



United Japan Discovery Fund

**Semi-Annual Report
31 October 2023**

UNITED JAPAN DISCOVERY FUND

Unaudited Semi-Annual Report and Financial Statements For the Financial Period Ended 31 October 2023

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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 2023 to 31 October 2023.

(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.

(2) Performance Data of the Fund

2.1	Portfolio composition	Details of portfolio composition of the Fund for the last three unaudited financial period as at 30 October are as follows:			
		Sectors, category of investments & cash holdings	As at 31 October 2023 (%)	As at 31 October 2022 (%)	As at 31 October 2021 (%)
		Foreign collective investment scheme	96.06	96.29	92.95
		Cash	3.94	3.71	7.05
		Total	100.00	100.00	100.00
2.2	Performance details	Performance details of the Fund for the financial period ended 31 October are as follows:			
			As at 31 October 2023	As at 31 October 2022	As at 31 October 2021
		Net Asset Value ("NAV") (RM) - MYR hedged Class	17,912,722	26,337,857	27,873,864
		NAV per unit in RM - MYR hedged Class	0.5672	0.5386	0.5728
		NAV per unit in respective currencies - MYR hedged Class (RM)	0.5672	0.5386	0.5728

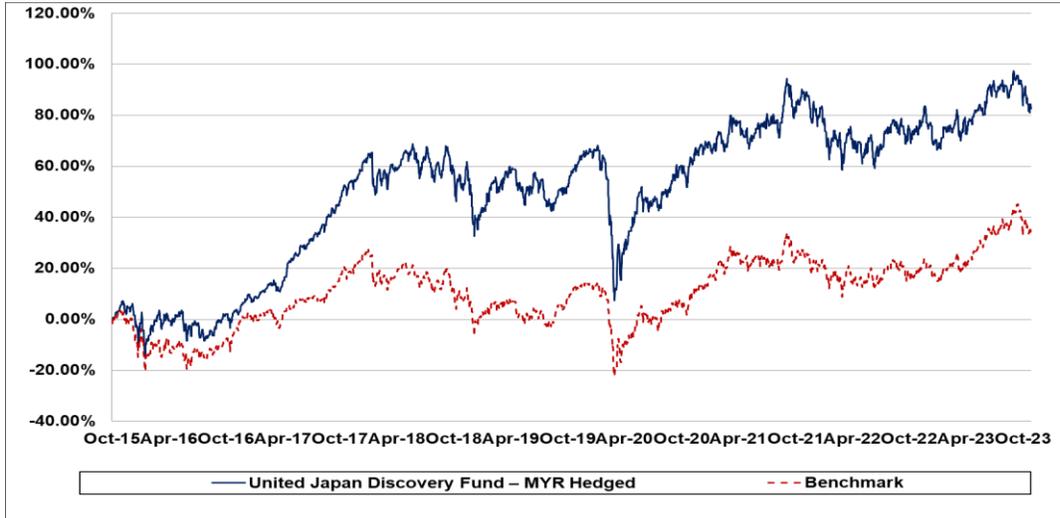
2.2	Performance details (continued)	Units in circulation			
		- MYR hedged Class	31,580,406	48,897,214	48,658,412
		Highest NAV per unit in respective currencies			
		- MYR hedged Class (RM)	0.6051	0.5477	0.5956
		Lowest NAV per unit in respective currencies			
		- MYR hedged Class (RM)	0.5495	0.4875	0.5113
		Total return (%)			
		- MYR hedged Class	1.84	3.70	9.06
		Capital growth (%)			
		- MYR hedged Class	1.84	3.70	9.06
		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)	--	--	--		
Total expense ratio ("TER") (%)	0.16 ⁽¹⁾	0.13	0.17		
Portfolio turnover ratio ("PTR") (times)	0.51 ⁽²⁾	0.07	0.19		
<i>Notes:</i>					
<i>There was no units in circulation for MYR Class since the launch of the class on 12 October 2015.</i>					
¹ <i>TER is higher against previous financial period mainly due to decrease in average fund size.</i>					
² <i>PTR is higher against previous financial period mainly due to increase in trading activity.</i>					
Average total return (annualised) for the following periods ended 31 October 2023					
			The Fund (%)	Benchmark* (%)	
Since commencement (2 November 2015)					
- MYR hedged Class			7.81	3.67	
1 year					
- MYR hedged Class			3.90	12.32	
3 years					
- MYR hedged Class			6.36	9.47	
5 years					
- MYR hedged Class			3.56	4.35	
Annual total return					
Financial years ended 30 April			The Fund (%)	Benchmark* (%)	
2023					
- MYR hedged Class			5.80	8.95	
2022					
- MYR hedged Class			-1.10	-5.46	
2021					
- MYR hedged Class			27.28	30.33	

2.2	Performance details (continued)	2020		
		- MYR hedged Class	-15.22	-12.48
		2019		
		- MYR hedged Class	-0.38	-10.59
		2018		
		- MYR hedged Class	38.41	17.65
		2017		
		- MYR hedged Class	16.06	13.48
		Since commencement (2 November 2015) - 30 October 2016		
		- MYR hedged Class	-0.40	-10.38

* The benchmark of the Fund is MSCI Japan SMID Cap Index.

Note: There was no units in circulation for MYR Class since the launch of the class on 12 October 2015.

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	Performance review	MYR hedged Class
		<p>For the financial period under review, the Fund registered a return of 1.84%, underperforming the benchmark return of 6.14%.</p> <p>For the period under review, the NAV per unit of the Fund increased by 1.84% from RM 0.5495 to RM 0.5596.</p> <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 2023.</p>  <p>Source: UOBAM(M) as at 31 October 2023.</p>

2.3	Performance review (continued)		1-month	3-months	6-months	12-months	Since commencement (2 Nov 2015)
		The Fund	-5.02%	-5.81%	1.84%	3.90%	82.61%
		Benchmark*	-4.40%	-3.52%	6.14%	12.32%	33.40%
		* The benchmark of the Fund is MSCI Japan SMID Cap Index.					
<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>							
2.4	Target Fund performance	Target Fund performance review					
		The Target Fund performance for the financial period (from 1 May 2023 to 31 October 2023) was 2.08%. In terms of excess return against the benchmark, MSCI Japan SMID Index, the Fund underperformed the benchmark by approximately 6.33%.					
		In May, the market environment was not favorable to the Target Fund initially as the market focused more on value and large cap which could benefit from the weaker yen, however, after confirming Federal Reserve Bank ("FED") skipped the rate hike in June, performance of the Fund picked up and beat the benchmark.					
		In July, even though the balance sheets of Fund remained healthy, the Mid-Small Cap focused Fund fluctuated widely because the Bank of Japan ("BOJ") decided at the meeting to enhance the flexibility of its yield curve control ("YCC") operation. By August, the Fund further underperformed the benchmark due to domestic driven fund construction versus the benchmark with larger cap names that would benefit from stronger economy in the U.S and dovish speech by FED Chair Jerome Powell's speech at the Jackson Hall Economic Symposium.					
September, both market and the Fund performance lingered as long term US interest rate was ticking up again due to better than expected economic data such as Non-farm payroll. The fund took further headwind from the potential earlier than expected normalization of BOJ monetary policy. October, both the benchmark and the Fund pulled back significantly, resulting from fear of 'higher for longer', potential monetary policy normalization in Japan, and tensions in the Middle East.							
However, we are seeing several headwinds unwinding, and the Fund has been outperforming thereafter in November.							
Source: UOB Asset Management Ltd							
Target Fund performance data							
	1-month	3-months	6-months	12-months	Since inception (10 Mar 2014) (annualized)		
Target Fund (JPY)	-4.22%	-5.78%	2.08%	3.55%	9.07%		
Benchmark (JPY)*	-3.29%	-1.66%	8.41%	16.24%	8.05%		
* The benchmark of the Target Fund is MSCI Japan SMID Cap Index.							
Source: UOB Asset Management Ltd, Fund Factsheet as at 31 October 2023.							

2.5	Target Fund's top 10 holdings																			
		No	Equity	Sector	Weighting															
		1	JBCC HOLDINGS INC	Information Technology	1.77%															
		2	FUTURE CORP	Information Technology	1.74%															
		3	MEITEC GROUP HOLDINGS INC	Industrials	1.54%															
		4	OPEN UP GROUP INC	Industrials	1.54%															
		5	BELL SYSTEM24 HOLDINGS INC	Industrials	1.54%															
		6	SEIREN CO LTD	Consumer Discretionary	1.52%															
		7	RELO GROUP INC	Real Estate	1.48%															
		8	STAR MICRONICS CO LTD	Industrials	1.44%															
		9	NEC NETWORKS & SYSTEM INTEGRAT	Information Technology	1.41%															
10	FUKOKU CO LTD	Consumer Discretionary	1.34%																	
2.6	Strategies and policies employed	<p><u>Strategies and policies of the Target Fund</u></p> <p>The strategies and policies of the Target Fund remained unchanged. In terms of stock selection, the Target Fund focused on investing in companies which are left undervalued compare to the target price derived from their "Enterprise Value" ("EV") analysis. The Target Fund has a large exposure toward domestic demand related sectors such as "IT Services" and "Human Resources Services". Those sectors are expected to benefit from the growth strategies implemented by Japanese government such as deregulations and structural reforms, which enables companies within the sectors to achieve long term earnings growth.</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. 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	<p>This table below shows the asset allocation of the Fund as at 31 October 2023:</p> <table border="1"> <thead> <tr> <th>Assets</th> <th>As at 31 October 2023 (%)</th> <th>As at 31 October 2022 (%)</th> <th>Changes (%)</th> </tr> </thead> <tbody> <tr> <td>Foreign collective investment scheme</td> <td>96.06</td> <td>96.29</td> <td>-0.23</td> </tr> <tr> <td>Cash</td> <td>3.94</td> <td>3.71</td> <td>0.23</td> </tr> <tr> <td>Total</td> <td>100.00</td> <td>100.00</td> <td></td> </tr> </tbody> </table> <p>Reason for the differences in asset allocation</p> <p>As at 31 October 2023, the asset allocation of the Foreign collective investment scheme stood at 96.06% and 3.94% in cash. The Fund's asset allocation was within its investment objective of investing a minimum of 90% of the Fund's NAV in the Target Fund.</p>			Assets	As at 31 October 2023 (%)	As at 31 October 2022 (%)	Changes (%)	Foreign collective investment scheme	96.06	96.29	-0.23	Cash	3.94	3.71	0.23	Total	100.00	100.00	
Assets	As at 31 October 2023 (%)	As at 31 October 2022 (%)	Changes (%)																	
Foreign collective investment scheme	96.06	96.29	-0.23																	
Cash	3.94	3.71	0.23																	
Total	100.00	100.00																		

2.8	Income distribution/ Unit splits	There is no income distribution and unit split declared during the financial period 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	Securities Financing Transaction and Cross Trade Transactions	The Fund has not undertaken any securities lending or repurchase transactions. There were no cross trade transactions carried out during the financial period under review.
2.11	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>
2.12	Market review	<p>Japan Equity market rose for the review period (1 May 2023 to 31 October 2023). The Tokyo Stock Price Index ("TOPIX") increased by 10.75% and MSCI Japan SMID Cap Index rose by 8.41% in Japanese Yen ("JPY") terms on a total return basis, respectively.</p> <p>During the first half of the period, Japanese market was up significantly due to several reasons such as monetary policy decisions both in Japan and the U.S., strong earnings results, further weaker Yen and foreign investors increasing confidence in Japanese equity. Only until August the market showed some volatility due to the enhancement of flexibility of its yield curve control ("YCC") operation.</p> <p>Mid-August, the concerns over the market were lifted after seeing the strong economic growth and earnings results in Japan, and dovish statement from by FED Chair Jerome Powell. The market continued to rally until Federal Open Market Committee ("FOMC") meeting in September where FED released hawkish statement and Summary of Economic Projections. Market turned volatile while U.S treasury yield ticking up, in addition to the conflict around Middle East throughout October.</p> <p><i>Source: UOB Asset Management Ltd</i></p>
2.13	Market outlook	<p>We anticipate the global economy to remain resilient in general and continue to pick up, albeit at a slow pace because the situation varies among major nations and regions, for example, Japanese economy is coming to a standstill, US inflation seems to decelerate, and Chinese economy is expected to be supported by the government's fiscal package. Global stock markets are likely to advance gradually.</p> <p>In Japan, we expect equity markets will shift to a market that emphasizes companies' performance based on earnings per share ("EPS") growth, supported by expectations for an end to deflation and progress in corporate governance reform.</p>

2.13	Market outlook (continued)	Meanwhile, we anticipate the markets will be weighed by lingering uncertainty over the Chinese economy, caution over the prolonged tight monetary policies in Europe and the U.S., and the deteriorating Middle Eastern geopolitical situation. <i>Source: UOB Asset Management Ltd</i>
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Kuala Lumpur, Malaysia
UOB Asset Management (Malaysia) Berhad

27 December 2023

(B) TRUSTEE’S REPORT

TO THE UNIT HOLDERS OF UNITED JAPAN DISCOVERY FUND (“FUND”)

We have acted as Trustee of the Fund for the financial period ended 31 October 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, UOB Asset Management (Malaysia) Berhad has operated and managed the Fund during the period 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 Unit Trust Funds;
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 requirements.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Fund Operations

Sylvia Beh
Chief Executive Officer

Kuala Lumpur
27 December 2023

UNITED JAPAN DISCOVERY FUND

(C) STATEMENT BY MANAGER

I, **Lim Suet Ling**, being the Director of and on behalf of the Board of Directors of UOB Asset Management (Malaysia) Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements 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 2023 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

27 December 2023

(D) FINANCIAL STATEMENTS

UNITED JAPAN DISCOVERY FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023**

		31.10.2023	30.04.2023
	Note	RM	RM
ASSETS			
Investments	3	17,013,773	24,876,416
Forward foreign currency contracts	4	239,038	347,354
Amount due from Manager	5	-	8,440
Cash at bank		694,392	575,177
TOTAL ASSETS		17,947,203	25,807,387
LIABILITIES			
Amount due to Manager	5	9,715	-
Amount due to Trustee	6	1,269	1,277
Accruals		23,497	16,086
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		34,481	17,363
NET ASSET VALUE (“NAV”) ATTRIBUTABLE TO UNITHOLDERS	7	17,912,722	25,790,024
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE:			
Unitholders’ capital	7	7,626,829	16,612,186
Retained earnings/(accumulated losses)	7	10,285,893	9,177,838
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		17,912,722	25,790,024
TOTAL NAV AND LIABILITIES		17,947,203	25,807,387

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

UNITED JAPAN DISCOVERY FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023 (CONTINUED)**

	31.10.2023	30.04.2023
	RM	RM
NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS		
- MYR HEDGED CLASS	17,912,722	25,790,024
	<hr/>	<hr/>
UNITS IN CIRCULATION		
- MYR HEDGED CLASS	7(a) 31,580,406	46,923,528
	<hr/>	<hr/>
NET ASSET VALUE PER UNIT IN MYR		
- MYR HEDGED CLASS	0.5672	0.5496
	<hr/>	<hr/>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- MYR HEDGED CLASS (MYR)	0.5672	0.5496
	<hr/>	<hr/>

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 2023**

	Note	01.05.2023 to 31.10.2023 RM	01.05.2022 to 31.10.2022 RM
INVESTMENT INCOME/(LOSS)			
Interest income from deposit with licensed financial institution		6,072	3,850
Net gain/(loss) on investments at fair value through profit or loss (“FVTPL”):	3		
- net realised gain/(loss) on sale of investments at FVTPL		(454,548)	(488,811)
- net unrealised gain/(loss) on changes in fair value	7(c)	268,615	(286,990)
Net realised gain/(loss) on forward foreign currency contracts		1,625,665	1,674,535
Net realised gain/(loss) on foreign currency exchange		(189,473)	(14,906)
Net unrealised gain/(loss) on forward foreign currency contracts	7(c)	(108,316)	45,364
		<u>1,148,015</u>	<u>933,042</u>
EXPENSES			
Manager’s fee	8	22,743	21,068
Trustee’s fee	9	8,368	8,418
Auditors’ remuneration		5,027	4,688
Tax agent’s fee		2,383	1,967
Other expenses		1,439	638
		<u>39,960</u>	<u>36,779</u>
NET INCOME/(LOSS) BEFORE TAXATION		1,108,055	896,263
Tax expense	10	-	-
NET INCOME/(LOSS) AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD		<u>1,108,055</u>	<u>896,263</u>
Net income/(loss) after taxation is made up of the following:			
Realised amount	7(b)	947,756	1,137,889
Unrealised amount	7(c)	160,299	(241,626)
		<u>1,108,055</u>	<u>896,263</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 2023

	Note	Unitholders' capital RM	Retained earnings/ (accumulated losses) RM	Total net asset value RM
Balance as at 1 May 2022		24,056,331	7,769,383	31,825,714
Movement in net asset value:				
Total comprehensive income/(loss) for the financial period		-	896,263	896,263
Creation of units				
- MYR HEDGED CLASS		4,275,041	-	4,275,041
Cancellation of units				
- MYR HEDGED CLASS		(10,659,161)	-	(10,659,161)
Balance as at 31 October 2022		<u>17,672,211</u>	<u>8,665,646</u>	<u>26,337,857</u>
Balance as at 1 May 2023		16,612,186	9,177,838	25,790,024
Movement in net asset value:				
Total comprehensive income/(loss) for the financial period		-	1,108,055	1,108,055
Creation of units				
- MYR HEDGED CLASS	7(a)	15,262,313	-	15,262,313
Cancellation of units				
- MYR HEDGED CLASS	7(a)	(24,247,670)	-	(24,247,670)
Balance as at 31 October 2023		<u>7,626,829</u>	<u>10,285,893</u>	<u>17,912,722</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 2023**

	01.05.2023 to 31.10.2023 RM	01.05.2022 to 31.10.2022 RM
CASH FLOWS GENERATED FROM/(USED IN) OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	16,510,520	3,873,769
Purchase of investments	(8,833,809)	-
Interest received from deposit with licensed financial institution	6,072	3,850
Manager's fee paid	(23,735)	(24,431)
Trustee's fee paid	(8,376)	(8,660)
Payment of other fees and expenses	(1,438)	(637)
Net realised gain/(loss) on foreign currency exchange	(189,473)	(14,906)
Net realised gain/(loss) on settlement of forward foreign currency contracts	<u>1,625,665</u>	<u>1,674,535</u>
Net cash generated from/(used in) operating and investing activities	<u>9,085,426</u>	<u>5,503,520</u>
CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from creation of units	15,294,339	4,250,809
Payment for cancellation of units	(24,260,550)	(10,503,511)
Net cash generated from/(used in) financing activities	<u>(8,966,211)</u>	<u>(6,252,702)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	119,215	(749,182)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>575,177</u>	<u>1,839,297</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>694,392</u>	<u>1,090,115</u>
Cash and cash equivalents comprises the following:		
Cash at bank	<u>694,392</u>	<u>1,090,115</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 27 December 2023.

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 2023 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 2024 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

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

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 and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

The Fund classifies its financial assets as 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 flows characteristics of the financial assets.

(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 not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

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 does not have such liabilities at this juncture.

(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.

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:

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 (continued)

A financial asset is derecognised when: (continued)

- (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 the 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 deposit which have not matured as at the reporting date are classified as realised income in the financial statements.

(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.

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(c) **Derivative financial instruments (continued)**

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 year 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.

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

UNITED JAPAN DISCOVERY FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(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 deposit 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 year.

(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 year.

(m) Determination of fair value

For investments in collective investment scheme ("CIS"), fair value is determined based on the closing NAV per unit of the CIS. For investments in forward foreign currency contracts, the fair value is calculated by making reference to prevailing forward exchange rates for contracts with similar maturity profiles in the market. Forward foreign currency contracts are presented as assets when the fair value is positive (net gain position) or as liabilities when the fair value is negative (net loss position).

UNITED JAPAN DISCOVERY FUND

3. INVESTMENTS

	31.10.2023	30.04.2023
	RM	RM
Investments designated as FVTPL:		
- collective investment scheme - foreign	<u>17,013,773</u>	<u>24,876,416</u>
	01.05.2023	01.05.2022
	to 31.10.2023	to 31.10.2022
	RM	RM
Net gain/(loss) on investments at FVTPL comprised:		
- net realised gain/(loss) on sale of investments at FVTPL	(454,548)	(571,248)
- net unrealised gain/(loss) on changes in fair value	<u>268,615</u>	<u>928,018</u>
	<u>(185,933)</u>	<u>356,770</u>

Investments designated as FVTPL as at 31 October 2023 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 - JPY Distribution Class ("Target Fund")*	234,396	<u>18,415,548</u>	<u>17,013,773</u>	<u>94.98</u>
EXCESS/(SHORTFALL) OF FAIR VALUE OVER COST:				
- UNREALISED GAIN/(LOSS) ON FAIR VALUE		<u>612,550</u>		
- UNREALISED GAIN/(LOSS) ON FOREIGN EXCHANGE		<u>(2,014,325)</u>		
TOTAL INVESTMENTS AT FVTPL		<u>17,013,773</u>		

* Collective investment scheme related to the Manager.

UNITED JAPAN DISCOVERY FUND

4. FORWARD FOREIGN CURRENCY CONTRACTS

As at the reporting date, there are 4 (30.04.2023: 3) forward foreign currency contracts outstanding.

The notional principal amount of the outstanding forward foreign currency contracts amounted to RM17,847,442 (30.04.2023: RM23,478,193).

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.

5. AMOUNT DUE FROM/(TO) MANAGER

	31.10.2023	30.04.2023
	RM	RM
Creation of units	29,068	61,094
Cancellation of units	(25,966)	(38,846)
Manager’s fee payable	(12,817)	(13,808)
	<u>(9,715)</u>	<u>8,440</u>

The normal credit period for the Manager’s fee payable is one month (30.04.2023: one month).

6. AMOUNT DUE TO TRUSTEE

	31.10.2023	30.04.2023
	RM	RM
Trustee’s fee payable	<u>1,269</u>	<u>1,277</u>

Amount due to Trustee represents Trustee’s fee payable.

The normal credit period for the Trustee’s fee payable is one month (30.04.2023: one month).

UNITED JAPAN DISCOVERY FUND

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. For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is inclusive of the management fee and the trustee fee for the relevant day.

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 net gain/loss arising from forward foreign currency contracts used for hedging purpose is included in MYR Hedged Classes’ NAV.

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 2023, the multi-class ratio used in apportionment for MYR Hedged Class is 100.00 (30.04.2023: 100.00).

Net asset value attributable to unitholders is represented by:

	Note	31.10.2023 RM	30.04.2023 RM
Unitholders’ capital			
- MYR HEDGED CLASS	(a)	7,626,829	16,612,186
Retained earnings/(accumulated losses)			
- Realised gain/(loss)	(b)	11,448,629	10,500,873
- Unrealised gain/(loss)	(c)	(1,162,736)	(1,323,035)
		<u>10,285,893</u>	<u>9,177,838</u>
Total NAV attributable to unitholders		<u>17,912,722</u>	<u>25,790,024</u>

UNITED JAPAN DISCOVERY FUND

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

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

	31.10.2023		30.04.2023	
	Units	RM	Units	RM
At the beginning of the financial period/year	46,923,528	16,612,186	61,299,536	24,056,331
Creation of units during the financial period/year	26,346,575	15,262,313	13,097,302	6,899,877
Cancellation of units during the financial period/year	<u>(41,689,697)</u>	<u>(24,247,670)</u>	<u>(27,473,310)</u>	<u>(14,344,022)</u>
At the end of the financial period/year	<u>31,580,406</u>	<u>7,626,829</u>	<u>46,923,528</u>	<u>16,612,186</u>

The units held by the Manager and party related to the Manager as at 31 October 2023 and 30 April 2023 are disclosed in Note 11.

(b) RETAINED EARNINGS/(ACCUMULATED LOSSES) - REALISED

	31.10.2023	30.04.2023
	RM	RM
At the beginning of the financial period/year	10,500,873	10,178,811
Total comprehensive income/(loss) for the financial period/year	<u>1,108,055</u>	<u>1,408,455</u>
Net unrealised (gain)/loss attributable to investments and others held transferred to unrealised reserve	<u>(160,299)</u>	<u>(1,086,393)</u>
Net increase/(decrease) in realised reserve for the period/year	<u>947,756</u>	<u>322,062</u>
At the end of the financial period/year	<u>11,448,629</u>	<u>10,500,873</u>

UNITED JAPAN DISCOVERY FUND

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

(c) RETAINED EARNINGS/(ACCUMULATED LOSSES) - UNREALISED

	31.10.2023	30.04.2023
	RM	RM
At the beginning of the financial period/year	(1,323,035)	(2,409,428)
Net unrealised gain/(loss) attributable to investments and others held transferred to unrealised reserve:		
- Investments at FVTPL	268,615	928,018
- Forward foreign currency contracts	(108,316)	158,375
	160,299	1,086,393
At the end of the financial period/year	<u>(1,162,736)</u>	<u>(1,323,035)</u>

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% (01.05.2022 to 31.10.2022: 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% (01.05.2022 to 31.10.2022: 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% (01.05.2022 to 31.10.2022: 1.75%) per annum of the net asset value of the Target Fund and maximum 2.50% (01.05.2022 to 31.10.2022: 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% (01.05.2022 to 31.10.2022: 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 (01.05.2022 to 31.10.2022: RM15,000) per annum (excluding foreign custodian fee and charges).

The Trustee's fee provided in the financial statements is 0.06% (01.05.2022 to 31.10.2022: 0.06%) per annum based on the net asset value of the Fund; subject to a minimum fee of RM15,000 (01.05.2022 to 31.10.2022: 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 placement 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 not exempted from tax. 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/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	01.05.2023 to 31.10.2023	01.05.2022 to 31.10.2022
	RM	RM
Net income before taxation	1,108,055	896,263
Taxation at Malaysian statutory rate of 24% (01.05.2022 to 31.10.2022: 24%)	265,933	215,103
Tax effects of:		
(Income not subject to tax)/loss not deductible for tax purposes	(275,524)	(223,930)
Restriction on tax deductible expenses for funds	6,665	6,181
Expenses not deductible for tax purposes	2,926	2,646
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/year as follows:

	31.10.2023		30.04.2023	
	Units	RM	Units	RM
<u>Party related to the Manager</u>				
Connected Person to the Director of UOB Asset Management (Malaysia) Berhad (The units are held beneficially)	21,109	11,973	21,109	11,602

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

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 2023 are as follows:

	Value of trade RM	Percentage of total trade %
Investment Manager of the Target Fund		
UOB Asset Management Limited, Singapore*	<u>25,344,328</u>	<u>100.00</u>

* 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.

13. TOTAL EXPENSE RATIO ("TER")

	01.05.2023 to 31.10.2023 %	01.05.2022 to 31.10.2022 %
Manager's fee*	0.09	0.08
Trustee's fee	0.03	0.03
Other expenses	0.04	0.02
Total TER	<u>0.16</u>	<u>0.13</u>

* Manager's fee net of Target Fund's management fee.

The TER 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")

	01.05.2023 to 31.10.2023	01.05.2022 to 31.10.2022
PTR (times)	<u>0.51</u>	<u>0.07</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.

UNITED JAPAN DISCOVERY FUND

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;
- (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
31.10.2023					
Financial assets					
Investments	17,013,773	-	-	-	17,013,773
Forward foreign currency contracts	-	-	-	239,038	239,038
Cash at bank	-	694,392	-	-	694,392
Total financial assets	17,013,773	694,392	-	239,038	17,947,203

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
31.10.2023					
Financial liabilities					
Amount due to Manager	-	9,715	-	-	9,715
Amount due to Trustee	-	-	1,269	-	1,269
Total financial liabilities	-	9,715	1,269	-	10,984
30.04.2023					
Financial assets					
Investments	24,876,416	-	-	-	24,876,416
Forward foreign currency contracts	-	-	-	347,354	347,354
Amount due from Manager	-	8,440	-	-	8,440
Cash at bank	-	575,177	-	-	575,177
Total financial assets	24,876,416	583,617	-	347,354	25,807,387
Financial liabilities					
Amount due to Trustee	-	-	1,277	-	1,277
Total financial liabilities	-	-	1,277	-	1,277

UNITED JAPAN DISCOVERY FUND

15. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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
31.10.2023				
Financial instruments				
Collective				
investment scheme	17,013,773	-	-	17,013,773
Forward foreign				
currency contracts	-	239,038	-	239,038
Total financial				
instruments	17,013,773	239,038	-	17,252,811
30.04.2023				
Financial instruments				
Collective				
investment scheme	24,876,416	-	-	24,876,416
Forward foreign				
currency contracts	-	347,354	-	347,354
Total financial				
instruments	24,876,416	347,354	-	25,223,770

UNITED JAPAN DISCOVERY FUND

15. FINANCIAL INSTRUMENTS (CONTINUED)

(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:

- Amount from/(to) Manager
- Cash at bank
- 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.

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:

	31.10.2023	30.04.2023
	RM	RM
Investments at FVTPL	<u>17,013,773</u>	<u>24,876,416</u>

UNITED JAPAN DISCOVERY FUND

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

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/(loss) after taxation and NAV RM
31.10.2023			
	-5	16,163,084	(850,689)
	0	17,013,773	-
	+5	17,864,462	850,689
30.04.2023			
	-5	23,632,595	(1,243,821)
	0	24,876,416	-
	+5	26,120,237	1,243,821

(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.

UNITED JAPAN DISCOVERY FUND

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

(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.

	31.10.2023		30.04.2023	
	Total	Percentage	Total	Percentage
	RM	of NAV	RM	of NAV
		%		%
Japanese Yen ("JPY")				
Investments at FVTPL	17,013,773	94.98	24,876,416	96.46
Forward foreign currency contracts	239,038	1.34	347,354	1.34
Cash at bank	2,090	0.01	46,170	0.18
	<u>17,254,901</u>	<u>96.33</u>	<u>25,269,940</u>	<u>97.98</u>

UNITED JAPAN DISCOVERY FUND

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Currency risk (continued)

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.

		31.10.2023	30.04.2023
	Change in foreign exchange rate %	Impact on net income/(loss) after taxation and NAV RM	Impact on net income/(loss) after taxation and NAV RM
	+5	862,745	1,263,497
JPY	-5	(862,745)	(1,236,497)

(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.

UNITED JAPAN DISCOVERY FUND

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Liquidity risk (continued)

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.

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 20, UOB Plaza 1 7 Jalan Raja Laut 50350 Kuala Lumpur Tel: 03-2779 0011 Fax: 03-2602 1011 Website: www.uobam.com.my
Board of Directors	Mr Cheah Shu Kheem Mr Thio Boon Kiat (alternate to Mr Cheah Shu Kheem) Ms Fan Lee Boey Mr Seow Voon Ping Puan Zalinah binti A Hamid Dato' 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 PLT
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