



A member of Prudential plc (UK) 

ANNUAL REPORT

# EASTSPRING INVESTMENTS BOND PLUS FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

**Dear Valued Investor,**

Greetings from Eastspring Investments Berhad!

First and foremost, we would like to take this opportunity to thank you for choosing to invest with Eastspring Investments Berhad.

**We are pleased to enclose a copy of the Annual/Interim/Quarterly Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 March 2016.**

You may also download these reports from our website at [www.eastspringinvestments.com.my](http://www.eastspringinvestments.com.my)

Should you require any assistance, please do not hesitate to contact our Client Services at 03-2332 1000.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Raymond Tang Chee Kin', written in a cursive style.

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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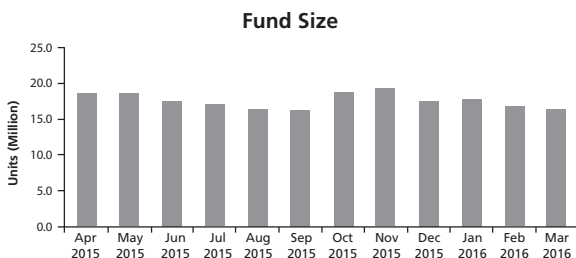
## FUND INFORMATION

<b>Name of Fund</b>	Eastspring Investments Bond Plus Fund (“the Fund”)
<b>Fund Category/ Type</b>	Bond/income
<b>Fund Objective</b>	<p>The Fund seeks to provide a steady stream of income*.</p> <p>* Income distributed will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.</p>
<b>Performance Benchmark</b>	<p>Quant Shop Malaysian Government Securities (MGS) Medium Index.</p> <p><b>Source:</b> <a href="http://www.quantshop.com">www.quantshop.com</a></p> <p><b>Note:</b> The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
<b>Fund Income Distribution Policy</b>	At least once a year, subject to the availability of income.

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 31 March 2016, the size of Eastspring Investments Bond Plus Fund stood at 16.315 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	19	13.77	64	0.39
5,001 to 10,000 units	23	16.67	190	1.16
10,001 to 50,000 units	49	35.50	1,200	7.36
50,001 to 500,000 units	40	28.99	5,381	32.99
500,001 units and above	7	5.07	9,478	58.10
<b>Total</b>	<b>138</b>	<b>100.00</b>	<b>16,313</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	31.3.2016	31.3.2015	Since commencement 30.4.2013 to 31.3.2014
	(%)	(%)	(%)
Unquoted fixed income securities	86.73	82.30	94.85
Collective investment scheme-Foreign	9.38	15.18	-
Cash and other assets	3.89	2.52	5.15
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	8,970	9,813	18,285
Units In Circulation (Units '000)	16,315	18,540	36,775
Net Asset Value Per Unit (RM)	0.5498	0.5293	0.4972
Highest Net Asset Value Per Unit (RM)	0.5509	0.5293	0.5127
Lowest Net Asset Value Per Unit (RM)	0.5286	0.4973	0.4964
Total Return (%)			
Capital Growth	3.87	6.46	(0.56)
Income Distribution	-	-	-
Total Return (%)	3.87	6.46	(0.56)
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	1.74	1.64	1.35
Portfolio Turnover Ratio (PTR) (times)^	0.21	0.96	1.12

\* There were no significant changes to the MER during the period under review.

^ The PTR was lower during the period under review due to fewer attractive trading opportunities during the period.

## KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.4.2015 to 31.3.2016	Since commencement 30.4.2013 to 31.3.2016
	(%)	(%)
Average total return	3.87	3.30

Year ended	1.4.2015 to 31.3.2016	1.4.2014 to 31.3.2015	Since commencement 30.4.2013 to 31.3.2014
	(%)	(%)	(%)
Annual total return	3.87	6.46	(0.56)

**Source:** Lipper for Investment Management, as at 31 March 2016.

### Bases of calculation and assumptions made in calculating returns:

$$\text{Percentage growth} = \frac{\text{NAV}_t}{\text{NAV}_0} - 1$$

$\text{NAV}_t$  = NAV at the end of the period

$\text{NAV}_0$  = NAV at the beginning of the period

$$\text{Performance annualised} = (1 + \text{Percentage Growth})^{1/n} - 1$$

$n$  = Number of years

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

## MANAGER'S REPORT

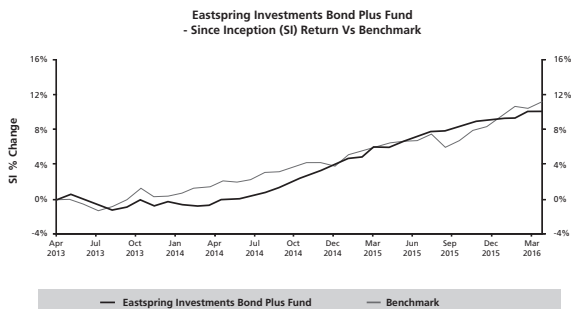
### Fund Performance

Since inception, the Fund recorded a return of 9.96%, underperforming the benchmark return of 11.25% by 1.29%.

For the period under review, the Fund registered a return of 3.87%, underperforming the benchmark return of 4.93% by 1.06%.

The Fund's underperformance was partly attributable to the Fund's underweight duration position relative to that of the government bond benchmark.

The Fund has yet to meet its objective of providing a steady stream of income.



**The performance is calculated on NAV-to-NAV basis with gross income or dividend reinvested.**

**Benchmark:** Quant Shop MGS Medium Index

**Source:** Lipper for Investment Management and [www.quantshop.com](http://www.quantshop.com), as at 31 March 2016.

**Past performance of the Fund is not necessarily indicative of its future performance.**



## MANAGER'S REPORT (CONTINUED)

### Analysis of Fund Performance

For the financial year ended 31 March 2016:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	3.87	3.87	4.93

\* Capital return components (NAV per unit to NAV per unit)

1. Unquoted fixed income securities
2. Collective investment scheme-Foreign
3. Cash and other assets

### Distribution/ Unit Split

No distribution or unit split were declared for the financial year ended 31 March 2016.

### Investment Strategy During Period Under Review

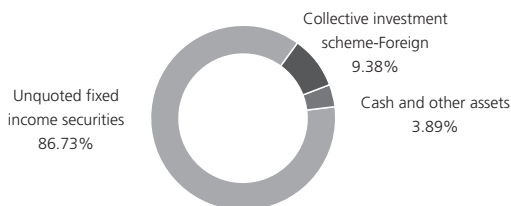
The Fund participated in selective quality issuances for yield pick-up, and traded on market volatility, subject to liquidity constraints.

## MANAGER'S REPORT (CONTINUED)

## Asset Allocation

Asset Allocation	31-Mar 2016 (%)	31-Mar 2015 (%)	Changes (%)
Unquoted fixed income securities	86.73	82.30	4.43
Collective investment scheme- Foreign	9.38	15.18	(5.80)
Cash and other assets	3.89	2.52	1.37

## Asset Allocation as at 31 March 2016



The Fund's allocation to collective investment scheme-foreign was lower for the period under review as the Fund took profit.

## State of Affairs of the Fund

There have been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

## Cross-Trade Transaction

During the period under review, there were cross-trades executed through a dealer or a financial institution on an arm's length and fair value basis and in the best interest of the unit holders.

## MARKET REVIEW

Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) steady at 3.25% throughout the period under review. At the Monetary Policy Committee (MPC) meeting on 9 July 2015, BNM stated that growth in private consumption was expected to slow after the frontloading of consumption activity prior to the implementation of the Goods and Services Tax (GST) on 1 April 2015. However, overall spending should be supported by wage growth and stable labour market conditions. The 11 September 2015 MPC meeting was held with the backdrop of a sharp depreciation of the ringgit (MYR) in August 2015 and September 2015. The MPC stated that the MYR was affected by global factors including weaker commodity prices and the strength of the US Dollar (USD) and expected the MYR to reflect underlying economic fundamentals when external and domestic uncertainties receded.

The MPC meeting on 21 January 2016 took place amidst a continuing fall in crude oil prices which increased worries over Malaysia's government revenue. BNM stated that despite the more difficult environment, the Malaysian economy would benefit from having diversified sources of growth, low unemployment, manageable external debt, a well capitalised banking system and developed capital markets. BNM announced a cut to the Statutory Reserve Requirement (SRR) from 4.00% to 3.50% effective 1 February 2016 to ensure sufficient liquidity in the financial system. At the MPC meeting on 9 March 2016, BNM stated that the Malaysian economy was expected to moderate in 2016 after growing 5% in 2015. Domestic demand would continue to support growth. Private consumption was expected to moderate but household spending was to be supported from additional disposable income from measures announced in the 2016 Budget.

Headline inflation jumped from 0.9% year-on-year (y-o-y) in March 2015 to 4.2% y-o-y in February 2016. The spike was attributable to the jump in non-food inflation, which climbed from 0.3% y-o-y in March 2015 to 3.9% y-o-y in February 2016 on transport inflation, which rose from -4.9% y-o-y in March 2015 to 3.6% y-o-y in February 2016. The MPC said in its March 2016 statement that 2016 headline inflation was expected to be higher than in 2015 on adjustments in administered prices and the weaker MYR. However, inflation was likely to be mitigated by low energy and commodity prices and subdued global inflation. The MPC stated that the current OPR level was appropriate but that it would continue to monitor risks in the global economic and financial environment and ensure that the stance of monetary policy was consistent with the sustainable growth of the Malaysian economy.

For the period under review, the 3-year, 5-year and 10-year sovereign bond yields eased by 10bps, 18bps and 9bps to close at 3.22%, 3.40% and 3.78% respectively. Malaysian Government Securities (MGS) yields rose sharply in August 2015 on the sudden depreciation of the MYR, which slumped from RM3.825 to the USD at 31 July 2015 to

RM4.1950 by end August 2015. Subsequently, MGS yields moderated before rallying in 1Q2016 on the Statutory Reserve Requirement (SRR) cut by BNM which was announced on 21 January followed by the Federal Open Market Committee's (FOMC) dovish statement on 16 March 2016 which signaled a very gradual path of rate hikes in 2016.

Corporate bond yields generally moved in tandem with sovereign bond yields, albeit at a lag. Activities in the corporate bond market were supported by ample liquidity and a stable credit environment.

On the supply front, total outstanding MYR issuances at the end of March 2016 stood at about RM1,148bil, of which approximately 46.0% was conventional and 54.0% was Islamic. The proportion of corporate sukuk in the sukuk universe was higher at about 38.1% compared to the proportion of corporate bonds in the conventional bonds universe of about 25.2%. Major primary issuances during the period included the power sector, quasi-government and government guaranteed issuances. Major issuances included a RM8.98bil issuance by Jimah East Power, RM6.6bil by Danainfra Berhad and RM5.055bil by Cagamas Berhad.

## REBATES AND SOFT COMMISSIONS

During the period under review, the Manager and its delegates (if any) did not receive any soft commissions from stockbrokers.

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# EASTSPRING INVESTMENTS BOND PLUS FUND

## FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

## TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS BOND PLUS FUND

We have acted as Trustee for Eastspring Investments Bond Plus Fund (the "Fund") for financial year ended 31 March 2016. To the best of our knowledge, for the year under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:

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

For Deutsche Trustees Malaysia Berhad

**Wong Mun Loong**

Manager, Trustee Operations

**Soon Lai Ching**

Manager, Trustee Operations

Kuala Lumpur

Date: 13 May 2016

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS BOND PLUS FUND

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Eastspring Investments Bond Plus Fund (the "Fund") on pages 15 to 51, which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 14 to the financial statements.

### Manager's Responsibility for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view 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 Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 31 March 2016 and of its financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### OTHER MATTERS

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

### **PRICEWATERHOUSECOOPERS**

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur

Date: 13 May 2016

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	2016	2015
		RM	RM
<b>INVESTMENT INCOME</b>			
Interest income from deposits with licensed financial institutions		21,043	32,476
Interest income from unquoted fixed income securities		393,083	507,145
Net gain on financial assets at fair value through profit or loss	6	103,004	435,369
Net foreign currency exchange gain		13,761	4,491
		<u>530,891</u>	<u>979,481</u>
<b>EXPENSES</b>			
Management fee	3	(119,031)	(160,491)
Trustee fee	4	(18,000)	(18,000)
Audit fee		(6,700)	(6,500)
Tax agent fee		(3,400)	(3,400)
Other expenses		(10,249)	(22,283)
GST charges		(8,588)	-
		<u>(165,968)</u>	<u>(210,674)</u>
<b>PROFIT BEFORE TAXATION</b>		<u>364,923</u>	<u>768,807</u>
<b>TAXATION</b>	5	<u>-</u>	<u>-</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>364,923</u>	<u>768,807</u>
Profit after taxation is made up of the following:			
Realised amount		376,393	220,680
Unrealised amount		<u>(11,470)</u>	<u>548,127</u>
		<u>364,923</u>	<u>768,807</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Note	2016	2015
		RM	RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	6	8,620,555	9,564,609
Cash and cash equivalents	7	395,681	286,146
Amount due from Manager		5,190	54,097
<b>TOTAL ASSETS</b>		<u>9,021,426</u>	<u>9,904,852</u>
<b>LIABILITIES</b>			
Amount due to Manager		15,010	52,307
Accrued management fee		9,623	10,386
Amount due to Trustee		1,516	1,527
Other payables and accruals		24,965	28,037
GST charges payable		668	-
<b>TOTAL LIABILITIES</b>		<u>51,782</u>	<u>92,257</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>8,969,644</u>	<u>9,812,595</u>
<b>EQUITY</b>			
Unit holders' capital		7,986,681	9,194,555
Retained earnings		982,963	618,040
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>8,969,644</u>	<u>9,812,595</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	8	<u>16,314,538</u>	<u>18,539,784</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.5498</u>	<u>0.5293</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Unit holders' capital	Retained earnings	Total
	RM	RM	RM
Balance as at 1 April 2015	9,194,555	618,040	9,812,595
Movement in unit holders' contribution:			
Creation of units from applications	4,912,058	-	4,912,058
Cancellation of units	(6,119,932)	-	(6,119,932)
Total comprehensive income for the financial year	-	364,923	364,923
Balance as at 31 March 2016	7,986,681	982,963	8,969,644
Balance as at 1 April 2014	18,436,176	(150,767)	18,285,409
Movement in unit holders' contribution:			
Creation of units from applications	1,171,930	-	1,171,930
Cancellation of units	(10,413,551)	-	(10,413,551)
Total comprehensive income for the financial year	-	768,807	768,807
Balance as at 31 March 2015	9,194,555	618,040	9,812,595

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	2016	2015
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		2,548,631	16,417,449
Purchase of investments		(1,528,040)	(8,314,245)
Interest received from deposits with licensed financial institutions		21,043	32,476
Interest income received from unquoted fixed income securities		419,551	617,688
Management fee paid		(119,794)	(170,656)
Trustee fee paid		(18,011)	(18,002)
Payment for other fees and expenses		(31,342)	(27,675)
Net foreign currency exchange gain		13,761	4,491
Net cash generated from operating activities		<u>1,305,799</u>	<u>8,541,526</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		4,960,965	1,118,323
Payments for cancellation of units		(6,157,229)	(10,607,169)
Net cash used in financing activities		<u>(1,196,264)</u>	<u>(9,488,846)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		109,535	(947,320)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>			
		<u>286,146</u>	<u>1,233,466</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>			
	7	<u>395,681</u>	<u>286,146</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

### **A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”), as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

- a. Standards, amendments to published standards and interpretations that are effective.

The following amendment has been adopted by the Fund for the first time for the financial year beginning on or after 1 April 2015.

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle

The adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

- b. The new standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:
- i. Financial year beginning on/after 1 April 2018
- MFRS 15 “Revenue from contracts with customers” (effective from 1 January 2018) replaces MFRS 118 “Revenue” and MFRS 111 “Construction contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Fund will apply this standard when effective. This standard is not expected to have a significant impact on the Fund’s financial statements.

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with

bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Fund will apply this standard when effective. This standard is not expected to have a significant impact on the Fund's financial statements.

## **B. INCOME RECOGNITION**

Interest income earned from short-term deposits and unquoted fixed income securities are recognised on an accrual basis using the effective interest method.

Realised gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on cost adjusted for accretion of discount or amortisation of premium.

Realised gain or loss on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investment, which is determined on a weighted average cost basis for collective investment scheme.

## **C. TAXATION**

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

Tax on dividend income from foreign collective investment scheme is based on the tax regime of the respective country that the Fund invests in.



#### **D. PRESENTATION AND FUNCTIONAL CURRENCY**

Items included in the financial statements of the Fund are measured using the currency as the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s presentation and functional currency.

#### **E. FOREIGN CURRENCY TRANSLATION**

Foreign currency transactions in the Fund are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

#### **F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

##### **i. Classification**

The Fund designates its investments in unquoted fixed income securities and collective investment scheme as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund’s loans and receivables comprise amount due from Manager and cash and cash equivalents which are all due within 12 months.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund’s financial liabilities which include amount due to Manager, accrued management fee, amount due to Trustee, other payables and accruals and GST charges payable.

## ii. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial liability is derecognised when the obligation under the liability is extinguished; i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of comprehensive income within "net gain/(loss) on financial assets at fair value through profit and loss" in the period in which they arise. Any unrealised gains however are not distributable.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest rate method over the period from the date of placement to the date of maturity of the respective deposits.

Collective investment scheme are valued based on the last published net asset value per unit or share of such collective investment schemes or, if unavailable, on the average of the last published buying price and the last published selling price of such unit or share (excluding any sales charge included in selling in such selling price).

Unquoted fixed income securities are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis using the net present value method based on fair value prices quoted by a bond pricing agency ('BPA') registered with the Securities Commission as per the Securities Commission's Guidelines on Unit Trust Funds. Where such quotations

are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

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

Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

### iii. Impairment for assets carried at amortised costs

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in statement of comprehensive income. If "loans and receivables" have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the

reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

## **G. CASH AND CASH EQUIVALENTS**

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

## **H. UNIT HOLDERS' CAPITAL**

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net assets value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

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

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

## **I. SEGMENTAL INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting used by chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Fund's Manager that undertakes strategic decisions for the Fund.

## **J. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

### **i. Estimate of fair value of unquoted fixed income securities**

The Fund uses significant judgment in determining whether an investment is impaired. The Fund evaluates, among other factors, the duration and extent to which the fair value of the investment is less than cost, and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, macroeconomic factors and speculation.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission valuation guidelines.

Unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency (BPA). Where the Manager is of the view that the price quoted by BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager records its basis for using a non-BPA price,

obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price. This is allowed for under the Securities Commission ("SC") Guidelines on Unit Trust Funds.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

### 1. INFORMATION ON THE FUND

Eastspring Investments Bond Plus Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 29 June 2012 (the "Deed") as modified by Supplemental Deed dated 26 March 2014 and Second Supplemental Deed dated 2 January 2015 (collectively referred to as the "Deed") entered into between Eastspring Investments Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 1 April 2013 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The Fund seeks to achieve its investment objective by investing a minimum of 70% of the Fund's NAV in fixed income securities. Not more than 30% of the Fund's NAV may be invested in foreign fixed income securities. The fixed income securities comprise, amongst others, sovereign bonds and corporate bonds (listed and unlisted). The Fund may also invest in fixed income collective investment schemes, as well as liquid assets.

The Fund seeks to provide a steady stream of income returns.

The Manager is a company incorporated in Malaysia and is related to Prudential Plc., a public listed company in the United Kingdom. The principal activity of the Manager is the establishment and management of unit trust funds and asset management.

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to market risk (inclusive of price risk, interest rate risk and foreign exchange risk), liquidity risk, fund management risk, non-compliance risk, capital risk and credit/default risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed.

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2016</u>				
Collective investment scheme	6	-	841,398	841,398
Unquoted fixed income securities	6	-	7,779,157	7,779,157
Cash and cash equivalents	7	395,681	-	395,681
Amount due from Manager		5,190	-	5,190
		<u>400,871</u>	<u>8,620,555</u>	<u>9,021,426</u>
<u>2015</u>				
Collective investment scheme	6	-	1,489,371	1,489,371
Unquoted fixed income securities	6	-	8,075,238	8,075,238
Cash and cash equivalents	7	286,146	-	286,146
Amount due from Manager		54,097	-	54,097
		<u>340,243</u>	<u>9,564,609</u>	<u>9,904,852</u>

## Market risk

### i. Price risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The very nature of a Unit Trust Fund, however, helps mitigate this risk because a Fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the Fund.



The table below shows assets of the Fund as at 31 March which are exposed to price risk:

	2016	2015
	RM	RM
Collective investment scheme designated at fair value through profit or loss	841,398	1,489,371
Unquoted fixed income securities designated at fair value through profit or loss	7,779,157	8,075,238

Includes profit receivables of RM107,155 (2015: RM99,090).

The following table summarises the sensitivity of the Fund's profit after tax and net asset value to movements in prices of unquoted fixed income securities and collective investment scheme at the end of the reporting year. The analysis is based on the assumptions that the market price of the unquoted fixed income securities and collective investment scheme increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities and collective investment scheme, having regard to the historical volatility of the prices.

% Change in price of financial assets at fair value through profit or loss	Market value	Impact on profit after tax/ net asset value
	RM	RM
<u>2016</u>		
+5%	8,939,070	425,670
-5%	8,087,730	(425,670)
<u>2015</u>		
+5%	10,042,839	478,230
-5%	9,086,379	(478,230)

ii. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

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

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% (2015: 5%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

	2016	2015
% Change in interest rate of unquoted fixed income securities	Impact on profit after tax/ net asset value	
	RM	RM
+1% / +5%	(13,046)	(72,343)
-1% / -5%	13,076	73,160

iii. Foreign exchange risk

As the Fund may invest its assets in securities denominated in a wide range of currencies other than Ringgit Malaysia, the net asset value of the Fund expressed in Ringgit Malaysia may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between Ringgit Malaysia and such other currencies. The risk is minimised through investing in a wide range of foreign currencies denominated assets and thus, diversifying the risk of single currency exposure.

In the normal course of investment, the Fund Manager will usually not hedge foreign currency exposure. The Fund Manager may however depending on prevailing market circumstances at a particular point in time, choose to use forward or option contracts for hedging and risk reduction purposes.

The following table sets out the foreign exchange risk concentrations and counterparties of the Fund:

	<b>Financial assets at fair value through profit or loss</b>
	<b>RM</b>
<u>2016</u>	
USD	<u>841,398</u>
<u>2015</u>	
USD	<u>1,489,371</u>

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/(decrease) in foreign exchange rate will result in a corresponding (decrease)/increase in the net assets attributable to unit holders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<b>Change in price</b>	<b>Impact on profit after tax/NAV</b>
	<b>%</b>	<b>RM</b>
<u>2016</u>		
United States Dollar	<u>5</u>	<u>42,070</u>
<u>2015</u>		
United States Dollar	<u>5</u>	<u>74,469</u>

## Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Fund Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments which are capable of being converted into cash within 7 days.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2016</b>			
Amount due to Manager	15,010	-	15,010
Accrued management fee	9,623	-	9,623
Amount due to Trustee	1,516	-	1,516
Other payables and accruals	-	24,965	24,965
GST charges payable	668	-	668
Contractual cash outflows	26,817	24,965	51,782
<b>2015</b>			
Amount due to Manager	52,307	-	52,307
Accrued management fee	10,386	-	10,386
Amount due to Trustee	1,527	-	1,527
Other payables and accruals	-	28,037	28,037
Contractual cash outflows	64,220	28,037	92,257

**Fund management risk**

There is the risk that the management company may not adhere to the investment mandate of the respective Fund. With close monitoring by the investment committee, back office system being incorporated with limits and controls, and regular reporting to the senior management team, the management company is able to manage such risk. The Trustee has an oversight function over management of the Fund by the management company to safeguard the interests of unit holders.

**Non-compliance risk**

Non-compliance risk arises when the Manager and others associated with the Fund do not comply to the rules set out in the Fund's constitution or the law that governs the Fund or applicable internal control procedures, or act fraudulently or dishonestly.

The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the Manager.

**Capital risk**

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

**Credit/default risk**

Credit risk refers to the ability of an issuer or a counter party to make timely payments of interest, principals and proceeds from realisation of investments. In the case of the Fund, both the Manager and the External Fund Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the Securities Commission.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

The Fund seeks to mitigate credit/default risk by investing in high quality fixed income securities.

The following table sets out the credit risk concentrations and counterparties of the Fund:

	<b>Financial assets at fair value through profit or loss</b>	<b>Cash and cash equivalents</b>	<b>Amount due from Manager</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2016</u>				
Finance				
- AAA	-	380,035	-	380,035
- AA1	-	15,646	-	15,646
Unquoted fixed income securities				
- AA2	805,561	-	-	805,561
- AA3	5,936,287	-	-	5,936,287
- AA-	1,037,309	-	-	1,037,309
Other				
- NR	841,398	-	5,190	846,588
	<b>8,620,555</b>	<b>395,681</b>	<b>5,190</b>	<b>9,021,426</b>

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from Manager	Total
	RM	RM	RM	RM
<b>2015</b>				
Finance				
- AAA	-	270,026	-	270,026
- AA1	-	16,120	-	16,120
Unquoted fixed income securities				
- AA2	999,059	-	-	999,059
- AA3	7,076,179	-	-	7,076,179
Other				
- NR	1,489,371	-	54,097	1,543,468
	<u>9,564,609</u>	<u>286,146</u>	<u>54,097</u>	<u>9,904,852</u>

None of these assets are past due or impaired.

### Fair value estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Fund Manager will determine the point within the bid-ask spread that is representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.



The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

### **Fair value hierarchy**

- i. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:
  - Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
  - Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
  - Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2016</u>				
Financial assets at fair value through profit or loss:				
Collective investment scheme	841,398	-	-	841,398
Unquoted fixed income securities	-	7,779,157	-	7,779,157
	<u>841,398</u>	<u>7,779,157</u>	<u>-</u>	<u>8,620,555</u>

2015

Financial assets at fair value through profit or loss:				
Collective investment scheme	1,489,371	-	-	1,489,371
Unquoted fixed income securities	-	8,075,238	-	8,075,238
	<u>1,489,371</u>	<u>8,075,238</u>	<u>-</u>	<u>9,564,609</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note F to the financial statements.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2, these include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note F to the financial statements.

- ii. The carrying value of cash and cash equivalents, amount due from Manager and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

### **3. MANAGEMENT FEE**

In accordance with the Deed, the Manager is entitled to a management fee at a rate of not exceeding 2.00% per annum of the net asset value of the Fund accrued and calculated on daily basis.

For the financial year ended 31 March 2016, the management fee is recognised at a rate of 1.25% (2015: 1.25%) per annum of the net asset value of the Fund, calculated at a daily basis.

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee, inclusive foreign custodian fees and charges, at a rate not exceeding 0.08% per annum of the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 31 March 2016, the Trustee fee is recognised at a minimum fee of RM18,000 (2015: RM18,000) per annum instead of at a rate of 0.08% (2015: 0.08%) per annum on the net asset value of the Fund, (excluding foreign custodian fees and charges), calculated on daily basis.

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

## 5. TAXATION

	2016	2015
	RM	RM
Tax charged for the financial year:		
Current taxation - local	-	-

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

	2016	2015
	RM	RM
Profit before taxation	364,923	768,807
Tax at Malaysian statutory rate of 24% (2015: 25%)	87,582	192,202
Tax effects of:		
Investment income exempt from tax	(127,414)	(244,870)
Expenses not deductible for tax purposes	7,871	5,742
Restriction on tax deductible expenses for unit trust funds	31,961	46,926
Taxation	-	-

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

	2016	2015
	RM	RM
Designated at fair value through profit or loss:		
Collective investment scheme (Note a)	841,398	1,489,371
Unquoted fixed income securities (Note b)	7,779,157	8,075,238
	<u>8,620,555</u>	<u>9,564,609</u>
Net gain on financial assets at fair value through profit or loss:		
Realised gain/(loss) on disposals	114,474	(112,758)
Change in unrealised fair value (loss)/gain	(11,470)	548,127
	<u>103,004</u>	<u>435,369</u>

i. Collective investment scheme

Name of counter	Quantity	Aggregate cost	Fair value as at 31.3.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Unit Trust Fund</u>				
Eastspring Investments-Asian High Yield Bond Fund (Class D)	15,224	641,245	841,398	9.38
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>200,153</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>841,398</u>	

## i. Collective investment scheme (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.3.2015	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Unit Trust Fund</u>				
Eastspring Investments-Asian High Yield Bond Fund (Class D)	30,224	1,273,044	1,489,371	15.18
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			216,327	
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			1,489,371	

The Fund primarily invests in the Eastspring Investments-Asian High Yield Bond Fund ("Target" fund), which is one of the sub-funds of the Eastspring Investments Funds (the "SICAV", an abbreviation of Société d' Investissement à Capital Variable) domiciled in Luxembourg. The SICAV is an open-ended investment company with variable capital registered in the Grand Duchy of Luxembourg on the official list of collective investment undertakings pursuant to Part I of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment (the "2010 Law"), as amended, and the Directive 2009/65/EC of the European Union Parliament and of the council of 13 July 2009. The investment manager of the Target fund is Eastspring Investments (Singapore) Limited. Eastspring Investments (Singapore) Limited is a wholly owned subsidiary of Prudential Plc.

The investment objective of Eastspring Investments-Asian High Yield Bond Fund is to maximise total returns through investing primarily in fixed income /debt securities

rated below BBB- by investing in a diversified portfolio consisting primarily of high yield fixed income/debt securities issued by Asian entities or their subsidiaries. This Sub-Fund's portfolio primarily consists of securities denominated in US dollars as well as the various Asian currencies.

ii. Unquoted fixed income securities

Name of counter	Quantity	Carrying cost	Fair value as at 31.3.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
5.20% AmBank (M) Berhad 31.12.2018 (AA3)	1,500,000	1,525,690	1,527,276	17.03
5.25% Bumitama Agri Ltd 18.03.2019 (AA3)	700,000	701,410	715,046	7.97
5.05% AmBank Islamic Berhad 25.03.2019 (AA3)	1,000,000	1,002,886	1,004,268	11.20
4.95% RHB Islamic Bank Berhad 15.05.2019 (AA3)	1,100,000	1,120,437	1,133,153	12.63
4.50% Hong Leong Bank Berhad 24.06.2019 (AA2)	500,000	508,383	501,536	5.59
6.60% BGSM Management Sdn Berhad 27.12.2019 (AA3)	300,000	320,993	324,368	3.62
5.10% Krung Thai Bank Public Company Limited 06.07.2020 (AA2)	300,000	303,605	304,025	3.39
9.30% Jimah Energy Ventures Sdn Berhad 12.11.2021 (AA3)	800,000	993,036	1,004,660	11.20
7.10% BGSM Management Sdn Berhad 28.12.2022 (AA3)	200,000	229,520	227,516	2.54

## ii. Unquoted fixed income securities (continued)

Name of counter	Quantity	Carrying cost	Fair value as at 31.3.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
5.22% Jimah East Power Sdn Berhad 02.06.2023 (AA-is)	1,000,000	1,017,018	1,037,309	11.56
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>7,400,000</u>	7,722,978	<u>7,779,157</u>	86.73
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>56,179</u>	
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>7,779,157</u>	



## ii. Unquoted fixed income securities (continued)

Name of counter	Quantity	Carrying cost	Fair value as at 31.3.2015	Percentage of net asset value of the Fund
	Units	RM	RM	%
5.25% Bumitama Agri Ltd 18.03.2019 (AA3)	1,500,000	1,503,021	1,537,176	15.67
6.60% BGSM Management Sdn Berhad 27.12.2019 (AA3)	300,000	324,660	330,350	3.37
9.20% Jimah Energy Ventures Sdn Berhad 12.11.2021 (AA3)	800,000	1,017,732	1,020,997	10.40
5.05% AmlIslamic Bank Berhad 25.12.2019 (AA3)	1,000,000	1,003,606	1,009,338	10.29
5.20% Ambank (M) Berhad 31.12.2018 (AA3)	1,500,000	1,527,570	1,531,825	15.61
4.95% RHB Islamic Bank Berhad 15.05.2019 (AA3)	1,600,000	1,629,293	1,646,493	16.78
4.50% Hong Leong Bank Berhad 24.06.2019 (AA2)	1,000,000	1,017,881	999,059	10.18
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>7,700,000</u>	8,023,763	<u>8,075,238</u>	82.30
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>51,475</u>	
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>8,075,238</u>	

The effective weighted average rate of return of unquoted fixed income securities per annum as at the date of the statement of financial position are as follows:

	2016	2015
	%	%
Unquoted fixed income securities	4.83	4.80

## 7. CASH AND CASH EQUIVALENTS

	2016	2015
	RM	RM
Bank balance with a licensed bank	15,646	16,120
Deposit with a licensed financial institution	380,035	270,026
	<u>395,681</u>	<u>286,146</u>

The effective weighted average interest rate of short term deposit per annum as at the date of the statement of financial position is as follows:

	2016	2015
	%	%
Deposit with a licensed financial institution	3.40	3.50

The deposit has an average maturity of 1 day (2015: 1 day).

## 8. UNITS IN CIRCULATION

	2016	2015
	No. of units	No. of units
At the beginning of the financial year	18,539,784	36,775,021
Creation of units arising from applications during the financial year	9,104,177	2,247,289
Cancellation of units during the financial year	(11,329,423)	(20,482,526)
At the end of the financial year	<u>16,314,538</u>	<u>18,539,784</u>

## 9. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers are as follows:

Name of brokers/dealers	Value of trades	Percentages of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2016</u>				
CIMB Bank Berhad	1,300,000	31.89	-	-
RHB Investment Bank Berhad	806,320	19.78	-	-
Hong Leong Bank Berhad	733,840	18.00	-	-
Eastspring Investments (Singapore) Limited <sup>#</sup>	726,881	17.83	-	-
AmBank (M) Berhad	410,960	10.08	-	-
KAF Investment Bank Berhad	98,670	2.42	-	-
	<u>4,076,671</u>	<u>100.00</u>	-	-
<u>2015</u>				
RHB Investment Bank Berhad	10,880,190	43.99	-	-
Kenanga Investment Bank Berhad	7,155,770	28.93	-	-
Eastspring Investments (Singapore) Limited <sup>#</sup>	3,447,394	13.94	-	-
Malayan Banking Berhad	1,984,800	8.03	-	-
AmBank (M) Berhad	758,590	3.07	-	-
Hong Leong Bank Berhad	504,950	2.04	-	-
	<u>24,731,694</u>	<u>100.00</u>	-	-

<sup>#</sup>Included in transactions by the Fund are trades conducted with Eastspring Investments (Singapore) Limited, a related party of the Manager amounting to RM726,881 (2015: RM3,447,394).

The Manager is of the opinion that all transactions with the related company have been entered into at agreed terms between the related party.

There are no brokerage fees charged by the brokers/dealers.

## 10. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

Related parties	Relationship
Eastspring Investments Berhad	The Manager
Eastspring Investments (Singapore) Limited	Related company of the Manager
Eastspring Investments-Asian High Yield Bond Fund - Class D	Collective investment scheme managed by Eastspring Investments (Singapore) Limited

	2016		2015	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	2,000	1,100	2,000	1,059

The above units were transacted at the prevailing market price.

The units are held legally by the Manager and are within the prescribed limit allowed by Securities Commission's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the Directors or parties related to the Manager.

### Significant related party transaction

	2016	2015
	RM	RM
Purchase of units in collective investment scheme managed by Eastspring Investments (Singapore) Limited	-	2,312,985
Sales of units in collective investment scheme managed by Eastspring Investments (Singapore) Limited	726,881	1,134,409

The terms of the above transactions are established based on prices agreed between the Fund and its related party.

**11. MANAGEMENT EXPENSE RATIO ("MER")**

	<b>2016</b>	<b>2015</b>
	%	%
MER	1.74	1.64

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (including GST charges)

F = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM9,517,281 (2015: RM12,838,787).

**12. PORTFOLIO TURNOVER RATIO ("PTR")**

	<b>2016</b>	<b>2015</b>
PTR (times)	0.21	0.96

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisitions for the financial period} + \text{total disposals for the financial period}) \div 2}{\text{Average net asset value of the Fund for the financial period calculated on a daily basis}}$$

where:

total acquisitions for the financial year = RM1,528,040 (2015: RM8,314,245)

total disposals for the financial year = RM2,548,631 (2015: RM16,417,449)

### **13. SEGMENTAL INFORMATION**

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The CEO, who is the chief operating decision-maker, is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest and gains on the appreciation in the value of investments.

There were no changes in the reportable operating segments during the financial year.

### **14. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 13 May 2016.

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

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## **BOARD OF DIRECTORS OF THE MANAGER**

Julian Christopher Vivian Pull

*(Chairman, Non-independent,  
non-executive director)*

Jackie Chew Pei Pei (Jackie Zhou PeiPei)

*(Non-independent, non-executive director)*

Khoo Chuan Keat

*(Independent, non-executive director)*

Iskander Bin Ismail Mohamed Ali

*(Independent, non-executive director)*

Raymond Tang Chee Kin

*(Non-independent, executive director)*

## **INVESTMENT COMMITTEE OF THE FUND**

Raymond Tang Chee Kin

*(Non-Independent member)*

Ho Yik

*(Independent member)*

Robert Yap Yen Choon

*(Independent member)*

Abdul Khalil Bin Abdul Hamid

*(Independent member)*

Dato' Saiful Bahri Bin Zainuddin

*(Independent member)*

## **AUDIT AND COMPLIANCE**

### **COMMITTEE OF THE MANAGER**

Khoo Chuan Keat

*(Independent)*

Iskander Bin Ismail Mohamed Ali

*(Independent)*

Niall Dermot Grady

*(Non-independent)*

**MANAGER'S DELEGATE - FUND VALUER**

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**MANAGER'S DELEGATE -  
REGISTRAR AND TRANSFER AGENT**

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**COMPANY SECRETARY OF  
THE MANAGER**

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VIJEY A/L R. MOHANA KRISHNAN

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