



A member of Prudential plc (UK) 

EASTSPRING INVESTMENTS DYNAMIC FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 30 June 2016.

You may also download these reports from our website at www.eastspringinvestments.com.my

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

Yours sincerely,



Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

TABLE OF CONTENTS

Fund Information	1
Key Performance Data	3
Manager's Report	6
Market Review	11
Rebates and Soft Commissions	14
Trustee's Report to the Unit Holders of Eastspring Investments Dynamic Fund	16
Independent Auditors' Report to the Unit Holders of Eastspring Investments Dynamic Fund	17
Statement of Comprehensive Income	19
Statement of Financial Position	20
Statement of Changes in Equity	21
Statement of Cash Flows	22
Summary of Significant Accounting Policies	23
Notes to the Financial Statements	32
Corporate Directory	63

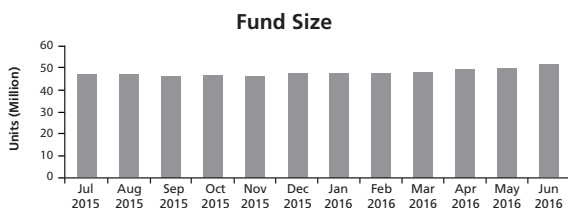
FUND INFORMATION

Name of Fund	Eastspring Investments Dynamic Fund (“the Fund”)
Fund Category/ Type	Mixed asset/growth
Fund Objective	<p>The Fund seeks to provide investors with capital appreciation by actively investing in equity and equity-related securities. For defensive consideration, the Fund may invest in debentures and money market instruments.</p> <p>Note: The Fund’s focus is on growth.</p>
Performance Benchmark	<p>a) <u>If 100% of the Fund’s NAV invested in equities and equity-related securities:</u> FTSE Bursa Malaysia (FBM)100</p> <p>b) <u>If 100% of the Fund’s NAV invested in debentures and liquid assets:</u> Maybank 12-month fixed deposit rate</p> <p>c) <u>If invested in a mix of equities and equity-related securities, debentures and liquid assets:</u> 50% FBM100 + 50% Maybank 12-month fixed deposit rate</p> <p>Source: www.bursamalaysia.com and www.maybank2u.com.my</p> <p>Note: The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	At least once a year, subject to the availability of income.

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 30 June 2016, the size of Eastspring Investments Dynamic Fund stood at 51.549 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	734	28.69	1,800	3.49
5,001 to 10,000 units	608	23.77	4,122	8.00
10,001 to 50,000 units	1,051	41.09	21,386	41.49
50,001 to 500,000 units	157	6.14	14,349	27.83
500,001 units and above	8	0.31	9,891	19.19
Total	2,558	100.00	51,548	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	30.6.2016	30.6.2015	30.6.2014
	(%)	(%)	(%)
Quoted securities			
Construction	1.55	2.96	3.48
Consumer	2.17	-	-
Consumer Product	0.89	4.88	2.96
Finance	2.83	3.17	17.73
Health Care	22.30	-	-
Hotel	-	0.99	-
Industrial Product	3.21	7.51	1.21
Infrastructure Project Company	2.04	0.99	4.42
Manufacturing	1.81	-	-
Plantation	1.98	-	3.67
Properties	8.38	7.38	0.90
Special Purpose Acquisition Company	-	-	1.12
Technology	13.47	9.29	4.16
Trading/Services	10.65	28.79	46.48
Utilities	-	5.84	-
	71.28	71.80	86.13
Unquoted fixed income securities	2.18	2.27	2.55
Cash and other assets	26.54	25.93	11.32
Total	100.00	100.00	100.00

KEY PERFORMANCE DATA (CONTINUED)

Category	30.6.2016	30.6.2015	30.6.2014
Net Asset Value (NAV) (RM'000)	47,076	44,487	39,527
Units In Circulation (Units '000)	51,549	46,969	46,080
Net Asset Value Per Unit (RM)	0.9132	0.9471	0.8578
Highest Net Asset Value Per Unit (RM)#	0.9132	0.9570	0.8578
Lowest Net Asset Value Per Unit (RM)#	0.9000	0.9428	0.8578
Total Return (%)			
Capital Growth	(3.58)	10.41	8.39
Income Distribution	4.74	6.61	12.48
Total Return (%)	1.00	17.71	21.92
Gross Distribution Per Unit (RM)	0.0427	0.0633	0.0981
Net Distribution Per Unit (RM)	0.0387	0.0562	0.0796
Management Expense Ratio (MER) (%)*	1.46	1.45	1.50
Portfolio Turnover Ratio (PTR) (times)^	0.59	1.23	0.77

Figures shown as ex-distribution.

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

^ There were no significant changes to the PTR during the period under review.

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.7.2015 to 30.6.2016	3 years 1.7.2013 to 30.6.2016	5 years 1.7.2011 to 30.6.2016
	(%)	(%)	(%)

Average total return	1.00	13.16	10.34
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Year ended	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2013 to 30.6.2014	1.7.2012 to 30.6.2013	1.7.2011 to 30.6.2012
	(%)	(%)	(%)	(%)	(%)

Annual total return	1.00	17.71	21.92	18.12	(4.41)
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Source: Lipper for Investment Management, as at 30 June 2016.

Bases of calculation and assumptions made in calculating returns:

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

NAV_t = NAV at the end of the period

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

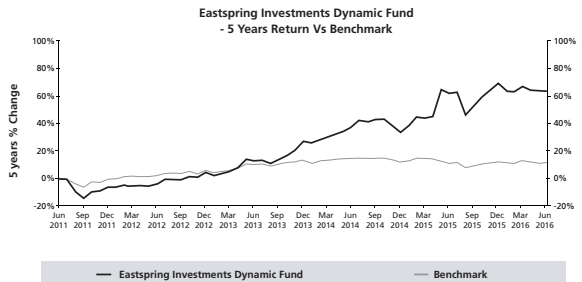
Fund Performance

Over the 5-year period, the Fund recorded a return of 63.66%, outperforming the benchmark return of 11.99% by 51.67%.

During the period under review, the Fund registered a return of 1.00%, outperforming the benchmark return of 0.78% by 0.22%.

The outperformance was supported by good asset allocation and stock selection.

The Fund has met its investment objective to provide investors with capital appreciation by having investments principally composed of equities and fixed income instruments.



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

MANAGER'S REPORT (CONTINUED)

Benchmark:

- a) If 100% of the Fund's NAV invested in equities and equity-related securities:
FBM100
- b) If 100% of the Fund's NAV invested in debentures and liquid assets:
Maybank 12-month fixed deposit rate
- c) If invested in a mix of equities and equity-related securities, debentures and liquid assets:
50% FBM100 + 50% Maybank 12-month fixed deposit rate

Source: Lipper for Investment Management, www.bursamalaysia.com and www.maybank2u.com.my, as at 30 June 2016.

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

Analysis of Fund Performance

For the financial year ended 30 June 2016:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
4.74	(3.58)	1.00	0.78

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

1. Quoted securities
2. Unquoted fixed income securities
3. Cash and other assets

MANAGER'S REPORT (CONTINUED)

**Distribution/
Unit Split**

Ex-date	27-Jun-16
Distribution Per Unit	(RM)
Gross	0.0427
Net	0.0387

Impact on NAV arising from distribution for the financial year ended 30 June 2016.

Ex-date	27-Jun-16
	(RM per Unit)
Net Asset Value before distribution	0.9387
Less: distribution	(0.0387)
Net Asset Value after distribution	<u>0.9000</u>

No unit split were declared for the financial year ended 30 June 2016.

**Investment
Strategy During
Period Under
Review**

In the last 12 months, the Fund's equity exposure ranged from 80%-85% most of the time. However, Brexit referendum which shocked the whole world had caused the Fund Manager to cut the Fund's equity exposure to 71.3% as at end June 2016. The Fund will increase its equity exposure to 80%-85% level once condition stabilises. Going forward, the Fund will continue to focus on stock selection. The Fund will invest in stocks which offer cheap valuation with good growth potential and/or selective stocks that trade at distressed valuation.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	30-Jun 2016	30-Jun 2015	Changes
	(%)	(%)	(%)
Quoted securities	71.28	71.80	(0.52)
Unquoted fixed income securities	2.18	2.27	(0.09)
Cash and other assets	26.54	25.93	0.61

Asset Allocation as at 30 June 2016



There were no significant changes in asset allocation of the Fund for the period under review.

MANAGER'S REPORT (CONTINUED)

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.

However, in the Eastspring Investments Master Prospectus dated 15 July 2016 and expires on 14 July 2017, the information in relation to the investment strategy for the Fund has been revised as follows:

The Fund seeks to achieve its objective by adopting a flexible asset allocation strategy between the different asset classes of equities and equity-related securities, debentures and liquid assets, depending on the investment market outlook.

The Fund may invest in debt instruments, which is subject to the review as the Manager deems fit from time to time. This allows the flexibility for the Fund to switch to equities when conditions are conducive, for example during a bullish stock market period.

At any point in time, the Fund may hold 100% in liquid assets.

The Fund may invest in debentures with a minimum credit rating of BBB or P2 by RAM Rating Services Berhad ("RAM"), or its equivalent rating by any other domestic rating agencies. Should the credit rating of the debentures be downgraded by the rating agencies to below the minimum credit rating, the Manager may dispose the affected debentures in the market.

The Fund is actively managed. However, the frequency of its trading activities will depend on market opportunities and the assessment of the fund manager.

MARKET REVIEW

Equity

The 3Q2015 started off on fairly firm footing following a resolution to the Greek crisis. However global equity markets corrected sharply mid-3Q2015 amid concerns over China's weak economic growth, the Renminbi (RMB) devaluation, tepid global growth, weak commodity prices, and fears of a US Federal interest rate lift-off. Emerging market currencies were much weaker during the quarter, and were further exacerbated by the surprising RMB devaluation in August. Some stability returned to global equity markets by the end of the quarter after the US decided to hold rates steady. The FBMKLCI corrected sharply during the quarter as investors reacted to a confluence of negative factors such as the continued international media reports on 1MDB, increased political uncertainty, weak crude oil prices, weak corporate earnings reporting, threat of US rate hikes, the sudden RMB devaluation, and the sharply lower Malaysian Ringgit (MYR). The MYR depreciated by 16.5% quarter-on-quarter (q-o-q) against the USD to end the 3Q2015 at RM4.395/USD, levels not seen in more than 17 years since the Asian Financial Crisis of 1998. Towards the end of 3Q2015, the FBMKLCI rebounded on the announcement of economic measures by the government which included aims to shore up domestic investments by encouraging government linked companies to repatriate their overseas investments and re-invest locally, and the reactivation of the government equity investment firm ValueCap with an injection of RM20bil, to boost the stock market.

The 4Q2015 started off on a positive note with global equities rallying on signs of China's economy stabilising, better US corporates' earnings results and resilient economic data from the Eurozone. The International Monetary Fund's (IMF) board announced that the RMB has been officially approved for inclusion in the Special Drawing Rights (SDR) effective 1 October 2016. Post the last meeting for the year, the US Federal Open Market Committee (FOMC) announced the long awaited lift-off, with the FOMC unanimously voting to increase the target range for the Fed Funds rate by 25bps (to 0.25%-0.5%). In Malaysia the 2016 budgeted fiscal deficit was revised to 3.1%, only slightly lower than 2015 fiscal deficit of 3.2%, on the back of better than expected goods and services tax (GST) revenue collection amid declining investment income from Petronas. Investor sentiment improved with the announcement that 1MDB would sell its power assets under Edra Global Energy Bhd to unlisted China General Nuclear Power Corporation (CGN) for RM9.83bil. However, towards the end of the quarter, the Malaysian equity market corrected amid concerns of the sharply lower crude oil prices and the weaker China economy.

The start of 1Q2016 was a very volatile period for global equity markets as investors fretted over the state of the US economy, weak oil prices with seemingly little impact

on oil production, and continued concerns over China's stock market rout. China lifted the ruling that regulators put in place in 2015 to now allow shareholders with holdings exceeding 5% and insiders to sell their stakes. China's Securities Regulatory Commission (CSRC) introduced the use of circuit breakers in an attempt to tame the wild gyrations of the market, but had the opposite reaction, resulting in increased selling pressure triggering the circuit breaker many times in the first week of trading, until the CSRC abandoned it four days later. This was further complicated by weakness in the US Dollar as expectations for the US Federal Reserve to continue their hawkish stance diminished significantly early February due to the tighter financial conditions. Given the sharply lower oil prices, the Malaysian government announced a recalibrated Budget 2016 in an effort to maintain fiscal discipline. The 4Q2015 results reporting season ended with consensus adjusting down 2015 earnings to a contraction of 2%-3%, and 2016 Earnings Per Share (EPS) is now expected to grow by 5%-6% year-on-year (y-o-y), down from 7%-8% at the beginning of 2016. The MYR strengthened from RM4.29/USD at the end of 4Q2015 to RM3.90/USD by end of 1Q2016. Foreign institutional investors were net buy Malaysian equities for the 1Q2016 of RM5.7bil, after six consecutive quarters of net foreign outflow. Crude oil prices also rebounded from the low of USD27.10/bbl in January 2016, to end the quarter at USD38.34/bbl as production from shale oil production in the US started showing signs of declining.

Markets consolidated early in 2Q2016 amidst steadily higher crude oil prices and volatility in currencies against the USD. After months of uncertainty regarding the changing risk probability of a United Kingdom exit from the European Union (BREXIT), US interest rate hike and slower economic data from China, global markets corrected sharply towards the end of the 2Q2016 as the unexpected happened: on the 23 June 2016, UK voted to leave the European Union. Panic selling ensued but markets quickly rebounded thereafter as UK's Prime Minister stepped down following the result, and investors digest the mechanics of how UK will leave the European Union, and how it will be a long drawn out affair. The demand for safe haven currencies took hold, and the Japanese Yen strengthened below Yen100/USD intraday near the end of June (strengthening about 16% year to date), whilst the British Pound depreciated by 10% YTD. Domestically, Malaysia trended down during the 2Q2016 despite the stronger crude oil prices which bounced back from US\$40/bbl to US\$50/bbl during the quarter. Investor sentiment was weak following the concerns over the technical default on the 1MDB bond which missed a payment given the dispute between the issuer (1MDB) and the guarantor (IPIC), which led to speculation over potential cross defaults and putting sovereign ratings at risk. 1Q2016 results season was once again a disappointment, and consensus has cut 2016 earnings by 4.5%, and now expects 2016 earnings to still grow by 1.3%. However, despite the weak earnings growth outlook, the Malaysian economy remained fairly resilient in light of the external volatilities such as BREXIT.

The FBM KLCI closed the year under review at 1,654.08 points, down 3.08%. The broader FBM Emas Index closed the period under review lower at 2.05%. The Morgan Stanley Capital International (MSCI) Asia Pacific ex-Japan Index declined by 12.96% in USD terms¹.

Bond

At the Monetary Policy Committee (MPC) meeting on 19 May, Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 3.25%. BNM stated that the global economic expansion continued moderately in major advanced and emerging market economies in the first quarter of 2016. In Asia, domestic demand drove growth amid the weak external sector. Volatility in the international financial markets had subsided and investor sentiment had improved but they remained susceptible to policy and market developments. The global economy was expected to be constrained by structural issues and geopolitical developments despite the highly accommodative monetary environment.

The MPC stated that the current level of the OPR was a monetary policy stance that was accommodative and supportive of economic activity. The MPC noted downside risks in the global economic and financial environment and was closely monitoring and assessing their implications on domestic price stability and growth to ensure that the stance was consistent with the sustainable growth of the Malaysian economy.

Headline inflation eased from 2.5% year-on-year (yoy) in June 2015 to 2.0% yoy in May 2016. The drop was mainly driven by slower core inflation. Headline inflation is expected to record a softer growth as the price impact of the GST slowly fades away. As Consumer Price Index (CPI) peaked in February (4.2%), the key underpinning factors for a moderate inflation rate this year are last year's high base effect and a status quo in fuel prices for this year. Underlying inflation is expected to remain contained amid stable domestic demand conditions.

For the period under review, the 3-, 5- and 10-year sovereign bond yields fell by 1 bps, 24 bps and 29 bps to close at 3.19%, 3.36% and 3.72% respectively². Malaysia Government Securities (MGS) yields fell for the period on BNM leaving the OPR unchanged since the single 25bps hike in July 2014. In addition, the US Federal Reserve is expected to delay its rate hike following the result of the UK Referendum to exit the European Union

¹ **Source:** Bloomberg: World indices

² **Source:** Bloomberg

(EU), as it monitors the economic and financial impact of BREXIT. Heightened expectations of monetary easing by major global central banks together with ample liquidity in the Malaysian bond market are anticipated to keep yields restrained.

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 June 2015 stood at about RM1,171bil, of which approximately 45.5% was conventional and 54.5% was Islamic³. The proportion of corporate sukuk in the sukuk universe was higher at about 37.7% compared to the proportion of corporate bonds in the conventional bonds universe of about 24.6%. Major primary issuances were from the financial and real estate sectors as well as government guaranteed issuances. Major issuances included RM1.45bil from Pengurusan Air SPV Berhad and RM1.25bil from GovCo Holdings Berhad.

REBATES AND SOFT COMMISSIONS

During the period under review, the Manager and its delegates (if any) received goods and services which directly assist the investment management of the Fund, including research and advisory services, market analyses, data and quotation services, and computer hardware and software used for and/or in support of the investment process of fund managers.

The Manager and its delegates (if any) have not received any rebates or shared any commissions from any brokers during the same period under review.

³ Source: Bond Pricing Agency Malaysia

EASTSPRING INVESTMENTS DYNAMIC FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DYNAMIC FUND

We have acted as Trustee for Eastspring Investments Dynamic Fund (the "Fund") for financial year ended 30 June 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.

We are of the view that the distribution made during this financial year ended 30 June 2016 by the Manager is not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching

Senior Manager, Trustee Operations

Maresh Anchan

Head, Trustee Operations

Kuala Lumpur

Date: 16 August 2016

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DYNAMIC FUND

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Eastspring Investments Dynamic Fund (the "Fund") on pages 19 to 62, which comprise the statement of financial position as at 30 June 2016 of the Fund, and the statements 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 15 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 is 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 about 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 30 June 2016 and of its financial performance and cash flows for the year 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: 16 August 2016

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		RM	RM
INVESTMENT INCOME			
Gross dividend income		807,259	902,651
Interest income from deposits with licensed financial institutions		252,048	148,059
Interest income from unquoted fixed income securities		39,777	32,463
Net (loss)/gain on financial assets at fair value through profit or loss	7	(102,355)	6,296,104
		<u>996,729</u>	<u>7,379,277</u>
EXPENSES			
Management fee	3	(561,249)	(506,247)
Trustee fee	4	(31,430)	(28,350)
Audit fee		(7,448)	(6,552)
Tax agent fee		(3,400)	(3,400)
GST charges		(35,741)	(8,555)
Other expenses		(15,946)	(41,120)
Transaction costs		(181,152)	(347,233)
		<u>(836,366)</u>	<u>(941,457)</u>
PROFIT BEFORE TAXATION		160,363	6,437,820
TAXATION	5	<u>72</u>	<u>4,501</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>160,435</u>	<u>6,442,321</u>
Profit after taxation is made up of the following:			
Realised amount		626,320	11,375,952
Unrealised amount		(465,885)	(4,933,631)
		<u>160,435</u>	<u>6,442,321</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 30 JUNE 2016

	Note	2016	2015
		RM	RM
ASSETS			
Cash and cash equivalents	8	15,755,318	10,334,198
Amount due from brokers		63,192	1,106,750
Amount due from Manager		158,751	146,850
Tax recoverable		-	10,441
Dividends receivable		71,355	113,042
Financial assets at fair value through profit or loss	7	34,578,232	32,947,977
TOTAL ASSETS		<u>50,626,848</u>	<u>44,659,258</u>
LIABILITIES			
Amount due to Manager		4,932	-
Amount due to brokers		3,399,156	-
Accrued management fee		48,057	46,629
Amount due to Trustee		2,691	2,611
Distribution payable		57,676	85,275
Tax payable		2,110	-
GST charges payable		3,045	2,954
Other payables and accruals		33,192	35,026
TOTAL LIABILITIES		<u>3,550,859</u>	<u>172,495</u>
NET ASSET VALUE OF THE FUND		<u>47,075,989</u>	<u>44,486,763</u>
EQUITY			
Unit holders' capital		12,944,481	8,607,233
Retained earnings		34,131,508	35,879,530
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>47,075,989</u>	<u>44,486,763</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>51,549,480</u>	<u>46,969,157</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>0.9132</u>	<u>0.9471</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 30 JUNE 2016

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 July 2015		8,607,233	35,879,530	44,486,763
Movement in unit holders' contribution:				
Creation of units from applications		6,803,608	-	6,803,608
Creation of units from distribution		1,850,781	-	1,850,781
Cancellation of units		(4,317,141)	-	(4,317,141)
Distribution (Gross: 4.27 sen per unit/ Net: 3.87 sen per unit)	6	-	(1,908,457)	(1,908,457)
Total comprehensive income for the financial year		-	160,435	160,435
Balance as at 30 June 2016		12,944,481	34,131,508	47,075,989
Balance as at 1 July 2014		7,596,402	31,930,407	39,526,809
Movement in unit holders' contribution:				
Creation of units from applications		3,255,766	-	3,255,766
Creation of units from distribution		2,407,924	-	2,407,924
Cancellation of units		(4,652,859)	-	(4,652,859)
Distribution (Gross: 6.33 sen per unit/ Net: 5.62 sen per unit)	6	-	(2,493,198)	(2,493,198)
Total comprehensive income for the financial year		-	6,442,321	6,442,321
Balance as at 30 June 2015		8,607,233	35,879,530	44,486,763

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 30 JUNE 2016

	Note	2016	2015
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		26,520,785	53,049,245
Purchase of investments		(24,463,475)	(51,978,542)
Proceeds from recovery of defaulted bond		478,646	6,348,138
Dividends received		848,945	848,862
Interest received from deposits with licensed financial institutions		252,048	148,059
Interest received from unquoted fixed income securities		32,774	33,937
Management fee paid		(593,496)	(499,830)
Trustee fee paid		(33,236)	(27,990)
Payment for other fees and expenses		(28,717)	(48,753)
Tax refund		12,623	-
Net cash generated from operating activities		<u>3,026,897</u>	<u>7,873,126</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		6,791,707	3,116,827
Payments for cancellation of units		(4,312,209)	(4,669,358)
Distribution paid		(85,275)	(69,812)
Net cash generated from/(used in) financing activities		<u>2,394,223</u>	<u>(1,622,343)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,421,120	6,250,783
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>10,334,198</u>	<u>4,083,415</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	<u>15,755,318</u>	<u>10,334,198</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 30 JUNE 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 in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), under the historical cost convention as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with the MFRS and IFRS 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 L to the financial statements.

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 July 2017
 - Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

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

ii. Financial year beginning on/after 1 July 2018

- 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 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 loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss 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.

- 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.

B. INCOME RECOGNITION

Interest income from short-term deposits is recognised on the accrual basis using the effective interest method.

Interest income from unquoted fixed income securities including amortisation of premium and accretion of discount are recognised using the effective interest method.

Dividend income is recognised on the ex-dividend date, when the right to receive the dividend has been established.

Realised gain or loss on disposal of quoted securities are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

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.

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.

D. PRESENTATION AND FUNCTIONAL CURRENCY

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

E. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

The Fund designates its investment in quoted securities and unquoted fixed income securities 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.

The Fund’s loans and receivables comprise amount due from Manager, amount due from brokers, cash and cash equivalents and dividends receivable 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 include 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 and transaction costs are expensed in the statement of comprehensive income.

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' 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.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Quoted securities in Malaysia are valued at the last done market price quoted on the Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the statement of financial position.

Unquoted fixed income securities are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the Securities Commission as per the Securities Commission Guidelines on Unit Trust Funds. Refer to Note M for further explanation.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

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

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 carrying amount of the asset is reduced and the amount of the loss is recognised in statement of comprehensive income. If 'loans and receivables' or a 'held-to-maturity investment' 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.

F. CASH AND CASH EQUIVALENTS

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

G. DISTRIBUTION

A distribution to the Fund's unit holders is accounted for a deduction from realised reserves. A proposed distribution is recognised as a liability in the financial year in which it is approved.

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. AMOUNT DUE FROM/(TO) BROKERS

Amount due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from brokers. A provision for impairment of amount due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

J. 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.

K. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. 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 information presented herein represents the estimates of fair values as at the date of the statement of financial position.

L. 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 the Trustee 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.

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 bond 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

1. INFORMATION ON THE FUND

Eastspring Investments Dynamic Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 5 November 2003, Master Supplemental Deed dated 12 July 2007 and Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Berhad ("HSBC Trustee") and Eastspring Investments Berhad (the "Manager"). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between Eastspring Investments Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee") on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015 and Seventh Supplemental Master Deed dated 11 July 2016 (collectively referred to as the "Deed").

The Fund was launched on 6 November 2003 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The main objective of the Fund seeks to provide investors with capital appreciation by actively investing in equity and equity-related securities. For defensive considerations, the Fund may invest in debentures and money market instruments.

The Fund seeks to achieve its objective by adopting a flexible asset allocation strategy between the different asset classes of equities and equity-related securities, debentures and liquid assets, depending on the investment market outlook. All investments will be subjected to the SC Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

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 fund management.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), stock/issuer risk, liquidity risk, non-compliance risk, fund management 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>				
Quoted securities	7	-	33,553,911	33,553,911
Unquoted fixed income securities	7	-	1,024,321	1,024,321
Amount due from brokers		63,192	-	63,192
Amount due from Manager		158,751	-	158,751
Dividends receivable		71,355	-	71,355
Cash and cash equivalents	8	15,755,318	-	15,755,318
		<u>16,048,616</u>	<u>34,578,232</u>	<u>50,626,848</u>
<u>2015</u>				
Quoted securities	7	-	31,939,404	31,939,404
Unquoted fixed income securities	7	-	1,008,573	1,008,573
Amount due from brokers		1,106,750	-	1,106,750
Amount due from Manager		146,850	-	146,850
Dividends receivable		113,042	-	113,042
Cash and cash equivalents	8	10,334,198	-	10,334,198
		<u>11,700,840</u>	<u>32,947,977</u>	<u>44,648,817</u>

All current liabilities are financial liabilities which are carried at amortised cost.

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 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 30 June which are exposed to price risk:

	2016	2015
	RM	RM
Quoted securities designated at fair value through profit or loss	<u>33,553,911</u>	<u>31,939,404</u>
Unquoted fixed income securities designated at fair value through profit or loss*	<u>1,024,321</u>	<u>1,008,573</u>

* Includes interest receivables of RM14,951 (2015: RM6,793).

The following table summarises the sensitivity of the Fund's net asset value and profit after tax to movements in prices of quoted securities and unquoted fixed income securities at the end of the reporting year. The analysis is based on the assumptions that the market price of the quoted securities and unquoted fixed income securities 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 quoted securities and unquoted fixed income securities, 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%	36,307,144	1,728,912
-5%	32,849,320	(1,728,912)
<u>2015</u>		
+5%	34,595,376	1,647,399
-5%	31,300,578	(1,647,399)

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.

% Change in interest rate of unquoted fixed income securities	Impact on profit after tax/net asset value
	RM
<u>2016</u>	
+1%	(2,038)
-1%	2,043
	<hr/>
<u>2015</u>	
+5%	(1,703)
-5%	1,708
	<hr/>

Stock/issuer risk

This risk refers to the individual risk of the respective companies issuing the securities. Specific risk includes but is not limited to changes in consumer tastes and demand, legal suits, competitive operating environments, changing industry conditions and management omissions and errors. However, this risk is minimised through investing in a wide range of companies in different sectors and thus function independently from one another.

Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. 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 bank balance, 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.

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
<u>2016</u>			
Amount due to Manager	4,932	-	4,932
Accrued management fee	48,057	-	48,057
Amount due to Trustee	2,691	-	2,691
Distribution payable	57,676	-	57,676
Amount due to brokers	3,399,156	-	3,399,156
Other payables and accruals	-	33,192	33,192
GST charges payable	3,045	-	3,045
Contractual cash outflows	3,515,557	33,192	3,548,749
<u>2015</u>			
Accrued management fee	46,629	-	46,629
Amount due to Trustee	2,611	-	2,611
Distribution payable	85,275	-	85,275
Other payables and accruals	-	35,026	35,026
GST charges payable	2,954	-	2,954
Contractual cash outflows	137,469	35,026	172,495

Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund are not compliant 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.

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 have an oversight function over management of the Fund by the management company to safeguard the interests of unit holders.

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. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. 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 credit/default risk is minimal as all transactions in quoted securities are settled/paid upon delivery using approved brokers.

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:

	Financial assets at fair value through profit or loss		Cash and cash equivalents		Amount due from brokers		Dividends receivable		Amount due from Manager		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2016												
Finance												
- AAA	-	15,741,456	-	-	-	-	-	-	-	-	-	15,741,456
- AA1	-	13,862	-	-	-	-	-	-	-	-	-	13,862
Health Care												
- NR	-	-	-	-	-	-	47,546	-	-	-	-	47,546
Technology												
- NR	-	-	-	-	-	-	23,809	-	-	-	-	23,809
Unquoted fixed income securities												
- AAA	1,024,321	-	-	-	-	-	-	-	-	-	-	1,024,321
Other												
- NR	-	-	-	63,192	-	63,192	-	-	158,751	-	-	221,943
	1,024,321	15,755,318	63,192	63,192	71,355	158,751	17,072,937					

	Financial assets at fair value through profit or loss		Cash and cash equivalents		Amount due from brokers		Dividends receivable		Amount due from Manager		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<u>2015</u>											
Construction											
- NR	-	-	-	-	-	-	16,724	-	-	-	16,724
Finance											
- AAA	-	8,640,900	-	-	-	-	-	-	-	-	8,640,900
- AA1	-	1,693,298	-	-	-	-	-	-	-	-	1,693,298
Properties											
- NR	-	-	-	-	-	-	11,743	-	-	-	11,743
Trading/Services											
- NR	-	-	-	-	-	-	17,658	-	-	-	17,658
Technology											
- NR	-	-	-	-	-	-	22,403	-	-	-	22,403
Utilities											
- NR	-	-	-	-	-	-	44,514	-	-	-	44,514
Unquoted fixed income securities											
- AA2	1,008,573	-	-	-	-	-	-	-	-	-	1,008,573
Other											
- NR	-	-	-	1,106,750	-	-	-	-	146,850	-	1,253,600
	<u>1,008,573</u>	<u>10,334,198</u>	<u>1,106,750</u>	<u>1,106,750</u>	<u>113,042</u>	<u>146,850</u>	<u>12,709,413</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 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 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
2016				
Financial assets at fair value through profit or loss:				
Quoted securities	33,553,911	-	-	33,553,911
Unquoted fixed income securities	-	1,024,321	-	1,024,321
2015				
Financial assets at fair value through profit or loss:				
Quoted securities	31,939,404	-	-	31,939,404
Unquoted fixed income securities	-	1,008,573	-	1,008,573

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active quoted securities. 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 E 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 E to the financial statements.

- ii. The carrying value of amount due from Manager, amount due from brokers, dividends receivable, cash and cash equivalents and all 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 not exceeding 3.00% per annum of the net asset value of the Fund accrued and calculated on daily basis.

For the financial year ended 30 June 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 on 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 of local custodian fee, at a rate not exceeding 0.20% per annum of the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum.

For the financial year ended 30 June 2016, the Trustee's fee is recognised at a rate of 0.07% (2015: 0.07%) per annum of the net asset value of the Fund, inclusive of local custodian fee, 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:		
Over provision of taxation in previous year	(72)	(4,501)

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	160,363	6,437,820
Tax at Malaysian statutory rate of 24% (2015: 25%)	38,487	1,609,455
Tax effects of:		
Investment income exempt from tax	(239,215)	(1,844,820)
Expenses not deductible for tax purposes	62,320	98,485
Restriction on tax deductible expenses for Unit Trust Funds	138,408	136,880
Over provision of taxation in previous year	(72)	(4,501)
Taxation	(72)	(4,501)

6. DISTRIBUTION

	2016	2015
	RM	RM
Distribution to unit holders is from the following sources:		
Prior years' realised income:		
Dividend income	1,427,783	2,083,186
Interest income	654,418	962,523
Net amortisation of premiums on fixed income securities	(9,438)	(14,196)
Net realised gain on sale of investments	1,872,613	2,825,570
Distribution equalisation (Memorandum account)	<u>(958,532)</u>	<u>(1,782,580)</u>
Gross realised income	2,986,844	4,074,503
Less: Expenses	(878,900)	(1,265,950)
Less: Taxation	<u>(199,487)</u>	<u>(315,355)</u>
	<u>1,908,457</u>	<u>2,493,198</u>
Gross distribution per unit (RM)	<u>0.0427</u>	<u>0.0633</u>
Net distribution per unit (RM)	<u>0.0387</u>	<u>0.0562</u>
Ex-date	<u>27 June 2016</u>	<u>26 June 2015</u>

Gross distribution is derived using total income less total expenses. The distribution is made from prior years' realised income.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purposes of determining amount available for distribution, distribution equalisation is included in the computation of realised gain or income available for distribution.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	RM	RM
Designated at fair value through profit or loss:		
Quoted securities (Note 7 (i))	33,553,911	31,939,404
Unquoted fixed income securities (Note 7 (ii))	1,024,321	1,008,573
	34,578,232	32,947,977
Net (loss)/gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	363,530	11,229,735
Change in unrealised fair value loss	(465,885)	(4,933,631)
	(102,355)	6,296,104

 i. Quoted securities

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 30.6.2016	
	Units	RM	RM	%
<u>Construction</u>				
Gamuda Berhad-Warrant	44,133	11,033	41,485	0.09
Protasco Berhad	418,100	713,020	685,684	1.46
	462,233	724,053	727,169	1.55
<u>Consumer</u>				
Texchem Resources Berhad	201,600	330,579	314,496	0.67
Salutica Berhad	693,400	593,224	707,268	1.50
	895,000	923,803	1,021,764	2.17
<u>Consumer Product</u>				
Guinness Anchor Berhad	27,600	373,696	417,864	0.89
<u>Finance</u>				
Syarikat Takaful Malaysia Berhad	328,900	1,337,383	1,332,045	2.83

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Health Care</u>				
Karex Berhad	1,448,337	2,465,080	3,490,492	7.41
Kossan Rubber Industries Berhad	211,100	1,325,111	1,446,035	3.07
Top Glove Corporation Berhad	455,100	2,257,661	2,093,460	4.45
IHH Healthcare Berhad	382,000	1,681,424	2,521,200	5.36
KPJ Healthcare Berhad	223,800	787,349	946,674	2.01
	<u>2,720,337</u>	<u>8,516,625</u>	<u>10,497,861</u>	<u>22.30</u>
<u>Industrial Product</u>				
Cahaya Mata Sarawak Berhad	339,600	1,492,276	1,215,768	2.58
Coastal Contracts Bhd	192,500	590,683	298,375	0.63
	<u>532,100</u>	<u>2,082,959</u>	<u>1,514,143</u>	<u>3.21</u>
<u>Manufacturing</u>				
Pecca Group Berhad	533,200	847,310	853,120	1.81
<u>Infrastructure Project</u>				
<u>Company</u>				
Digi.Com Berhad	201,400	938,161	962,692	2.04
<u>Plantation</u>				
IOI Corporation Berhad	215,300	945,339	934,402	1.98

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Properties</u>				
Eastern & Oriental Berhad	368,520	864,018	611,743	1.30
Eastern & Oriental Berhad-Warrant	71,640	-	13,253	0.03
IOI Properties Group Berhad	298,900	731,968	702,415	1.49
Landmarks Berhad	183,100	245,693	141,903	0.30
LBS Bina Group Berhad	1,000,000	1,462,000	1,570,000	3.34
Matrix Concepts Holdings Berhad-Warrant	46,050	-	18,881	0.04
Sentoria Group Berhad	1,043,900	988,998	887,315	1.88
	<u>3,012,110</u>	<u>4,292,677</u>	<u>3,945,510</u>	<u>8.38</u>
<u>Technology</u>				
Inari Amertron Berhad	731,718	1,656,399	2,173,203	4.62
Inari Amertron Berhad-Warrant	92,093	-	122,484	0.26
N2N Connect Berhad	1,056,800	985,679	935,268	1.99
Unisem (M) Berhad	806,900	1,495,719	1,936,560	4.11
Vitrox Corporation Berhad	310,500	893,768	1,170,585	2.49
	<u>2,998,011</u>	<u>5,031,565</u>	<u>6,338,100</u>	<u>13.47</u>

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
Trading/Services				
Barakah Offshore				
Petroleum Berhad	386,600	336,963	268,687	0.57
Berjaya Auto Berhad	237,120	300,630	550,118	1.17
Datasonic Group Berhad	249,100	469,556	313,866	0.67
MY E.G. Services Berhad	943,200	1,304,287	1,858,104	3.95
UMW Oil & Gas Corporation Berhad				
Uzma Berhad	750,000	1,962,069	701,250	1.49
Westports Holdings Berhad	348,300	728,546	668,736	1.42
	154,400	666,097	648,480	1.38
	<u>3,068,720</u>	<u>5,768,148</u>	<u>5,009,241</u>	<u>10.65</u>
TOTAL QUOTED SECURITIES				
	<u>14,994,911</u>	<u>31,781,719</u>	<u>33,553,911</u>	<u>71.28</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
			<u>1,772,192</u>	
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
			<u>33,553,911</u>	

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2015	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gamuda Berhad	113,900	570,457	531,913	1.20
Protasco Berhad	418,100	713,020	760,942	1.71
Sunway Construction Group Berhad	19,780	-	21,758	0.05
	<u>551,780</u>	<u>1,283,477</u>	<u>1,314,613</u>	<u>2.96</u>
<u>Consumer Product</u>				
Carlsberg Brewery Malaysia Berhad	29,900	383,412	373,750	0.84
Guinness Anchor Berhad	27,600	373,696	394,128	0.89
Karex Berhad	435,225	648,754	1,336,141	3.00
NTPM Holdings Berhad	99,000	76,164	66,825	0.15
	<u>591,725</u>	<u>1,482,026</u>	<u>2,170,844</u>	<u>4.88</u>
<u>Finance</u>				
Allianz Malaysia Berhad	12,800	163,907	150,784	0.34
Public Bank Berhad	67,210	796,750	1,258,171	2.83
	<u>80,010</u>	<u>960,657</u>	<u>1,408,955</u>	<u>3.17</u>
<u>Hotel</u>				
Landmarks Berhad	382,700	513,526	440,105	0.99
<u>Industrial Product</u>				
Cahaya Mata Sarawak Energy Berhad	200,400	965,959	1,032,060	2.32
Coastal Contracts Bhd	207,600	637,017	568,824	1.28
GUH Holdings Berhad	285,200	401,565	282,348	0.63
Press Metal Berhad	489,400	1,256,073	1,272,440	2.86
Ta Ann Holdings Berhad	49,500	197,898	188,595	0.42
	<u>1,232,100</u>	<u>3,458,512</u>	<u>3,344,267</u>	<u>7.51</u>

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 30.6.2015	
	Units	RM	RM	%
<u>Infrastructure Project</u>				
<u>Company</u>				
Digi.Com Berhad	82,400	403,790	441,664	0.99
<u>Properties</u>				
Eastern & Oriental Berhad	394,020	972,718	669,834	1.51
Eastern & Oriental Berhad-Warrant	71,640	-	17,552	0.04
IOI Properties Group Berhad	411,500	1,007,711	761,275	1.71
Matrix Concepts Holdings Berhad	276,300	866,433	856,530	1.93
Sentoria Group Berhad	700,000	700,000	742,000	1.67
Sunway Berhad	67,800	202,716	233,232	0.52
	1,921,260	3,749,578	3,280,423	7.38
<u>Utilities</u>				
Malakoff Corporation Berhad	1,483,800	2,629,293	2,596,650	5.84
<u>Technology</u>				
Inari Amertron Berhad	475,375	1,049,730	1,544,969	3.47
Inari Amertron Berhad-Warrant	73,675	-	100,935	0.23
Unisem (M) Berhad	616,100	955,396	1,435,513	3.23
Vitrox Corporation Berhad	310,500	893,768	1,049,490	2.36
	1,475,650	2,898,894	4,130,907	9.29
<u>Trading/Services</u>				
Barakah Offshore Petroleum Berhad	687,100	598,880	635,567	1.43
Berjaya Auto Berhad	409,920	519,712	1,106,784	2.49
Datasonic Group Berhad	249,100	469,556	266,537	0.60
Dayang Enterprise Holdings Berhad	166,800	395,856	375,300	0.84

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2015	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Trading/Services</u> (continued)				
IHH Healthcare Berhad	382,000	1,681,424	2,162,120	4.86
KPJ Healthcare Berhad	223,800	787,349	944,436	2.12
MY E.G Services Berhad	540,400	1,229,327	1,502,312	3.38
Perisai Petroleum Teknologi Berhad	883,800	457,276	397,710	0.89
Sapurakencana Petroleum Berhad	810,700	2,169,882	1,913,252	4.30
Telekom Malaysia Berhad	68,021	414,449	444,857	1.00
Tenaga Nasional Berhad	52,112	572,013	658,696	1.48
Texchem Resources Berhad	201,600	330,579	302,400	0.68
UMW Oil & Gas Corporation Berhad	750,000	1,962,069	1,282,500	2.88
Uzma Berhad	348,300	728,546	818,505	1.84
	<u>5,773,653</u>	<u>12,316,918</u>	<u>12,810,976</u>	<u>28.79</u>
TOTAL QUOTED SECURITIES	<u>13,575,078</u>	<u>29,696,671</u>	<u>31,939,404</u>	<u>71.80</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>2,242,733</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>31,939,404</u>	

ii. Unquoted fixed income securities

Name of counter	Quantity	Carrying cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
5.10% Gulf Investment Corporation 16.3.2021 (AAA)	1,000,000	1,019,157	1,024,321	2.18
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>1,000,000</u>	1,019,157	<u>1,024,321</u>	2.18
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>5,164</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,024,321</u>		

ii. Unquoted fixed income securities (continued)

Name of counter	Quantity	Carrying cost	Fair value	Percentage of net asset value of the Fund
			as at 30.6.2015	
	Units	RM	RM	%
4.35% Hong Leong Bank Berhad 5.5.2016 (AA2)	1,000,000	1,008,065	1,008,573	2.27
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>1,000,000</u>	1,008,065	<u>1,008,573</u>	2.27
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>508</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,008,573</u>		

The effective weighted average interest rate 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	<u>4.87</u>	<u>4.13</u>

8. CASH AND CASH EQUIVALENTS

	2016	2015
	RM	RM
Bank balance with a licensed bank	13,862	1,693,298
Deposits with licensed financial institutions	15,741,456	8,640,900
	<u>15,755,318</u>	<u>10,334,198</u>

The effective weighted average interest rate of short-term deposits with licensed financial institutions per annum as at the date of statement of financial position are as follows:

	2016	2015
	%	%
Deposits with licensed financial institutions	<u>3.38</u>	<u>3.80</u>

The deposits have an average maturity of 1 day (2015: 1 day).

9. UNITS IN CIRCULATION

	2016	2015
	No.of units	No.of units
At the beginning of the financial year	46,969,157	46,080,226
Creation of units during the financial year:		
Arising from applications	7,091,573	3,481,439
Arising from distribution	2,056,423	2,516,117
Cancellation of units during the financial year	<u>(4,567,673)</u>	<u>(5,108,625)</u>
At the end of the financial year	<u>51,549,480</u>	<u>46,969,157</u>

10. TRANSACTIONS WITH BROKERS/DEALERS

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

Name of brokers/ dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2016</u>				
CIMB Bank Berhad	1,620,550,000	85.20	-	-
Public Bank Berhad	220,510,000	11.59	-	-
Maybank Berhad	8,740,350	0.46	-	-
Affin Hwang Investment Bank Berhad	7,412,479	0.39	18,531	13.72
KAF Investment Bank Berhad	7,050,787	0.37	17,627	13.05
Maybank Investment Bank Berhad	7,042,716	0.37	17,622	13.05
RHB Investment Bank Berhad	5,374,794	0.28	17,958	13.30
Kenanga Investment Bank Berhad	4,390,166	0.23	13,953	10.33
Nomura Securities Malaysia Sdn Bhd	3,970,129	0.21	9,925	7.35
CIMB Investment Bank Berhad	3,608,394	0.19	9,021	6.68
Others	13,465,965	0.71	30,420	22.52
	1,902,115,780	100.00	135,057	100.00

Name of brokers/ dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2015</u>				
CIMB Bank Berhad	1,000,010,000	83.86	-	-
Public Bank Berhad	62,340,000	5.23	-	-
Maybank Berhad	30,120,000	2.53	-	-
CIMB Investment Bank Berhad	17,286,856	1.45	56,144	16.17
RHB Investment Bank Berhad	14,456,471	1.21	44,628	12.85
Maybank Investment Bank Berhad	12,813,132	1.07	43,613	12.56
Affin Hwang Investment Bank Berhad	9,728,991	0.94	32,417	9.34
KAF Investment Bank Berhad	6,842,369	0.82	22,646	6.52
JP Morgan Securities (M) Sdn Bhd	6,606,883	0.57	35,003	10.08
Kenanga Investment Bank Berhad	5,852,578	0.55	20,039	5.77
Others	26,487,231	1.77	92,744	26.71
	<u>1,192,544,511</u>	<u>100.00</u>	<u>347,234</u>	<u>100.00</u>

All brokers and dealers highlighted above are not related to the Manager.

11. UNITS HELD BY THE MANAGER

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

Related party	Relationship			
Eastspring Investments Berhad	The Manager			

	2016		2015	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,270	1,160	1,218	1,153

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.

12. MANAGEMENT EXPENSE RATIO ("MER")

	2016	2015
	%	%
MER	<u>1.46</u>	<u>1.45</u>

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 RM44,898,230 (2015: RM40,498,261).

13. PORTFOLIO TURNOVER RATIO ("PTR")

	2016	2015
PTR (times)	<u>0.59</u>	<u>1.23</u>

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM27,765,534 (2015: RM49,202,783)

total disposals for the financial year = RM25,477,227 (2015: RM50,699,422)

14. 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 segments derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest income, dividends income and gains on the appreciation in the value of investments.

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

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 August 2016.

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

16th Floor, Wisma Sime Darby

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BOARD OF DIRECTORS OF THE MANAGER

Julian Christopher Vivian Pull

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

Iskander Bin Ismail Mohamed Ali

(Independent, non-executive director)

Khoo Chuan Keat

(Independent, non-executive director)

Jackie Chew Pei Pei (Jackie Zhou PeiPei)

(Non-independent, non-executive director)

Raymond Tang Chee Kin

(Non-independent, executive director)

INVESTMENT COMMITTEE OF THE FUND

Ho Yik

(Independent member)

Robert Yap Yen Choon

(Independent member)

Abdul Khalil Bin Abdul Hamid

(Independent member)

Dato' Saiful Bahri Bin Zainuddin

(Independent member)

Raymond Tang Chee Kin

(Non-Independent member)

**AUDIT AND COMPLIANCE
COMMITTEE OF THE MANAGER**

Iskander Bin Ismail Mohamed Ali
(Independent)

Khoo Chuan Keat
(Independent)

Niall Dermot Grady
(Non-independent)

MANAGER'S DELEGATE - FUND VALUER

NAME

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COMPANY NO.

312552-W

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BUSINESS OFFICE

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TELEPHONE NO.

603-2053 6788

FAX NO.

603-2031 8710

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

NAME

KARVY COMPUTERSHARE
(MALAYSIA) SDN BHD

COMPANY NO.

1178655-U

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**COMPANY SECRETARY OF
THE MANAGER**

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TRUSTEE

NAME

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TRUSTEE'S DELEGATE - CUSTODIAN

NAME

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TAXATION ADVISER OF

THE FUND

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AUDITORS OF THE MANAGER

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