

SEMI-ANNUAL REPORT

TA RAINBOW INCOME FUND 16

For the first financial period from
6 October 2022 (Date of Launch)
to 31 July 2023



TA INVESTMENT

A MEMBER OF THE TA GROUP

199501011387 (340588-T)

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

Contents

Contents	1
Key Performance Data	2
Manager's Report	4
Market Review	7
Market Outlook And Investment Strategy	8
Soft Commission	9
State Of Affairs Of The Fund	9
Trustee's Report	10
Statement By The Manager	11
Unaudited Statement Of Comprehensive Income	12
Unaudited Statement Of Financial Position	13
Unaudited Statement Of Changes In Net Asset Value	14
Unaudited Statement Of Cash Flows	15
Notes To The Unaudited Financial Statements	16
Corporate Information	31

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

Key Performance Data

**Since the
Fund Launch
06/10/22 to 31/07/23**

PORTFOLIO COMPOSITION (% OF NAV)

Fixed Income Instruments (ZNIDs and Bond)	87.74
Structured Product	6.06
Cash (Net of Liabilities)	6.20
Total Investment	100.00

Total Net Asset Value (RM'000)	16,177
Units In Circulation (Units '000)	15,921
Net Asset Value Per Unit (RM)	1.0161
Total Expense Ratio (TER) (%)	0.10
Portfolio Turnover Ratio (PTR) (times)	0.54

UNIT PRICES

NAV Per Unit (RM)	1.0161
Highest NAV Per Unit for the Period (RM)	1.0182
Lowest NAV Per Unit for the Period (RM)	0.9688

TOTAL RETURN (%)

Capital Return	1.61
Income Return	-
Total Return of Fund	1.61
Total Return of the Benchmark	2.36

AVERAGE TOTAL RETURN (%)

	Fund	Benchmark
Period		
Since Inception (06/10/2022 to 31/07/2023)	1.98	2.90

ANNUAL TOTAL RETURN (%)

	Fund	Benchmark
Period		
Since Inception (06/10/2022 to 31/07/2023)	1.61	2.36

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 July 2023)

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 July 2023)

Manager's Report

TA Rainbow Income Fund 16

Fund Category/Type	Fixed Income (Close-ended) / Income
Fund Objective	<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><i>**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.</i></p>
Performance Benchmark	Maybank 12 months fixed deposit rate as at the Commencement Date of the Fund.
Tenure	3 Years (Close-ended)
Maturity Date	1 December 2025
Fund's Distribution Policy	Subject to the availability of income, distribution will be made once a year.
Fund's Performance and Investment Strategies Employed	<p>The Fund was managed within its investment objective for the financial period under review. For the period since its inception up to 31 July 2023, the Fund had a total return of 1.61%, underperforming the benchmark which had a performance of 2.36%.</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"> • Man AHL Target Risk Fund – EUR [GMATDEA ID] • BNP Paribas Commodity Time Series Momentum Index [BNPITMXA] • S&P 500 Daily Risk Control 5% Excess Return (USD) Index [SPXT5UE]

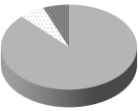
TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

Securities Lending/ Repurchase Transaction	The Fund has not undertaken any securities lending or repurchase transaction (collectively referred to as “securities financing transactions”).		
Cross Trade	There is no cross trade transaction during the financial period under review.		
Analysis of Fund’s Performance	31/07/23	06/10/22	% Change
	NAV/unit (RM)	1.0161	1.0000
	Total NAV (RM'000)	16,177	-
	Income Distribution (%)	Capital Return # (%)	Total Return (%)
	-	1.61	1.61
	# Capital Return components:		
	❖ Fixed Income Instruments (ZNIDs and Bond)		
	❖ Derivative		
	❖ Cash		
Performance Chart	<div style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;">Performance Chart Since Inception From 06/10/2022 to 31/07/2023</p> <p style="text-align: center;"> --- Maybank 12 Months Fixed Deposit Rate : 2.36 — TA Rainbow Income 16* : 1.61 * Contains estimated data. </p> </div>		
	<p>Source: Lipper Investment Management Past performance is not necessarily indicative of future performance.</p>		
Distribution/Unit Split	None were declared for the financial period under review 31 July 2023.		

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

Asset Allocation	31/07/23	06/10/22
	<p style="text-align: center;">Cash (Net of Liabilities) 6.20%</p> <p>Structured Product 6.06%</p>  <p style="text-align: center;">Fixed Income Instruments (ZNIDs and Bond) 87.74%</p> <p>The Fund was primarily invested in Fixed Income Instruments (87.74%), Structured Product issued by BNP Paribas S.A. (6.06%), and the remainder in Cash (6.20%).</p>	Not Available
Top Investment	As at 31/07/23	% NAV
	Fixed Income Instruments (ZNIDs and Bond)	87.74
	Structured Product	6.06
	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 July 2023)

Market Review

China's loosening of its zero-COVID-19 policy restrictions in December 2022 came earlier than the anticipated March 2023 / April 2023 timeline, which led to a strong start for markets in 2023 amidst signs of inflationary pressures subsiding which led to optimism that Federal Reserve (Fed) rates may soon be peaking. However, concerns surrounding the stability of the financial sector in the 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 has reached the 5.25% to 5.50% range in July 2023. Market sentiment oscillated between a potential pause in the Fed's tightening in August 2023, while futures markets continued to price in rate cuts by late 2023. After optimism from the slowing inflation data which managed to pull down bond yields in the middle of the month, UST yields started creeping back up in the second half of July 2023 amidst tight labour market data, upside surprise in US second quarter 2023 GDP growth, and Bank of Japan's tweak to its accommodative monetary policy.

A review of the underlying assets is as follows:

Man AHL Target Risk Fund – EUR

Key US indices have delivered their fifth successive positive month. The Nasdaq Composite, in particular, saw strong returns year-to-date, dominated by a small number of mega-cap stocks. Fixed income returns were mixed, linked to dispersions in expectations of future rate rises across central banks. The Fund saw a gain in stocks, inflation assets and credit more than offsetting losses in bonds. Stocks were the top performing asset class, with the S&P 500 advancing. Credit contributed positively, with spreads compressing across High Yield (HY) and Investment Grade (IG) markets on both sides of the Atlantic. Inflation assets further added. The commodity index position benefitted, as oil prices jumped on tightening supply and metals following suit off the back of the improving growth outlook in the US. Linkers were also accretive with positions gaining as Europe continued to face above target inflation. Bonds weighed on performance as central banks continued along the hiking cycle.

US positions led losses, as the prospect of rate cuts faded following the hawkish tone in the latest Fed policy meeting. Japanese positions suffered as the Bank of Japan (BoJ) loosened its long-held Yield Curve Control (YCC) policy, which sent yields higher. United Kingdom (UK) gilts moderated losses somewhat after June 2023's Consumer Price Index (CPI) print surprised on the downside. Exposure was marginally increased over July 2023. The correlation overlay triggered at the end of July 2023. The momentum overlay deactivated in commodities and equities near the end of July 2023, while marginally decreasing its de-gear signal in bonds over the course of July 2023. The volatility overlays remained inactive across all asset classes.

(Source: MAN AHL as of July 2023)

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

BNP Paribas Commodity Time Series Momentum Index [BNPITMXA]

The index is a systematic, excess return index that takes long/short positions across each 11 commodities components based on the persistence of momentum and trend signals in order to harvest profits. The investment universe consists of 11 commodities mono-indices included in the Bloomberg Commodity ex-Agriculture and Livestock index.

Commodities behave in a cyclical manner as supply response is generally slow in face of usually rapid change in demand (to economic cycles, to weather, geopolitical risks etc). This usually creates some price trends which the strategy seeks to monetised. The Index utilizes a momentum indicator to determine which commodities to go long or short whilst using a risk parity approach to determine the weight of each commodity included within the Index, in order to ensure an optimal risk-return profile.

This results in the strategy results in going long commodities that have outperformed recently and short those that have underperformed. The index aims to target an annualised volatility of 5%.

(Source: BNP Paribas S.A. as of July 2023)

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 July 2023)

Market Outlook And Investment Strategy

On the fixed income portion, while Bank Negara Malaysia (BNM) has maintained the Overnight Policy Rate (OPR) at 3.00% at the July 2023 MPC meeting, upside risks remain for domestic inflation and the OPR, in particular due to the potential removal of government subsidies after state elections. Nevertheless, near-term risk-return profile has improved following upward adjustment of Malaysian Government Securities (MGS) yield levels. We reiterate our view that current bond yields provide value and capital gains potential for long-term investors given rising recession risk. In the meanwhile, headline and US Treasuries (UST)-driven market volatility can provide trading and attractive market entry opportunities.

In terms of Ringgit (MYR) corporate bonds, credit spreads have narrowed in June 2023 and July 2023, in line with our expectations. We expect onshore appetite for corporate bonds supply to remain strong through the third quarter of 2023. We recommend 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 weakening macroeconomic prospects.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

Soft Commission

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 Unitholders of the Fund and there was no churning of trades.

State Of Affairs Of The Fund

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 July 2023)

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 July 2023 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.

For and on behalf of
CIMB Commerce Trustee Berhad

Datin Ezreen Eliza binti Zulkiplee
Chief Executive Officer

Kuala Lumpur, Malaysia
22 September 2023

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

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 unaudited financial statements set out on pages 12 to 30, are drawn up in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting so as to give a true and fair view of the financial position of TA RAINBOW INCOME FUND 16 as at 31 July 2023 and of its unaudited financial performance and unaudited cash flows for the financial period then ended.

On behalf of the Manager,

CHOO SWEE KEE

MOHAMMED A'REEFF BIN ABDUL KHALID

Kuala Lumpur, Malaysia
22 September 2023

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 JULY 2023

		06.10.2022 to 31.07.2023 RM
INCOME		
Interest income		428,791
Other income		882
Net loss on:		
-financial assets at fair value through profit or loss ("FVTPL")	7	<u>(160,569)</u>
		<u>269,104</u>
EXPENSES		
Trustee's fee	4	4,771
Auditors' remuneration		5,310
Tax agent's fee		2,810
Administrative fees and expenses		<u>742</u>
		<u>13,633</u>
Net income before tax		255,471
Less: Income tax expense	6	<u>-</u>
Net income after tax, representing total comprehensive income for the financial period		<u>255,471</u>
Net income after tax is made up of the following:		
Net realised income		423,377
Net unrealised loss		<u>(167,906)</u>
		<u>255,471</u>

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

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2023

	Note	31.07.2023 RM
ASSETS		
Investments	7	15,149,773
Deposit with a financial institution		768,997
Interest receivable		248,209
Cash at bank		18,025
TOTAL ASSETS		<u>16,185,004</u>
LIABILITIES		
Amount due to Manager		-
Amount due to Trustee		543
Other payables and accruals		7,120
TOTAL LIABILITIES		<u>7,663</u>
EQUITY		
Unitholders' capital	9(a)	15,921,870
Retained earnings	9(b),(c)	255,471
NET ASSET VALUE ("NAV")		<u>16,177,341</u>
ATTRIBUTABLE TO UNITHOLDERS		<u>16,177,341</u>
TOTAL EQUITY AND LIABILITIES		<u>16,185,004</u>
NUMBER OF UNITS IN CIRCULATION	9(a)	<u>15,921,185</u>
NAV PER UNIT		<u>1.0161</u>

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

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL PERIOD ENDED 31 JULY 2023

	Unitholders' capital Note 9(a) RM	Retained earnings Note 9(b) and (c) RM	Total NAV RM
At 06 October 2022	-	-	-
Total comprehensive income for the period	-	255,471	255,471
Creation of units	16,271,670	-	16,271,670
Cancellation of units	(349,800)	-	(349,800)
At 31 July 2023	<u>15,921,870</u>	<u>255,471</u>	<u>16,177,341</u>

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

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

UNAUDITED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 JULY 2023

	06.10.2022 to 31.07.2023 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES	
Proceed from sales from investments	7,337
Purchase of investments	(15,342,266)
Interest received	205,169
Other income received	882
Trustee's fee paid	(4,228)
Payments for other fees and expenses	(1,742)
Net cash used in operating and investing activities	<u>(15,134,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from units created	16,271,670
Cash paid for units cancelled	(349,800)
Net cash generated from financing activities	<u>15,921,870</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	787,022
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>787,022</u></u>
CASH AND CASH EQUIVALENTS COMPRISE:	
Cash at bank	18,025
Deposit with financial institution	768,997
Cash and cash equivalents	<u><u>787,022</u></u>

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

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 JULY 2023

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of Compliance

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), collectively known as the "Standards".

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 July 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of Preparation (contd.)

(a) Statement of Compliance (contd.)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

- Amendment 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*

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 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023, except for amendments to MFRS 1, MFRS 3, MFRS 16, MFRS 116, MFRS 137 and MFRS 141 which are not applicable to the Fund.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of Preparation (contd.)

(a) Statement of Compliance (contd.)

The Fund plans to adopt the abovementioned accounting standards, interpretations and amendments: (contd.)

- from the annual period beginning on 1 February 2024 for those amendments that are effective for annual periods beginning on or after 1 January 2024, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Fund.

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

(b) Basis of measurement

The financial statements of the Fund have been prepared on a historical basis unless otherwise indicated in Note 2.2.

(c) Functional and presentation currency

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

2.2 Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Financial Instruments

(i) Recognition and initial measurement

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Significant Accounting Policies (contd.)

(a) Financial Instruments (contd.)

(ii) Financial instrument categories and subsequent measurement

Financial assets

The Fund determines the classification of its financial assets at initial recognition, and the categories include financial assets at FVTPL and amortised cost.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets 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 on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(b)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument).

On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Significant Accounting Policies (contd.)

(a) Financial Instruments (contd.)

(ii) Financial instrument categories and subsequent measurement (contd.)

Financial assets (contd.)

(b) Fair value through profit or loss (contd.)

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see Note 2.2(b)).

Financial Liabilities

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset is derecognised when the asset is disposed and the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the financial statement when there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle them on a net basis or to realise the asset and liability simultaneously.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Significant Accounting Policies (contd.)

(b) Impairment

Financial assets

The Fund recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities, if any, that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Fund is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the obligor does not have assets or sources of income that could generate sufficient cash flows to pay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Significant Accounting Policies (contd.)

(c) Classification of Realised and Unrealised Gains and Losses

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

The realised gain/(loss) on sale investments is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The carrying amount for determining the realised gain/(loss) on sale of investments is based on the weighted average cost method.

(d) Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of the Fund at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instrument where they are measured at fair value through other comprehensive income or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(e) Unitholders' Capital

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.

(f) Distribution

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 July 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Significant Accounting Policies (contd.)

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and short-term deposits with financial institutions that are readily convertible to known amount of cash which have an insignificant risk of changes in fair value with original maturities of more than three months or less, and are used by the Fund in the management of its short-term commitments.

(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 is recognised using the effective interest rate method.

(i) Income Tax

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

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided for, using the liability method, on taxable temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentives can be utilised.

(j) Segment Reporting

For management purposes, the Fund is managed under two main portfolios, namely "unquoted structured products and unquoted bonds" and "unquoted Zero-coupon Negotiable Instruments of Deposits ("ZNIDs") 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.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Significant Accounting Policies (contd.)

(k) 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. MANAGER'S FEE

No manager's fee is imposed on this Fund.

4. 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 calculated and accrued daily (excluding foreign custodian fees and charges).

5. 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.

6. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial period. Interest and other income derived from sources outside Malaysia are exempted from Malaysian income tax. However, such income may be subject to tax in the country from which they were derived.

In accordance with Schedule 6 of the Income Tax Act 1967, interest income earned by the Fund is exempted from Malaysian tax.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

6. INCOME TAX EXPENSE (CONTD.)

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

	06.10.2022
	to
	31.07.2023
	RM
Net income before tax	255,471
Taxation at Malaysian statutory rate of 24%	61,313
Effects of interest and other income not subject to tax	(103,121)
Effects of loss and expenses not deductible for tax purposes	40,534
Restriction on tax deductible expenses for unit trust funds	1,274
Income tax expense for the financial period	-

7. INVESTMENTS

	31.07.2023
	RM
Financial assets at FVTPL:	
Unquoted structured product outside Malaysia	978,531
Unquoted bond in Malaysia	14,171,242
	<u>15,149,773</u>
Net loss on financial assets at FVTPL comprises:	
Net realised income	7,337
Net unrealised loss on changes in fair value	(167,906)
	<u>(160,569)</u>

Financial assets at FVTPL as at 31 July 2023 are as detailed below:

(a) Unquoted structured products outside Malaysia

Issuer Name	Quantity	Cost RM	Fair Value RM	% of NAV %
BNP Paribas				
1Y USD Warrant Basket of Funds and Index	1,498	397,933	219,637	1.36
BNP Paribas				
2Y USD Warrant Basket of Funds and Index	1,498	414,109	401,575	2.48
BNP Paribas				
3Y USD Warrant Basket of Funds and Index	1,498	384,992	357,319	2.21
Total unquoted structured products outside outside Malaysia	<u>4,494</u>	<u>1,197,034</u>	<u>978,531</u>	<u>6.05</u>

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

7. INVESTMENTS (CONTD.)

(b) Unquoted bond in Malaysia

Issuer Bank	Quantity Units	Cost RM	Fair Value RM	% of NAV %
CIMB MTN 1826D 3.40%				
03/04/2025 - Issue No 8	270,000	266,461	267,538	1.65
Encorp 5.25% 18/11/2025	2,700,000	2,770,046	2,778,678	17.18
FPSB IMTN 5.05%				
05/09/2025	2,700,000	2,737,117	2,750,976	17.01
GENM Capital MTN 3651D				
4.90% 22/08/2025	2,700,000	2,718,337	2,720,952	16.82
SABAHDEV MTN 2191D				
4.55% 15/08/2025	2,700,000	2,681,503	2,696,868	16.67
UEMS IMTN 4.25%				
19/09/2025 - Issue No.15	2,500,000	2,441,472	2,457,050	15.19
UEMS IMTN 5.03%				
19/09/2025	500,000	496,840	499,180	3.09
Total Unquoted Bond In Malaysia	14,070,000	14,111,776	14,171,242	87.61
TOTAL FINANCIAL ASSETS AT FVTPL	14,074,494	15,308,810	15,149,773	93.66
EXCESS OF COST OVER FAIR VALUE			(159,037)	

8. DEPOSIT WITH A FINANCIAL INSTITUTION

	31.07.2023 RM
Placement with a licensed bank	768,997

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

	WAEIR (% p.a.) 31.07.2023	Average Remaining Maturity (Days) 31.07.2023
Short-term placement	2.90	1

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

9. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

	Note	31.07.2023 RM
Unitholders' capital	(a)	15,921,870
Retained earnings		
- Realised reserve	(b)	423,377
- Unrealised loss	(c)	<u>(167,906)</u>
		<u>16,177,341</u>

(a) Unitholders' capital

	31.07.2023	
	No of units	RM
At beginning of the financial period	-	-
Creation of units	16,271,670	16,271,670
Cancellation of units	<u>(350,485)</u>	<u>(349,800)</u>
At end of the financial period	<u>15,921,185</u>	<u>15,921,870</u>

(b) Realised reserve

	31.07.2023 RM
At beginning of the financial period	-
Net realised income for the financial period	<u>423,377</u>
At end of the financial period	<u>423,377</u>

(c) Unrealised loss

	31.07.2023 RM
At beginning of the financial period	-
Net unrealised loss for the financial period	<u>(167,906)</u>
At end of the financial period	<u>(167,906)</u>

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

10. TOTAL EXPENSE AND PORTFOLIO TURNOVER RATIOS

(a) Total Expense Ratio

The total expense ratio for the financial period ended 31 July 2023 is 0.10%. This ratio represents total expenses expressed as an annualised percentage of the Fund's average NAV, calculated on a daily basis. Brokerage and other transaction fees on financial assets at FVTPL are trading related and are not classified as expenses.

(b) Portfolio Turnover Ratio

The portfolio turnover ratio for the financial period ended 31 July 2023 is 0.54 times. This ratio represents the average of the total acquisitions and disposals of the Fund for the financial period over the average NAV of the Fund for the financial period calculated on a daily basis.

11. TRANSACTIONS WITH INVESTMENT BANKS/BROKERS

Details of transactions with the investment banks/brokers during the financial period are as follows:

Name of investment banks/brokers	Value of trade RM	Percentage to total value of trade %
AmBank Bhd	5,950,185	38.48
RHB Bank Bhd	5,618,522	36.33
United Overseas Bank (Malaysia) Bhd	2,694,489	17.42
BNP Paribas	1,200,231	7.76
	<u>15,463,427</u>	<u>100.00</u>

12. SEGMENT INFORMATION

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 Guidelines of the Fund. The Fund is managed by two segments:

- A portfolio of structured products; and
- A portfolio of fixed income instruments, including ZNID.

The investment objective is to provide potential annual returns over the Medium-Term of the underlying collective investment scheme investing in investment instruments. There have been no changes in reportable segments in the current financial period.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of financial risks, which include economic risk, special and emerging market risk, credit and settlement risk, liquidity risk, currency risk and repatriation risk. The overall objective of financial risk management is to mitigate capital losses, ensure preservation of value and minimise erosion of capital.

Risk management is carried out through strict adherence to the Manager's internal policies and control procedures and also to the powers and restrictions vested by the regulators as contained in the Securities Commission's Guidelines on Unit Trust Funds ("the Guidelines").

(a) Economic Risk

Prospective investors should be aware that the price of units and the income from their investments may go down or up in response to changes in interest rate, foreign exchange, economic and political conditions and the earnings of corporations making up in the portfolio of the Fund. Economic risk is managed through portfolio diversification and asset allocation and monitoring of investment portfolio by professional fund manager and the investment committee, with the aim to minimise securities exposure in the event of anticipated market weaknesses.

(b) Credit/Default Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations to make timely payment of profit, principal and proceeds from realisation of investments. These credit exposures exist within financing relationships, derivatives and other transactions.

The Manager manages the Fund's credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimise such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties. The Manager also closely monitors the creditworthiness of the Fund's counterparties (e.g. issuer, custodian, bank, etc) by reviewing their credit ratings and credit profile on a regular basis.

(c) Interest Rate Risk

The risk refers to the exposure of the Fund's assets to movements in interest rates. In this regards, the Fund's exposure to the interest rate risk is mainly confined to the fixed income securities prices and deposits placement with financial institutions.

The reason for this is because a high level of interest rates will inevitably effect corporate profits and this will have an impact on the value of equity and the demand for fixed income securities.

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(d) Structured Products Risks

The value of the structured products or options is affected by a number of market factors. Hence, before redeeming or closing out on an investment in the Fund, unitholders should carefully consider the factors such as the value, expected price volatility of the underlying asset or index, the time remaining to maturity, the level of prevailing interest rate, the depth of the market or liquidity of any underlying asset over the underlying index, and change in currency exchange rates and related transaction costs.

It is not possible to predict it and to what extent a secondary market may develop in any over-the-counter (off-exchange) structured products or at what price such structured products will trade in the secondary market or whether such market will be liquid or illiquid. Although the structured product seller has undertaken to trade the structured products in the secondary market, there is no assurance that secondary market prices will reflect fair market value or what unitholders deem to be fair value. Dealing in over-the-counter instruments may involve greater risks than dealing in exchange-traded instruments. The price at which the structured products will trade will be dependent on market conditions, which are beyond the Manager's control.

Market volatility reflects the degree of instability and expected instability of the performance of the underlying asset or index. The level of market volatility is not purely a measurement of the actual volatility, but is largely determined by the prices for instruments which offer investors protection against such market volatility. The prices of these instruments are determined by forces of supply and demand in the structured products markets generally. These forces are, themselves, affected by factors such as actual market volatility, expected volatility, macro economic factors and speculation.

14. COMPARATIVE FIGURES

The current period's figures and comparative figures are presented as follow:

- The Statement of Fund Financial Position and its relevant notes are as at 31 July 2023, respectively.
- The Statement of Comprehensive Income, Statement of Changes in Net Asset Value and Statement of Cash Flows and its relevant notes are for the period from 06 October 2022 to 31 July 2023.

15. UNAUDITED ACCOUNT

The financial statements are for the financial period from 06 October 2022 (date of launch) to 31 July 2023. 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 July 2023)

Corporate Information

Manager	TA Investment Management Berhad (340588-T)
Registered Office	34th Floor, Menara TA One 22 Jalan P. Ramlee 50250 Kuala Lumpur
Board of Directors	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)
Investment Committee Members	Kaladher A/L Govindan (Non-Independent) Dato' Tay Kian Chuan (Independent) Ngiam Kee Tong (Independent)
Trustee of the Fund	CIMB Commerce Trustee Berhad Level 13, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur
Auditor of the Manager and the Fund	KPMG PLT Chartered Accountants Level 10, KPMG Tower 8 First Avenue, Bandar Utama 47800 Petaling Jaya Selangor
Banker	Malayan Banking Bhd Ground Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur
Secretaries	Khoo Poh Kim @ Kimmy (LS0010314)

TA Rainbow Income Fund 16

(For the financial period ended 31 July 2023)

Corporate Information (cont'd)

Management Staff	Wong Mien Chief Executive Officer	Tee Ling Ling Chief Marketing Officer
	Ch'ng Soon Kim Compliance Officer	Alicia Khor Head of Operations
Investment Team	Choo Swee Kee Chief Investment Officer	John Ng Jiunn Yuan Head of Fixed Income
	Lam Chee Mun Fund Manager	Wong Shyh Yik Fund Manager
Head Office	23rd Floor, Menara TA One 22 Jalan P. Ramlee 50250 Kuala Lumpur	
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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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