



A member of Prudential plc (UK) 

# EASTSPRING INVESTMENTS GLOBAL BASICS MY 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](http://www.eastspringinvestments.com.my)

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

Yours sincerely,

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

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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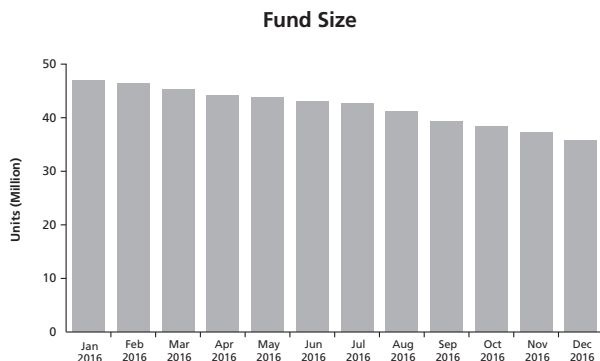
## FUND INFORMATION

<b>Name of Fund</b>	Eastspring Investments Global Basics MY Fund (the "Fund")
<b>Fund Category/ Type</b>	Feeder fund (global equity)/growth
<b>Fund Objective</b>	<p>The Fund seeks to maximise long-term capital appreciation by investing in another collective investment scheme primarily the M&amp;G Global Basics Fund, which invests wholly or mainly in companies operating in basic industries ['primary' industries (extracting raw materials) and 'secondary' industries (products and services)] and also in companies that service these industries.</p> <p><b>Should the Manager decide to invest in another collective investment scheme other than the M&amp;G Global Basics Fund for any reason whatsoever, Unit Holders' approval is required.</b></p>
<b>Performance Benchmark</b>	<p>Financial Times Stock Exchange ("FTSE") Global Basics Composite Index</p> <p><b>Source:</b> <a href="http://www.mandg.co.uk">www.mandg.co.uk</a></p> <p><b>Note:</b> The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
<b>Fund Income Distribution Policy</b>	Incidental

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 31 December 2016 the size of Eastspring Investments Global Basics MY Fund stood at 35.772 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	244	25.44	582	1.63
5,001 to 10,000 units	241	25.13	1,908	5.33
10,001 to 50,000 units	378	39.42	8,210	22.95
50,001 to 500,000 units	88	9.18	9,883	27.63
500,001 units and above	8	0.83	15,188	42.46
<b>Total</b>	<b>959</b>	<b>100.00</b>	<b>35,771</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Category	2016	2015	2014
	(%)	(%)	(%)
Collective investment scheme-Foreign	96.82	98.15	98.21
Cash and other assets	3.18	1.85	1.79
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	21,898	25,775	30,821
Units In Circulation (Units '000)	35,772	47,969	64,621
Net Asset Value Per Unit (RM)	0.6122	0.5373	0.4770
Highest Net Asset Value Per Unit (RM)	0.6163	0.5558	0.4892
Lowest Net Asset Value Per Unit (RM)	0.4691	0.4706	0.4368
Total Return (%)			
Capital Growth	13.94	12.64	(0.54)
Income Distribution	-	-	-
Total Return (%)	13.94	12.64	(0.54)
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%) <sup>*</sup>	0.24	0.30	0.25
Portfolio Turnover Ratio (PTR) (times) <sup>^</sup>	0.15	0.15	0.19

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

<sup>^</sup> There were no significant changes to the PTR during the period under review.

## KEY PERFORMANCE DATA (CONTINUED)

	1 year		3 years		5 years	
	1.1.2016 to	1.1.2015 to	1.1.2014 to	1.1.2013 to	1.1.2012 to	1.1.2012 to
	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2012
	(%)	(%)	(%)	(%)	(%)	(%)
Average total return	13.94	8.47	7.67			

Year ended	1.1.2016 to	1.1.2015 to	1.1.2014 to	1.1.2013 to	1.1.2012 to
	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
	(%)	(%)	(%)	(%)	(%)
Annual total return	13.94	12.64	(0.54)	12.50	0.78

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

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

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

NAV<sub>t</sub> = NAV at the end of the period

NAV<sub>0</sub> = 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.**

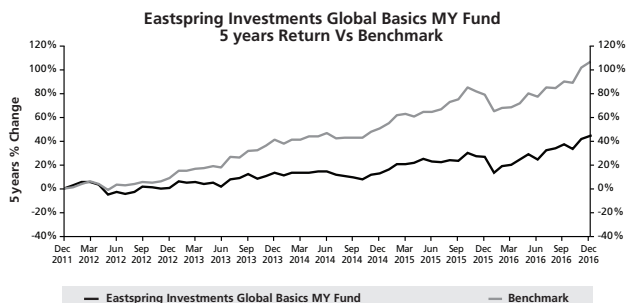
## MANAGER'S REPORT

### Fund Performance

For the 5-year period, the Fund recorded a return of 44.73%, underperforming the benchmark return of 107.01% by 62.28%.

During the period under review, the Fund registered a return of 13.94%, underperforming the benchmark return of 15.58% by 1.64%.

The underperformance was due to the underweight in the energy sector and stock selection. The Fund met its investment objective but underperformed the benchmark for the period under review.



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

**Benchmark:** FTSE Global Basics Composite Index

**Source:** Lipper for Investment Management and [www.mandg.co.uk](http://www.mandg.co.uk), 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:

<b>Income Return</b>	<b>Capital Return*</b>	<b>Total Return</b>	<b>Total Return of Benchmark</b>
<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
0.00	13.94	13.94	15.58

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

**Distribution/ Unit Split**

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

**Investment Strategy During Period Under Review**

The Target Fund Manager remain concerned about the backdrop faced by the equity market, particularly geopolitical and economic risks. Specifically in Europe there are a number of concerns around the British Exit ("BREXIT"), as well as forthcoming elections in other countries and the health of some of the banks. The risk of Chinese economic growth slowing and the potential devaluations of its currency are also at the forefront of investors' minds.

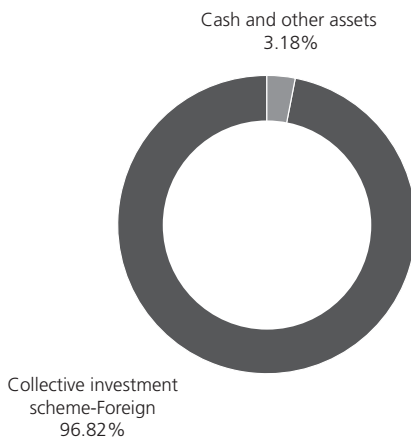
Cash remains at slightly elevated levels at the Target Fund, as the Target Fund Manager look for opportunities to add to existing holdings and introduce new companies which fulfill their quality, growth and valuation criteria, which are likely to benefit from one or more themes we are currently focused on: an ageing population, infrastructure, the environment and safety and security.

## MANAGER'S REPORT (CONTINUED)

Asset  
Allocation

Asset Allocation	31-Dec 2016 (%)	31-Dec 2015 (%)	Changes (%)
Collective investment scheme-Foreign	96.82	98.15	(1.33)
Cash and other assets	3.18	1.85	1.33

## Asset Allocation as at 31 December 2016



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

## MANAGER'S REPORT (CONTINUED)

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### **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 (15<sup>th</sup>) day after the said six (6) months period at no cost. In the event the fifteenth (15<sup>th</sup>) day falls on a non-Business Day, reinvestment will be made on the following Business Day.

## MARKET REVIEW

Investors entered the new year with the same 'risk-off' mind-set that characterised markets in the tail-end of 2015. Fears over further deterioration of growth in China, declining oil prices and mixed economic data in the United States of America ("US") and Europe saw equity markets pull back during January and much of February. From this point, however, better US data and a rally in oil prices allowed equities to regain much of their losses, eventually ending the quarter in positive territory. The share price of gold miners hit a 12-month high during February, as the price of gold continued to rally. It is unsurprising, therefore, to find a number of recently added gold miners among the Target Fund's best performers – Hochschild Mining, Barrick Gold and Franco Nevada all added significant value. Five new investments entered the portfolio during 1Q2016 and there were four sales during the quarter.

Commodity prices, global growth rates and the timing of a further rise in US interest rates – once again delayed – also moved markets over the 2Q2016. It was, however, the United Kingdom ("UK") referendum on membership of the European Union ("EU") that dominated investors' thoughts as the quarter came to an end. Although stock markets fell in the immediate aftermath of the 'Brexit' vote, share prices rallied after Bank of England Governor Mark Carney moved to reassure investors. During the second quarter, the Target Fund underperformed against the composite index, although this was primarily due to a significant upward movement by the market on the last day of June after the Fund's midday pricing point. Technology giant Microsoft was the Target Fund's biggest detractor during the period. The technology giant enjoyed a positive start to 2016, but has experienced profit-taking since then. Reported sales fell short of expectations, but we are confident that the company's transition to a 'cloud-' and subscription-based service will be a success in the long term, despite some short term transitional issues. Relative performance was also adversely affected by not holding large index components, Amazon and Exxon Mobil.

Global stock markets enjoyed a solid 3Q2016, with most of the gains coming in the first month. Attention remained focus on central bank policy throughout the review period with the US Federal Reserve signaling gradual rate hikes in the near future. Shares rallied strongly in July extending their recovery from the sell-off in June that was sparked by the UK's decision to leave the European Union. The Target Fund outperformed the index during the 3Q2016 with stock selection in materials, healthcare and technology adding value. The fund's overweight in materials and lack of exposure in utilities added value. The Target Fund's underweight in consumer goods and stock picking within the sector detracted from relative returns.

There was a significant shift in investor sentiment during the final quarter of 2016. In late summer, investors had already begun to challenge the widely held view that interest rates, economic growth and inflation would all stay low for some time. However, following

Donald Trump's victory in the US Presidential election, expectations that taxes and regulations would be cut, giving the US economy a boost, became more prevalent. So too did the view that this would lead to higher inflation and interest rates, which contributed to a major switch out of bonds into equities, resulting in several major stock market indices hitting all-time highs. At a sector level, cyclicals were in favour particularly oil & gas and financials – which benefited from higher bond yields and the prospect of less regulation. The energy sector ended the quarter sharply higher after the Organisation of the Petroleum Exporting Countries (“OPEC”)’s decision in late November to cut production sparked a sharp rally in the oil price. Meanwhile, defensive sectors lagged the market. The Target Fund initiated a number of new positions in the 4Q2016, including Alphabet (parent company of Google), pharmaceutical business Roche, and Welltower, which is a real estate investment trust.

## 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 GLOBAL BASICS MY FUND

## FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL BASICS MY FUND

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

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

For Deutsche Trustees Malaysia Berhad

**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 GLOBAL BASICS MY FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Eastspring Investments Global Basics MY Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 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.

### What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity 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 17 to 48.

### 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 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.



### Information other than the financial statements and auditors' report thereon

The Manager of the Fund are responsible for the other information. The other information comprises:

- Manager's Report;

(but does not include the financial statements of the Fund and our auditors' report thereon).

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

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Manager for the financial statements

The Manager of the Fund are responsible for the preparation of the 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 Manager are also responsible for such internal control as the Manager 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 Manager are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Fund or 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:

- a. 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.
- b. 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 Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- d. Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability 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.
- e. Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## OTHER MATTERS

This report is made solely to the unit holder 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: 17 February 2017

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		RM	RM
<b>INVESTMENT INCOME</b>			
Interest income from deposit with a licensed financial institution		13,453	16,040
Net gain on financial assets at fair value through profit or loss	6	2,920,514	3,619,656
Net foreign currency exchange (loss)/gain		(358)	4,165
		<u>2,933,609</u>	<u>3,639,861</u>
<b>EXPENSES</b>			
Management fee	3	(19,311)	(23,469)
Trustee fee	4	(18,000)	(19,999)
Audit fee		(6,500)	(6,500)
Tax agent fee		(3,400)	(3,400)
GST charges		(2,238)	(1,921)
Other expenses		(5,871)	(31,075)
		<u>(55,320)</u>	<u>(86,364)</u>
<b>PROFIT BEFORE TAXATION</b>		2,878,289	3,553,497
<b>TAXATION</b>	5	-	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>2,878,289</u>	<u>3,553,497</u>
Profit after taxation is made up of the following:			
Realised amount		1,373,280	1,140,277
Unrealised amount		1,505,009	2,413,220
		<u>2,878,289</u>	<u>3,553,497</u>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016	2015
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	7	881,908	221,860
Financial assets at fair value through profit or loss	6	21,201,219	25,298,707
Amount due from a broker		978,170	363,394
Amount due from Manager		10,727	11,316
<b>TOTAL ASSETS</b>		<b>23,072,024</b>	<b>25,895,277</b>
<b>LIABILITIES</b>			
Amount due to Manager		1,142,634	80,384
Accrued management fee		2,129	2,022
Amount due to Trustee		1,525	1,548
GST charges payable		219	214
Other payables and accruals		27,101	36,448
<b>TOTAL LIABILITIES</b>		<b>1,173,608</b>	<b>120,616</b>
<b>NET ASSET VALUE OF THE FUND</b>		<b>21,898,416</b>	<b>25,774,661</b>
<b>EQUITY</b>			
Unit holders' capital		10,590,013	17,344,547
Retained earnings		11,308,403	8,430,114
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>21,898,416</b>	<b>25,774,661</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	8	<b>35,772,327</b>	<b>47,968,617</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<b>0.6122</b>	<b>0.5373</b>

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

## STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Unit holders' capital	Retained earnings	Total
	RM	RM	RM
Balance as at 1 January 2016	17,344,547	8,430,114	25,774,661
Movement in unit holders' contribution:			
Creation of units from applications	1,433,123	-	1,433,123
Cancellation of units	(8,187,657)	-	(8,187,657)
Total comprehensive income for the financial year	-	2,878,289	2,878,289
Balance as at 31 December 2016	10,590,013	11,308,403	21,898,416
Balance as at 1 January 2015	25,944,728	4,876,617	30,821,345
Movement in unit holders' contribution:			
Creation of units from applications	2,025,841	-	2,025,841
Cancellation of units	(10,626,022)	-	(10,626,022)
Total comprehensive income for the financial year	-	3,553,497	3,553,497
Balance as at 31 December 2015	17,344,547	8,430,114	25,774,661

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

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		6,403,226	8,226,568
Interest income received from deposits with licensed financial institutions		13,453	16,040
Management fee paid net of rebates		(19,204)	(23,664)
Trustee fee paid		(18,023)	(20,308)
Payment for other fees and expenses		(27,351)	(32,290)
Net foreign exchange (loss)/gain		(358)	4,165
Net cash generated from operating activities		6,351,743	8,170,511
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		1,433,712	2,060,015
Payments for cancellation of units		(7,125,407)	(10,748,268)
Net cash used in financing activities		(5,691,695)	(8,688,253)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		660,048	(517,742)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>			
		221,860	739,602
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>			
	7	881,908	221,860

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 J to the financial statements.

The Fund has applied the following amendments for the first time for the financial year beginning 1 January 2016:

- Amendments to MFRS 101 'Presentation of financial statements' – Disclosure initiative
- Amendments to MFRS 10,12 & 128 "Investment entities – Applying the consolidation exception"
- Annual improvements to MFRSs 2012 – 2014 Cycle

There were no significant impact to other accounting policies of the Fund as a result of the abovementioned.



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 January 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 January 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 contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit 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 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.

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.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transactions price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

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

## **B. INCOME RECOGNITION**

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

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

## **C. TAXATION**

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

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

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

Items included in the financial statements of the Fund are measured using the currency 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 collective investment scheme as financial assets at fair value through profit or loss at inception.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in

current assets. The Fund's loans and receivables comprise cash and cash equivalents, amount due from a broker and amount due from Manager 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 amount due to Manager, accrued management fee, amount due to Trustee, GST charges payable and other payables and accruals.

ii. Recognition and measurement

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

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

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

Financial liabilities are derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

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

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

Foreign exchange gains and losses on the financial instrument are recognised in statement of comprehensive income when settled or at date of the statement of financial position at which time they are included in the measurement of the financial instrument.

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

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

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

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

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

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

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

## **I. SEGMENTAL INFORMATION**

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

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

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

Estimates and judgments are continually evaluated by the Manager and 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 1. INFORMATION ON THE FUND

Eastspring Investments Global Basics MY Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 19 April 2006 (the “Deed”), Master Supplemental Deed dated 12 July 2007, and Second Supplemental Master Deed dated 30 November 2009 entered into between Eastspring Investments Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (“HSBC Trustee”). 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, Seventh Supplemental Master Deed dated 11 July 2016 and Eighth Supplemental Master Deed dated 25 January 2017 (collectively referred to as the “Deed”).

The Fund commenced operations on 17 January 2007 and will continue its operations until terminated by the Trustee as provided under Part 12 of the Deed.

The Fund seeks to maximise long-term capital appreciation by investing in another collective investment scheme primarily the M&G Global Basics Fund (the “Underlying Fund”), which invests wholly or mainly in companies operating in basic industries [‘primary’ industries (extracting raw materials) and ‘secondary’ industries (products and services)] and also in companies that service these industries.

All investments will be subject to the Securities Commission’s (the “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 Manager is a company incorporated in Malaysia and is related to Prudential Plc., a public listed company in the United Kingdom. The principal activity of the Manager is the establishment and management of unit trust funds and asset management.



## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk, interest rate risk and foreign exchange/currency risk), single security risk, liquidity risk, fund management risk, non-compliance risk, capital risk and credit/default risk.

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2016</u>				
Cash and cash equivalents	7	881,908	-	881,908
Amount due from Manager		10,727	-	10,727
Amount due from a broker		978,170	-	978,170
Collective investment scheme	6	-	21,201,219	21,201,219
		<u>1,870,805</u>	<u>21,201,219</u>	<u>23,072,024</u>
<u>2015</u>				
Cash and cash equivalents	7	221,860	-	221,860
Amount due from a broker		363,394	-	363,394
Amount due from Manager		11,316	-	11,316
Collective investment scheme	6	-	25,298,707	25,298,707
		<u>596,570</u>	<u>25,298,707</u>	<u>25,895,277</u>

All 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. The Underlying Fund that is the M&G Global Basics 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 M&G Global Basics Fund.

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

	2016	2015
	RM	RM
Collective investment scheme designated at fair value through profit or loss	21,201,219	25,298,707

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

	2016		2015	
% Change in price of financial assets at fair value through profit or loss	Market value	Impact on profit after tax/net asset value	Market value	Impact on profit after tax/net asset value
	RM	RM	RM	RM
+5%	22,261,280	1,060,061	26,563,642	1,264,935
-5%	20,141,158	(1,060,061)	24,033,772	(1,264,935)

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.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. The Fund's exposure to the interest risk is mainly confined to short term placements with financial institutions. The Manager overcomes the exposure by way of maintaining deposits on short-term basis. Therefore, exposure to interest rate fluctuations is minimal.

iii. Foreign exchange/currency risk

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

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

The following table sets out the foreign exchange/currency risk concentrations and counterparties of the Fund.

	<b>Financial assets at fair value through profit or loss</b>	<b>Amount due from a broker</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2016</u>			
EURO	21,201,219	978,170	22,179,389
<u>2015</u>			
EURO	25,298,707	363,394	25,662,101

The table below summarises the sensitivity of the Fund's financial assets to changes in foreign exchange movements at the end of the reporting year. The analysis is based on the assumption that the foreign exchange rate changes by 5% with all variables remain constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate having regard to historical volatility of this rate.

Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<b>Change in price</b>	<b>Impact on profit after tax</b>	<b>Impact on net asset value</b>
	<b>%</b>	<b>RM</b>	<b>RM</b>
<u>2016</u>			
EURO	5	1,108,969	1,108,969
<u>2015</u>			
EURO	5	1,283,105	1,283,105

### **Single security risk**

The Fund essentially invests in a single security, which is the M&G Global Basics Fund. The feeder fund mitigates single securities risk by investing in a diversified portfolio of equities.

This risk is associated with a feeder fund that essentially invests in a single security, which is the M&G Global Basics Fund in this case. The M&G Global Basics Fund, by investing in a diversified portfolio of equities helps to mitigate this single security risk.

### **Liquidity risk**

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

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise cash, deposit with a licensed financial institution 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	1,142,634	-	1,142,634
Accrued management fee	2,129	-	2,129
Amount due to Trustee	1,525	-	1,525
GST charges payable	219	-	219
Other payables and accruals	-	27,101	27,101
Contractual cash outflows	<u>1,146,507</u>	<u>27,101</u>	<u>1,173,608</u>
<u>2015</u>			
Amount due to Manager	80,384	-	80,384
Accrued management fee	2,022	-	2,022
Amount due to Trustee	1,548	-	1,548
GST charges payable	214	-	214
Other payables and accruals	-	36,448	36,448
Contractual cash outflows	<u>84,168</u>	<u>36,448</u>	<u>120,616</u>

### Fund management risk

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

### **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. For the Fund, foreign market risk is managed through portfolio diversification by the collective investment scheme which invests among markets/countries and in companies which are well researched.

### **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 counterparty to make timely payments of interest, principals and proceeds from realisation of investments.

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

The credit/default risk is minimal as all transactions in collective investment scheme are settled/paid upon delivery using approved brokers.

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 broker	Amount due from Manager	Total
	RM	RM	RM	RM	RM
<u>2016</u>					
Collective investment scheme					
- NR	21,201,219	-	-	-	21,201,219
Finance					
- AA1	-	881,908	-	-	881,908
Other					
- NR	-	-	978,170	10,727	988,897
	<u>21,201,219</u>	<u>881,908</u>	<u>978,170</u>	<u>10,727</u>	<u>23,072,024</u>



	Financial assets at fair value through profit or loss					Total
	RM	Cash and cash equivalents	Amount due from broker	Amount due from Manager	RM	
<u>2015</u>						
Collective investment scheme						
- NR	25,298,707	-	-	-	-	25,298,707
Finance						
- AAA	-	210,027	-	-	-	210,027
- AA1	-	11,833	-	-	-	11,833
Other						
- NR	-	-	363,394	11,316	-	374,710
	<u>25,298,707</u>	<u>221,860</u>	<u>363,394</u>	<u>11,316</u>	<u>-</u>	<u>25,895,277</u>

None of these assets are past due or impaired.

## Fair value estimation

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

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

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

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

## Fair value hierarchy

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM

#### 2016

Financial assets at fair value through profit or loss:

Collective investment scheme	21,201,219	-	-	21,201,219
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#### 2015

Financial assets at fair value through profit or loss:

Collective investment scheme	25,298,707	-	-	25,298,707
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Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note E to the financial statements.

- ii. The carrying value of cash and cash equivalents, amount due from Manager, amount due from a broker 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 2.00% per annum on the net asset value of the Fund accrued on a daily basis for the financial year.

For the financial year ended 31 December 2016, management fee is recognised at a rate of 1.80% (2015: 1.80%) per annum on the net asset value of the Fund, calculated on a daily basis. As the Fund invests in collective investment scheme, any management fee charged by M&G Global Basics Fund to the Fund will be fully refunded. The rebate of management fee is 1.75% per annum or RM397,358 (2015: 1.75% per annum or RM490,785) calculated on net asset value of M&G Global Basics Fund on a daily basis. In accordance with the SC Guidelines on Unit Trust Funds, there is no double charging of management fee to the Fund.

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 a fee not exceeding 0.20% per annum on the net asset value of the Fund, accrued on a daily basis for the financial year subject to a minimum fee of RM18,000 per annum.

For the financial year ended 31 December 2016, Trustee fee is recognised at a rate of 0.07% (2015: 0.07%) per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum, 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**

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>

Tax charged for the financial year:

Current taxation - local

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

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Profit before taxation	2,878,289	3,553,497
Tax at Malaysian statutory rate of 24% (2015: 25%)	690,789	888,374
Tax effects of:		
Investment income exempted from tax	(704,066)	(909,965)
Expenses not deductible for tax purposes	7,082	8,178
Restriction on tax deductible expenses for Unit Trust Funds	6,195	13,413
Taxation	-	-

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

	2016	2015
	RM	RM
Designated at fair value through profit or loss:		
Collective investment scheme	21,201,219	25,298,707
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	1,416,485	1,205,456
Change in unrealised fair value gain	1,504,029	2,414,200
	<u>2,920,514</u>	<u>3,619,656</u>

	Quantity	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%

2016

M&G Global Basics Fund Class A Euro	151,983	15,353,193	21,201,219	96.82
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**ACCUMULATED  
UNREALISED GAIN ON  
FINANCIAL ASSETS AT  
FAIR VALUE THROUGH  
PROFIT OR LOSS**

5,848,026

**FAIR VALUE OF  
FINANCIAL ASSETS AT  
FAIR VALUE THROUGH  
PROFIT OR LOSS**

21,201,219

	Quantity	Aggregate cost	Fair value as at 31.12.2015	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>2015</u>				
M&G Global Basics Fund Class A Euro	207,433	20,954,710	25,298,707	98.15
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		4,343,997		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		25,298,707		

The M&G Global Basics Fund is a global equity fund which invests wholly or mainly in companies operating in basic industries ('primary' or 'secondary' industries) and also in companies that service these industries. The Fund may also invest in other global equities. The aim of the M&G Global Basics Fund is to maximise long term total return (the combination of income and growth of capital) by investing in wide range of global equities that the Fund Manager considers to be leading in their field.

The Investment Manager of the M&G Global Basics Fund is M&G International Investments Limited (M&G), which is part of the Prudential Group.

## 7. CASH AND CASH EQUIVALENTS

	2016	2015
	RM	RM
Bank balance with a licensed bank	881,908	11,833
Deposit with a licensed financial institution	-	210,027
	<u>881,908</u>	<u>221,860</u>

The effective weighted average interest rate of short-term deposit with a licensed financial institution per annum as at the date of the financial position are as follows:

	2016	2015
	%	%
Deposit with a licensed financial institution	-	4.60

As at 31 December 2015, the deposit has an average maturity of 4 days.

## 8. UNITS IN CIRCULATION

	2016	2015
	No. of units	No. of units
At the beginning of the financial year	47,968,617	64,620,883
Creation of units arising from applications during the financial year	2,520,453	3,792,220
Cancellation of units during the financial year	(14,716,743)	(20,444,486)
At the end of the financial year	<u>35,772,327</u>	<u>47,968,617</u>



## 9. TRANSACTIONS WITH ISSUER

Details of transactions with the issuer are as follows:

Name of issuer	Value of trades	Percentage of total trades
	RM	%
<u>2016</u>		
M&G International Investments Limited	7,018,003	100.00
<u>2015</u>		
M&G International Investments Limited	8,589,963	100.00

Details of transactions, primarily cash placements with financial institutions for the financial year ended 31 December are as follows:

Financial institutions	Value of placements	Percentage of total placements
	RM	%
<u>2016</u>		
CIMB Bank Berhad	103,320,000	100.00
<u>2015</u>		
CIMB Bank Berhad	117,140,000	100.00

M&G International Investments Limited is part of the Prudential Group whose ultimate holding company, Prudential Plc is listed on both the London and New York Stock Exchange. The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related party.

There are no brokerage fees charged by the issuer.

## 10. 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	1,000	612	1,000	537

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.

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

	2016	2015
	%	%
MER	0.24	0.30

MER is derived from the following calculation:

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

- A = Management fee net of rebates on management fee
- B = Trustee fee
- C = Audit fee
- D = Tax agent fee
- E = Other expenses (inclusive GST charges)
- F = Average net asset value of Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM23,148,151 (2015: RM28,569,540).

## 12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2016	2015
PTR (times)	0.15	0.15

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 = RM Nil (2015: RM Nil)

total disposals for the financial year = RM7,018,003 (2015: RM8,589,963)

## 13. SEGMENTAL REPORTING

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

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

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

## 14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 17 February 2017.

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

16<sup>th</sup> Floor, Wisma Sime Darby

Jalan Raja Laut

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EMAIL

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WEBSITE

www.eastspringinvestments.com.my

## **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**

NAME

DEUTSCHE BANK (MALAYSIA) BERHAD

COMPANY NO.

312552-W

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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**

NAME

VIJEY A/L R. MOHANA KRISHNAN

(BCN/143)

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**TRUSTEE**

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DEUTSCHE TRUSTEES MALAYSIA

BERHAD

COMPANY NO.

763590-H

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**TRUSTEE'S DELEGATE - CUSTODIAN**

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**TAXATION ADVISER OF  
THE FUND**

NAME  
PRICEWATERHOUSECOOPERS  
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**AUDITORS AND REPORTING  
ACCOUNTANT OF THE FUND**

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**PRINCIPAL BANKERS**

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NAME

MALAYAN BANKING BERHAD

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**SALE & PURCHASE OF UNITS**  
**Eastspring Investments Berhad**

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CLIENT SERVICES  
603-2332 1000



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