



A member of Prudential plc (UK) 

EASTSPRING INVESTMENTS CASH MANAGEMENT FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 December 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,

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

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

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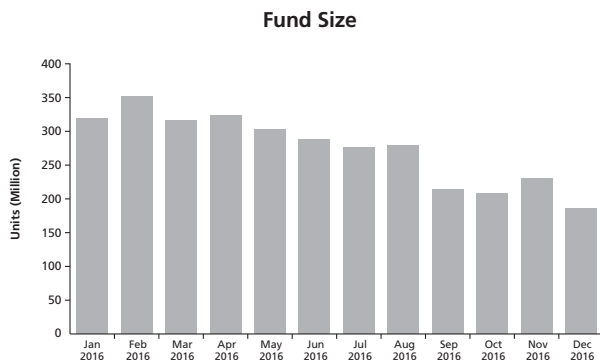
FUND INFORMATION

Name of Fund	Eastspring Investments Cash Management Fund (the "Fund")
Fund Category/ Type	Money market/income
Fund Objective	The Fund seeks to provide a high level of liquidity with reasonable returns by investing in a portfolio of money market and other short-term debt instruments.
Performance Benchmark	<p>Maybank overnight deposit rate</p> <p>Source: 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 month, subject to the availability of income.

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 December 2016, the size of Eastspring Investments Cash Management Fund stood at 185.606 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	20	12.58	19	0.01
5,001 to 10,000 units	6	3.77	48	0.03
10,001 to 50,000 units	42	26.41	1,180	0.63
50,001 to 500,000 units	69	43.40	12,783	6.89
500,001 units and above	22	13.84	171,575	92.44
Total	159	100.00	185,605	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Category	2016	2015	2014
	(%)	(%)	(%)
Unquoted fixed income securities	66.16	29.78	10.57
Cash and other assets	33.84	70.22	89.43
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	100,452	177,697	154,238
Units In Circulation (Units '000)	185,606	328,233	284,852
Net Asset Value Per Unit (RM)	0.5412	0.5414	0.5415
Highest Net Asset Value Per Unit (RM) [#]	0.5412	0.5414	0.5415
Lowest Net Asset Value Per Unit (RM) [#]	0.5402	0.5405	0.5406
Total Return (%)			
Capital Growth	(0.04)	(0.02)	0.06
Income Distribution	3.40	3.52	3.08
Total Return (%)	3.36	3.50	3.13
Gross Distribution Per Unit (RM)	0.0181	0.0187	0.0164
Net Distribution Per Unit (RM)	0.0181	0.0187	0.0164
Management Expense Ratio (MER) (%) [*]	0.60	0.57	0.56
Portfolio Turnover Ratio (PTR) (times) [^]	0.43	0.66	0.56

[#] 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 1.1.2016 to 31.12.2016	3 years 1.1.2014 to 31.12.2016	5 years 1.1.2012 to 31.12.2016
	(%)	(%)	(%)
Average total return	3.36	3.33	3.22

Year ended	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
	(%)	(%)	(%)	(%)	(%)
Annual total return	3.36	3.50	3.13	3.00	3.11

Source: Lipper for Investment Management, as at 31 December 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

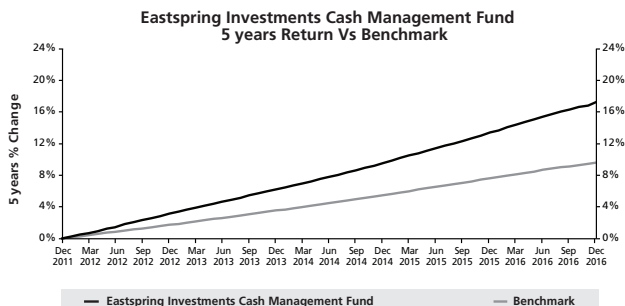
Fund Performance

Over the 5-year period, the Fund recorded a return of 17.18%, outperforming the benchmark return of 9.61% by 7.57%.

During the period under review, the Fund registered a return of 3.36%, outperforming the benchmark return of 1.89% by 1.47%.

Investments in short term corporate bonds, commercial papers and fixed deposit placements have contributed to the outperformance of the Fund.

The Fund met its investment objective to provide a high level of liquidity with reasonable returns.



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

Benchmark: Maybank overnight deposit rate

Source: Lipper for Investment Management and www.maybank2u.com.my, as at 31 December 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 December 2016:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
3.40	(0.04)	3.36	1.89

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

Distribution/ Unit Split

Ex-date	15-Jan-16	15-Feb-16	15-Mar-16
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0016	0.0015	0.0017
Net	0.0016	0.0015	0.0017
Ex-date	15-Apr-16	16-May-16	15-Jun-16
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0016	0.0015	0.0017
Net	0.0016	0.0015	0.0017
Ex-date	15-Jul-16	15-Aug-16	15-Sep-16
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0015	0.0016	0.0016
Net	0.0015	0.0016	0.0016
Ex-date	17-Oct-16	15-Nov-16	15-Dec-16
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0012	0.0016	0.0010
Net	0.0012	0.0016	0.0010

MANAGER'S REPORT (CONTINUED)

**Distribution/
Unit Split
(continued)**

Impact on NAV arising from distribution for the financial year ended 31 December 2016.

Ex-date	15-Jan-16	15-Feb-16	15-Mar-16
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset Value before distribution	0.5422	0.5422	0.5423
Less: distribution	(0.0016)	(0.0015)	(0.0017)
Net Asset Value after distribution	0.5406	0.5407	0.5406
Ex-date	15-Apr-16	16-May-16	15-Jun-16
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset Value before distribution	0.5422	0.5422	0.5423
Less: distribution	(0.0016)	(0.0015)	(0.0017)
Net Asset Value after distribution	0.5406	0.5407	0.5406
Ex-date	15-Jul-16	15-Aug-16	15-Sep-16
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset Value before distribution	0.5422	0.5423	0.5418
Less: distribution	(0.0015)	(0.0016)	(0.0016)
Net Asset Value after distribution	0.5407	0.5407	0.5402
Ex-date	17-Oct-16	15-Nov-16	15-Dec-16
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset Value before distribution	0.5419	0.5415	0.5412
Less: distribution	(0.0012)	(0.0016)	(0.0010)
Net Asset Value after distribution	0.5407	0.5399	0.5402

No unit split were declared for the financial year ended 31 December 2016.

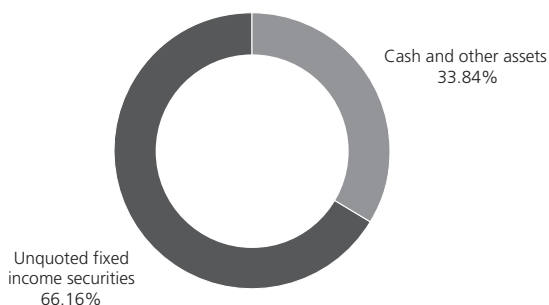
MANAGER'S REPORT (CONTINUED)

**Investment
Strategy
During Period
Under
Review**

The Fund participated in fixed deposits, selective quality short-term debt securities for yield pick-up and short-term money market instruments for liquidity purposes.

**Asset
Allocation**

Asset Allocation	31-Dec 2016 (%)	31-Dec 2015 (%)	Changes (%)
Unquoted fixed income securities	66.16	29.78	36.38
Cash and other assets	33.84	70.22	(36.38)

Asset Allocation as at 31 December 2016


The percentage holding of unquoted fixed income securities increased from 29.78% at end of 2015 to 66.16% at end 2016 as the Fund bought fixed income securities at attractive yields.

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 First Supplementary Master Prospectus dated 24 November 2016, the information in relation to the auto reinvestment policy has been revised as follows:

Any moneys payable to Unit Holder as a result of income distribution which remains unclaimed after six (6) months from the date of payment shall automatically be reinvested into additional Units of the Fund at the Net Asset Value ("NAV") per Unit on the closing of the fifteenth (15th) day after the said six (6) months period at no cost. In the event the fifteenth (15th) day falls on a non-Business Day, reinvestment will be made on the following Business Day.

Cross-trade Transaction

During the year 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

At the Monetary Policy Committee (“MPC”) meeting on 13 July 2016, Bank Negara Malaysia (“BNM”) unexpectedly reduced the Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) to 3.00% from 3.25%. BNM’s move to reduce the OPR was seen as a pre-emptive move by the central bank as BNM expects growth momentum in the major economies to moderate in the second half of the year coupled with increasing downside risks in light of possible repercussions from the European Union referendum in the United Kingdom. Following the rate cut in July BNM kept the OPR at 3.00% in the subsequent Monetary Policy Committee meetings for 2016. BNM anticipates that the domestic economy is expected to remain robust and to grow between 4% - 4.5% for 2016 however global uncertainties could weigh on Malaysia’s growth. Nevertheless, BNM expects domestic demand to be the main driver of growth while private consumption is expected to be supported by stable wage and employment growth. Overall investment is expected to be supported by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors. Exports are projected to remain weak following more subdued demand from Malaysia’s key trading partners.

Headline inflation eased from 2.7% year-on-year (“y-o-y”) in December 2015 to 1.8% y-o-y in November 2016. The drop was mainly driven by a fall in transportation costs (-1.5% y-o-y), communications (-2.7% y-o-y) and clothing inflation (-0.5% y-o-y). On the other hand, food and non-alcoholic beverages inflation was relatively stable at 3.9% yoy in December 2015 and 3.8% yoy in November 2016. For 2017, headline inflation is expected to increase due to the removal of subsidies coupled with higher energy prices as oil price has rebounded up from around USD41 per barrel in January to around USD53 per barrel as at end December 2016.

In his budget speech in October, the Prime Minister unveiled 2017 national budget with the theme “Accelerating Growth, Ensuring Fiscal Prudence, Enhancing Well-being of the Rakyat”. Overall, fiscal consolidation remains on track as the Government plan to achieve a budget deficit at RM40.3 billion or 3.0% of GDP in 2017. The Government expect revenue in 2016 to ease lower to RM212.6 billion (2015: RM219.1 billion) mainly due to lower collection of petroleum related revenue following lower crude oil prices. However, this impact is expected to be cushioned by improved Government Service Tax (“GST”) collection. Furthermore, the Government expects revenue collection to improve by 3% in 2017 on the back of larger tax revenue from corporate income tax collection. Separately, the Federal Government expects the Malaysian economy to gain some traction to grow between 4.0-5.0% in 2017 as the Government expects that growth will remain private sector-driven, supported by quicker expansions in private consumption and private investment with added support from public spending and continued recovery in exports.

The surprise win by the Republican presidential nominee Donald Trump in the recent United States Presidential Election in November spurred a broad flight to safety around the globe. Investors were left unsettled over the future of the American and global economy based on the economic policies that were advocated by Trump throughout his presidential campaign. Trump's future policies indicate higher fiscal spending and tax cuts which may lead to more debt supply higher bond yields. Separately, the market-implied chance of a United States Federal Reserve ("Fed") increased after Trump's triumph as investors now expect the Fed to continue its monetary tightening path in December and 2017 onwards.

In December, the Fed raised its key interest rates by 25bps to between 0.50%-0.75%. The Fed's move to raise interest rate was widely expected by the market as the Fed has been signalling for a rate hike for nearly a year since the Fed last raised interest rate in December last year from a record low near zero set during the 2008 financial crisis. The Federal Open Market Committee's ("FOMC's") recent action signalled that the Fed believe that the United States of America ("US") economy has improved over the past year and expect that the US economic activity will continue expand at a moderate pace with improving labour market conditions.

For the period under review, the 3-year, 5-year, 10-year and 15-year sovereign bond yields changed by +27bps, +27bps, +5bps and +7bps to 3.57%, 3.72%, 4.22% and 4.65% respectively. In 1Q2016, Malaysian Government Securities ("MGS") yields drifted lower after BNM reduced the SRR from 4.00% to 3.50% effective 1 February to ensure sufficient liquidity in the financial system. Furthermore, yields continued to trend downwards after a dovish statement by the FOMC which indicated a very gradual path of rate hike in 2016. Sovereign bond yields continued to fall across all tenors at the end of the second and third quarter of 2017, following United Kingdom's Referendum on 23 June to withdraw from European Union and after BNM unexpectedly cut the OPR by 0.25% to 3.00% in July's Monetary Policy Committee meeting. However, sovereign yields spiked higher in November after the Republican presidential nominee Donald Trump won the recent US Presidential Election. Investors were left unsettled over the future of the American and global economy based on the economic policies that were advocated by Trump throughout his presidential campaign. Furthermore, yields we traded higher on the expectation of higher Fed rate hike as the Fed are now forecasting three rate increases in 2017 instead of two rate hikes as previously projected.

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 new Malaysian Ringgit (“MYR”) Corporate Bond issuances in 2016 were relatively flat around RM71 billion of which approximately 25% was conventional and 75% was Islamic. Major primary issuances were from the government guaranteed, power, toll roads and banking sectors. Major issuances include RM9 billion from Danainfra, RM5.5 billion from Sarawak Hydro, RM4.2 billion from Cagamas and RM3.6 billion from Lebuhraya Duke Phasa-3.

REBATES AND SOFT COMMISSIONS

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

EASTSPRING INVESTMENTS CASH MANAGEMENT FUND

(Established in Malaysia)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

(Established in Malaysia)

We have acted as Trustee for Eastspring Investments Cash Management Fund (the "Fund") for the financial year ended 31 December 2016. To the best of our knowledge, for the financial 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 view that the distributions made by the Manager during this financial year ended 31 December 2016 are 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: 17 February 2017

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

(Established in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Eastspring Investments Cash Management Fund, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in net assets value and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 50.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Manager ("Directors") are responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also

responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that gives a true and fair view.

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

OTHER MATTERS

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Securities Commission's Guidelines on Unit Trust Funds in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants

Loh Kam Hian

Approval Number: 02941/09/2018(J)
Chartered Accountant

Petaling Jaya, Selangor
Date: 17 February 2017

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016	2015
		RM	RM
INVESTMENTS			
Unquoted fixed income securities	4	66,463,535	52,923,275
Deposits with licensed financial institutions		33,210,000	123,110,000
		<u>99,673,535</u>	<u>176,033,275</u>
OTHER ASSETS			
Interest receivables		963,719	1,688,377
Bank balance with a licensed bank		20,943	101,731
		<u>984,662</u>	<u>1,790,108</u>
TOTAL ASSETS		<u>100,658,197</u>	<u>177,823,383</u>
LIABILITIES			
Amount due to Manager		125,778	6,759
Accrued management fee		48,870	78,364
Amount due to Trustee		4,887	7,836
Other payables and accrued expenses		26,189	33,450
TOTAL LIABILITIES		<u>205,724</u>	<u>126,409</u>
NET ASSETS VALUE		<u>100,452,473</u>	<u>177,696,974</u>
REPRESENTED BY:			
Unit holders' capital		77,529,829	154,511,824
Undistributed income		22,922,644	23,185,150
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS		<u>100,452,473</u>	<u>177,696,974</u>
NUMBER OF UNITS IN CIRCULATION	5	<u>185,606,440</u>	<u>328,233,191</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT (EX-DISTRIBUTION)		<u>0.5412</u>	<u>0.5414</u>

The notes on pages 22 to 50 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		RM	RM
Interest income		5,902,193	6,380,523
Accretion of discount		256,478	542,177
Net realised loss on sale of investments		(58)	(1,536)
Net unrealised loss from financial instruments at fair value through profit or loss		(116,224)	(2,277)
TOTAL INCOME		6,042,389	6,918,887
EXPENSES			
Management fee	7	(763,528)	(858,613)
Trustee's fee	8	(76,353)	(85,861)
Auditors' remuneration		(10,000)	(10,000)
Tax agent's fee		(3,400)	(3,400)
Administrative expenses		(56,149)	(63,167)
TOTAL OPERATING EXPENSES		(909,430)	(1,021,041)
NET INCOME/TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,132,959	5,897,846
Net income is made up as follows:			
Realised amount		5,249,183	5,900,123
Unrealised amount		(116,224)	(2,277)
		5,132,959	5,897,846

The notes on pages 22 to 50 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS VALUE

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Unit holders' capital	Undistributed income	Total
		RM	RM	RM
AT 1 JANUARY 2015		131,223,897	23,013,984	154,237,881
Movement in unit holders' contribution				
Creation of units		121,669,026	-	121,669,026
Cancellation of units		(98,209,368)	-	(98,209,368)
Total comprehensive income for the year		-	5,897,846	5,897,846
Income distributions	9	(171,731)	(5,726,680)	(5,898,411)
AT 31 DECEMBER 2015/ 1 JANUARY 2016		154,511,824	23,185,150	177,696,974
Movement in unit holders' contribution				
Creation of units		143,760,770	-	143,760,770
Cancellation of units		(220,969,121)	-	(220,969,121)
Total comprehensive income for the year		-	5,132,959	5,132,959
Income distributions	9	226,356	(5,395,465)	(5,169,109)
AT 31 DECEMBER 2016		77,529,829	22,922,644	100,452,473

The notes on pages 22 to 50 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	88,579,950	140,395,755
Purchase of investments	(101,980,016)	(176,474,773)
Movement in deposits with licensed financial institutions	89,900,000	14,100,000
Interest received	6,626,852	5,496,032
Payment for other fees and expenses	(949,134)	(998,692)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	82,177,652	(17,481,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	139,722,283	115,770,615
Payments for cancellation of units	(220,850,102)	(98,204,250)
Distribution paid	(1,130,621)	-
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(82,258,440)	17,566,365
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(80,788)	84,687
CASH AND CASH EQUIVALENTS AT 1 JANUARY	101,731	17,044
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20,943	101,731
CASH AND CASH EQUIVALENTS COMPRISE:		
Bank balance with a licensed bank	20,943	101,731

The notes on pages 22 to 50 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. INFORMATION ON THE FUND AND THE MANAGER

Eastspring Investments Cash Management Fund (the "Fund") was constituted pursuant to the execution of a Master Deed dated 4 May 2001, a Supplemental Master Deed dated 26 May 2003, a Supplemental Master Deed dated 15 February 2006, a Master Supplemental Deed dated 25 July 2007, and a Second Supplemental Master Deed dated 30 November 2009 between BHLB Trustee Berhad ("BHLB Trustee") and Eastspring Investments Berhad. The Fund replaced BHLB Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between the Manager and the Trustee on 30 July 2010 to effect the change of trustee from BHLB Trustee to the Trustee, followed by the Second Supplemental Master Deed dated 28 January 2011, a Third Supplemental Master Deed dated 9 March 2011, a Fourth Supplemental Master Deed dated 20 January 2012, a Fifth Supplemental Master Deed dated 26 March 2014, a Sixth Supplemental Master Deed dated 2 January 2015, a Seventh Supplemental Master Deed dated 11 July 2016 and an Eight Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund will invest in a portfolio of short-term money market instruments and other short-term debentures. All investments will be subject to the Securities Commission's ("SC") Guidelines, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The Fund commenced operations on 29 May 2003 and will continue its operations until terminated according to the conditions stated in Part 12 of the Deed.

The main objective of the Fund seeks to provide investors with a high level of liquidity with reasonable returns by investing in a portfolio of money market and other short-term debt instruments.

The Manager, a company incorporated in Malaysia, 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 business.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

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

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

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017, except for Amendments to MFRS 12 and Amendments to MFRS 112, which are not applicable to the Fund.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128, Amendments to MFRS 140 and IC Interpretation 22, which are not applicable to the Fund.
 - from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019, except for MFRS 16, *Leases*, which is not applicable to the Fund.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current year and prior year financial statements of the Fund, except as mentioned below:

i. MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Fund is currently assessing the financial impact that may arise from the adoption of MFRS 15.

ii. MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Fund is currently assessing the financial impact that may arise from the adoption of MFRS 9.

b. Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 (a) (ii).

c. Functional and presentation currency

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

d. Use of estimates and judgments

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial instruments

i. Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii. Financial instrument categories and subsequent measurement

The Fund categorises financial instruments as follows:

Financial assets

a. Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b. Loans and receivables

Loans and receivables category are debt instruments that are not quoted in an active market that comprises deposits, bank balances and receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(c)).

Financial liabilities

All financial liabilities are measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii. Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- a. the recognition of an asset to be received and the liability to pay for it on the trade date, and
- b. derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

iv. Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

b. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Fund in the management of their short-term commitments.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with Note 3 (a) (ii) (b).

c. ImpairmentFinancial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

d. Income recognition

Interest income is recognised as it accrues using the effective interest method in profit or loss.

The realised gain/(loss) on sale of investments is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The carrying amount for determining the realised gain/(loss) on sale of investments is based on the weighted average cost method and where applicable, adjusted for accretion for discount and amortisation of premium.

e. Income tax

Income tax expense comprises current tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of reporting period, and any adjustment to tax payable in respect of previous financial years.

f. Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the holder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net assets value. The outstanding units are carried at the redemption amount that is payable at the financial position date if the holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the holder's option at prices based on the Fund's net assets value per unit at the time of creation or cancellation. The Fund's net assets value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units. In accordance with the Security Commission's Guidelines on Unit Trust Funds in Malaysia, investment positions are valued based on the last traded market price for the purpose of determining the net assets value per unit for creations and cancellations.

g. Proceeds and payments on creation and cancellation of units

The net assets value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net assets value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as equity in the statement of financial position and are stated at fair value representing the price at which unit holders can redeem the units from the Fund.

h. Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transaction, is determined 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Fund recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. UNQUOTED FIXED INCOME SECURITIES

Name of counter	Rating	Maturity /Callable date	Quantity	Cost	Market value as at 31.12.2016	Percentage of net assets value
			Units	RM	RM	%
2016						
Commercial Paper						
Perbadanan Kemajuan Negeri Selangor	AA3	09.08.2017	10,000,000	10,004,626	9,985,000	9.94
Corporate Bonds						
A DCB Finance (Cayman) Limited	AAA (BG)	03.05.2017	15,000,000	15,007,999	14,986,050	14.92
AMMB Holdings Berhad	AA3	08.08.2017	5,000,000	4,995,462	4,995,950	4.97
BGSM Management Sdn Berhad	AA3	28.12.2017	5,000,000	5,097,510	5,077,750	5.05
First Resources Limited	AA2	31.07.2017	2,500,000	2,503,826	2,499,100	2.49
First Resources Limited	AA2	08.12.2017	5,000,000	5,008,742	4,988,900	4.97
OCBC Bank (Malaysia) Berhad	AA1	15.08.2022	10,000,000	10,000,292	9,986,700	9.94
RHB Bank Berhad	AA3	06.05.2022	10,000,000	10,006,405	9,998,700	9.95
RHB Investment Bank Berhad	AA3	09.12.2022	2,500,000	2,503,859	2,496,400	2.49
Special Port Vehicle Berhad	AAA	28.07.2017	1,500,000	1,450,792	1,448,985	1.44
			56,500,000	56,574,887	56,478,535	56.22
Total Unquoted Fixed Income Securities			66,500,000	66,579,513	66,463,535	66.16

4. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of counter	Rating	Maturity /Callable date	Quantity	Cost		Market value as at 31.12.2015		Percentage of net assets value
				Units	RM	RM	RM	
2015								
Commercial Paper								
Bank Pembangunan Malaysia Berhad	P1	29.01.2016	19,000,000	18,938,392	18,938,392	18,938,392	10.66	
Perbadanan Kemajuan Negeri Selangor	P1	09.08.2016	5,000,000	4,872,583	4,872,583	4,872,583	2.74	
			24,000,000	23,810,975	23,810,975	23,810,975	13.40	
Corporate Bonds								
BGSM Management Sdn Berhad	AA3	28.12.2016	4,000,000	4,065,772	4,062,800	4,062,800	2.29	
CIMB Group Holdings Berhad	AA1	14.04.2016	5,000,000	4,999,801	5,002,750	5,002,750	2.82	
Hong Leong Bank Berhad	AA2	05.05.2016	4,000,000	4,001,796	3,999,880	3,999,880	2.25	
Maybank Islamic Berhad	AA+ IS	31.03.2016	1,000,000	1,000,256	1,000,970	1,000,970	0.56	
RHB Investment Bank Berhad	AA3	15.04.2016	15,000,000	15,044,429	15,045,900	15,045,900	8.46	
			29,000,000	29,112,054	29,112,300	29,112,300	16.38	
Total Unquoted Fixed Income Securities			53,000,000	52,923,029	52,923,275	52,923,275	29.78	

5. NUMBER OF UNITS IN CIRCULATION

	Note	2016	2015
		No. of units	No. of units
At 1 January		328,233,191	284,852,437
Add: Creation of units	5.1	265,661,920	224,808,126
Less: Cancellation of units		(408,288,671)	(181,427,372)
At 31 December		<u>185,606,440</u>	<u>328,233,191</u>

5.1 Creation of units

During the year, 7,716,850 units (2015: 10,909,803 units) amounting to RM4,038,488 (2015: RM5,898,411) were created from reinvestment of income distributions.

6. FINANCIAL INSTRUMENTS

6.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- a. Loans and receivables (“L&R”);
- b. Fair value through profit or loss (“FVTPL”):
 - Held for trading (“HFT”); and
- c. Financial liabilities measured at amortised cost (“FL”).

	Carrying amount	L&R/ (FL)	FVTPL/ HFT
	RM	RM	RM

2016

Financial assets

Investments	99,673,535	33,210,000	66,463,535
Interest receivables	963,719	963,719	-
Bank balance with a licensed bank	20,943	20,943	-
	<u>100,658,197</u>	<u>34,194,662</u>	<u>66,463,535</u>

Financial liabilities

Amount due to Manager	(125,778)	(125,778)	-
Accrued management fee	(48,870)	(48,870)	-
Amount due to Trustee	(4,887)	(4,887)	-
Other payables and accrued expenses	(26,189)	(26,189)	-
	<u>(205,724)</u>	<u>(205,724)</u>	<u>-</u>

	Carrying amount	L&R/ (FL)	FVTPL/ HFT
	RM	RM	RM

2015

Financial assets

Investments	176,033,275	123,110,000	52,923,275
Interest receivables	1,688,377	1,688,377	-
Bank balance with a licensed bank	101,731	101,731	-
	<u>177,823,383</u>	<u>124,900,108</u>	<u>52,923,275</u>

Financial liabilities

Amount due to Manager	(6,759)	(6,759)	-
Accrued management fee	(78,364)	(78,364)	-
Amount due to Trustee	(7,836)	(7,836)	-
Other payables and accrued expenses	(33,450)	(33,450)	-
	<u>(126,409)</u>	<u>(126,409)</u>	<u>-</u>

6.2 Net gains and losses arising from financial instruments

	2016	2015
	RM	RM
Net gains arising on:		
Fair value through profit or loss:		
Held for trading - unrealised	(116,224)	(2,277)
- realised	1,779,382	2,470,538
Loans and receivables	4,379,231	4,450,626
	<u>6,042,389</u>	<u>6,918,887</u>

6.3 Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Investment risk
- Credit risk
- Liquidity risk
- Market risk
- Management company risk

6.4 Investment risk

Investments are bound by the provisions of the Master Deeds and prospectuses that govern the maximum securities holdings and maximum liquid assets holdings.

Investment risks for fixed income funds are in the form of interest rate and credit risks. To manage these risks, investments will be in investment grade bonds.

Risk management objectives, policies and processes for managing the risk

The Manager has written policies and guidelines on risk management, which set out the overall investment risks strategies and general risk management philosophies. These processes monitor, measure and control risks associated with the business. Matters relating to investment risks in respect of funds portfolio are discussed during the monthly Investment Committee meetings of the Manager.

6.5 Credit risk

Credit risk is the risk of a financial loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund's exposure to credit risk arises principally from investment in fixed income securities, amount due from Manager, interest receivables and bank balances/deposits.

The Fund's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

No financial assets carried at amortised cost were past due or impaired as at the date of statement of financial position other than as disclosed in Note 4.

6.6 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. This may come about when realisation of units is in excess of normal amounts.

The Fund's exposure to other liquidity risk arises principally from its amount due to Manager, amount due to Trustee, accrued management fee and, other payables and accrued expenses.

The extent of exposure to this risk is contained in provisions set out in the prospectus, which allows the Manager to extend the payment period in the event of excessive redemptions. The Fund maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

6.7 Market risk

Market risk is the risk that changes in market prices, such as interest rates and other prices will affect the Fund's financial position or cash flows.

Risk management objectives, policies and processes for managing the risk

In order to mitigate risks related to changes and developments in regulations, politics, technology and the economy of the country, the Fund would generally hold a diversified portfolio of securities from different market sectors as well as placement in short-term deposits with various financial institutions to offset negative events affecting any market sector or financial institution.

6.7.1 Interest rate risk

The Fund's investments in fixed rate debt securities are exposed to a risk of change in their fair value due to changes in interest rates. Investments in short-term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Fund's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2016	2015
	RM	RM
<u>Fixed rate instruments</u>		
Unquoted fixed income securities	66,463,535	52,923,275
Deposits with licensed financial institutions	33,210,000	123,110,000
	<u>99,673,535</u>	<u>176,033,275</u>

Interest rate risk sensitivity analysisFair value sensitivity analysis for fixed rate instruments

The Fund accounts for the unquoted fixed income securities and deposits with licensed financial institutions at fair value through profit or loss and at amortised cost, respectively.

A change in interest rates at the end of the reporting period would not significantly affect profit or loss.

The effective interest rates for the fixed rate instruments are as follows:

	2016	2015
	%	%
Unquoted fixed income securities*	4.60	4.18
Deposits with licensed financial institutions**	3.91	4.33

* Interest rate for unquoted fixed income securities is fixed throughout the duration until maturity.

** Deposits with licensed financial institutions will mature within one year from the date of the statement of financial position.

6.7.2 Other price risk

Bond price risk sensitivity analysis

Investments in unquoted fixed income instruments consist of corporate bonds and commercial papers. All commercial papers have maturities of less than one year. Considering the possible bond market price increase of 10% (2015: 10%), the effect on the Fund's post-tax profit or loss and net assets attributable to unit holders is an increase of RM6,646,354 (2015: RM5,292,327) as at 31 December 2016. A weakening of bond market price would have resulted in an equal but opposite effect.

6.8 Effective interest rates and maturity dates

The effective interest rates and the maturity dates of the financial instruments of the Fund are disclosed in Notes 4 and 6.7.1.

6.9 Management company risk

The Fund's Trustee ensures that the Manager operates and administers the Fund in accordance with the provisions of the Master Deeds, prospectuses, the Securities Commission Guidelines and Regulations and within acceptable business practices. The Manager's internal Compliance unit plays a complementary role to the Trustee to ensure compliance within the organisation with all relevant legislations and to supervise the monitoring of all prescribed limits to ensure compliance with securities related legislation.

6.10 Fair value information

The carrying amounts of cash and cash equivalents, demand deposits, receivables and payables approximate their fair values due to the relatively short-term nature of these financial instruments.

The fair values of unquoted fixed income securities, together with the carrying amounts shown in the statement of financial position, are already disclosed in Note 4.

The following summarises the methods used in determining the fair value of financial instruments:

Unquoted fixed income securities

Unquoted fixed income securities issued by Malaysian and foreign corporations are rated by the Rating Agency of Malaysia Berhad or Malaysian Rating Corporation Berhad respectively, and are carried at cost adjusted for the amortisation of any premium or accretion of any discount over their par values at the time of acquisition. The premium or discount is amortised or accreted on a yield to maturity basis over the remaining term of the investments from the date of acquisition.

This adjusted cost (carrying value) is then revalued to reflect its fair value (indicative market value) using the fair price quoted by a bond pricing agency registered with the Securities Commission as per the Securities Commission's Guidelines on Unit Trust Funds. If such quotations are not available, the value shall be determined by reference to the last available quote provided the quote obtained is within the previous 30 days. Surplus or deficit on revaluation is transferred to the statement of profit or loss and other comprehensive income.

6.10 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2016										
Financial assets										
Unquoted fixed income securities	-	66,463,535	-	66,463,535	-	-	-	-	66,463,535	66,463,535
2015										
Financial assets										
Unquoted fixed income securities	-	52,923,275	-	52,923,275	-	-	-	-	52,923,275	52,923,275

6.10.1 Fair value hierarchy

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2015: no transfer in either direction).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

7. MANAGEMENT FEE

The Deed provides that the Manager is entitled to a management fee at a rate not exceeding 2.00% per annum of the Net Assets Value of the Fund, calculated on a daily basis.

The Manager is currently entitled to a management fee at a rate of 0.50% (2015: 0.50% per annum) of the Net Assets Value of the Fund, calculated on a daily basis.

8. TRUSTEE'S FEE

The Deed provides that the Trustee is entitled to a fee at a rate not exceeding 0.20% per annum of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM18,000 per annum.

The Trustee is currently entitled to a fee at a rate of 0.05% (2015: 0.05% per annum) of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM18,000 per annum.

9. INCOME DISTRIBUTIONS

During the current financial year, the Manager declared an aggregate gross distribution of 1.81 sen per unit (2015: 1.87 sen) for investors of Eastspring Investments Cash Management Fund.

	2016	2015
	RM	RM
Distribution to unit holders is from realised income:		
Interest income	179,100	209,538
Net realised gain/(loss) on sale of investments	4	(26)
Accretion of discount, net of amortisation of premium	9,989	21,752
Previous year's realised income	5,233,777	5,529,298
Expenses	(27,405)	(33,882)
	5,395,465	5,726,680
Distribution equalisation	(226,356)	171,731
Net distribution	5,169,109	5,898,411

	2016	2015
	RM	RM

During the financial year, distributions were made as follows:

	Aggregate gross/Net distribution	
	2016	2015
	Sen/unit	Sen/unit
15 January	0.16	0.17
15 February / 16 February	0.15	0.15
15 March / 16 March	0.17	0.15
15 April	0.16	0.17
16 May / 15 May	0.15	0.15
15 June	0.17	0.14
15 July	0.15	0.16
15 August / 17 August	0.16	0.16
15 September	0.16	0.12
17 October / 15 October	0.12	0.17
15 November / 16 November	0.16	0.17
15 December	0.10	0.16
Total	1.81	1.87

10. TAX EXPENSE

There is no tax expense charge for the current and previous financial year. Income from deposits placement and unquoted fixed income securities are exempted from tax in accordance with Schedule 6, Para 35 and Para 35A of the Income Tax Act (ITA), 1967. Pursuant to Section 61(1)(b) of the ITA, 1967, gains from realisation of investments will not be treated as income of the Fund and hence are not subject to

income tax. In accordance with Sections 61 and 63B of the ITA, 1967, interest income and gains on sale of investments are exempted from tax.

11. UNITS HELD BY MANAGER AND DIRECTORS OF THE MANAGER

Units held at the end of the financial year

	2016	2015
	No. of units	No. of units
Manager		
Eastspring Investments Berhad	1,187	1,148

The above units were transacted at the prevailing market prices on the transaction dates. The units are held beneficially by the Manager for bookings purpose. Other

than the above, there were no units held by the Directors or parties related to the Manager.

12. DEALERS' TRANSACTIONS

The details of dealers' transactions by placements and value of trades are as follows:

Name of dealers	Value of trades	Percentage of total trades
	RM	%
<u>Financial year ended 31 December 2016</u>		
CIMB Bank Berhad*	2,055,628,199	61.40
Malayan Banking Berhad*	802,085,900	23.96
Public Bank Berhad**	130,230,000	3.89
Deutsche Bank (M) Berhad**	108,518,000	3.24
AmBank (M) Berhad*	60,826,016	1.82
Alliance Bank Malaysia Berhad*	41,990,750	1.25
RHB Investment Bank Berhad***	35,554,750	1.06
Others**	113,174,350	3.38
	<u>3,348,007,965</u>	<u>100.00</u>

The details of transactions above consists of placements of deposits with financial institutions and trading activities of unquoted fixed income securities amounting to RM3,217,448,000 and RM130,559,965 respectively. Such transactions are identified in the note as follows:

- * Transactions with these financial institutions consist of both placements of deposits and trading activities of unquoted fixed income securities.
- ** Transactions with these financial institutions solely consist of placements of deposits.
- *** Transactions with these financial institutions solely consist of trading activities of unquoted fixed income securities.

Name of dealers	Value of trades	Percentage of total trades
	RM	%
<u>Financial year ended 31 December 2015</u>		
CIMB Bank Berhad**	2,562,500,000	72.86
Public Bank Berhad**	241,240,000	6.86
Malayan Banking Berhad*	136,129,000	3.87
Deutsche Bank (M) Berhad**	124,250,000	3.53
RHB Investment Bank Berhad***	90,257,842	2.57
Hong Leong Bank Berhad*	77,710,045	2.22
AmBank (M) Berhad***	77,271,466	2.20
OCBC Bank (M) Berhad**	45,000,000	1.28
United Overseas Bank (Malaysia) Berhad**	44,000,000	1.25
Alliance Bank (Malaysia) Berhad**	28,900,000	0.82
Others*	89,412,175	2.54
	3,516,940,528	100.00

The details of transactions above consists of placements of deposits with financial institutions and trading activities of unquoted fixed income securities amounting to RM3,289,070,000 and RM227,870,528 respectively. Such transactions are identified in the note as follows:

- * Transactions with these financial institutions consist of both placements of deposits and trading activities of unquoted fixed income securities
- ** Transactions with these financial institutions solely consist of placements of deposits.
- *** Transactions with these financial institutions solely consist of trading activities of unquoted fixed income securities

The details of transactions above has been adjusted to reflect the placements of deposits with financial institutions.

All dealers highlighted above are not related to the Manager.

No brokerage fee was incurred for the financial year under review (2015: Nil).

13. MANAGEMENT EXPENSE RATIO ("MER")

	2016	2015
	%	%
MER	0.60	0.57

MER includes management fee, trustee's fee, auditors' remuneration, tax agent's fees and administrative expenses which is calculated as follows:

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

A = Management fee

B = Trustee's fee

C = Auditors' remuneration

D = Tax agent's fees

E = Administrative expenses

F = Average Net Assets Value of the Fund calculated on a daily basis

The average Net Assets Value of the Fund for the financial year is RM152,703,219 (2015: RM171,719,868).

14. PORTFOLIO TURNOVER RATIO ("PTR")

	2016	2015
PTR (times)	0.43	0.66

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisitions} + \text{total disposals}^* \text{ for the financial year})/2}{\text{Average Net Assets Value of the Fund for the financial year calculated on a daily basis}}$$

* Calculation of disposal excludes redemption of investments

	2016	2015
	RM	RM
Where:		
Total acquisitions for the financial year	101,980,015	176,474,773
Total disposals for the financial year	28,579,950	51,395,755

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)

Iskander bin Ismail Mohamed Ali

(Independent, non-executive director)

Khoo Chuan Keat

(Independent, non-executive director)

Michele Mi Kyung Bang

(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

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

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(MALAYSIA) SDN BHD

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603-2053 7526

TRUSTEE'S DELEGATE - CUSTODIAN

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