---|---|
| Less than 10,000 | 2 | 4,389.89 |
| 10,001 to 50,000 | 0 | - |
| 50,001 to 100,000 | 0 | - |
| 100,001 to 200,000 | 0 | - |
| 200,001 to 300,000 | 0 | - |
| 300,001 and above | 0 | - |
| Total | 2 | 4,389.89 |

**Fund - Class MYR**

| Size of holdings (units) | No. of unitholders | No. of units held* |
|---|---|---|
| Less than 10,000 | 0 | - |
| 10,000 to 50,000 | 2 | 57,335.93 |
| 50,001 to 100,000 | 0 | - |
| 101,000 to 200,000 | 0 | - |
| 200,00 to 300,000 | 0 | |
| 300,001 and above | 2 | 1,387,473.41 |
| Total | 4 | 1,444,809.34 |

** Note: Excluding Manager's Stock*

## INCOME DISTRIBUTION

The Fund did not declare any income over the period under review.

## FUND DATA

| As at 31 August 2022* | Class USD | Class MYR |
|---|---|---|
| Total NAV (USD) | 4,284 | 449,915 |
| NAV per Unit | 0.9760 | 1.3932 |
| Unit in Circulation | 4,390 | 1,444,809 |
| Highest NAV | 1.2469 | 1.6541 |
| Lowest NAV | 0.9249 | 1.2990 |

** All information is in its respective class currency unless otherwise stated.*

*Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.*

# NOMURA GLOBAL HIGH CONVICTION FUND

## FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

# NOMURA GLOBAL HIGH CONVICTION FUND

## FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

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## NOMURA GLOBAL HIGH CONVICTION FUND

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

| | Note | 2022<br>USD | 2021<br>USD |
|---|---|---|---|
| **INVESTMENT INCOME** | | | |
| Net (loss)/gain on financial assets at fair value through profit or loss ("FVTPL") | 3 | (104,101) | 92,765 |
| | | (104,101) | 92,765 |
| **OTHER INCOME** | | | |
| Net loss on foreign currency exchange | | (2,649) | (526) |
| Net loss on forward foreign currency contracts | 9 | (5,894) | - |
| | | (8,543) | (526) |
| **EXPENSES** | | | |
| Management fee | 5 | (8,249) | (6,760) |
| Trustee fee | 6 | (2,057) | (84) |
| Other expenses | | (769) | (1,285) |
| | | (11,075) | (8,129) |
| **(LOSS)/PROFIT BEFORE TAXATION** | | (123,719) | 84,110 |
| **TAXATION** | 7 | - | - |
| **(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS** | | (123,719) | 84,110 |
| (Decrease)/Increase in net assets attributable to unitholders is made up of the following: | | | |
| Realised amount | | (6,920) | 6,192 |
| Unrealised amount | | (116,799) | 77,918 |
| | | (123,719) | 84,110 |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

# NOMURA GLOBAL HIGH CONVICTION FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2022

| | Note | 2022<br>USD | 2021<br>USD |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 8 | 890 | 5,267 |
| Financial assets at fair value through profit or loss (“FVTPL”) | 3 | 451,575 | 569,633 |
| Foreign forward currency contracts | 9 | 333 | - |
| Amount due from Manager | 10 | 948 | 1,566 |
| Amount due from Provider | 11 | 1,815 | 6,602 |
| **TOTAL ASSETS** | | 455,561 | 583,068 |
| | | | |
| **LIABILITIES** | | | |
| Amount due to Manager | 12 | 649 | 7,002 |
| Amount due to Trustee | | 713 | 10 |
| **TOTAL LIABILITIES** | | 1,362 | 7,012 |
| | | | |
| **NET ASSET VALUE OF THE FUND** | | 454,199 | 576,056 |
| | | | |
| **NET ASSETS ATTRIBUTABLE TO UNITHOLDERS** | | 454,199 | 576,056 |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## NOMURA GLOBAL HIGH CONVICTION FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2022 (CONTINUED)

| | Note | 2022 USD | 2021 USD |
|---|---|---|---|
| **REPRESENTED BY** | | | |
| **FAIR VALUE OF OUTSTANDING UNITS (USD)** | | | |
| MYR Class | | 449,915 | 570,432 |
| USD Class | | 4,284 | 5,624 |
| **NUMBER OF UNIT IN CIRCULATION (UNITS)** | | | |
| MYR Class | 13(a) | 1,444,809 | 1,439,354 |
| USD Class | 13(b) | 4,390 | 4,528 |
| **NET ASSET VALUE PER UNIT (USD)** | | | |
| MYR Class | | 0.3114 | 0.3963 |
| USD Class | | 0.9760 | 1.2421 |
| **NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES** | | | |
| MYR Class | | 1.3932 | 1.6458 |
| USD Class | | 0.9760 | 1.2421 |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

| | 2022<br>USD | 2021<br>USD |
|---|---|---|
| **Net assets attributable to unitholders at the beginning of the financial year** | 576,056 | 317,911 |
| Movement due to units created and cancelled during the financial year: | | |
| Creation of units from applications | | |
| - USD Class | - | 4,996 |
| - MYR Class | 82,888 | 239,268 |
| Cancellation of units | | |
| - USD Class | (147) | - |
| - MYR Class | (80,879) | (70,229) |
| | 577,918 | 491,946 |
| (Decrease)/Increase in net assets attributable to unitholders during the financial year | (123,719) | 84,110 |
| **Net assets attributable to unitholders at the end of financial year** | 454,199 | 576,056 |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## NOMURA GLOBAL HIGH CONVICTION FUND

## STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

| | Note | 2022<br>USD | 2021<br>USD |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Proceed from sale of investments | | 94,074 | 66,281 |
| Purchase of investments | | (81,476) | (238,433) |
| Management fee paid | | (8,380) | (6,272) |
| Rebate on management fee | | 6,339 | 4,182 |
| Trustee fee paid | | (1,354) | (78) |
| Payment for other fees and expenses | | (769) | (3,994) |
| Net realised foreign exchange loss | | (2,613) | (550) |
| Net realised loss on forward foreign currency contracts | | (6,227) | - |
| Net cash used in from operating activities | | (406) | (178,864) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from creation of units | | 83,367 | 243,785 |
| Payments for cancellation of units | | (87,248) | (64,007) |
| Net cash (used in)/generated from financing activities | | (3,881) | 179,778 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | (4,287) | 914 |
| **EFFECTS OF FOREIGN CURRENCY EXCHANGE** | | (90) | 78 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR** | | 5,267 | 4,275 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | 8 | 890 | 5,267 |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## NOMURA GLOBAL HIGH CONVICTION FUND

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

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

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

(i) Standards and amendments to existing standards effective 1 January 2021.

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Fund.

(ii) New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022 (CONTINUED)

### B PRESENTATION AND FUNCTIONAL CURRENCY

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”).

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in United States Dollar (“USD”) primarily due to the following factors:

i) Significant portion of the net asset value ("NAV") is invested in the form of collective investment scheme denominated in USD.
ii) Significant portion of the Fund’s expenses are denominated in USD.

The financial statements are presented in USD, which is the Fund’s presentation and functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

### C INCOME RECOGNITION

For collective investment scheme (“CIS”), realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on a weighted average cost basis.

### D TAXATION

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

### E CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

Investments in collective investment scheme ("CIS") have contractual cash flows that do not represent SPPI, and therefore are classified as fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from Manager and amount due from Provider as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager and amount due to Trustee as financial liabilities measured at amortised cost.

**F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

(ii) Recognition and measurement

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

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

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

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

Unrealised gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are recognised in the statement of comprehensive income with net gain or loss on financial assets at fair value through profit or loss in the financial year in which they arise.

Collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, on the last published price of such unit or share (excluding any sales charge included in such selling price).

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

(iii) Impairment

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
# FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022 (CONTINUED)

## F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

## G UNITHOLDERS' CAPITAL

The unitholders' contribution to the Fund meet the definition of puttable instruments classified as financial liability under MFRS132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in two classes of units, known respectively as Class MYR and Class USD, which are cancelled at the unitholders' option and do not have identical features subject to restrictions as stipulated in the Prospectus and Securities Commission's ("SC") Guidelines on Unit Trust Funds. The units are classified as financial liabilities.

Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the unitholders exercise the right to put back the unit to the Fund.

Units are created and cancelled at the unitholders' option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unitholders of respective classes with the total number of outstanding units of respective classes.

## H AMOUNT DUE FROM/ (TO) PROVIDER

Amounts due from/to Provider represent receivables for collective investment scheme sold and payables for collective investment scheme purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

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

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

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

## I MANAGEMENT FEE REBATE

Management fee rebate derived from the Manager on an accrual basis to ensure no double charging of management fee. It is accrued daily based on the fair value of collective investment scheme held.

## J DERIVATIVE FINANCIAL INSTRUMENTS

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

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Financial derivative positions will be “marked to market” at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument. Derivative instruments that have a negative fair value are presented as liabilities as fair value through profit or loss.

The fair value of forward foreign currency contracts is determined using forward exchange rates on the date of the statement of financial position, with the resulting value discounted back to present value.

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

## NOMURA GLOBAL HIGH CONVICTION FUND

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

### 1 INFORMATION ON THE FUND

Nomura Global High Conviction Fund (the "Fund") was constituted pursuant to the execution of a Master Deed (the "Deed") dated 22 November 2016 entered into between Nomura Asset Management Malaysia Sdn Bhd (the "Manager") and CIMB Commerce Trustee Berhad (the "Trustee").

The Fund was launched on 13 December 2016 and will continue its operations until terminated by the Manager or the Trustee as provided under Clause 15 of the Deed.

The Fund shall invest in collective investment scheme ("CIS"), money market instruments, fixed deposits with financial institutions, derivatives and any other form of investments as may be determined by the Manager from time that is in line with the Fund's objective. The combination of these instruments may allow the Manager to achieve potentially higher excess returns than a diversified portfolio and expecting returns from the concentrated stock holdings to be less diluted as compared to a diversified portfolio.

The Fund seeks to achieve long term capital growth by investing in the CIS which invests primarily in global equity securities.

### 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

| 2022 | Note | Financial assets at amortised cost USD | Financial assets at fair value through profit or loss USD | Total USD |
|---|---|---|---|---|
| Cash and cash equivalents | 8 | 890 | - | 890 |
| Financial assets at fair value through profit or loss ("FVTPL") | 3 | - | 451,575 | 451,575 |
| Foreign forward currency contracts | 9 | - | 333 | 333 |
| Amount due from Manager | 10 | 948 | - | 948 |
| Amount due from Provider | 11 | 1,815 | - | 1,815 |
| Total | | 3,653 | 451,908 | 455,561 |

| 2021 | Note | Financial assets at amortised cost USD | Financial assets at fair value through profit or loss USD | Total USD |
|---|---|---|---|---|
| Cash and cash equivalents | 8 | 5,267 | - | 5,267 |
| Financial assets at fair value through profit or loss ("FVTPL") | 3 | - | 569,633 | 569,633 |
| Amount due from Manager | 10 | 1,566 | - | 1,566 |
| Amount due from Provider | 11 | 6,602 | - | 6,602 |
| Total | | 13,435 | 569,633 | 583,068 |

All current liabilities are financial liabilities which are carried at amortised cost.

## 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Fund is exposed to a variety of risks which include liquidity risk, credit risk, capital risk, market risk (inclusive of price risk and currency risk), country risk, concentration risk and fund management risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed and SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

Liquidity risk

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by the unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments which are capable of being converted into cash within 7 days. The Fund aims to reduce its liquidity risk by maintaining a prudent level of liquid assets.

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

| | Less than 1 month | Between 1 month to 1 year | Total |
|---|---|---|---|
| | USD | USD | USD |
| 2022 | | | |
| Amount due to Manager | 649 | - | 649 |
| Amount due to Trustee | 713 | - | 713 |
| Net assets attributable to unitholders * | 454,199 | - | 454,199 |
| Contractual cash out flows | 455,561 | - | 455,561 |
| 2021 | | | |
| Amount due to Manager | 7,002 | - | 7,002 |
| Amount due to Trustee | 10 | - | 10 |
| Net assets attributable to unitholders * | 576,056 | - | 576,056 |
| Contractual cash out flows | 583,068 | - | 583,068 |

* Outstanding units are redeemed on demand at the unitholders' option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term return.

### 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of profit or principals payment on the maturity date. This may lead to a default in the payment of principal and interest and ultimately a reduction in the value of the Fund. In the case of the Fund, the Manager will endeavor to minimise the risk by selecting only licensed financial institutions with acceptable credit ratings.

For amount due from Manager, the settlement terms of units receivable from the Manager are governed by the SC guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

Analysis of deposits with licensed financial institutions and bank balances by rating agency designation are as follows:

| | Bank balances USD | Amount due from Provider USD | Amount due from Manager USD | Foreign forward contract USD | Total USD |
|---|---|---|---|---|---|
| 2022 | | | | | |
| Financial institutions | | | | | |
| - AAA | 890 | - | - | 333 | 1,223 |
| - Not Rated | - | 1,815 | 948 | - | 2,763 |
| | 890 | 1,815 | 948 | 333 | 3,986 |
| 2021 | | | | | |
| Financial institutions | | | | | |
| - AAA | 5,267 | - | - | - | 5,267 |
| - Not Rated | - | 6,602 | 1,566 | - | 8,168 |
| | 5,267 | 6,602 | 1,566 | - | 13,435 |

The financial assets of the Fund are neither past due or impaired.

## 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk

The capital of the Fund is represented by net assets attributable to unitholders of USD 454,199 (2021: USD 576,056). The amount of net assets attributable to unitholder can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of the unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Market risk

(a) Price risk

Price risk is the risk that the fair value of an investment of the Fund will fluctuate because of changes in market prices (other than those arising from currency risk).

The Fund's overall exposures to price risk are as follows:

| | 2022 | 2021 |
|---|---|---|
| | USD | USD |
| Financial assets at fair value through profit or loss: | | |
| Collective investment scheme | 451,575 | 569,633 |

The table below summarises the sensitivity of the Fund's (loss)/profit after tax and net asset value to movements in prices of investments at the end of each reporting year. The analysis is based on the assumptions that the price of the investments fluctuates by 5% with all other variables held constant.

| | Change in price of investments | Market value | Impact on (loss)/profit after tax and net asset value |
|---|---|---|---|
| | % | USD | USD |
| 2022 | | | |
| Financial assets at fair value through profit or loss: | | | |
| - Collective investment scheme | + 5 | 474,154 | 22,579 |
| | - 5 | 428,996 | (22,579) |
| 2021 | | | |
| Financial assets at fair value through profit or loss: | | | |
| - Collective investment scheme | + 5 | 598,115 | 28,482 |
| | - 5 | 541,151 | (28,482) |

## 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(b) Currency risk

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

The following tables set out the foreign currency risk concentrations and counterparties of the Fund:

| | Ringgit Malaysia USD | Total USD |
|---|---|---|
| 2022 | | |
| Financial assets | | |
| Cash and cash equivalents | 41 | 41 |
| Foreign forward contracts | 333 | 333 |
| | 374 | 374 |
| Financial liabilities | | |
| Net assets attributable to unitholders | 449,915 | 449,915 |
| 2021 | | |
| Financial assets | | |
| Cash and cash equivalents | 4,448 | 4,448 |
| Financial liabilities | | |
| Net assets attributable to unitholders | 570,432 | 570,432 |

## 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(b) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements at the end of each reporting year. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in a foreign exchange rate, having regard to historical volatility of this rate. Any increase/ (decrease) in foreign exchange rate will result in a corresponding (decrease)/increase in the net assets attributable to unitholder by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive and negative.

| | % Change in foreign exchange rate | Impact on (loss)/profit after tax and net asset value | |
|---|---|---|---|
| | | 2022 USD | 2021 USD |
| Ringgit Malaysia | +/- 5 | +/- 22,494 | +/- 28,299 |

Country Risk

The risk of price fluctuation in foreign securities may arise due to political, financial and economic events in foreign countries. If this occurs, there is possibility that the net asset value of the Fund may be adversely affected.

Concentration Risk

The Fund, as a feeder fund, invests significantly all its assets in a CIS, any adverse effect on the CIS will inevitably affect the Fund as well. The performance of the Fund is also dependent on the performance of the CIS. This risk may be mitigated as the Manager is allowed to take temporary defensive positions in response to adverse market conditions. The Manager is also able to substitute the CIS with another fund with similar objective of the Fund if, in the Manager's opinion, the CIS no longer meets the Fund's objective subject to the unitholder's approval.

Fund management risk

There is the risk that the management company may not adhere to the investment mandate of the respective fund. With close monitoring by various relevant internal parties, investment management system being incorporated with limits and controls, and regular reporting to the senior management team, the management company is able to manage such risk. The Trustee has an oversight function over management of the Fund by the management company to safeguard the interests of the unitholders.

## 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value estimation

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

The fair value of financial assets and liabilities traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

The fair values are based on the following methodology and assumptions:

(i) For bank balance, the carrying value is a reasonable estimate of fair value.

(ii) The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The carrying value of the financial assets and financial liabilities approximate their fair value due to their short term nature.

Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

## 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

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

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

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

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

| | Level 1<br>USD | Level 2<br>USD | Level 3<br>USD | Total<br>USD |
|---|---|---|---|---|
| 2022 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Collective investment scheme | 451,575 | - | - | 451,575 |
| - Forward foreign currency contracts | - | 333 | - | 333 |
| | 451,575 | 333 | - | 451,908 |
| 2021 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Collective investment scheme | 569,633 | - | - | 569,633 |

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities and collective investment scheme. The Fund does not adjust the quoted prices for these instruments.

## 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value hierarchy (continued)

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The carrying values of cash and cash equivalents, amount due from Manager, amount due from Provider and all current liabilities are reasonable approximation of the fair value due to their short-term nature.

## 3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

| | 2022 | 2021 |
|---|---|---|
| | USD | USD |
| At FVTPL: | | |
| - Collective investment scheme – foreign | 451,575 | 569,633 |
| | | |
| Net (loss)/gain on financial assets at FVTPL | | |
| - realised gain on sale of investments | 6,849 | 9,833 |
| - unrealised (loss)/gain | (117,096) | 77,894 |
| - management fee rebate on collective investment scheme # | 6,146 | 5,038 |
| | (104,101) | 92,765 |

# In arriving at the fair value of collective investment scheme, the management fee initially paid to the Manager of collective investment scheme have been considered as part of its net asset value. In order to prevent the double charging of management fee which is not permissible under SC Guidelines, management fee charged on the Fund's investments in collective investment scheme have been refunded to the Fund. Accordingly, any rebate of management fee received from the Manager of collective investment scheme is reflected as an increase in the net asset value of the collective investment scheme.

Collective investment scheme – foreign as at 31 August 2022 is as follows:

| | Quantity | Aggregate Cost | Fair Value | Percentage of NAV |
|---|---|---|---|---|
| | Units | USD | USD | % |
| Nomura Funds Ireland – Nomura Global High Conviction Fund Class A USD | 2,747 | 472,668 | 451,575 | 99.42 |

## 3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONTINUED)

Collective investment scheme – foreign as at 31 August 2021 is as follows:

| | Quantity Units | Aggregate Cost USD | Fair Value USD | Percentage of NAV % |
|---|---|---|---|---|
| Nomura Funds Ireland – Nomura Global High Conviction Fund Class A USD | 2,793 | 473,630 | 569,633 | 98.89 |

Top 10 holdings of the Target Fund for the financial year ended 31 August 2022:

| Security Name | Percentage of Target Fund NAV % |
|---|---|
| Microsoft Corporation | 7.20 |
| Apple Inc. | 7.04 |
| Alphabet Inc. Class A | 6.97 |
| Thermo Fisher Scientific Inc. | 5.23 |
| Mastercard Incorporated Class A | 4.86 |
| Amazon.com, Inc. | 4.82 |
| AIA Group Limited | 4.61 |
| LVMH Moet Hennessy Louis Vuitton SE | 4.57 |
| Novo Nordisk A/S Class B | 4.36 |
| Johnson Controls International plc | 4.36 |
| | 54.02 |

## 4 AUDIT FEE AND TAX AGENT'S FEE

Audit fee and tax agent's fee of the Fund for the current and previous financial year/period are borne by the Manager of the Fund.

## 5 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 3% (2021: 3%) per annum of the NAV of the Fund calculated and accrued on a daily basis.

The management fee provided in the financial statements is 1.60% (2021: 1.60%) per annum based on the NAV of both MYR Class and USD Class, calculated on a daily basis for the financial year.

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

## 6 TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate of 0.10% (2021: 0.10%) per annum of the NAV of the Fund.

The trustee fee provided in the financial statements is 0.02% (2021: 0.02%) per annum based on the NAV of the Fund, calculated on a daily basis for the financial year (including local custodian fees and expenses but excluding foreign custodian fees and charges), subject to a minimum fee of RM 9,000 per annum.

For current financial year, the minimum yearly Trustee fee of RM 9,000 (USD 2,057) was charged.

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

## 7 TAXATION

| | 2022<br>USD | 2021<br>USD |
|---|---|---|
| Current taxation - local | - | - |

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

| | 2022<br>USD | 2021<br>USD |
|---|---|---|
| (Loss)/Profit before taxation | (123,719) | 84,110 |
| Taxation at Malaysian statutory rate of 24% (2021: 24%) | (29,693) | 20,186 |
| Tax effect of: | | |
| Investment loss not deductible for tax purpose/ (Investment income not subject to tax) | 27,035 | (22,137) |
| Expenses not deductible for tax purposes | 678 | 329 |
| Restriction on tax deductible expenses for Wholesale Funds | 1,980 | 1,622 |
| Taxation | - | - |

## 8 CASH AND CASH EQUIVALENTS

| | 2022 USD | 2021 USD |
|---|---|---|
| Cash and bank balances | 890 | 5,267 |

## 9 DERIVATIVE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022 USD | 2021 USD |
|---|---|---|
| Derivative assets | | |
| Forward foreign currency contracts | 333 | - |
| | 333 | - |

| | 2022 USD | 2021 USD |
|---|---|---|
| Net realised loss on forward currency contracts | (6,227) | - |
| Net unrealised gain on forward currency contracts | 333 | - |
| | (5,894) | - |

(i) Forward foreign currency contracts as at 31 August 2022 is as follows:

| | Receivables USD | Payables USD | Fair Value USD | Percentage of NAV % |
|---|---|---|---|---|
| CIMB Bank Berhad | 333 | - | 333 | 0.07 |
| | 333 | - | 333 | 0.07 |

As at 31 August 2022, the notional principal amount of the outstanding forward foreign currency contract amounted to USD123,000. The USD/MYR forward foreign currency contracts entered into during the financial period to minimise the risk of foreign exchange exposure between the USD and MYR for the Fund.

As the Fund has not adopted hedge accounting the change in fair value of the forward foreign currency contract is recognised immediately in statement of comprehensive income.

## 10 AMOUNT DUE FROM MANAGER

| | 2022<br>USD | 2021<br>USD |
|---|---|---|
| Creation of units | - | 425 |
| Rebate on management fee | 948 | 1,141 |
| | 948 | 1,566 |

## 11 AMOUNT DUE FROM PROVIDER

| | 2022<br>USD | 2021<br>USD |
|---|---|---|
| Sale of investments | 1,815 | 6,602 |

## 12 AMOUNT DUE TO MANAGER

| | 2022<br>USD | 2021<br>USD |
|---|---|---|
| Cancellation of units | - | 6,222 |
| Management fee | 649 | 780 |
| | 649 | 7,002 |

## 13 NUMBER OF UNITS IN CIRCULATION

| | 2022<br>No. of units | 2021<br>No. of units |
|---|---|---|
| (a) MYR CLASS | | |
| At beginning of the financial year | 1,439,354 | 985,769 |
| Creation of units during the financial year arising from creations | 229,017 | 645,209 |
| Cancellation of units | (223,562) | (191,624) |
| At end of the financial year | 1,444,809 | 1,439,354 |
| (b) USD CLASS | | |
| At beginning of the financial year | 4,528 | - |
| Creation of units during the financial year arising from creations | - | 4,528 |
| Cancellation of units | (138) | - |
| At end of the financial year | 4,390 | 4,528 |

## 14 TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the provider of the CIS for the financial year ended 31 August 2022 is as follows:

| Name of Provider | Value of trade USD | Percentage of total trade % |
|---|---|---|
| Brown Brothers Harriman | 170,763 | 100 |

Details of transactions with the provider of the CIS for the financial year ended 31 August 2021 is as follows:

| Name of Provider | Value of trade USD | Percentage of total trade % |
|---|---|---|
| Brown Brothers Harriman | 311,317 | 100 |

The financial institution above is not related to the Manager.

## 15 TOTAL EXPENSE RATIO ("TER")

| | 2022 % | 2021 % |
|---|---|---|
| TER | 0.96 | 0.73 |

TER is derived from the following calculation:

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

A = Management fee (net of management fee rebate)
B = Trustee's fee
C = Other expenses
D = Average net asset value of Fund calculated on daily basis

The average net asset value of the Fund for the financial year calculated on daily basis is USD515,811(2021: USD422,766).

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022 (CONTINUED)

### 16 PORTFOLIO TURNOVER RATIO ("PTR")

| | 2022 | 2021 |
|---|---|---|
| PTR (times) | 0.17 | 0.36 |

PTR is derived from the following calculation:

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

Where: total acquisition for the financial year = USD81,476 (2021: USD238,433)
total disposal for the financial year = USD89,287 (2021: USD63,050)

### 17 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related party of and its relationship with the Fund are as follows:

| Related party | Relationship |
|---|---|
| Nomura Asset Management Malaysia Sdn Bhd | The Manager |

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

### 18 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 26 October 2022.

## NOMURA GLOBAL HIGH CONVICTION FUND

## STATEMENT BY THE MANAGER

We, Leslie Yap Kim Loong and Atsushi Ichii, being two of the Directors of Nomura Asset Management Malaysia Sdn Bhd (the "Manager"), do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 1 to 26 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 August 2022 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year ended 31 August 2022 in accordance with the Malaysian Financial Reporting Standards, and International Financial Reporting Standards.

For and on behalf of the Manager,
NOMURA ASSET MANAGEMENT MALAYSIA SDN BHD

LESLIE YAP KIM LOONG
Managing Director

ATSUSHI ICHII
Director

Kuala Lumpur
26 October 2022

**CIMB**

**TRUSTEE'S REPORT**
**TO THE UNIT HOLDERS OF NOMURA GLOBAL HIGH CONVICTION FUND ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 31 August 2022 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, **Nomura Asset Management Malaysia Sdn Bhd** has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

a) Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;

b) Valuation and pricing is carried out in accordance with the deed; and

c) Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

For and on behalf of
**CIMB Commerce Trustee Berhad**

**Datin Ezreen Eliza binti Zulkiplee**
Chief Executive Officer

Kuala Lumpur, Malaysia
26 October 2022

**CIMB COMMERCE TRUSTEE BERHAD** 199401027349 (313031-A)
17th Floor Menara CIMB No. 1 Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia
Telephone **+603 2261 8888** Facsimile **+603 2261 9894** **www.cimb.com**

# INDEPENDENT AUDITORS' REPORT
# TO THE UNITHOLDERS OF NOMURA GLOBAL HIGH CONVICTION FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Nomura Global High Conviction Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 August 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 August 2022, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 26.

### Basis for opinion

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

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

*Independence and other ethical responsibilities*

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

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

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

*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia*
*T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF NOMURA GLOBAL HIGH CONVICTION FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Manager for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF NOMURA GLOBAL HIGH CONVICTION FUND
(CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

(d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF NOMURA GLOBAL HIGH CONVICTION FUND
(CONTINUED)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
26 October 2022