



# ANNUAL REPORT

## TA RAINBOW INCOME FUND 16

For the first financial period from  
6 October 2022 (Date of Launch)  
to 31 January 2024

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

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# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## Key Performance Data

Since the  
Fund Launch  
06/10/22 to 31/01/24

### PORTFOLIO COMPOSITION (% OF NAV)

Fixed Income Instruments (Bonds)	87.85
Structured Products	5.09
Cash (Net of Liabilities)	7.06
<b>Total Investment</b>	<b>100.00</b>

Total Net Asset Value (RM'000)	16,192
Units In Circulation (Units '000)	15,688
Net Asset Value Per Unit (RM)	1.0321
Total Expense Ratio (TER) (%)	0.17
Portfolio Turnover Ratio (PTR) (times)	0.51

### UNIT PRICES

NAV Per Unit (RM)	1.0321
Highest NAV Per Unit for the Period (RM)	1.0321
Lowest NAV Per Unit for the Period (RM)	0.9688

### DISTRIBUTION/UNIT SPLIT

Gross Distribution Per Unit (sen)	0.82
Net Distribution Per Unit (sen)	0.82
Date of Distribution	21/12/2023

### TOTAL RETURN (%)

Capital Return	3.21
Income Return	0.83
Total Return of Fund	4.04
Total Return of the Benchmark	3.95

### AVERAGE TOTAL RETURN (%)

	Fund	Benchmark
<b>Period</b>		
Since Inception (06/10/2022 to 31/01/2024)	3.04	2.98

### ANNUAL TOTAL RETURN (%)

	Fund	Benchmark
<b>Period</b>		
Since Inception (06/10/2022 to 31/01/2024)	4.04	3.95

Source : Lipper for Investment Management

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

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

The basis of calculating and assumption made in calculating the returns:

$$\text{Percentage Growth} = \frac{N^1 - N^2}{N^2} \times 100$$

$N^1$  = NAV on the end of the period

$N^2$  = NAV on the beginning of the period

$$\text{* Average Total Return} = \frac{\text{Total Sub Period Returns}}{\text{Number of Sub Periods}}$$

$$\text{** Annual Total Return} = (1 + \text{Cumulative Return})^{N^3 / N^4} - 1$$

$N^3$  = Number of periods per year

$N^4$  = Total number of periods

Factor in for unit splits and distributions paid out (if any during the period)

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

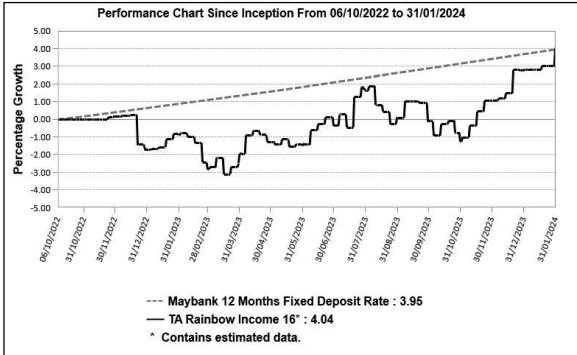
## Manager's Report

### TA Rainbow Income Fund 16

<b>Fund Category/Type</b>	Fixed Income (Close-ended) / Income
<b>Fund Objective</b>	<p>The Fund aims to provide income* whilst preserving capital** on Maturity Date.</p> <p><i>*The Fund will invest in Derivatives which enable the Fund's performance to be exposed to the performance of the Rainbow Basket for potential annual payouts. Income distribution will be paid to you by way of cash deposit to a bank account held in your own name.</i></p> <p><b>**Investors are advised that this Fund is neither a capital guaranteed nor a capital protected fund. The capital will be preserved by investments in Fixed Income Instruments. Consequently, the return of capital is SUBJECT TO the credit and default risk and currency risk associated with the investments in Fixed Income Instruments.</b></p>
<b>Performance Benchmark</b>	Maybank 12 months fixed deposit rate as at the Commencement Date of the Fund.
<b>Tenure</b>	3 Years (Close-ended)
<b>Maturity Date</b>	1 December 2025
<b>Fund's Distribution Policy</b>	Subject to the availability of income, distribution will be made once a year.
<b>Fund's Performance and Investment Strategies Employed</b>	<p>The Fund was managed within its investment objective for the financial period under review up to 31 January 2024.</p> <p>Over the financial period under review, the Fund had a total return of 4.04%, outperforming the benchmark which had a return of 3.95% over the same period.</p> <p>The Fund invested in structured products issued by BNP Paribas S.A. linked to the performance of the following underlying assets:</p> <ul style="list-style-type: none"> <li>• Man AHL Target Risk Fund – EUR [GMATDEA ID]</li> <li>• BNP Paribas Commodity Time Series Momentum Index [BNPITMXA]</li> <li>• S&amp;P 500 Daily Risk Control 5% Excess Return (USD) Index [SPXT5UE]</li> </ul>

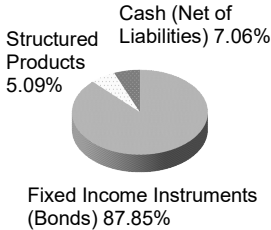
# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

<b>Securities Lending/ Repurchase Transaction</b>	The Fund has not undertaken any securities lending or repurchase transaction (collectively referred to as “securities financing transactions”).			
<b>Cross Trade</b>	There is no cross trade transaction during the financial period under review.			
<b>Analysis of Fund’s Performance</b>	<b>31/01/24</b>	<b>06/10/22</b>	<b>% Change</b>	
	NAV/unit (RM)	1.0321	1.0000	3.21
	Total NAV (RM'000)	16,192	-	-
	<b>Income Return (%)</b>	<b>Capital Return # (%)</b>	<b>Total Return (%)</b>	
	0.83	3.21	4.04	
	# Capital Return components:			
	❖ Fixed Income Instruments (Bonds)			
	❖ Structured Products			
	❖ Cash			
<b>Performance Chart</b>				
	<p>Source: Lipper Investment Management  <i>Past performance is not necessarily indicative of future performance.</i></p>			
<b>Distribution/Unit Split</b>	<p>During the financial period, the Fund declared a gross distribution of 0.82 sen per unit on 21 December 2023.</p> <p>The effect on NAV arising from the distribution for the financial period ended 31 January 2024 is as follows:</p>			

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

	Date	21 December 2023
	NAV Before Distribution (RM)	1.0281
	Gross Distribution (Sen)	0.82 sen
	NAV After Distribution (RM)	1.0199
Asset Allocation	31/01/24	06/10/22
	 <p>Cash (Net of Liabilities) 7.06%</p> <p>Structured Products 5.09%</p> <p>Fixed Income Instruments (Bonds) 87.85%</p> <p>The Fund was primarily invested in Fixed Income Instruments (Bonds, "87.85%"), Structured Products issued by BNP Paribas S.A., "5.09%", and the remainder in Cash / Money Market (Net of Liabilities, "7.06%").</p>	Not Available
Top Investment	As at 31/01/24	% NAV
	Fixed Income Instruments (Bonds)	87.85
	Structured Products	5.09
	As at 06/10/22	% NAV
	Nil	Nil

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

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## Market Review

The global equity market has gone through a very mixed and uneven recovery year 2023 with United States (US) markets being the main beneficiaries. It was a year characterized by high inflation, high interest rates, two large wars in progress, constrained world trade, and considerable sanctions.

China's loosening of its pandemic policy led to a strong start for markets in 2023 amidst signs of inflationary pressures subsiding which led to optimism that Fed rates may soon be peaking. However, concerns surrounding the stability of the financial sector in the United States (US) and Europe emerged following the collapse of several major banks, as well as the collapse of Credit Suisse in Europe, which led to the decision by Swiss regulators to engineer a takeover by UBS in March 2023, which was finally completed by June 2023.

The Fed Funds Rate was paused at the 5.25% to 5.50% range in July 2023. After optimism from the slowing inflation data which managed to pull down bond yields in the middle of the month, US Treasury (UST) yields started creeping back up amidst tight labour market data, upside surprise in US second quarter 2023 Gross Domestic Product (GDP) growth, and Bank of Japan's (BoJ) tweak to its accommodative monetary policy. During the International Monetary Fund (IMF)'s annual meeting in October 2023, its chief economist mentioned that the global economy is "limping along," with lower growth forecasts for both China and the Eurozone, while the global growth remained unchanged at 3.0% for 2023.

TA Rainbow Income Fund 16 reached its first observation on 20<sup>th</sup> November 2023. The Fund's underlying assets retraced earlier gains, although two of the underlyings still posted slightly positive returns. As a result, TARAIF 16's first year observation payout was 0.82 sen per unit.

The performance of the underlying assets of the Fund are as follows:-

TA Rainbow Income Fund 16											
Underlying	Quote	Average Strike 30/1/2023	Q1 Price at 28/02/2023	Q2 Price at 30/05/2023	Q3 Price at 30/08/2023	Price as at 30/11/2023	Average Quarterly	% Change	% Weightage (45-30-25)	Total Return	
Man AHL Target Risk Fund - EUR	GMATDEAID	126.03	124.23	126.27	129.20	129.50	127.3000	1.0104	0.30	0.3031105	
BNP Paribas Commodity Time Series Momentum Index	BNPITMXA	394.4861	385.5342	386.5630	391.7055	385.4953	387.3245	-1.8154	0.25	-0.4538542	
S&P 500 Daily Risk Control 5% Excess Return (USD) Index	SPXTSUE	158.48	158.25	160.72	164.31	163.51	161.6975	2.0324	0.45	0.9145668	
<b>0.7638</b>											
Currency Rate at Start (USD/MYR):							4.446				
Currency Rate (USD/MYR) BNM:							4.655	As at 30/11/2023			
Currency Factor:							1.047				
Returns (%):							0.7997				
Distribution rate (sen):							0.82				

(Source: TA Investment Management, BNP Paribas, as at November 2023)

### Man AHL Target Risk Fund – EUR

The Man AHL Target Risk Fund posted positive returns of 3.84% over the one-year period up to 30 November 2023, with gains across bonds, stocks, and credit, while inflation-sensitive assets were flat.



## TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

Bonds, led by longer-dated US treasuries, performed positively as interest rate expectations shifted dramatically following faster than expected falls in inflation across western economies. Stocks further added to gains, where positions in the S&P 500 and Australian SPI 200 led the way, with both indices trading near all-time highs. Chinese stocks weighed on performance as the embattled market continued to struggle against the protracted foreign sell-off, despite a run of positive economic data. Credit positions were also accretive, with European and US high yield Credit Default Swap (CDS) indices particularly favouring the risk-on environment. Inflation-sensitive assets were flat as gains from inflation-linked bonds were matched by losses from commodities. Exposure was stable. The correlation and the volatility overlays were inactive across all asset classes. The momentum overlay remains active in equities, albeit at a very low level.

*(Source: MAN AHL as of November 2023)*

### **BNP Paribas Commodity Time Series Momentum Index [BNPITMXA]**

The BNP Paribas Commodity Time Series Momentum Index declined by 2.99% over the one-year period up to 30 November 2023.

After three consecutive monthly declines, global equities rebounded sharply in November 2023 against the backdrop of falling bond yields and the return of the ideal 'Goldilocks' economic scenario. Investors expect the US economy to avoid recession and that the significant slowdown in inflation towards the 2% target will allow the US Federal Reserve to cut policy rates quickly. This assumption, fuelled by recent economic data, led to a sharp rise in stock markets worldwide. The Federal Open Market Committee (FOMC) meeting held on 31 October 2023 and 1 November 2023 concluded with a widely anticipated status quo, with the federal funds target rate remaining unchanged in the 5.25% to 5.50% range. Data released in November 2023 underpinned investors' assumption of the favourable combination of still strong growth and sharply slowing inflation.

Oil demand fears, especially from China and the United States (US), as well as an unexpected inventory build, pushed crude prices lower. The OPEC meeting failed in providing price support due to the lack of clarity of its outcome. Above normal temperatures and ample supplies saw Natural Gas prices steadily decline throughout November 2023 with prices finishing the day up just four times in the whole month. On the contrary, USD weakness, falling treasury yields and speculation that rate hikes are coming to an end provided support for Precious Metals.

The worst contributor was a result of a short positioning on silver in November 2023 due to previous underperformance, which was detrimental to performance as prices increased with the Fed's dovish comments at the end of November 2023, which provided support for Precious Metals.

*(Source: BNP Paribas, as at November 2023)*

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## **S&P 500 Daily Risk Control 5% Excess Return (USD) Index [SPXT5UE]**

The index relies on S&P 500® methodology and overlays mathematical algorithms to maintain specific volatility targets, Index exposure is dynamically rebalanced based on observed S&P 500 historic volatility to maintain a 5% volatility target.

*(Source: S&P Dow Jones Indices, as of November 2023)*

## **Market Outlook And Investment Strategy**

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On the fixed income portion of the Fund, with the latest Overnight Policy Rate (OPR) decision and comment from the *Bank Negara Malaysia* (BNM), the upside risk to OPR (consensus estimate of no change at 3.00% in 2024) has moderated. Meanwhile, the supply-side risk factors on inflation remain with ongoing geopolitical conflicts as well as planned rollout of the Malaysian Government's subsidies rationalisation initiatives. We consider government bonds richly valued at current market pricing and thus offering relatively unattractive risk-reward opportunity for investors, absent an upcoming rate cut. In the meanwhile, headline and United States Treasuries (UST)-driven market volatility continue to provide trading opportunities.

In terms of MYR corporate bonds, we expect the pipeline for primary corporate bond issuances to turn busy again in coming months. We reiterate our recommendation for neutral duration positioning, selective primary issuances participation and/or entry at times of market weakness. We prefer credits with strong balance sheets, proven execution capability, and financial discipline amidst uncertain macroeconomic prospect.

The subsequent observation dates for TARAIF 16 are on 1 December 2024 and 1 December 2025, where payouts may still be possible to take advantage of recovering markets and stabilizing yields as central banks approaching the peak of their hiking exercise and the rate cut trajectory could prove conducive for risk assets.

## **Soft Commission**

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The Manager retains soft commissions received from brokers only if the goods and services are of demonstrable benefits to the Unitholders as allowed under the Securities Commission's Guidelines on Unit Trust Funds. The soft commission received include research and advisory services which are used to support the investment decision making process and are of demonstrable benefit to the Unitholders of the Fund and there was no churning of trades.

## **State Of Affairs Of The Fund**

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There has been neither significant changes to the state of affair of the Fund nor any circumstances that materially affect any interests of the Unitholders during the financial period under review.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## **TRUSTEE'S REPORT TO THE UNIT HOLDERS OF TA RAINBOW INCOME FUND 16 ("Fund")**

We have acted as Trustee of the Fund for the financial period from 6 October 2022 (date of launch) to 31 January 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, **TA INVESTMENT MANAGEMENT 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 requirement.

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

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

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

Kuala Lumpur, Malaysia

Date: 29 March 2024

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## **STATEMENT BY THE MANAGER**

We, CHOO SWEE KEE and MOHAMMED A'REEFF BIN ABDUL KHALID, being two of the Directors of TA INVESTMENT MANAGEMENT BERHAD, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 15 to 39, are drawn up so as to give a true and fair view of the financial position of TA RAINBOW INCOME FUND 16 as at 31 January 2024 and of its financial performance and cash flows for the financial period from 6 October 2022 (date of launch) to 31 January 2024 in accordance with Malaysian Financial Reporting Standards and IFRS Accounting Standards.

On behalf of the Manager,

**CHOO SWEE KEE**

**MOHAMMED A'REEFF BIN ABDUL KHALID**

Kuala Lumpur, Malaysia

Date: 29 March 2024

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF TA RAINBOW INCOME FUND 16** (Incorporated in Malaysia)

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of TA Rainbow Income Fund 16 (hereinafter referred as "the Fund"), which comprise the statement of financial position as at 31 January 2024, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial period since 6 October 2022 (date of launch) to 31 January 2024, and notes to the financial statements, including material accounting policy information, as set out on pages 15 to 39.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 January 2024, and of its financial performance and its cash flows for the financial period since 6 October 2022 (date of launch) to 31 January 2024 in accordance with Malaysian Financial Reporting Standards and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

#### **Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and Other Ethical Responsibilities*

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

#### **Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## **Information Other than the Financial Statements and Auditors' Report Thereon (continued)**

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Manager and Trustee for the Financial Statements**

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that gives a true and fair view.

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

## **Other Matter**

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

### **KPMG PLT**

(LLP0010081-LCA & AF 0758)  
Chartered Accountants

Petaling Jaya, Selangor

Date: 29 March 2024

### **Chan Kah Mun**

Approval Number: 03350/01/2026 J  
Chartered Accountant

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 6 OCTOBER 2022 (DATE OF LAUNCH) TO 31 JANUARY 2024

		6.10.2022 to 31.01.2024 RM
	<b>Note</b>	
<b>INCOME</b>		
Interest income		771,175
Other income		7,954
Net loss on financial assets at fair value through profit or loss ("FVTPL")	8	<u>(117,867)</u>
		<u>661,262</u>
<b>EXPENSES</b>		
Trustee's fee	5	7,992
Auditors' remuneration		10,000
Tax agent's fee		5,500
Administrative fees and expenses		<u>1,385</u>
		<u>24,877</u>
Net income before tax		636,385
Income tax expense	7	<u>(1,909)</u>
Net income after tax, representing total comprehensive income for the financial period		<u>634,476</u>
Net income after tax is made up of the following:		
Net realised income		491,320
Net unrealised income		<u>143,156</u>
		<u>634,476</u>

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



# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2024

	Note	31.01.2024 RM
<b>ASSETS</b>		
Investments	8	15,049,706
Deposit with financial institution	9	888,029
Interest receivable		251,688
Cash at bank		19,520
<b>TOTAL ASSETS</b>		<u>16,208,943</u>
<b>LIABILITIES</b>		
Amount due to Trustee		543
Other payables and accruals		16,409
<b>TOTAL LIABILITIES</b>		<u>16,952</u>
<b>NET ASSET VALUE ("NAV")</b>		
Unitholders' capital	11(a)	15,686,060
Retained earnings	11(b),(c)	505,931
<b>NAV ATTRIBUTABLE TO UNITHOLDERS</b>		<u>16,191,991</u>
<b>TOTAL NAV AND LIABILITIES</b>		<u>16,208,943</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	11(a)	<u>15,688,176</u>
<b>NAV PER UNIT</b>		<u>1.0321</u>

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

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL PERIOD FROM 6 OCTOBER 2022 (DATE OF LAUNCH) TO 31 JANUARY 2024

	<b>Unitholders' capital Note 11(a) RM</b>	<b>Retained earnings Note 11(b) and (c) RM</b>	<b>Total NAV RM</b>
At 06 October 2022 (Date of launch)	-	-	-
Total comprehensive income for the financial period	-	634,476	634,476
Creation of units	16,271,671	-	16,271,671
Cancellation of units	(585,513)	-	(585,513)
Distribution	(98)	(128,545)	(128,643)
At 31 January 2024	<u>15,686,060</u>	<u>505,931</u>	<u>16,191,991</u>

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

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 6 OCTOBER 2022 (DATE OF LAUNCH)  
TO 31 JANUARY 2024

6.10.2022  
to  
31.01.2024  
RM

### CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES

Proceeds from sale of investments	147,797
Purchases of investments	(15,315,371)
Interest received	519,487
Other income received	7,954
Trustee's fee paid	(7,449)
Tax paid	(1,909)
Payments for other fees and expenses	(475)
Net cash used in operating and investing activities	<u>(14,649,966)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES

Cash received from units created	16,271,671
Cash paid on units cancelled	(585,513)
Cash paid on distribution	(128,643)
Net cash generated from financing activities	<u>15,557,515</u>

### NET INCREASE IN CASH AND CASH EQUIVALENTS

907,549

### CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH

-

### CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD

907,549

### CASH AND CASH EQUIVALENTS COMPRISE:

Cash at bank	19,520
Deposit with financial institution	888,029
Cash and cash equivalents	<u>907,549</u>

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

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 6 OCTOBER 2022 (DATE OF LAUNCH) TO 31 JANUARY 2024**

### **1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

TA Rainbow Income Fund 16 ("the Fund") was constituted pursuant to the execution of a Deed of Trust ("the deed") dated 30 August 2022 between the Manager, TA Investment Management Berhad and the Trustee, CIMB Commerce Trustee Berhad.

The principal activity of the Fund is to invest in "Permitted Investments" as defined under Clause 7 of the deed, which include derivative product, bonds, Negotiable Instrument and money market instruments. The Fund commenced its operations on 6 October 2022 and will continue its operations until terminated by the Trustee as provided under Clause 12 of the deed. The Fund is a close-ended fund maturing on the third (3rd) anniversary of the Commencement Date.

The Manager, TA Investment Management Berhad, a company incorporated in Malaysia, is a wholly-owned subsidiary of TA Securities Holdings Berhad. Its ultimate holding company is TA Enterprise Berhad. The Manager's principal activities are the establishment and management of unit trust funds and fund management. The Manager is licensed to carry out dealing in securities and fund management activities under the Capital Markets and Services Act 2007.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution on 29 March 2024.

### **2. BASIS OF PREPARATION**

#### **(a) Statement of Compliance**

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and IFRS Accounting Standards, as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), collectively known as the "Standards" and the Guidelines on Unit Trust Funds.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Fund:

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 2. BASIS OF PREPARATION (CONTD.)

### (a) Statement of Compliance (contd.)

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024***

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements*

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025***

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Fund plans to adopt the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 February 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024, except for amendments to MFRS 16 which is not applicable to the Fund.
- from the annual period beginning on 1 February 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the abovementioned accounting standards, interpretations or amendments is not expected to have any material financial impact to the financial statements of the Fund.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 2. BASIS OF PREPARATION (CONTD.)

### (b) Basis of measurement

The financial statements of the Fund have been prepared on the historical cost basis except for financial assets at fair value through profit or loss ("FVTPL") which are measured at their fair value.

### (c) Functional and presentation currency

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

### (d) 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 judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

## 3. MATERIAL ACCOUNTING POLICIES

### (a) Material accounting policies information

The Fund adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 - *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Fund's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## **3. MATERIAL ACCOUNTING POLICIES (CONTD.)**

### **(b) 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 is recognised using the effective interest rate method.

Interest income is recognised using the effective interest rate method.

## **4. MANAGER'S FEE**

No manager's fee is imposed on this Fund.

## **5. TRUSTEE'S FEE**

Trustee's fee is computed on a daily basis at 0.04% per annum of the NAV of the Fund, subject to minimum of RM6,000 per annum.

## **6. REDEMPTION CHARGE (EXIT FEE)**

A charge of 3% of the NAV of the Fund for early redemption by unitholders before the Fund's maturity date.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 7. INCOME TAX EXPENSE

Domestic income tax expense for the period is calculated at the Malaysian statutory tax rate of 24% of the taxable profit for the financial period. Foreign source income is subject to tax after 1 January 2022 and a transitional tax rate of 3% is accorded on the gross amount remitted from 1 January 2022 to 30 June 2022.

In accordance with Schedule 6 of the Income Tax Act 1967, interest income earned by the Fund is exempted from Malaysian tax, except for interest paid or credited to a unit trust that is a wholesale fund which is a money market fund.

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

	<b>6.10.2022 to 31.01.2024 RM</b>
Net income before tax	<u>636,385</u>
Taxation at Malaysian statutory rate of 24%	152,732
Effects of interest and other income not subject to tax	(185,082)
Effects of expenses not deductible for tax purpose	31,859
Restriction on tax deductible expenses for unit trust funds	<u>2,400</u>
Income tax expense for the financial period	<u>1,909</u>



# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 8. INVESTMENTS

	Note	31.01.2024 RM
Financial assets at FVTPL:		
Unquoted structured products outside Malaysia	(a)	824,419
Unquoted bonds in Malaysia	(b)	14,225,287
		<u>15,049,706</u>
Net loss on financial assets at FVTPL comprises:		
Net realised loss on disposals		(289,197)
Net realised gain on foreign exchange		28,174
Net unrealised loss on foreign exchange		(4,109)
Net unrealised gain on changes in fair value		147,265
		<u>(117,867)</u>

Financial assets at FVTPL as at 31 January 2024 are as detailed below:

### (a) Unquoted structured products outside Malaysia

Name of Structured Products	Quantity Unit	Cost RM	Fair Value RM	% of NAV %
BNP Paribas 2Y USD Warrant Basket of Funds and Index	1,498	414,109	444,050	2.74
BNP Paribas 3Y USD Warrant Basket of Funds and Index	1,498	384,992	380,369	2.35
<b>Total unquoted structured products outside Malaysia</b>	<u>2,996</u>	<u>799,101</u>	<u>824,419</u>	<u>5.09</u>

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 8. INVESTMENTS (CONTD.)

### (b) Unquoted bonds in Malaysia

Name of Bonds' Issuers	Quantity Unit	Cost RM	Fair Value RM	% of NAV %
CIMB MTN 1826D 3.40%				
03/04/2025	270,000	267,495	268,715	1.66
ENCORP 5.25%				
18/11/2025	2,700,000	2,755,309	2,767,743	17.09
FPSB IMTN 5.05%				
05/09/2025	2,700,000	2,728,532	2,742,660	16.94
GENM MTN 3651D 4.90%				
22/08/2025	2,700,000	2,713,969	2,722,815	16.82
SABAHDEV MTN 2191D				
15/08/2025 Issue No.205	2,700,000	2,685,925	2,710,584	16.74
UEMS IMTN 4.25%				
19/09/2025 Issue No.15	2,500,000	2,454,568	2,505,575	15.47
UEMS IMTN 5.03%				
19/09/2025 Issue No.15	500,000	497,542	507,195	3.13
<b>Total unquoted bonds in Malaysia</b>	<b>14,070,000</b>	<b>14,103,340</b>	<b>14,225,287</b>	<b>87.85</b>
<b>TOTAL FINANCIAL ASSETS AT FVTPL</b>		<b>14,902,441</b>	<b>15,049,706</b>	<b>92.94</b>
<b>EXCESS OF FAIR VALUE OVER COST</b>			<b>147,265</b>	

## 9. DEPOSIT WITH FINANCIAL INSTITUTION

	31.01.2024 RM
Placements with licensed banks	888,029

The weighted average effective interest rate ("WAEIR") per annum ("p.a.") and average remaining maturity of deposit with financial institution as at the reporting date are as follows:

	WAEIR (% p.a.) 31.01.2024	Average Remaining Maturity (Days) 31.01.2024
Short-term placements	2.90	2

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 10. DISTRIBUTION

Distribution paid to unitholders during the financial period was as follows:

<b>Declaration Dates</b>	<b>Units In Circulation</b>	<b>Gross Distribution Per Unit (Sen)</b>	<b>Net Distribution Per Unit (Sen)</b>	<b>Distribution Amount (RM)</b>
21.12.2023	15,688,176	0.82	0.82	128,643
		<b>0.82</b>	<b>0.82</b>	<b>128,643</b>

Distributions to unitholders were made from the following sources:

	<b>6.10.2022 to 31.01.2024 RM</b>
Interest income	218,841
Net realised loss on sale of investment	(83,612)
	<u>135,229</u>
Expenses	(6,684)
Distribution out of realised reserve	128,545
Distribution equalisation	98
Distribution for the financial period	<u>128,643</u>
Analysed as:	
Cash distribution	128,643
Reinvestment of units	-
	<u>128,643</u>
<u>Final distribution:</u>	
Gross/net distribution per unit (sen)	<u>0.82</u>

Distribution is at the discretion of the Fund. A distribution to the Fund's unitholders is made from realised gains or realised income as at the point of time of distribution declaration, except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 11. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

	Note	31.01.2024 RM
Unitholders' capital	(a)	15,686,060
Retained earnings		
- Realised reserve	(b)	362,775
- Unrealised income	(c)	143,156
		<u>16,191,991</u>

### (a) Unitholders' capital

	31.01.2024	
	No of units	RM
At beginning of the financial period	-	-
Creation of units	16,271,671	16,271,671
Cancellation of units	(583,495)	(585,513)
Distribution equalisation	-	(98)
At end of the financial period	<u>15,688,176</u>	<u>15,686,060</u>

The unitholders' capital of the Fund is classified as an equity instrument.

Distribution equalisation represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

### (b) Realised reserve

	31.01.2024 RM
At beginning of the financial period	-
Distribution out of realised reserve (Note 10)	(128,545)
Net realised income for the financial period	491,320
At end of the financial period	<u>362,775</u>

The realised gains and losses on sale of investments are measured as the difference between the net disposal proceeds and the carrying amount of the investments. The carrying amount for determining the realised gains and losses on sale of investments is based on the weighted average cost method.

### (c) Unrealised income

	31.01.2024 RM
At beginning of the financial period	-
Net unrealised income for the financial period	143,156
At end of the financial period	<u>143,156</u>

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the financial period.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 12. TRANSACTIONS WITH INVESTMENT BROKER OR DEALER

Details of transactions with the investment broker or dealer during the financial period are as follows:

Name of investment broker or dealer	6.10.2022 to 31.01.2024	
	Value of trade RM	Percentage to total value of trade %
AmBank Bhd	5,909,278	38.58
RHB Bank Bhd	5,528,790	36.10
United Overseas Bank Bhd	2,678,670	17.49
BNP Paribas Issuance B.V	1,200,231	7.83
	<u>15,316,969</u>	<u>100.00</u>

The above transaction do not involve any fees and commission payable to the investment bank/broker.

## 13. TOTAL EXPENSE AND PORTFOLIO TURNOVER RATIOS

### (a) Total Expense Ratio

The total expense ratio for the financial period ended 31 January 2024 was 0.17%. This ratio represents total expenses expressed an annualised percentage of the Fund's average NAV, calculated on a daily basis.

### (b) Portfolio Turnover Ratio

The portfolio turnover ratio for the financial period ended 31 January 2024 was 0.51 times. This ratio represents the average of the total acquisitions and disposals of the Fund for the period over the average NAV of the Fund for the financial period calculated on a daily basis.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 14. SEGMENT INFORMATION

For management purposes, the Fund is managed under two main portfolios, namely "unquoted structured products and unquoted bonds" and money market instruments". Each segment engages in separate investing activities and the operating results are regularly reviewed by the Investment Manager and Investment Committee. The Investment Committee assumes the role of chief operating decision maker, for performance assessment purposes and to make decisions about resources allocated to each investment segment.

The Manager and the Investment Committee of the Fund are responsible for allocating resources available to the Fund in accordance with the overall investment strategies as set out in the Investment Policy of the Fund. The Fund is managed by two segments:

- A portfolio of unquoted structured products and unquoted bonds; and
- A portfolio of money market instruments.

The investment objective is to provide potential annual returns over the medium-term of the underlying investment instruments.

The segment information is presented below:

<b>Period from 06.10.2022 to 31.01.2024</b>	<b>Unquoted structured products and unquoted bonds RM</b>	<b>Money market instruments; RM</b>	<b>Total RM</b>
Interest income	632,002	139,173	771,175
Net loss on financial assets at FVTPL	(117,867)	-	(117,867)
Total segment operating income for the financial period	<u>514,135</u>	<u>139,173</u>	<u>653,308</u>

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 14. SEGMENT INFORMATION (CONTD.)

The segment information is presented below: (contd.)

<b>As at 31.01.2024</b>	<b>Unquoted structured products and unquoted bonds RM</b>	<b>Money market instruments RM</b>	<b>Total RM</b>
Investments	15,049,706	-	15,049,706
Deposit with financial institution	-	888,029	888,029
Interest receivable	251,617	71	251,688
Total segment assets	<u>15,301,323</u>	<u>888,100</u>	<u>16,189,423</u>
Other liabilities	-	-	-
Total segment liabilities	<u>-</u>	<u>-</u>	<u>-</u>

There was no transaction between operating segments during the financial period.

Expenses of the Fund are not considered part of the performance of any operating segment. The following table provides a reconciliation between the net reportable segment income and operating income:

	<b>6.10.2022</b>
	<b>to</b>
	<b>31.01.2024</b>
	<b>RM</b>
Net reportable segment operating income	653,308
Other non-reportable segment operating income	7,954
Expenses	<u>(24,877)</u>
Net income before tax	636,385
Income tax expense	<u>(1,909)</u>
Net income after tax	<u>634,476</u>

In addition, certain assets and liabilities are not considered to be part of the total assets or liabilities of the operating segments. The following table provides a reconciliation between the reportable total segment assets and total segment liabilities and total assets and total liabilities of the Fund:

	<b>31.01.2024</b>
	<b>RM</b>
Total segment assets	16,189,423
Cash at bank	19,520
Total assets of the Fund	<u>16,208,943</u>
Amount due to Trustee	543
Other payables and accruals	<u>16,409</u>
Total liabilities of the Fund	<u>16,952</u>

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 15. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

The Fund's financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.2 describe how the classes of financial instrument are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and financial liabilities of the Fund in the statement of financial position as at the end of reporting period by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

<b>As at 31.01.2024</b>	<b>Financial assets at FVTPL RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>Assets</b>				
Investments	15,049,706	-	-	15,049,706
Deposit with financial institution	-	888,029	-	888,029
Interest receivable	-	251,688	-	251,688
Cash at bank	-	19,520	-	19,520
<b>Total financial assets</b>	<b>15,049,706</b>	<b>1,159,237</b>	<b>-</b>	<b>16,208,943</b>
<b>Liabilities</b>				
Amount due to Trustee	-	-	543	543
Other payables and accruals	-	-	16,409	16,409
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>16,952</b>	<b>16,952</b>
<b>Period from 06.10.2022 to 31.01.2024</b>				
<b>Income, expenses, gains and losses</b>				
Interest income	632,002	139,173	-	771,175
Other income	-	7,954	-	7,954
Net loss on financial assets at FVTPL	<b>(117,867)</b>	<b>-</b>	<b>-</b>	<b>(117,867)</b>



# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 15. FINANCIAL INSTRUMENTS (CONTD.)

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

The Fund's financial assets at FVTPL are carried at fair value.

#### Unquoted structured products outside Malaysia

For unquoted structured products, the fair value was determined by reference to their Net Present Value (NPV) of nominal amount derived from Monte Carlo Model, at the end of the reporting period obtained from the issuer of the investment.

#### Unquoted bonds in Malaysia

Fair values was determined directly by reference to their marked to market price at the financial position date, quoted by Bond Pricing Agency Malaysia.

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts approximate the fair values due to their short term nature:

- Deposit with financial institution
- Interest receivable
- Cash at bank
- Amount due to Trustee
- Other payables and accruals

### (d) Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 15. FINANCIAL INSTRUMENTS (CONTD.)

### (d) Fair value hierarchy (contd.)

Financial assets at FVTPL:	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>As at 31.01.2024</b>				
Unquoted structured products outside Malaysia	-	-	824,419	824,419
Unquoted bonds in Malaysia	-	14,225,287	-	14,225,287
	-	14,225,287	824,419	15,049,706

### 14.1 Level 3 fair value

Type	Description of technique and input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted structured products	The fair value of the unquoted structured products is derived based on the Monte Carlo model.	• Equity correlation	<ul style="list-style-type: none"> <li>• The estimated fair value would increase/(decrease) if the assets correlation were (lower)/higher</li> <li>• The estimated fair value would increase/(decrease) if the asset volatility were higher/(lower)</li> </ul>

### Sensitivity analysis

Management believes that the changing in one or more of the unobservable inputs would not be material. The sensitivity of the fair value measurements to changes in unobservable inputs are therefore not presented.

## 16. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

### (a) Introduction

The Fund maintains investment portfolio in a variety of financial instruments as dictated by its Trust Deed and investment management strategy.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 16. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### (a) Introduction (contd.)

The Fund is exposed to a variety of risks including market risk (which includes interest rate risk), credit risk/counterparty risk and liquidity risk. Whilst these are the most important types of financial risks inherent in each type of financial instruments, the Manager and the Trustee would like to highlight that the list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

The Fund's objective in managing risks is the creation and protection of unitholders' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring of risk. Financial risk management is also carried out through sound internal control systems and adherence to the investments restrictions as stipulated in the deed, the Securities Commission's Guidelines on Unit Trust Funds and the Capital Markets and Services Act 2007.

### (b) Risk management structure

The Fund's Manager is responsible for identifying and managing risks. The Board of Directors of the Manager are ultimately responsible for the overall risk management approach within the Fund.

### (c) Risk measurement and reporting system

Risk monitoring and controlling mechanism are primarily set up and to be performed based on limits established by the Manager and the Trustee. These limits reflect the investment strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to aggregated risk exposures across all risks type and activities.

### (d) Risk mitigation

The Fund has investment policy that set out its overall business strategies, its tolerance for risk and its general risk management philosophy. The Manager also has a Compliance Department to ensure that the Fund complies with the various regulations and guidelines as stipulated in its deed, the Securities Commission's Guidelines on Unit Trust Funds and the Capital Markets and Services Act 2007.

### (e) Excessive risk concentration

Risk concentration indicates the relative exposure of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of foreign exchange risk may arise if the Fund has a significant net position in a single foreign currency, or aggregate net position in several currencies that tend to move together.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 16. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### (e) Excessive risk concentration (contd.)

In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio in accordance with the deed, investment management's guidelines and the Securities Commission's Guidelines on Unit Trust Funds. Portfolio diversification across a number of sectors and industries minimises the risk not only of any single company's securities becoming worthless but also all holdings suffering uniformly adverse business conditions. Specifically, the deed and Securities Commission's Guidelines on Unit Trust Funds limit the Fund's exposure to a single entity/industry sector to a certain percentage of its NAV.

### (f) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate. The maximum risk resulting from financial instruments equals their fair values at the reporting date.

### (i) Interest rate risk

In general, when interest rates rise, prices of unquoted fixed income securities will tend to fall or vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold an unquoted fixed income security until maturity, such price fluctuations would dissipate as it approaches maturity, and the NAV shall not be affected at maturity.

#### Interest rate risk sensitivity

The table below summarises the sensitivity of the Fund's net income after taxation and NAV to movements in prices of unquoted bonds and ZNID held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increase and decrease by 1% with all other variables held constant.

	<b>Change in interest rates</b>	<b>Impact on profit after tax/NAV</b>
	<b>%</b>	<b>RM</b>
Financial assets	-1	(142,253)
at FVTPL	+1	142,253

The Fund's exposure to interest rate risk associated with deposit with licensed financial institution is not material at FVTPL. Therefore, a change in investment rate at the end of the reporting period would not affect profit or loss.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 16. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### (f) Market risk (contd.)

#### Interest rate risk exposure

The following table analyses the Fund's interest rate risk exposure.

As at 31.01.2024	Interest bearing instruments RM	Non-interest bearing instruments RM	Total RM	WAEIR %
<b>Assets</b>				
Investment	14,225,287	824,419	15,049,706	
Deposit with financial institution	888,029	-	888,029	2.90
Interest receivable	-	251,688	251,688	
Cash at bank	-	19,520	19,520	
Total assets	<u>15,113,316</u>	<u>1,095,627</u>	<u>16,208,943</u>	
<b>Liabilities</b>				
Other liabilities	-	16,952	16,952	
Total liabilities	<u>-</u>	<u>16,952</u>	<u>16,952</u>	
Total interest rate sensitivity gap	<u>15,113,316</u>	<u>1,078,675</u>	<u>16,191,991</u>	

### (g) Credit risk

Credit risk relates to creditworthiness of the issuers of fixed income instruments and its expected ability to make timely payments of interest and/or principal. Investing in non-investment grade and unrated fixed income instruments may result in the Fund being highly exposed to risk of non-payment or untimely payment of interest and/or principal that may cause greater volatility on the Fund's value.

Counterparty risk concerns the Fund's investment in unquoted bonds, unquoted Zero-coupon Negotiable Instrument of Deposits ("ZNIDs") and unquoted structured products. Counterparty risk is prevalent as the potential returns derived from unquoted bonds, unquoted ZNIDs and unquoted structured products are dependent on the ongoing ability and willingness of the issuer i.e. a financial institution to fulfill its financial commitments to the Fund in a timely manner. Bankruptcy, fraud or regulatory non-compliance arising out of and/or in connection with the issuer may impair the operations and/or the performance of the Fund.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 16. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### (g) Credit risk (contd.)

#### Financial assets that are either past due or impaired

There are no financial assets that are either past due or impaired at the end of the reporting period.

#### Credit risk exposure

As at the end of reporting period, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

#### Credit quality of financial assets

As at 31.01.2024	Rating by RAM/MARC of Malaysia P1/AA1 RM	Unrated RM	Total RM
<b>Credit rating of financial assets at FVTPL</b>			
Financial assets at FVTPL	14,225,287	824,419	15,049,706
<b>Short term credit rating of financial assets not at FVTPL</b>			
Deposit with a financial institution	888,029	-	888,029
Interest receivable	251,688	-	251,688
Cash at bank	19,520	-	19,520
	<u>1,159,237</u>	<u>-</u>	<u>1,159,237</u>

### (h) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to the risk of cash redemption of its units on a regular basis. Units sold to unitholders by the Manager are redeemable at the unitholder's option based on the Fund's NAV per unit at the time of redemption calculated in accordance with the deed.

It is the Fund's policy that the Manager monitors the Fund's liquidity position on a daily basis. The Fund also manages its obligation to pay for redemption of units when required to do so and its overall liquidity risk by requiring a 3-day notice period before redemption.

The Manager's policy is to always maintain a prudent and sufficient level of liquid assets so as to meet normal operating requirements and expected redemption requests by unitholders.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 16. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### (h) Liquidity risk (contd.)

The following table summarises the maturity profile of the Fund's financial assets and financial liabilities. The table also analyses the maturity profile of the Fund's financial assets against the Fund's contractual commitments to provide an overview of the Fund's liquidity.

<b>As at 31.01.2024</b>	<b>Less than 1 year RM</b>	<b>1-2 years RM</b>	<b>Total RM</b>
<b>Assets</b>			
Investments	444,050	14,605,656	15,049,706
Deposit with financial institution	888,029	-	888,029
Interest receivable	251,688	-	251,688
Cash at bank	19,520	-	19,520
Total undiscounted financial assets	<u>1,603,287</u>	<u>14,605,656</u>	<u>16,208,943</u>
<b>Liabilities</b>			
Other liabilities	16,952	-	16,952
Total undiscounted financial liabilities	<u>16,952</u>	<u>-</u>	<u>16,952</u>
Equity	<u>16,191,991</u>	<u>-</u>	<u>16,191,991</u>
Liquidity gap	<u>(14,605,656)</u>	<u>14,605,656</u>	<u>-</u>

#### Notes:

#### (i) Financial assets

Analysis of financial assets at FVTPL into maturity groupings is based on the expected date on which these assets can be realised. The analysis into maturity grouping is based on the remaining period from the end of the reporting date to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

#### (ii) Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting date to the contractual maturity date. When a counterparty has a choice of when the amount is to be paid, the liability is allocated to the earliest period in which the Fund can be expected to pay.

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## 16. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### (h) Liquidity risk (contd.)

#### Notes: (contd.)

#### (iii) Equity

As unitholders can request for redemption on their units by giving the Manager a 3 days notice period, equity is categorised as having a maturity of "Less than 1 year". However, the Fund believes that it will be able to liquidate all its investments should the need arise to satisfy all the redemption requirements of the Fund.

### (i) Structured product risk

This risk arises from investments in a structured product which is structured by a third party. The product is linked to the performance of its underlying investments, hence exposing the Fund to the risk of the underlying investment, for example, investments in a structured product which is linked to the performance of a collective investment scheme, will expose the Fund to the risk of the collective investment scheme. As such, the price of the structured product will be dependent on the price of its underlying, where a drop in the price of the collective investment scheme that the structured product is linked to, will also result in a drop in the price of the structured product. As the structured product is structured by a third party, the Fund will also be exposed to counterparty risk and default risk arising from the third party's inability to meet the agreed terms.

## 17. CAPITAL MANAGEMENT

The primary objective of the Fund's capital management is to ensure that it maximises unitholder's value by expanding its fund size to benefit from economies of scale and achieving growth in NAV from the performance of its investments.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may issue new or bonus units, make distribution payment, or return capital to unitholder by way of redemption of units.

No changes were made in the objectives, policies or processes during the financial period ended 31 January 2024.

## 18. COMPARATIVE FIGURES

The financial statements are for the financial period from 6 October 2022 (date of launch) to 31 January 2024. There are no comparative figures as this is the Fund's first set of financial statements.



# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## Corporate Information

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<b>Manager</b>	TA Investment Management Berhad (340588-T)
<b>Registered Office</b>	34th Floor, Menara TA One 22 Jalan P. Ramlee 50250 Kuala Lumpur
<b>Board of Directors</b>	En. Mohammed A'reeff Bin Abdul Khalid (Non-Independent / Executive Director) Mr. Choo Swee Kee (Non-Independent / Executive Director) Puan Zainab Binti Ahmad (Non-Independent / Non-Executive Director) Puan Nor Asma Binti Mohamed (Non-Independent / Non-Executive Director) Mr. Chew Chin Guan (Independent / Non-Executive Director) Mr. Ngiam Kee Tong (Independent / Non-Executive Director)
<b>Investment Committee Members</b>	Kaladher A/L Govindan (Non-Independent) Dato' Tay Kian Chuan (Independent) Ngiam Kee Tong (Independent)
<b>Trustee of the Fund</b>	CIMB Commerce Trustee Berhad Level 13, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur
<b>Auditor of the Manager and the Fund</b>	KPMG PLT Chartered Accountants Level 10, KPMG Tower 8 First Avenue, Bandar Utama 47800 Petaling Jaya Selangor
<b>Banker</b>	Malayan Banking Bhd Ground Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur
<b>Secretaries</b>	Khoo Poh Kim @ Kimmy (LS0010314)

# TA Rainbow Income Fund 16

(For the financial period ended 31 January 2024)

## Corporate Information (cont'd)

<b>Management Staff</b>	<b>Wong Mien</b> Chief Executive Officer	<b>Ch'ng Soon Kim</b> Compliance Officer
	<b>Tee Ling Ling</b> Deputy Chief Executive Officer	<b>Alicia Khor</b> Head of Operations
	<b>Sammi Lim Shuey Shya</b> Head of Product Research & Development	<b>Lee Shi Chuan</b> Head of IUTA
	<b>Ranizaz Bin Mohd Razali</b> Head of Agency	<b>Rachel Lew Yen Peng</b> Head of Corporate & Institutional Business
	<b>Lucy Magdalene Lourdes</b> Head of Customer Service & Communications	
<b>Investment Team</b>	<b>Choo Swee Kee</b> Chief Investment Officer	<b>John Ng Jiunn Yuan</b> Head of Fixed Income
	<b>Vivien Loh Jee Wae</b> Assistant Vice President	<b>Mohammad Hafiz Bin Mahmud</b> Fund Manager
	<b>Lam Chee Mun</b> Fund Manager	
<b>Head Office</b>	23rd Floor, Menara TA One 22 Jalan P. Ramlee 50250 Kuala Lumpur	
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Melaka Business Centre	57A, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel: 06-288 2687
Penang Business Centre	15-1-8, Bayan Point Medan Kampung Relau 11900 Pulau Pinang Tel: 04-645 9801   Fax: 04-611 9805
Kota Kinabalu Business Centre	Unit 4-1-02, 1st Floor Block 4, Api-Api Centre Jalan Centre Point 88000 Kota Kinabalu, Sabah Tel: 088-268 023   Fax: 088-248 463
Kuching Business Centre	2nd Floor, Lot 13008, SL26, Block 16 KCLD, Gala City Commercial Centre Jalan Tun Jugah, 93350 Kuching, Sarawak Tel: 082-265 979
Miri Business Centre	Lot 1251, 1st Floor Centrepont Commercial Centre (Phase 1) Jalan Melayu 98000 Miri, Sarawak Tel: 085-430 415
Ipoh Business Centre	29A Jalan Niaga Simee Arena Niaga Simee 31400 Ipoh Perak Tel: 05-350 0399
Johor Bahru Business Centre	37-01, Jalan Molek 1/29 Taman Molek 81100 Johor Bahru Johor Tel: 07-3611 781

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