



United Japan Discovery Fund

**Interim Report
31 October 2021**

UNITED JAPAN DISCOVERY FUND

Unaudited Interim Report and Financial Statements For the Financial Period Ended 31 October 2021

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(A) MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited accounts of United Japan Discovery Fund (the "Fund") for the financial period from 1 May 2021 to 31 October 2021.

(1) Key Data of the Fund


1.1	Fund name	United Japan Discovery Fund																								
1.2	Name of Target Fund	United Japan Small and Mid Cap Fund																								
1.3	Fund category	Equity (feeder fund)																								
1.4	Fund type	Growth																								
1.5	Investment objective	The Fund seeks to provide Unit Holders with Long Term capital appreciation by investing in the Target Fund which has an investment focus in Japan.																								
1.6	Performance benchmark	MSCI Japan SMID Cap Index.																								
1.7	Duration	The Fund was initially launched as a wholesale fund on 12 October 2015. The Manager then convened a unit holders' meeting to seek Unit Holders' approval to establish the Fund as a unit trust fund. The Fund is then established as a unit trust on 6 December 2019 and shall exist for as long as it appears to the Manager and Trustee that it is in the interests of the unit holders for it to continue. In some circumstances, the unit holders can resolve at a meeting to terminate the Fund.																								
1.8	Distribution policy	Subject to the manager's discretion and availability of income, distribution is incidental.																								
1.9	Breakdown of unit holdings by size	<p><u>MYR hedged Class</u></p> <table border="1"><thead><tr><th colspan="3">As at 31 October 2021</th></tr><tr><th>Size of holding</th><th>No. of unit holders</th><th>No. of units held</th></tr></thead><tbody><tr><td>• 5,000 and below</td><td>0</td><td>0.00</td></tr><tr><td>• 5,001 to 10,000</td><td>1</td><td>5,814.92</td></tr><tr><td>• 10,001 to 50,000</td><td>2</td><td>55,987.40</td></tr><tr><td>• 50,001 to 500,000</td><td>6</td><td>1,291,088.11</td></tr><tr><td>• 500,001 and above</td><td>5</td><td>47,305,521.83</td></tr><tr><td>Total</td><td>14</td><td>48,658,412.26</td></tr></tbody></table> <p><i>Note: There was no units in circulation for MYR Class since the launch of the class on 12 October 2015.</i></p>	As at 31 October 2021			Size of holding	No. of unit holders	No. of units held	• 5,000 and below	0	0.00	• 5,001 to 10,000	1	5,814.92	• 10,001 to 50,000	2	55,987.40	• 50,001 to 500,000	6	1,291,088.11	• 500,001 and above	5	47,305,521.83	Total	14	48,658,412.26
As at 31 October 2021																										
Size of holding	No. of unit holders	No. of units held																								
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Total	14	48,658,412.26																								

(2) Performance Data of the Fund

2.1	Portfolio composition	Details of portfolio composition of the Fund for the financial period as at 30 October are as follows:		
		Sectors, category of investments & cash holdings	As at 31 October 2021	As at 31 October 2020
			(%)	(%)
		Foreign collective investment scheme	92.95	94.55
		Cash	7.05	5.45
		Total	100.00	100.00

2.2	Performance details	Performance details of the Fund for the financial years ended 31 October are as follows:		
			As at 31 October 2021	As at 31 October 2020
		Net Asset Value ("NAV") (RM) - MYR hedged Class	27,873,864	41,160,257
		NAV per unit in RM - MYR hedged Class	0.5728	0.5116
		NAV per unit in respective currencies - MYR hedged Class (RM)	0.5728	0.5116
		Units in circulation - MYR hedged Class	48,658,412	80,449,744
		Highest NAV per unit in respective currencies - MYR hedged Class (RM)	0.5956	0.5413
		Lowest NAV per unit in respective currencies - MYR hedged Class (RM)	0.5113	0.4539
		Total return (%) - MYR hedged Class	9.06	12.71
		Capital growth (%) - MYR hedged Class	9.06	12.71
		Income distribution (%) - MYR hedged Class	--	--
		Gross distribution (sen per unit) in respective currencies - MYR hedged Class (RM)	--	--
		Net distribution (sen per unit) in respective currencies - MYR hedged Class (RM)	--	--
		Management expense ratio (%)	0.17 ¹	0.12
		Portfolio turnover ratio (times)	0.19 ²	0.12
		<i>Notes:</i>		
		<i>There was no units in circulation for MYR Class since the launch of the class on 12 October 2015.</i>		
		<i>¹ MER is higher against previous financial period mainly due to decrease in average fund size.</i>		
		<i>² PTR is higher against previous financial period mainly due to higher trading activity.</i>		

2.2	Performance details (continued)	Average total return	
			As at 31 October 2021 (%) (annualized)
		Since commencement (2 November 2015) - MYR hedged Class	11.05
		1 year - MYR hedged Class	23.16
		3 years - MYR hedged Class	6.82
		5 years - MYR hedged Class	12.87
		Annual total return	
		Financial year ended 30 April	The Fund (%)
		2021 - MYR hedged Class	27.28
		2020 - MYR hedged Class	-15.22
		2019 - MYR hedged Class	-0.39
		2018 - MYR hedged Class	38.41
		2017 - MYR hedged Class	16.06
		Since commencement (2 November 2015) - 30 April 2016 - MYR hedged Class	-0.40
		<i>Note: There was no units in circulation for MYR Class since the launch of the class on 12 October 2015.</i>	
Note: Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures have been extracted from Bloomberg.			
2.3	Has the Fund achieved its investment objectives?	For the financial period under review, the Fund achieved its investment objective to provide long term capital appreciation by investing in the Target Fund which has an investment focus in Japan.	
2.4	Performance review	<p><u>MYR hedged Class</u></p> <p>For the financial period under review, the Fund registered a return of 9.06%, outperforming the benchmark return of 2.53%.</p> <p>For the period under review, the NAV per unit of the Fund increased by 9.06% from RM0.5252 to RM0.5728.</p>	

2.4	Performance review (continued)	<p>The line chart below shows comparison between the performance of the Fund and its benchmark from the commencement of the Fund to 31 October 2021.</p>  <p>Source: UOBAM(M) as at 31 October 2021.</p> <table border="1" data-bbox="511 693 1474 892"> <thead> <tr> <th></th> <th>1-month</th> <th>3-months</th> <th>6-months</th> <th>12-months</th> <th>Since commencement (2 Nov 2015)</th> </tr> </thead> <tbody> <tr> <td>The Fund</td> <td>0.39%</td> <td>5.74%</td> <td>9.06%</td> <td>23.16%</td> <td>87.57%</td> </tr> <tr> <td>Benchmark*</td> <td>-1.64%</td> <td>3.40%</td> <td>2.53%</td> <td>23.04%</td> <td>25.11%</td> </tr> </tbody> </table> <p>* The benchmark of the Fund is MSCI Japan SMID Cap Index.</p> <p>Note: Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures have been extracted from Bloomberg.</p>		1-month	3-months	6-months	12-months	Since commencement (2 Nov 2015)	The Fund	0.39%	5.74%	9.06%	23.16%	87.57%	Benchmark*	-1.64%	3.40%	2.53%	23.04%	25.11%
	1-month	3-months	6-months	12-months	Since commencement (2 Nov 2015)															
The Fund	0.39%	5.74%	9.06%	23.16%	87.57%															
Benchmark*	-1.64%	3.40%	2.53%	23.04%	25.11%															
2.5	Target Fund performance	<p><u>Target Fund performance review</u></p> <p>The Target Fund has generated the investment return of over 8% for the financial period (from 1 May 2021 to 31 October 2021).</p> <p>In terms of excess return against the benchmark, MSCI Japan SMID Index, the Target Fund outperformed the benchmark by approximately 5%.</p> <p>The market environment became favourable during the financial period compared with that of the previous period when the easing money coming from the largest-ever fiscal and financial measures pushed up highly liquid and cyclical stocks.</p> <p>In the financial period, investors started to be concerned over a possible slowdown of global economy. The possibility of acceleration of inflation and the change in monetary policies in the United States of America ("U.S.") and other countries were also recognized by the market. In the market environment with macro economic risks, the investors started to select individual stocks considering each fundamentals and valuations. The strategy, which focuses on corporate fundamentals based on their rigorous bottom-up research, performed well during the period.</p>																		

2.5	Target Fund performance (continued)	<p>Their overweighting stocks such as Benefit One (Services) and Shibaura Electronics (electric appliances) positively contributed to the fund performance.</p> <p><i>Source: UOB Asset Management Ltd</i></p> <p><u>Target Fund performance data</u></p> <table border="1" data-bbox="513 323 1461 592"> <thead> <tr> <th></th> <th>1-month</th> <th>3-months</th> <th>6-months</th> <th>12-months</th> <th>Since inception (10 Mar 2014) (annualized)</th> </tr> </thead> <tbody> <tr> <td>Target Fund (JPY)</td> <td>0.37%</td> <td>5.55%</td> <td>8.58%</td> <td>22.93%</td> <td>12.33%</td> </tr> <tr> <td>Benchmark (JPY)*</td> <td>-1.62%</td> <td>4.11%</td> <td>3.45%</td> <td>25.24%</td> <td>8.50%</td> </tr> </tbody> </table> <p><i>* The benchmark of the Target Fund is MSCI Japan SMID Cap Index.</i></p> <p><i>Source: UOB Asset Management Ltd, Fund Factsheet as at 31 October 2021.</i></p>		1-month	3-months	6-months	12-months	Since inception (10 Mar 2014) (annualized)	Target Fund (JPY)	0.37%	5.55%	8.58%	22.93%	12.33%	Benchmark (JPY)*	-1.62%	4.11%	3.45%	25.24%	8.50%
	1-month	3-months	6-months	12-months	Since inception (10 Mar 2014) (annualized)															
Target Fund (JPY)	0.37%	5.55%	8.58%	22.93%	12.33%															
Benchmark (JPY)*	-1.62%	4.11%	3.45%	25.24%	8.50%															
2.6	Strategies and policies employed	<p><u>Strategies and policies of the Target Fund</u></p> <p>During the financial period (from 1 May 2021 to 31 October 2021), the Sub-Manager of the Target Fund (i.e. Sumitomo Mitsui DS Asset Management Company, Limited) continued to stick to their basic investment policy as follows.</p> <p>The Sub-Manager sets an absolute price target for each stock which is calculated based on their company research and analysis. Their investment decisions are based on the target stock prices.</p> <p>This analysis contains earnings estimation for next 3 years, financial status and risk evaluation through the research on each company.</p> <p>The Sub-Manager makes their investment decisions from the mid-to-long term perspective, without being influenced from short term market trend.</p> <p><i>Source: UOB Asset Management Ltd</i></p> <p>Strategies and policies of the Fund</p> <p>For the financial period under review, the Fund seeks to achieve its investment objective by investing a minimum of 90% of the Fund's NAV in the Target Fund with the remaining balance in liquid assets.</p> <p>Accordingly, this Fund will have a passive strategy as all the investment decisions will be made at the Target Fund level.</p>																		

2.7	Asset allocation	This table below shows the asset allocation of the Fund as at 31 October 2021:	
		Assets	As at 31 October 2021 (%)
		Foreign collective investment scheme	92.95
		Cash	7.05
		Total	100.00
2.8	Income distribution/ Unit splits	There is no income distribution and unit split declared during the financial year under review.	
2.9	State of affairs	There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the financial period under review.	
2.10	Rebates and soft commission	<p>It is our policy to pay all rebates to the Fund. 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.</p> <p>The Manager will retain the soft commissions that are deemed to be beneficial to the unitholders of the Fund in the form of research and advisory services from any broker or dealer by virtue of transactions conducted for the fund that can assist in the decision making process in relation to the Fund such as technical analysis software, data and quotation services and computer software incidental to investment management of the Fund.</p> <p>During the financial period under review, the Manager had not received any soft commissions.</p>	
2.11	Market review	<p>Japan Equity market rose for the review period (1 May 2021 to 31 October 2021). The TOPIX and MSCI Japan SMID Cap Index increased by 6.5% and 3.6% in JPY terms on a total return basis, respectively.</p> <p>After the stock prices fluctuated in a range from May to August 2021 reflecting market sentiment to Covid situation, the Japan Equity started to rise because the resignation of Prime Minister Suga grew market expectation for economic measures by next administration and also the Covid infection cases peaked out. From late September to early October, however, it was driven down by the negative factors including U.S. inflation concern, electric power shortage and excessive debts issue in real estate industry in China, which offset most of the gains in the rally in September. Toward the end of the month, the market was firm due to high U.S. stock indices in favour of corporate earnings and the yen depreciation that lowered to the level back in November 2017.</p> <p><i>Source: UOB Asset Management Ltd</i></p>	
2.12	Market outlook	Global economy will continue to resume economic activities due to vaccination effects. However, the detection of a new Covid-19 variant has raised concerns over global re-expansion of infection, and would affect the speed of economic growth.	

2.12	Market outlook (continued)	<p>The Japanese stock market is expected to continue rising moderately, supported by the global economy and sustainably growing corporate earnings under economic-friendly policies of Kishida administration. The Sub-Manager also expects to see net purchase from overseas investors, who hold small exposure in Japanese equity, as the market starts to pay attention to the stock valuation which has been in a downward trend.</p> <p><i>Source: UOB Asset Management Ltd</i></p>
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Kuala Lumpur, Malaysia
UOB Asset Management (Malaysia) Berhad

31 December 2021

(B) TRUSTEE'S REPORT

TO THE UNITHOLDERS OF UNITED JAPAN DISCOVERY FUND

We have acted as Trustee for United Japan Discovery Fund (the "Fund") for the financial period ended 31 October 2021. To the best of our knowledge, for the financial period under review, UOB Asset Management (Malaysia) Berhad (the "Manager") has operated and managed the Fund in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager under the Deed(s), the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund is carried out in accordance with the Deed(s) of the Fund and any regulatory requirements; and
- (c) creation and cancellation of units for the Fund are carried out in accordance with the Deed(s) of the Fund and any regulatory requirements.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching
Senior Manager, Trustee Operations

Gerard Ang
Chief Executive Officer

Kuala Lumpur, Malaysia
31 December 2021

UNITED JAPAN DISCOVERY FUND

(C) STATEMENT BY MANAGER

We, **Lim Suet Ling** and **Seow Lun Hoo**, being two of the Directors of UOB Asset Management (Malaysia) Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 11 to 38 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of **United Japan Discovery Fund** as at 31 October 2021 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial period then ended and comply with requirements of the Deed(s).

For and on behalf of the Manager,
UOB Asset Management (Malaysia) Berhad

LIM SUET LING
Executive Director/
Chief Executive Officer

SEOW LUN HOO
Director

Kuala Lumpur, Malaysia
31 December 2021

(D) FINANCIAL STATEMENTS

UNITED JAPAN DISCOVERY FUND

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2021

	Note	31.10.2021 RM	30.04.2021 RM
ASSETS			
Investments	3	24,999,853	24,257,421
Forward foreign currency contracts	4	1,010,446	379,497
Amount due from Manager	5	-	380,003
Cash at bank		2,024,318	2,308,964
TOTAL ASSETS		28,034,617	27,325,885
LIABILITIES			
Amount due to Manager	5	145,928	-
Amount due to Trustee	6	1,433	1,413
Accruals		13,392	15,987
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		160,753	17,400
NET ASSET VALUE (“NAV”) ATTRIBUTABLE TO UNITHOLDERS	7	27,873,864	27,308,485
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE:			
Unitholders’ capital	7	17,034,585	18,753,162
Retained earnings	7	10,839,279	8,555,323
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		27,873,864	27,308,485
TOTAL NAV AND LIABILITIES		28,034,617	27,325,885
NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS			
- MYR HEDGED CLASS		27,873,864	27,308,485
UNITS IN CIRCULATION			
- MYR HEDGED CLASS	7(a)	48,658,412	51,995,465

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

UNITED JAPAN DISCOVERY FUND

**STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 OCTOBER 2021**

	31.10.2021	30.04.2021
	RM	RM
NET ASSET VALUE PER UNIT IN MYR		
- MYR HEDGED CLASS	<u>0.5728</u>	<u>0.5252</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- MYR HEDGED CLASS (MYR)	<u>0.5728</u>	<u>0.5252</u>

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

UNITED JAPAN DISCOVERY FUND

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIXTH MONTH FINANCIAL PERIOD ENDED 31 OCTOBER 2021**

	Note	01.05.2021 to 31.10.2021 RM	01.05.2020 to 31.10.2020 RM
INVESTMENT INCOME			
Interest income from deposits with licensed financial institution		2,477	7,832
Net gain on investments at fair value through profit or loss (“FVTPL”):	3		
- net realised gain on sale of investments at FVTPL		733,139	518,255
- net unrealised gain on changes in fair value	7(c)	677,897	4,723,740
Net realised gain on forward foreign currency contracts		319,603	2,027,777
Net realised (loss)/gain on foreign currency exchange		(37,073)	140,065
Net unrealised gain/(loss) on forward foreign currency contracts	7(c)	630,949	(1,150,997)
Net unrealised loss on foreign currency exchange		-	(54,932)
		<u>2,326,992</u>	<u>6,211,740</u>
EXPENSES			
Manager’s fee	8	19,579	37,035
Trustee’s fee	9	7,811	15,050
Auditors’ remuneration		4,688	4,688
Tax agent’s fee		2,017	1,966
Other expenses		8,941	1,626
		<u>43,036</u>	<u>60,365</u>
NET INCOME BEFORE TAXATION		2,283,956	6,151,375
Tax expense	10	-	-
NET INCOME AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>2,283,956</u>	<u>6,151,375</u>
Net income after taxation is made up of the following:			
Realised amount	7(b)	975,110	2,633,564
Unrealised amount	7(c)	1,308,846	3,517,811
		<u>2,283,956</u>	<u>6,151,375</u>

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

UNITED JAPAN DISCOVERY FUND

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO UNITHOLDERS FOR THE SIXTH MONTH FINANCIAL PERIOD ENDED 31
OCTOBER 2021**

	Note	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 May 2020		51,539,601	(2,782,497)	48,757,104
Movement in net asset value:				
Total comprehensive income for the financial period		-	6,151,375	6,151,375
Creation of units				
- MYR HEDGED CLASS		9,088,245	-	9,088,245
Cancellation of units				
- MYR HEDGED CLASS		(22,836,467)	-	(22,836,467)
Balance as at 31 October 2020		<u>37,791,379</u>	<u>3,368,878</u>	<u>41,160,257</u>
Balance as at 1 May 2021		18,753,162	8,555,323	27,308,485
Movement in net asset value:				
Total comprehensive income for the financial period		-	2,283,956	2,283,956
Creation of units				
- MYR HEDGED CLASS	7(a)	14,672,992	-	14,672,992
Cancellation of units				
- MYR HEDGED CLASS	7(a)	(16,391,569)	-	(16,391,569)
Balance as at 31 October 2021		<u>17,034,585</u>	<u>10,839,279</u>	<u>27,873,864</u>

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

UNITED JAPAN DISCOVERY FUND**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIXTH MONTH FINANCIAL PERIOD ENDED 31 OCTOBER 2021**

	01.05.2021 to 31.10.2021	01.05.2020 to 31.10.2020
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	5,144,540	11,819,360
Purchase of investments	(4,475,936)	-
Interest received from deposits with licensed financial institution	2,476	7,832
Manager's fee paid	(16,555)	(36,036)
Trustee's fee paid	(7,791)	(14,926)
Auditors' remuneration paid	(9,300)	-
Payment of other fees and expenses	(8,941)	(616)
Net realised (loss)/gain on foreign currency exchange	(37,073)	140,065
Net realised gain on forward foreign currency contracts	319,603	2,027,777
Net cash generated from operating and investing activities	<u>911,023</u>	<u>13,943,456</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	14,936,279	9,050,038
Payment for cancellation of units	(16,131,948)	(21,024,593)
Net cash used in financing activities	<u>(1,195,669)</u>	<u>(11,974,555)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(284,646)	1,968,901
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>2,308,964</u>	<u>403,973</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>2,024,318</u>	<u>2,372,874</u>
Cash and cash equivalents comprises the following:		
Cash at bank	<u>2,024,318</u>	<u>2,372,874</u>

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

UNITED JAPAN DISCOVERY FUND

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. INFORMATION ON THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The United Japan Discovery Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of the Deed dated 9 September 2015 and First Supplemental Deed dated 6 August 2019 (collectively referred to as “the Deeds”) between UOB Asset Management (Malaysia) Berhad (“the Manager”) and Deutsche Trustees Malaysia Berhad (“the Trustee”).

The Fund seeks to provide investors with long term capital appreciation by investing in the United Japan Small and Mid Cap Fund (the “Target Fund”) which has an investment focus in Japan. The Fund was launched on 12 October 2015 and commenced for operations on 2 November 2015. As provided in the Master Deed, the accrual period or financial year shall end on 30 April.

The Manager is a subsidiary of UOB Asset Management Limited, headquartered in Singapore.

The financial statements were authorised for issue by the Manager on 31 December 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia (“RM”).

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

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on or after 1 May 2022 are applicable to the financial statements of the Fund.

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

Standards issued and effective

The accounting policies adopted that could have material impact to the financial statements are consistent with those of the previous financial period.

2.3 Summary of significant accounting policies

(a) Financial instruments

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provision of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together; or,

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Classification (continued)

In applying that classification, a financial asset or financial liability is considered to be held for trading if: (continued)

- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss (“FVTPL”) on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

- (i) Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. The Fund includes in this category bank balances.

- (ii) Financial assets measured at FVTPL

A financial asset is measured at FVTPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding; or
- (b) It is held within a business model whose objective is to sell; or,
- (c) At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets (continued)

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

Financial liabilities

(i) Financial liabilities measured at FVTPL

A financial liability is measured at FVTPL if it meets the definition of held for trading. The Fund currently does not hold such financial liabilities.

(ii) Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at FVTPL. The Fund includes in this category amount due to Manager and amount due to Trustee.

Impairment of financial assets

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (“ECL”) under MFRS 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Fund’s approach to ECL reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Derecognition of financial assets and financial liabilities

A financial asset is derecognised when:

- (i) The contractual rights to receive cash flows from the financial asset have expired;
or
- (ii) The Fund has transferred its contractual rights to receive cash flows from the financial asset or have assumed contractual obligation to pay the received cash flows in full without material delay to one or more third parties under a "pass through" arrangement; and either:
 - (a) the Fund has transferred substantially all the risks and rewards of ownership of the financial asset; or
 - (b) the Fund has neither transferred nor retained substantially all the risks and rewards, but has transferred control of the financial asset.

On derecognition of financial assets at amortised cost, gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

A financial liability is derecognised when the obligation under the financial liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(b) Classification of realised and unrealised gains and losses

Unrealised gains and losses comprise changes in the fair value of financial instruments at FVTPL. Realised gains and losses on disposals of financial instruments at FVTPL are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Return on investments, foreign exchange translation differences of cash at bank balances denominated in foreign currencies and accrued interest on deposits which have not matured as at the reporting date are classified as realised income in the financial statements.

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(c) Derivative financial instruments

Derivatives are financial assets or liabilities at FVTPL categorised as held for trading unless they are designated hedges.

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.

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 held for trading and accounted for in accordance with the accounting policy on FVTPL.

(d) Functional and presentation currency

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in RM, which is also the Fund's functional currency.

(e) Foreign currency translation

Transactions in currencies other than the Fund's functional currency (foreign currencies) are recorded in the functional currency using exchange rates prevailing at the transaction dates. At each reporting date, foreign currency monetary items are translated into RM at exchange rates ruling at the reporting date. All exchange gains or losses are recognised in the profit or loss.

(f) Unitholders' capital

The unitholders' capital to the Fund are classified as liabilities under MFRS 132 *Financial Instruments: Presentation*.

The outstanding units are carried at the redemption amount that is payable at each financial period if 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 assets attributable to unit holders with the total number of outstanding units.

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(f) Unitholders' capital (continued)

The Fund was constituted as a fund with multiple classes of units. As at the reporting date, only units in one class were created.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank which have an insignificant risk of changes in value.

(h) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Interest income from deposits with licensed financial institution is recognised using the effective interest method.

(i) Net asset value attributable to unitholders

Net asset value attributable to unitholders represents the redemption amount that would be payable if the unitholders exercised the right to redeem units of the Fund at the end of the reporting period.

(j) Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

No deferred tax is recognised as there are no material temporary differences.

(k) Segment reporting

For internal management reporting purposes, all of the investments of the Fund are managed as one portfolio and reviewed as such by the Manager. The Manager is the decision maker for performance assessment purposes and makes decisions about resource allocation. Accordingly, the Fund does not have any operating segment information to be disclosed in the financial statements.

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(l) Significant accounting estimates and judgments

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

No major judgements have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3. INVESTMENTS

	31.10.2021	30.04.2021
	RM	RM
Investments designated as FVTPL:		
- collective investment scheme - foreign	24,999,853	24,257,421
	01.05.2021	01.05.2020
	to 31.10.2021	to 31.10.2020
	RM	RM
Net gain on investments at FVTPL comprised:		
- net realised gain on sale of investments at FVTPL	733,139	518,255
- net unrealised gain on changes in fair value	677,897	4,723,740
	<u>1,411,036</u>	<u>5,241,995</u>

UNITED JAPAN DISCOVERY FUND

3. INVESTMENTS (CONTINUED)

Investments designated as FVTPL as at 31 October 2021 are as follows:

Name of counter	Quantity	Cost RM	Fair value RM	Fair value expressed as a percentage of value of the Fund %
COLLECTIVE INVESTMENT SCHEME - FOREIGN				
United Japan Small and Mid Cap Fund - Class A JPY Acc ("Target Fund")*	283,225	21,916,443	24,999,853	89.69
EXCESS OF FAIR VALUE OVER COST:				
- UNREALISED GAIN ON FAIR VALUE		3,469,913		
- UNREALISED LOSS ON FOREIGN EXCHANGE		(386,503)		
TOTAL INVESTMENTS AT FVTPL		24,999,853		

* Collective investment scheme related to the Manager.

4. FORWARD FOREIGN CURRENCY CONTRACTS

As at the reporting date, there are 7 (30.04.2021: 3) forward foreign currency contracts outstanding.

The notional principal amount of the outstanding forward foreign currency contracts amounted to RM29,315,114 (30.04.2021: RM22,636,851).

The forward foreign currency contracts entered into were for hedging against the currency exposure arising from the investments in the collective investment scheme denominated in Japanese Yen ("JPY").

As the Fund has not adopted hedge accounting, the changes in fair value of the forward foreign currency contracts are recognised immediately in the profit or loss.

UNITED JAPAN DISCOVERY FUND

5. AMOUNT DUE (TO)/FROM MANAGER

	31.10.2021	30.04.2021
	RM	RM
Creation of units	265,568	528,854
Cancellation of units	(393,407)	(133,786)
Manager's fee payable	(18,089)	(15,065)
	<u>(145,928)</u>	<u>380,003</u>

The normal credit period for the Manager's fee payable is one month (30.04.2021: one month).

6. AMOUNT DUE TO TRUSTEE

	31.10.2021	30.04.2021
	RM	RM
Trustee's fee payable	<u>1,433</u>	<u>1,413</u>

Amount due to Trustee represents Trustee's fee payable.

The normal credit period for the Trustee's fee payable is one month (30.04.2021: one month).

7. NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNITHOLDERS

Unitholders should note that the NAV of the Fund is determined by deducting the value of all the Fund's liabilities from the value of all the Fund's assets, at a particular valuation point.

The NAV per Unit of a Class of Units is the NAV of the Fund attributable to a Class of Units divided by the number of units in circulation for that particular Class of Units, at the same valuation point. The valuation of the Fund will be carried out in the base currency (MYR). Accordingly, all assets that are not denominated in RM will be translated to RM for valuation purposes. The foreign exchange rate used for this purpose shall be the bid foreign exchange rate quoted by Reuters or other reputable information service providers at 4.00pm. United Kingdom time as at the valuation point of the Fund or such rate or method as may be prescribed under the relevant laws from time to time.

Due to multiple Classes of Units in the Fund, the indirect fees and/or charges for the Fund are apportioned by using the multi-class ratio, which is based on the value of the Class of Units of the Fund (quoted in the base currency) relative to the value of the whole Fund (quoted in the base currency). As at 31 October 2021, the multi-class ratio used in apportionment for MYR Hedged Class is 100.00 (30.04.2021: 100.00).

UNITED JAPAN DISCOVERY FUND

7. NET ASSET VALUE (“NAV”) ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

Net asset value attributable to unitholders is represented by:

	Note	31.10.2021 RM	30.04.2021 RM
Unitholders’ capital			
- MYR HEDGED CLASS	(a)	<u>17,034,585</u>	<u>18,753,162</u>
Retained earnings			
- Realised gain	(b)	6,745,422	5,770,312
- Unrealised gain	(c)	4,093,857	2,785,011
		<u>10,839,279</u>	<u>8,555,323</u>
Total NAV attributable to unitholders		<u>27,873,864</u>	<u>27,308,485</u>

(a) UNITHOLDERS’ CAPITAL/UNITS IN CIRCULATION - MYR HEDGED CLASS

	Units	31.10.2021 RM	Units	30.04.2021 RM
At the beginning of the financial period/year	51,995,465	18,753,162	107,407,420	51,539,601
Creation of units during the financial period/year	26,249,919	14,672,992	38,365,513	20,392,915
Creation of units via unit split during the financial period/year	-	-	5,049,452	-
Cancellation of units during the financial period/year	<u>(29,586,972)</u>	<u>(16,391,569)</u>	<u>(98,826,920)</u>	<u>(53,179,354)</u>
At the end of the financial period/year	<u>48,658,412</u>	<u>17,034,585</u>	<u>51,995,465</u>	<u>18,753,162</u>

The units held by the Manager and party related to the Manager as at 31 October 2021 are disclosed in Note 11 (30.04.2021: Nil).

UNITED JAPAN DISCOVERY FUND

7. NET ASSET VALUE (“NAV”) ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

(b) RETAINED EARNING - REALISED

	31.10.2021	30.04.2021
	RM	RM
At the beginning of the financial period/year	5,770,312	(604,569)
Total comprehensive income for the financial period/year	2,283,956	11,337,820
Net unrealised gain attributable to investments and others held transferred to unrealised reserve	(1,308,846)	(4,962,939)
Net increase in realised reserve for the financial period/year	975,110	6,374,881
At the end of the financial period/year	6,745,422	5,770,312

(c) RETAINED EARNING - UNREALISED

	31.10.2021	30.04.2021
	RM	RM
At the beginning of the financial period/year	2,785,011	(2,177,928)
Net unrealised gain attributable to investments and others held transferred to unrealised reserve:		
- Investments at FVTPL	677,897	5,170,455
- Forward foreign currency contracts	630,949	(207,516)
	1,308,846	4,962,939
At the end of the financial period/year	4,093,857	2,785,011

8. MANAGER’S FEE

Schedule 8 of the Deed provides that the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 2.00% (01.05.2020 - 31.10.2020: 2.00%) per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statements is 1.80% (01.05.2020 - 31.10.2020: 1.80%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

As the Fund is investing in the Target Fund, the Target Fund Manager’s fee is charged at 1.75% (01.05.2020 - 31.10.2020: 1.75%) per annum of the net asset value of the Target Fund and maximum 2.50% (01.05.2020 - 31.10.2020: 2.50%) per annum of the net asset value of the Target Fund. There will be no double charging of annual management fee.

There will be no further liability to the Manager in respect of Manager’s fee other than the amount recognised in the financial statements.

UNITED JAPAN DISCOVERY FUND

9. TRUSTEE'S FEE

Schedule 9 of the Deed provides that the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.20% (01.05.2020 - 31.10.2020: 0.20%) per annum of the net asset value of the Fund, calculated on a daily basis; subject to a minimum fee of RM15,000 (01.05.2020 - 31.10.2020: RM15,000) per annum (excluding foreign custodian fee and charges).

The Trustee's fee provided in the financial statements is 0.06% (01.05.2020 - 31.10.2020: 0.06%) per annum based on the net asset value of the Fund; subject to a minimum fee of RM15,000 (01.05.2020 - 31.10.2020: RM15,000) per annum, calculated on a daily basis for the financial period.

There will be no further liability to the Trustee in respect of Trustee's fee other than the amount recognised in the financial statements.

10. INCOME TAX EXPENSE

Income from deposit placements is exempted from tax in accordance with Schedule 6, Paragraph 35A of the Income Tax Act, 1967 ("ITA"), subject to certain exclusion. Distribution income derived from sources outside Malaysia and received in Malaysia is exempted from tax in accordance with Schedule 6, Paragraph 28 of the ITA. Pursuant to Section 61(1)(b) of the ITA, gains from realisation of investment will not be treated as income of the Fund and hence are not subject to income tax.

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

	01.05.2021 to 31.10.2021 RM	01.05.2020 to 31.10.2020 RM
Net income before taxation	2,283,956	6,151,375
Taxation at Malaysian statutory rate of 24% (01.05.2020 - 31.10.2020: 24%)	548,149	1,476,330
Tax effects of:		
Income not subject to tax	(567,375)	(2,234,925)
Loss not deductible for tax purposes	8,898	744,108
Restriction on tax deductible expenses for funds	5,824	10,255
Expenses not deductible for tax purposes	4,504	4,232
Tax expense for the financial period	-	-

UNITED JAPAN DISCOVERY FUND

11. UNITS HELD BY THE MANAGER AND PARTY RELATED TO THE MANAGER

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

Related party	Relationship
Connected Person to the Director of UOB Asset Management (Malaysia) Berhad	Director of the Manager

The units held by the Manager as at the date of the financial period as follows:

<u>Party related to the Manager</u>	Units	31.10.2021 RM
Connected Person to the Director of UOB Asset Management (Malaysia) Berhad (The units are held beneficially)	21,109	12,091

The Directors of the Manager are of the opinion that any transactions with the related party have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. These dealings with related party have been transacted at arm's length basis.

12. TRANSACTIONS WITH INVESTMENT MANAGER OF THE TARGET FUND

Details of transactions with Investment Manager of the Target Fund for the financial period ended 31 October 2021 are as follows:

Investment Manager of the Target Fund	Value of trade RM	Percentage of total trade %
UOB Asset Management Limited, Singapore*	9,620,476	100.00

* A company related to the Manager.

The Directors of the Manager are of the opinion that any transactions with the related party have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. These dealings with related party have been transacted at arm's length basis.

UNITED JAPAN DISCOVERY FUND

13. MANAGEMENT EXPENSE RATIO (“MER”)

	01.05.2021 to 31.10.2021 %	01.05.2020 to 31.10.2020 %
Manager’s fee*	0.08	0.07
Trustee’s fee	0.03	0.03
Other expenses	0.06	0.02
Total MER	<u>0.17</u>	<u>0.12</u>

* *Manager’s fee net of Target Fund’s management fee*

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund to the average NAV of the Fund calculated on a daily basis.

14. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.05.2021 to 31.10.2021	01.05.2020 to 31.10.2020
PTR (times)	<u>0.19</u>	<u>0.12</u>

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial period to the average NAV of the Fund calculated on a daily basis.

15. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The Fund’s financial assets and financial liabilities are measured on an ongoing basis based on their respective classification. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expenses are recognised:

- (i) the Fund’s investments, comprising collective investment scheme are classified as financial asset at FVTPL which are measured at fair value;
- (ii) the Fund’s other financial assets, comprising cash at bank, are classified as financial assets which are measured at amortised cost;
- (iii) the Fund’s financial liabilities (excluding NAV attributable to unitholders), comprising amount due to Manager and amount due to Trustee, are classified as other financial liabilities which is measured at amortised cost;

UNITED JAPAN DISCOVERY FUND

15. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

- (iv) the Fund's forward foreign currency contracts are derivatives which are measured at FVTPL; and
- (v) the Fund's NAV attributable to unitholders are carried in the financial statements based on the residual value of the net assets of the Fund.

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Derivatives at FVTPL RM	Total RM
31.10.2021					
Financial assets					
Investments	24,999,853	-	-	-	24,999,853
Forward foreign currency contracts	-	-	-	1,010,446	1,010,446
Cash at bank	-	2,024,318	-	-	2,024,318
Total financial assets	24,999,853	2,024,318	-	1,010,446	28,034,617
Financial liabilities					
Amount due to Manager	-	-	145,928	-	145,928
Amount due to Trustee	-	-	1,433	-	1,433
Total financial liabilities	-	-	147,361	-	147,361

UNITED JAPAN DISCOVERY FUND

15. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Derivatives at FVTPL RM	Total RM
30.04.2021					
Financial assets					
Investments	24,257,421	-	-	-	24,257,421
Forward foreign currency contracts	-	-	-	379,497	379,497
Amount due from Manager	-	380,003	-	-	380,003
Cash at bank	-	2,308,964	-	-	2,308,964
Total financial assets	24,257,421	2,688,967	-	379,497	27,325,885
Financial liabilities					
Amount due to Trustee	-	-	1,413	-	1,413
Total financial liabilities	-	-	1,413	-	1,413

(b) Financial instruments that are carried at fair value

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

UNITED JAPAN DISCOVERY FUND

15. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments that are carried at fair value (continued)

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31.10.2021				
Financial instruments				
Foreign collective investment scheme	-	24,999,853	-	24,999,853
Forward foreign currency contracts	-	1,010,446	-	1,010,446
Total financial instruments	-	26,010,299	-	26,010,299
30.04.2021				
Financial instruments				
Foreign collective investment scheme	-	24,257,421	-	24,257,421
Forward foreign currency contracts	-	379,497	-	379,497
Total financial instruments	-	24,636,918	-	24,636,918

(c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short period to maturity or short credit period:

- Cash at bank
- Amount due to Manager
- Amount due to Trustee
- NAV attributable to unitholders

There were no financial instruments which are not carried at fair values and whose carrying amounts are not reasonable approximation of their respective fair values.

UNITED JAPAN DISCOVERY FUND

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks including market risk, non-compliance risk, passive strategy risk, currency risk and liquidity risk. Whilst these are the most important types of financial risks inherent in each type of financial instrument, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

(a) Market risk

Market risk refers to potential losses that may arise from changes in the market conditions which may affect the market prices of the investments of the Fund and hence the NAV of the Fund. Market conditions are generally affected by, amongst others, social environment, political and economic stability.

The Fund's overall exposure to market risk was as follows:

	31.10.2021	30.04.2021
	RM	RM
Investments at FVTPL	<u>24,999,853</u>	<u>24,257,421</u>

The table below summarises the sensitivity of the Fund's net asset value and net income after taxation to movements in prices of investments. The analysis is based on the assumption that the price of the investments fluctuates by 5% with all other variables held constant.

	Change in price of investments %	Market value RM	Impact on net income after taxation and NAV RM
31.10.2021	-5	23,749,860	(1,249,993)
	0	24,999,853	-
	5	<u>26,249,846</u>	<u>1,249,993</u>

UNITED JAPAN DISCOVERY FUND

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

	Change in price of investments %	Market value RM	Impact on net profit after taxation and NAV RM
30.04.2021			
	-5	23,044,550	(1,212,871)
	0	24,257,421	-
	5	25,470,292	1,212,871
		<hr/>	<hr/>

(b) Non-compliance risk

Non-adherence with laws, rules, regulations, prescribed practices, internal policies and procedures may adversely affect the Fund's investment when the Manager takes action to rectify the non-compliance. Investment goals may also be affected should the Manager not adhere to the investment mandate (such as the Fund's investment objective and investment policy and strategy). The non-adherence may be the outcome from human error (for instance the oversight of the Manager) or system failure (causing unnecessary downtime). The magnitude of such risk and its impact on the Fund and/or unitholders are dependent on the nature and severity of the non-compliance. In order to mitigate this risk, the Manager has stringent internal controls and ensures that compliance monitoring processes are undertaken.

(c) Passive strategy risk

The Fund adopts a passive strategy of investing a minimum of 90% of its NAV into the Target Fund at all times. This passive strategy would result in the Fund being exposed to the risk of its NAV declining when the Target Fund's net asset value declines. All investment decisions on the Target Fund are left with the Target Fund's Investment Manager.

UNITED JAPAN DISCOVERY FUND

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Currency risk

This risk is associated with investments denominated in currencies different from the base currency. As the Fund is denominated in RM, investments in other currencies other than RM will cause the Fund to be exposed to currency risks. Fluctuations in the exchange rates of other currencies against the RM may affect the NAV of the Fund and consequently the NAV per unit of the Fund.

For the MYR hedged Class

The Fund is investing in the Class JPY distribution of the Target Fund which is denominated in JPY, however, investors in the MYR hedged Class will be subject to a lower currency risk at the Fund level as the Manager will minimise this risk by hedging the foreign currency exposure. Investors should note that by employing this hedging, investors would not be able to enjoy the additional currency gains when JPY moves favourably against the RM. Additional transaction costs of hedging will also be borne by investors in the MYR hedged Class.

The following table sets out the foreign currency risk concentrations of the Fund.

	31.10.2021		30.04.2021	
	Percentage		Percentage	
	of NAV		of NAV	
	RM	%	RM	%
<u>JPY</u>				
Investments at FVTPL	24,999,853	89.69	24,257,421	88.83
Forward foreign currency contracts	1,010,446	3.63	379,497	1.39
Cash at bank	9,629	0.03	-	-
	<u>26,019,928</u>	<u>93.35</u>	<u>24,636,918</u>	<u>90.22</u>

The following table summarises the sensitivity of the Fund's net asset value and profit after tax to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables remaining constant. Any increase/decrease in foreign exchange rate will result in a corresponding decrease/increase in the net assets attributable to unitholders by approximately 5%. Disclosures below are shown in absolute terms, changes and impact could be positive or negative.

UNITED JAPAN DISCOVERY FUND

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Currency risk (continued)

	Change in foreign exchange rate %	Impact on net income after taxation and NAV RM
31.10.2021		
JPY	+5	1,300,996
	-5	(1,300,996)
		<hr/>
30.04.2021		
JPY	+5	1,231,846
	-5	(1,231,846)
		<hr/>

(e) Liquidity risk

In the event of unexpectedly large realisations of units, there may be a possibility that the assets of the Target Fund may be forced to be liquidated at below their fair and expected value, especially in illiquid public exchanges or over-the-counter markets. The Investment Manager of the Target Fund will ensure that a sufficient portion of the Target Fund will be in liquid assets such as cash and cash equivalents to meet expected realisations, net of new subscriptions.

Investments by the Target Fund may be listed in some Asian and/or emerging markets and may involve a greater degree of risk due to the nature of such markets which do not have fully developed services such as custodian and settlement services often taken for granted in more developed markets. There may be a greater degree of volatility in such markets because of the speculative element, significant retail participation and lack of liquidity which are inherent characteristics of these markets. As such, the Target Fund will be exposed to liquidity risk when the Target Fund is invested in these markets.

The natures of undiscounted contractual cash flows for financial assets and liabilities of the Fund are not presented as:

- (i) The investments have no maturity period; and
- (ii) Other financial assets and financial liabilities will contractually mature less than one year from the reporting date at amounts not significantly different from that presented on the statement of financial position.

UNITED JAPAN DISCOVERY FUND

17. CAPITAL MANAGEMENT

The capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund's units in issue at the end of the financial period are disclosed in Note 7(a).

No changes were made to the Fund's objectives, policies or processes during the current and previous financial period.

(E) CORPORATE INFORMATION

Manager	UOB Asset Management (Malaysia) Berhad 199101009166 (219478-X) Level 22, Vista Tower The Intermark 348, Jalan Tun Razak 50400 Kuala Lumpur Tel: 03-2732 1181 Fax: 03-2164 8188 Website: www.uobam.com.my
Board of Directors	Mr Wong Kim Choong Mr Thio Boon Kiat (alternate to Mr Wong Kim Choong) Mr Seow Lun Hoo Mr Seow Voon Ping (alternate to Mr Seow Lun Hoo) Mr Wong Yoke Leong Mr Lim Kheng Swee En Syed Naqiz Shahabuddin Bin Syed Abdul Jabbar Ms Lim Suet Ling (Executive Director & CEO)
Trustee	Deutsche Trustees Malaysia Berhad 200701005591 (763590-H)
Auditor of the Fund	Ernst & Young
Tax Adviser of the Fund	Deloitte Tax Services Sdn Bhd
Investment Manager of the Target Fund	UOB Asset Management Ltd
Sub-Manager of the Target Fund	Sumitomo Mitsui DS Asset Management Company, Limited

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