

# **Nomura Ringgit Bond Fund 2**

Annual Report and Audited Financial Statements for the  
Financial Year Ended 31 March 2024

**MANAGER:**

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

**TRUSTEE:**

DEUTSCHE TRUSTEES MALAYSIA BERHAD  
Business Registration No.: 200701005591 (763590-H)

**AUDITOR:**

PRICEWATERHOUSECOOPERS PLT  
Business Registration No.: LLP0014401-LCA & AF1146

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## ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

## MANAGER'S REPORT

### Category, Objective and Distribution Policy

Nomura Ringgit Bond Fund 2 (the “Fund”) is a wholesale fixed income fund which seeks to generate regular income by investing in fixed income securities whilst carefully considering capital preservation on behalf of its investors.

Subject to availability of income, distribution will be on monthly basis.

### Fund Type

Income

### Benchmark

12-month Malayan Banking Berhad Fixed Deposit Account Rate.

### Performance as at 31 March 2024

For the period under review from 1 April 2023 to 31 March 2024, the Fund has registered 5.25% return. Compared to the Benchmark return of 3.01%, the Fund outperformed its Benchmark by 2.24%. The last published Net Asset Value (“NAV”) per unit of the Fund as at 31 March 2023 was RM 0.9728 as compared to the NAV per unit as at 31 March 2024 of RM 0.9934. On the total NAV basis, the Fund's NAV stood at RM 270.21 million as at 31 March 2024.

### Performance as at 31 March 2024 (%)

	1 Month (01/03/2024 - 31/03/2024)	3 months (01/01/2024 - 31/03/2024)	6 Months (01/10/2023 - 31/03/2024)	1 Year 01/04/2023 - 31/03/2024)	Since Commencement (29/07/2020 - 31/03/2024)
<b>Fund</b>	0.40	1.34	3.01	5.25	9.10
<b>Benchmark</b>	0.23	0.70	1.48	3.01	8.87
<b>Outperformance/ (Underperformance)</b>	0.17	0.64	1.53	2.24	0.23

Source of Fund and Benchmark Returns: Refinitiv Lipper

### Volatility as at 31 March 2024

	3-Year
<b>Fund</b>	2.10%

Source: Refinitiv Lipper

*This information is prepared by Nomura Asset Management Malaysia Sdn Bhd (“NAMM”) for information purposes only. Past earnings of 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 April 2023 to 31 March 2024)

Throughout 2023, we disposed a portion of our government bonds while replacing them with better yielding corporate bonds in order to boost the running yield of the portfolio. From an asset allocation perspective, we intend to continue rebalancing the portfolio away from government bonds towards corporate bonds in order to capitalize on the more favourable risk-return dynamics, taking advantage of the strong rally of the government bonds in 1Q24.

### Summary of Asset Allocation

	<u>31 March 2024</u>	<u>31 March 2023</u>
Malaysian Government Securities / Government Investment Issues / Government Guaranteed Securities	5.47%	33.41%
Corporate Bonds / Sukuk	91.56%	66.26%
Cash and other net current assets / liabilities	2.97%	0.33%
Total	100.00%	100.00%

### Review of Market (1 April 2023 to 31 March 2024)

Market volatility continued to characterise the bond market in 2023. Global yields surged significantly following consecutive aggressive rate hikes conducted by global central banks and on expectations that rates will be maintained higher for longer on the back of stickier-than-expected inflation reports. However, global bond markets bottomed out towards year-end amid US Fed's dovish pivot and expectations that global central banks are very close to the end of its hiking cycle. Though at a smaller quantum, domestic bond market was not spared from the volatility seen in the global rates. The long-end of the domestic yield curve was relatively better supported in tandem with Bank Negara Malaysia ("BNM") maintaining the Overnight Policy Rate ("OPR") stable at 3.00% through 2H23.

The rally in domestic bond market continued going into 2024 despite investors trimming US rate cut bets on the back of robust US economic data. Separately, corporate bonds outperformed with significant credit spread tightening as domestic real money investors reached for yield.

## TRANSACTIONS WITH FINANCIAL INSTITUTIONS AND BROKERS/DEALERS

### Cross Trades (1 April 2023 to 31 March 2024)

During the financial period under review, four (4) cross trades were conducted between the Fund and accounts managed by the Manager and the Manager's related company.

	<u>Total Value of trades (RM)</u>
Nomura Ringgit Bond Fund 1	4,712,600
Nomura i-Income Fund	10,595,010
Total	<u>15,307,610</u>

All transactions were in the best interest of the Fund and executed through RHB Investment Bank Berhad on an arm's length and fair value basis.



## 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.

## INCOME DISTRIBUTION

The Fund distributed a gross total of RM 0.0300 per unit to investors of the Fund over the period under review.

The Net Asset Value per Unit prior and subsequent to the distributions were as follows:

Cum-Distribution Date	Cum-Distribution (RM)	Ex-Distribution Date	Ex-Distribution (RM)	Distribution per Unit (RM)
15-Jun-23	0.9841	16-Jun-23	0.9755	0.0088
15-Sep-23	0.9860	18-Sep-23	0.9788	0.0073
15-Dec-23	0.9910	18-Dec-23	0.9831	0.0084
15-Mar-24	0.9967	18-Mar-24	0.9915	0.0055

## FUND PERFORMANCE DATA

	<b>As at 31 March 2024</b>	<b>As at 31 March 2023</b>
Total NAV (RM)	270,208,791	264,609,982
NAV per Unit (RM)	0.9934	0.9728
Unit in Circulation	272,007,887	272,007,887
Highest NAV (RM)	0.9967	0.9773
Lowest NAV (RM)	0.9731	0.9403

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

NOMURA RINGGIT BOND FUND 2

FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

## NOMURA RINGGIT BOND FUND 2

FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

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## NOMURA RINGGIT BOND FUND 2

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	<u>Note</u>	<u>2024</u> RM	<u>2023</u> RM
<b>INVESTMENT INCOME</b>			
Interest income from unquoted fixed income securities at fair value through profit or loss ("FVTPL")		8,799,937	8,691,496
Interest income from deposits with licensed financial institution at amortised cost		559,855	76,132
Net gain on financial assets at fair value through profit or loss ("FVTPL")	6	5,034,223	2,625,930
		<u>14,394,015</u>	<u>11,393,558</u>
<b>EXPENSES</b>			
Management fee	3	(535,325)	(522,651)
Trustee's fee	4	(80,299)	(78,398)
Audit fee		(9,450)	(9,000)
Tax agent's fee		(6,600)	(4,600)
Other expenses		(3,295)	(3,100)
		<u>(634,969)</u>	<u>(617,749)</u>
<b>PROFIT BEFORE TAXATION</b>		13,759,046	10,775,809
<b>TAXATION</b>	5	-	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<u>13,759,046</u>	<u>10,775,809</u>
Profit after taxation is made up of the following:			
Realised amount		4,540,659	7,739,998
Unrealised amount		9,218,387	3,035,811
		<u>13,759,046</u>	<u>10,775,809</u>

The accompanying material accounting policy information and notes to the financial statements form an integral part of these financial statements.

## NOMURA RINGGIT BOND FUND 2

### STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	<u>Note</u>	<u>As at</u> <u>31.3.2024</u> RM	<u>As at</u> <u>31.3.2023</u> RM
<b>ASSETS</b>			
Cash and cash equivalents	7	8,094,167	926,671
Financial assets at fair value through profit or loss ("FVTPL")	6	262,182,192	263,749,423
<b>TOTAL ASSETS</b>		<u>270,276,359</u>	<u>264,676,094</u>
<b>LIABILITIES</b>			
Accrued management fee	3	45,804	44,953
Amount due to Trustee	4	6,871	6,743
Other payables and accruals		14,893	14,416
<b>TOTAL LIABILITIES</b>		<u>67,568</u>	<u>66,112</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>270,208,791</u>	<u>264,609,982</u>
<b>UNITHOLDERS' FUNDS</b>			
Unitholders' capital		272,450,000	272,450,000
Accumulated losses		(2,241,209)	(7,840,018)
<b>NET ASSET ATTRIBUTABLE TO UNITHOLDERS</b>		<u>270,208,791</u>	<u>264,609,982</u>
<b>UNITS IN CIRCULATION (UNITS)</b>	8	<u>272,007,887</u>	<u>272,007,887</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.9934</u>	<u>0.9728</u>

The accompanying material accounting policy information and notes to the financial statements form an integral part of these financial statements.

## NOMURA RINGGIT BOND FUND 2

### STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	<u>Note</u>	<u>Unitholders'</u> <u>capital</u> <u>RM</u>	<u>Accumulated</u> <u>losses</u> <u>RM</u>	<u>Total</u> <u>RM</u>
Balance as at 1 April 2023		272,450,000	(7,840,018)	264,609,982
Movement in unitholders' contribution:				
Total comprehensive income for the financial year		-	13,759,046	13,759,046
Distributions	9	-	(8,160,237)	(8,160,237)
Balance as at 31 March 2024		<u>272,450,000</u>	<u>(2,241,209)</u>	<u>270,208,791</u>
Balance as at 1 April 2022		272,450,000	(10,727,598)	261,722,402
Movement in unitholders' contribution:				
Total comprehensive income for the financial year		-	10,775,809	10,775,809
Distributions	9	-	(7,888,229)	(7,888,229)
Balance as at 31 March 2023		<u>272,450,000</u>	<u>(7,840,018)</u>	<u>264,609,982</u>

The accompanying material accounting policy information and notes to the financial statements form an integral part of these financial statements.

## NOMURA RINGGIT BOND FUND 2

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	<u>Note</u>	<u>2024</u> RM	<u>2023</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		93,578,750	14,907,000
Proceeds from redemption of investments		5,000,000	5,000,000
Purchase of investments		(93,624,360)	(28,699,100)
Interest income from unquoted fixed income securities		10,447,001	10,405,001
Interest income from deposits with licensed financial institution		559,855	76,132
Management fee paid		(534,474)	(522,551)
Trustee's fee paid		(80,171)	(78,383)
Tax agent's fee paid		(6,600)	(3,858)
Payment for other fees and expenses		(12,268)	(12,100)
Net cash generated from operating activities		<u>15,327,733</u>	<u>1,072,141</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Distributions paid		<u>(8,160,237)</u>	<u>(7,888,229)</u>
Net cash used in financing activity		<u>(8,160,237)</u>	<u>(7,888,229)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,167,496	(6,816,088)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR		<u>926,671</u>	<u>7,742,759</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	<u><u>8,094,167</u></u>	<u><u>926,671</u></u>

The accompanying material accounting policy information and notes to the financial statements form an integral part of these financial statements.

## NOMURA RINGGIT BOND FUND 2

### MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

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 have been prepared in accordance with the 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 the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with 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 revenue 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.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note I.

##### (i) Standards and amendments to existing standards effective 1 January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2023 that have a material effect on the financial statements of the Fund.

##### (ii) New standards, amendments and interpretations effective after 1 January 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2023, 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.

#### 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"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Fund's presentation and functional currency.



## NOMURA RINGGIT BOND FUND 2

### MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### C INCOME RECOGNITION

Interest income from deposits with licensed financial institution and unquoted fixed income securities are recognised on an accrual basis using the effective interest method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gain and loss on sale of unquoted fixed income securities are measured by the difference between the net disposal proceeds and the carrying amounts of the investments (adjusted for accretion of discount or amortisation of premium).

#### D TAXATION

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

#### E 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 through profit or loss ("FVTPL"), 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.

The Fund classifies cash and cash equivalents 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 accrued management fee, amount due to Trustee, and other payables and accruals as financial liabilities measured at amortised cost.

## NOMURA RINGGIT BOND FUND 2

### MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### E 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 or 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 presented in the statement of comprehensive income in the financial year in which they arise.

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by Bond Pricing Agency Malaysia Sdn Bhd ("BPAM") registered with the Securities Commission of Malaysia ("SC") as per the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPAM for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (a) Records its basis for using a non-BPAM price;
- (b) Obtains necessary internal approvals to use the non-BPAM price; and
- (c) Keeps an audit trail of all decisions and basis for adopting the market price.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits, which is a reasonable estimate of fair value due to the short-term nature of the deposits.

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 using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management 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 expected credit losses as any such impairment would be wholly insignificant to the Fund.

## NOMURA RINGGIT BOND FUND 2

### MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

##### (iii) Impairment (continued)

###### Significant increase in credit risk

A significant increase in credit risk is defined by management 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 writes 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.

#### F CASH AND CASH EQUIVALENTS

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

#### G UNITHOLDERS' CAPITAL

The unitholders' contributions to the Fund meet the criteria of the definition of puttable instruments to be classified as equity instruments under MFRS 132 'Financial Instruments: Presentation'. These criteria include:

- The units entitle the holders to a pro-rata share of the Fund's net asset value (NAV);
- The units are the most subordinated class and class features are identical;
- There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units; and
- The total expected cash flows from the units over its life are based substantially on the change in the net asset of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if the unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net asset attributable to unitholders with the total number of outstanding units.

## NOMURA RINGGIT BOND FUND 2

### MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### H DISTRIBUTIONS

Distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the year in which it is approved by the Trustee.

#### I CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Estimate of fair value of unquoted fixed income securities

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

Ringgit-denominated unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the Manager is of the view that the price quoted by BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price. Refer to Note E for further explanation.

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

#### 1 INFORMATION ON THE FUND

Nomura Ringgit Bond Fund 2 (the "Fund") was constituted pursuant to the execution of a Master Deed dated 1 July 2020 entered into between Nomura Asset Management Malaysia Sdn Bhd (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustees").

The Fund was launched on 28 July 2020 and will continue its operations until being terminated by the Manager or the Trustee as provided under Clause 25 of the Deed.

In order to achieve the investment objective of the Fund, the Fund Manager considers the different sources of returns and liquidity profiles from an array of fixed income instruments denominated in Ringgit Malaysia.

The Fund seeks to generate regular income by investing in fixed income securities whilst carefully consider capital preservations on behalf of its investors.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds and asset management including providing fund management services to private clients.

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

Financial instruments are as follows:

	<u>Note</u>	<u>At fair value through profit or loss RM</u>	<u>At amortised cost RM</u>	<u>Total RM</u>
<u>As at 31.3.2024</u>				
<u>Financial assets</u>				
Unquoted fixed income securities	6	262,182,192	-	262,182,192
Cash and cash equivalents	7	-	8,094,167	8,094,167
Total		<u>262,182,192</u>	<u>8,094,167</u>	<u>270,276,359</u>
<u>Financial liabilities</u>				
Accrued management fee		-	45,804	45,804
Amount due to Trustee		-	6,871	6,871
Other payables and accruals		-	14,893	14,893
Total		<u>-</u>	<u>67,568</u>	<u>67,568</u>

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At fair value through profit or loss RM	At amortised cost RM	<u>Total</u> RM
<u>As at 31.3.2023</u>				
<u>Financial assets</u>				
Unquoted fixed income securities	6	263,749,423	-	263,749,423
Cash and cash equivalents	7	-	926,671	926,671
Total		<u>263,749,423</u>	<u>926,671</u>	<u>264,676,094</u>
<u>Financial liabilities</u>				
Accrued management fee		-	44,953	44,953
Amount due to Trustee		-	6,743	6,743
Other payables and accruals		-	14,416	14,416
Total		<u>-</u>	<u>66,112</u>	<u>66,112</u>

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), liquidity risk, credit/default risk, capital 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.

#### 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 interest rate risk).

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

	As at 31.3.2024 RM	As at 31.3.2023 RM
Financial assets at fair value through profit or loss*	<u>262,182,192</u>	<u>263,749,423</u>

\* Includes profit receivable of RM2,608,462 (2023: RM2,578,363).

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

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

##### Market risk (continued)

##### (a) Price risk (continued)

The table below summarises the sensitivity of the Fund's NAV and profit after tax to movements in prices of Shariah-compliant investments. The analysis is based on the assumptions that the price of the investments fluctuates by 5% with all other variables held constant.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on profit</u> <u>after tax/NAV</u> RM
<u>As at 31.3.2024</u>		
+5%	272,552,417	12,978,687
-5%	246,595,043	(12,978,687)
<u>As at 31.3.2023</u>		
+5%	274,229,613	13,058,553
-5%	248,112,507	(13,058,553)

##### (b) Interest rate risk

In general, when interest rates rise, valuation for unquoted fixed income securities will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise when interest rates fall. However, investors should be aware that should the Fund hold an unquoted fixed income securities till maturity, such fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Fixed income securities with longer maturity and lower interest rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities is subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's NAV and profit after tax to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rates. The analysis is based on the assumptions that the interest rates increased and decreased by 1% with all other variables held constant.

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

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

##### Market risk (continued)

##### (b) Interest rate risk (continued)

	<u>Impact on profit after tax/NAV</u>	
	<u>As at</u> <u>31.3.2024</u> RM	<u>As at</u> <u>31.3.2023</u> RM
<u>% Change in interest rate</u>		
+ 1% (2023: +1%)	(353,964)	(437,096)
- 1% (2023: -1%)	354,715	438,074

The Fund's deposits with licensed financial institution are short term in nature. Therefore, exposure to interest rate fluctuations is minimal.

##### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institution, and unquoted bonds 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.

	<u>Less than</u> <u>1 month</u> RM	<u>Between</u> <u>1 month</u> <u>to 1 year</u> RM	<u>Total</u> RM
<u>As at 31.3.2024</u>			
Accrued management fee	45,804	-	45,804
Amount due to Trustee	6,871	-	6,871
Other payables and accruals	-	14,893	14,893
Contractual undiscounted cash out flows	52,675	14,893	67,568
<u>As at 31.3.2023</u>			
Accrued management fee	44,953	-	44,953
Amount due to Trustee	6,743	-	6,743
Other payables and accruals	-	14,416	14,416
Contractual undiscounted cash out flows	51,696	14,416	66,112



## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

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

##### Credit/default risk

Credit risk refers to the ability of an issuer or a counterparty to make timely payments of interest or principals payment and proceeds from realisation of investments. 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 issues with prescribed and acceptable credit ratings.

Credit risk arising from cash and cash equivalents are managed by ensuring that the Fund will maintain cash balance and only place deposits with reputable licensed financial institutions.

For unquoted fixed income securities, the Manager regularly reviews the rating assigned by the issuer so that necessary steps can be taken if the rating falls below those described by the Deed and SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

The following table sets out the credit risk concentration of the Fund:

	Financial assets at fair value through <u>profit or loss</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>As at 31.3.2024</u>			
Banks			
- AAA	-	7,710,273	7,710,273
- AAA IS	15,008,336	-	15,008,336
- AA1	50,320,100	383,894	50,703,994
- AA2	5,149,800	-	5,149,800
- AA3	25,675,003	-	25,675,003
- Not Rated	5,037,481	-	5,037,481
Construction and Materials			
- AA- IS	15,043,923	-	15,043,923
Financial services			
- AA1	10,221,499	-	10,221,499
Public finance			
- AAA (S)	10,498,821	-	10,498,821
- Not Rated	9,768,361	-	9,768,361
Real estate			
- AA+ IS	10,208,704	-	10,208,704
- AA- IS	27,749,297	-	27,749,297
Transportation			
- AAA	9,988,304	-	9,988,304
- AA1 (S)	11,031,055	-	11,031,055
- AA2	5,133,219	-	5,133,219
Travel and leisure			
- AA1 (S)	35,736,492	-	35,736,492
- AA-	5,083,855	-	5,083,855
Utilities			
- AA1	10,527,942	-	10,527,942
	<u>262,182,192</u>	<u>8,094,167</u>	<u>270,276,359</u>

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

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

##### Credit/default risk (continued)

	Financial assets at fair value through <u>profit or loss</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>As at 31.3.2023</u>			
Banks			
- AAA	-	200,060	200,060
- AA1	44,514,375	726,611	45,240,986
- AA2	5,090,982	-	5,090,982
- Not Rated	4,989,425	-	4,989,425
Financial services			
- AA1	10,147,127	-	10,147,127
Public finance			
- AAA (S)	9,192,609	-	9,192,609
- Not Rated	73,818,192	-	73,818,192
Real estate			
- AA- IS	19,987,041	-	19,987,041
Transportation			
- AAA	9,722,196	-	9,722,196
- AA1 (S)	10,833,107	-	10,833,107
- AA2	5,154,131	-	5,154,131
- AA IS	4,994,433	-	4,994,433
- Not Rated	9,572,540	-	9,572,540
Travel and Leisure			
- AA1 (S)	40,343,394	-	40,343,394
- AA-	5,072,288	-	5,072,288
Utilities			
- AA1	10,317,583	-	10,317,583
	<u>263,749,423</u>	<u>926,671</u>	<u>264,676,094</u>

##### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital of RM272,450,000 (2023: RM272,450,000) and accumulated losses of RM2,241,209 (2023: RM7,840,018). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of 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 unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

##### 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 the investment committee, back office 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 profits of unitholders.

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 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 an 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.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted fixed income securities, for which market were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

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

- (i) The carrying value is a reasonable estimate of fair value for cash and cash equivalent.
- (ii) Ringgit-denominated unquoted bonds are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the Manager is of the view that the price quoted by BPA for a specific unquoted bonds differs from the market price by more than 20 basis points, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, and obtains necessary internal approvals to use the non-BPA price.

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

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

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

##### Fair value hierarchy

The Fund adopted MFRS 13 "Fair Value Measurement" in respect of disclosures about the degree of reliability of fair value measurement. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement 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:

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>As at 31.3.2024</u>				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	262,182,192	-	262,182,192
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>As at 31.3.2023</u>				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	263,749,423	-	263,749,423
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

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

##### Fair value hierarchy (continued)

Financial instruments that trade in markets that are 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. Level 2 instruments include unquoted fixed income securities.

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 Fund's policies on valuation of these financial assets are stated in Note E.

The carrying value of cash and cash equivalent and all current liabilities are reasonable approximation of the fair value due to their short-term nature.

#### 3 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum of the NAV of the Fund calculated and accrued on a daily basis.

For the financial year ended 31 March 2024, the management fee is recognised at a rate of 0.20% (2023: 0.20%) per annum on the NAV of the Fund, 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.

#### 4 TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.03% per annum of the NAV of the Fund, subject to a minimum fee of RM12,000 per annum, calculated daily on the NAV of the Fund.

For the financial year ended 31 March 2024, the trustee fee is recognised at a rate of 0.03% (2023: 0.03%) per annum on the NAV of the Fund, subject to a minimum fee of RM12,000 per annum, calculated on a daily basis for the financial year.

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

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 5 TAXATION

	<u>2024</u> RM	<u>2023</u> RM
Current taxation - local	-	-

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

	<u>2024</u> RM	<u>2023</u> RM
Profit before taxation	13,759,046	10,775,809
Tax at applicable rate of 24% (2023: 24%)	3,302,171	2,586,194
Tax effect of:		
Investment income not subject to tax	(4,458,763)	(2,832,825)
Investment loss not deductible for tax purposes	1,004,200	98,371
Expenses not deductible for tax purposes	21,510	33,423
Restriction on tax deductible expenses for wholesale funds	130,882	114,837
Taxation	-	-

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.3.2024 RM	As at 31.3.2023 RM
Financial assets at FVTPL:		
- Unquoted fixed income securities	262,182,192	263,749,423
	2024 RM	2023 RM
Net gain on financial assets at FVTPL comprised:		
- Net realised loss on sale of financial assets at FVTPL	(4,184,164)	(409,881)
- Net unrealised gain on changes in fair values	9,218,387	3,035,811
	5,034,223	2,625,930

Financial assets at fair value through profit or loss as at 31 March 2024 are as follows:

Nominal value RM	Name of Counter	Rating	Cost RM	Fair value as at 31.3.2024 RM	Percentage of net assets value 31.3.2024 %
10,000,000	Affin Islamic Bank Berhad	AA3	10,125,861	10,187,161	3.77
5,000,000	AmBank (M) Berhad	AA3	5,060,205	5,162,905	1.91
10,000,000	AmBank Islamic Berhad	AA3	10,118,837	10,324,937	3.82
5,000,000	AZRB Capital Sdn. Bhd.	AA- IS	5,158,279	5,085,538	1.88
15,000,000	CIMB Islamic Bank Berhad	AAA IS	15,008,486	15,008,336	5.55
10,000,000	GENM Capital Berhad	AA1 (S)	10,271,939	10,133,586	3.75
15,000,000	GENM Capital Berhad	AA1 (S)	15,672,244	15,207,590	5.63
10,000,000	GENM Capital Berhad	AA1 (S)	10,814,297	10,395,316	3.85
5,000,000	Government of Malaysia	Not Rated	5,050,907	4,708,766	1.74
5,000,000	Government of Malaysia	Not Rated	5,232,802	5,059,595	1.87

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets at fair value through profit or loss as at 31 March 2024 are as follows: (continued)

<u>Nominal value RM</u>	<u>Name of Counter</u>	<u>Rating</u>	<u>Cost RM</u>	<u>Fair value as at 31.3.2024 RM</u>	<u>Percentage of net assets value 31.3.2024 %</u>
5,000,000	Hong Leong Bank Berhad	AA1	5,059,836	5,106,886	1.89
10,000,000	Infracap Resources Sdn. Bhd.	AAA (S)	9,909,455	10,498,821	3.89
10,000,000	Malayan Banking Berhad	AA1	10,148,630	9,904,030	3.67
10,000,000	Malayan Banking Berhad	AA1	10,052,318	9,970,517	3.69
5,000,000	Malayan Banking Berhad	AA1	5,190,314	5,130,108	1.90
10,000,000	Malaysia Airports Holdings Berhad	AAA	10,132,904	9,988,304	3.70
5,000,000	Malaysia Airports Holdings Berhad	AA2	5,114,971	5,133,219	1.90
5,000,000	RHB Bank Berhad	AA2	5,045,100	5,149,800	1.91
10,000,000	Sabah Credit Corporation	AA1	10,429,330	10,221,499	3.78
10,000,000	Sabah Development Bank Berhad	AA1	10,245,338	10,107,096	3.74
10,000,000	Sabah Development Bank Berhad	AA1	10,240,939	10,101,463	3.74
10,000,000	Samalaju Industrial Port Sdn. Bhd.	AA1 (S)	11,390,221	11,031,055	4.08
10,000,000	Sime Darby Property Berhad	AA+ IS	10,046,904	10,208,704	3.78
5,000,000	Small Medium Enterprise Development Bank Malaysia Berhad	Not Rated	5,173,594	5,037,481	1.86



## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets at fair value through profit or loss as at 31 March 2024 are as follows: (continued)

Nominal value RM	Name of Counter	Rating	Cost RM	Fair value as at 31.3.2024 RM	Percentage of net assets value 31.3.2024 %
5,000,000	STM Lottery Sdn. Bhd.	AA-	5,065,600	5,083,855	1.88
15,000,000	Sunway Treasury Sukuk Sdn. Bhd.	AA- IS	15,040,506	15,043,923	5.57
10,000,000	UDA Holdings Berhad	AA- IS	10,263,960	10,264,704	3.80
10,000,000	UEM Sunrise Berhad	AA- IS	10,177,106	10,285,116	3.81
2,000,000	UEM Sunrise Berhad	AA- IS	2,030,759	2,113,939	0.78
5,000,000	YTL Power International Berhad	AA1	5,325,547	5,248,675	1.94
5,000,000	YTL Power International Berhad	AA1	5,345,684	5,279,267	1.95
	TOTAL UNQUOTED BONDS		263,942,873	262,182,192	97.03
	UNREALISED LOSS ON CHANGES IN FAIR VALUE		(1,760,681)		
	TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		262,182,192		

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets at fair value through profit or loss as at 31 March 2023 are as follows:

Nominal value RM	Name of Counter	Rating	Cost RM	Fair value as at 31.3.2023 RM	Percentage of net assets value 31.3.2023 %
5,000,000	AZRB Capital Sdn. Bhd.	AA- IS	5,188,130	5,029,869	1.90
5,000,000	Danainfra Nasional Berhad	Not Rated	5,014,005	4,805,605	1.82
5,000,000	Danainfra Nasional Berhad	Not Rated	5,201,588	4,883,127	1.84
10,000,000	GENM Capital Berhad	AA1 (S)	10,429,069	10,129,429	3.83
15,000,000	GENM Capital Berhad	AA1 (S)	15,876,220	15,084,247	5.70
10,000,000	GENM Capital Berhad	AA1 (S)	10,961,778	10,284,464	3.89
5,000,000	Genting RMTN Berhad	AA1 (S)	5,231,483	4,845,255	1.83
20,000,000	Government of Malaysia	Not Rated	20,945,115	19,870,870	7.51
15,000,000	Government of Malaysia	Not Rated	15,148,879	13,883,965	5.25
30,000,000	Government of Malaysia	Not Rated	31,709,922	30,374,624	11.48
9,000,000	Infracap Resources Sdn. Bhd.	AAA (S)	8,852,525	9,192,609	3.47
10,000,000	Malayan Banking Berhad	AA1	10,146,082	9,665,782	3.65
10,000,000	Malayan Banking Berhad	AA1	10,049,515	9,797,415	3.70

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets at fair value through profit or loss as at 31 March 2023 are as follows: (continued)

Nominal value RM	Name of Counter	Rating	Cost RM	Fair value as at 31.3.2023 RM	Percentage of net assets value 31.3.2023 %
5,000,000	Malayan Banking Berhad	AA1	5,268,811	5,106,412	1.93
10,000,000	Malaysia Airports Holdings Berhad	AAA	10,131,096	9,722,196	3.67
5,000,000	Malaysia Airports Holdings Berhad	AA2	5,155,621	5,154,131	1.95
5,000,000	Pelabuhan Tanjung Pelepas Sdn. Bhd.	AA- IS	5,137,889	4,994,433	1.89
10,000,000	Prasarana Malaysia Berhad	Not Rated	10,120,340	9,572,540	3.62
5,000,000	RHB Bank Berhad	AA2	5,044,482	5,090,982	1.92
10,000,000	Sabah Credit Corporation	AA1	10,518,711	10,147,127	3.83
10,000,000	Sabah Development Bank Berhad	AA1	10,377,279	9,975,749	3.77
10,000,000	Sabah Development Bank Berhad	AA1	10,372,530	9,969,016	3.77
10,000,000	Samalaju Industrial Port Sdn. Bhd.	AA1 (S)	11,582,945	10,833,107	4.09
5,000,000	Small Medium Enterprise Development Bank Malaysia Berhad	Not Rated	5,203,556	4,989,425	1.89
5,000,000	STM Lottery Sdn. Bhd.	AA-	5,065,562	5,072,288	1.92
5,000,000	UEM Sunrise Berhad	AA- IS	5,008,114	4,989,177	1.88

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets at fair value through profit or loss as at 31 March 2023 are as follows: (continued)

<u>Nominal value RM</u>	<u>Name of Counter</u>	<u>Rating</u>	<u>Cost RM</u>	<u>Fair value as at 31.3.2023 RM</u>	<u>Percentage of net assets value 31.3.2023 %</u>
10,000,000	UEM Sunrise Berhad	AA- IS	10,178,960	9,967,996	3.77
5,000,000	YTL Power International Berhad	AA1	5,389,997	5,114,208	1.93
5,000,000	YTL Power International Berhad	AA1	5,418,287	5,203,375	1.97
	TOTAL UNQUOTED BONDS		274,728,491	263,749,423	99.67
	UNREALISED LOSS ON CHANGES IN FAIR VALUE		(10,979,068)		
	TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		263,749,423		

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 7 CASH AND CASH EQUIVALENTS

	As at <u>31.3.2024</u> RM	As at <u>31.3.2023</u> RM
Deposits with licensed financial institution	7,710,273	200,060
Bank balances in a licensed bank	383,894	726,611
	<u>8,094,167</u>	<u>926,671</u>

Weighted average effective interest rates per annum is as follows:

	<u>31.3.2024</u> %	<u>31.3.2023</u> %
Deposits with licensed financial institution	<u>3.10</u>	<u>2.75</u>

Deposits with licensed financial institution have an average maturity of 1 day (2023: 3 days).

#### 8 NUMBER OF UNITS IN CIRCULATION

	<u>2024</u> No. of units	<u>2023</u> No. of units
At beginning of the financial year	272,007,887	272,007,887
Creation of units during the financial year:		
Arising from creations	-	-
Cancellation of units	-	-
At end of the financial year	<u>272,007,887</u>	<u>272,007,887</u>

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 9 DISTRIBUTIONS

	<u>2024</u> RM	<u>2023</u> RM
Distributions to unitholders are from the following sources:		
Interest income from unquoted fixed income securities at FVTPL and deposit with licensed financial institution at amortised cost	8,795,206	8,505,978
	<u>8,795,206</u>	<u>8,505,978</u>
Less: Expenses	(634,969)	(617,749)
	<u>8,160,237</u>	<u>7,888,229</u>

During the financial year, distributions per unit were made as follows:

	<u>Gross/net distribution</u> <u>2024</u> RM/unit	<u>2023</u> RM/unit
16 June 2023	0.0088	-
18 September 2023	0.0073	-
18 December 2023	0.0084	-
18 March 2024	0.0055	-
18 May 2022	-	0.0055
19 September 2022	-	0.0045
23 December 2022	-	0.0128
16 March 2023	-	0.0062

Gross distribution is derived using total income less total expenses.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution for unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 10 TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the financial institutions are as follows:

	Value of trade RM	Percentage of total trade %
<u>2024</u>		
Public Bank Berhad*	1,290,403,000	87.33
RHB Investment Bank Berhad	55,231,110	3.74
Malayan Banking Berhad	39,239,000	2.66
CIMB Bank Berhad	32,571,000	2.20
Hong Leong Investment Bank Berhad	14,687,000	0.99
Standard Chartered Bank Malaysia Berhad	10,545,000	0.71
AmBank (M) Berhad	10,000,000	0.68
Affin Hwang Investment Bank Berhad	10,000,000	0.68
Citibank (M) Bhd	9,930,000	0.67
AmInvestment Bank Berhad	5,000,000	0.34
	<u>1,477,606,110</u>	<u>100.00</u>
<u>2023</u>		
Public Bank Berhad*	346,344,000	88.82
RHB Investment Bank Berhad	33,687,100	8.64
CIMB Bank Berhad	5,004,000	1.28
Malayan Banking Berhad	4,915,000	1.26
	<u>389,950,100</u>	<u>100.00</u>

All financial institutions above are not related to the Manager.

The above transactions were in respect of money market placements and fixed income transactions. Transactions in these investments do not involve any commission or brokerage.

\*The above transaction was in respect of money market placements.

## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

#### 11 TOTAL EXPENSE RATIO ("TER")

	<u>2024</u> %	<u>2023</u> %
TER	<u>0.24</u>	<u>0.24</u>

TER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee's fee
C	=	Audit fee
D	=	Tax agent's fee
E	=	Other expenses
F	=	Average NAV of Fund calculated on daily basis

The average NAV of the Fund for the financial year calculated on daily basis is RM267,421,878 (2023: RM261,322,236).

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

	<u>2024</u>	<u>2023</u>
PTR (times)	<u>0.36</u>	<u>0.09</u>

PTR is derived from the following calculation:

(Total acquisition for the financial year + total disposal for the financial year) ÷ 2

Average NAV of the Fund for the financial year calculated on daily basis

Where: total acquisition for the financial year = RM94,019,710 (2023: RM28,915,210)  
total disposal for the financial year = RM99,135,961 (2023: RM19,982,410)



## NOMURA RINGGIT BOND FUND 2

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTINUED)

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

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

<u>Related party</u>	<u>Relationship</u>
Nomura Asset Management Malaysia Sdn Bhd	The Manager

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

#### 14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 20 May 2024.

## NOMURA RINGGIT BOND FUND 2

## 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 Directors of the Manager, the accompanying financial statements set out on pages 1 to 30 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 March 2024 and of its financial performance, changes in net asset value and cash flows for the financial year ended 31 March 2024 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

20 MAY 2024



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## TRUSTEE'S REPORT

### TO THE UNITHOLDER OF NOMURA RINGGIT BOND FUND 2 ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 March 2024 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:-

1. 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;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

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

For Deutsche Trustees Malaysia Berhad

  
Ng Hon Leong  
Head, Fund Operations

  
Sylvia Beh  
Chief Executive Officer

Kuala Lumpur

20 MAY 2024



## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDER OF NOMURA RINGGIT BOND FUND 2

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of Nomura Ringgit Bond Fund 2 ("the Fund") give a true and fair view of the financial position of the Fund as at 31 March 2024, 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 March 2024, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 1 to 30.

#### 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.

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.



## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDER OF NOMURA RINGGIT BOND FUND 2 (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 UNITHOLDER OF NOMURA RINGGIT BOND FUND 2 (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 UNITHOLDER OF NOMURA RINGGIT BOND FUND 2 (CONTINUED)

OTHER MATTERS

This report is made solely to the unitholder 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*  
PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
20 May 2024