eastspring investments

A member of Prudential plc (UK)

EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS 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,

Raymond Tang Chee Kin
Non-Independent, Executive Director and Chief Executive Officer

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FUND INFORMATION

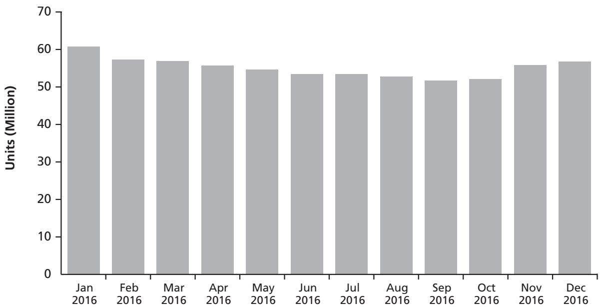
Name of Fund	Eastspring Investments Global Emerging Markets Fund (the "Fund")
Fund Category/ Type	Feeder fund (global equity)/growth
Fund Objective	The Fund seeks to achieve long-term capital growth by investing in a collective investment scheme called the Schroder International Selection Fund Emerging Markets, which in turn seeks to provide capital growth primarily through investment in equity securities of emerging markets companies. **Should the Manager decide to invest in another collective investment scheme other than the Schroder International Selection Fund Emerging Markets or any reason whatsoever, Unit Holders' approval is required.**
Performance Benchmark	Morgan Stanley Capital International Emerging Markets Net Total Return ("MSCI EM Net TR") **Source:** www.msci.com **Note:** The risk profile of the Fund is different from the risk profile of the performance benchmark.
Fund Income Distribution Policy	Incidental

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 December 2016, the size of Eastspring Investments Global Emerging Markets Fund stood at 56.784 million units.

Fund Size



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	85	16.63	246	0.43
5,001 to 10,000 units	75	14.68	565	1.00
10,001 to 50,000 units	237	46.38	6,008	10.58
50,001 to 500,000 units	102	19.96	13,214	23.27
500,001 units and above	12	2.35	36,750	64.72
Total	**511**	**100.00**	**56,783**	**100.00**

* excludes units held by the Manager.

KEY PERFORMANCE DATA
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Category	**2016**	**2015**	**2014**
	(%)	**(%)**	**(%)**
Collective investment scheme-Foreign	96.07	97.06	97.25
Cash and other assets	3.93	2.94	2.75
Total	**100.00**	**100.00**	**100.00**
Net Asset Value (NAV) (RM'000)	17,696	17,045	21,485
Units In Circulation (Units '000)	56,784	61,982	82,887
Net Asset Value Per Unit (RM)	0.3116	0.2750	0.2592
Highest Net Asset Value Per Unit (RM)	0.3122	0.2967	0.2695
Lowest Net Asset Value Per Unit (RM)	0.2357	0.2570	0.2358
Total Return (%)			
Capital Growth	13.31	6.10	1.09
Income Distribution	-	-	-
Total Return (%)	13.31	6.10	1.09
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.59	0.61	0.54
Portfolio Turnover Ratio (PTR) (times)^	0.14	0.18	0.23

* 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	13.31	6.71	7.87

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	13.31	6.10	1.09	4.95	14.53

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

Bases of calculation and assumptions made in calculating returns:

$$\text{Percentage growth} = \frac{NAV_t}{NAV_0} - 1$$

NAV_t = NAV at the end of the period

NAV_0 = NAV at the beginning of the period

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

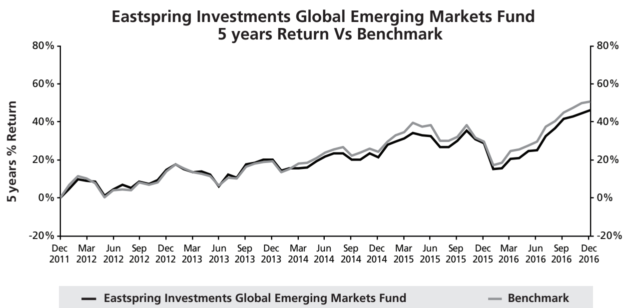
Fund Performance

For the 5-year period, the Fund recorded a return of 46.09%, underperforming the benchmark return of 50.78% by 4.69%.

During the period under review, the Fund registered a return of 13.31%, underperforming the benchmark return of 16.23% by 2.92%.

The underperformance was due to the exceptional degree of market volatility resulting in significant market rotation in the 1Q2016, and whilst the Target Fund performed better in the latter part of the period, it still underperformed the benchmark.

The Fund met its investment objective to achieve long-term capital growth for the period under review.



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

Benchmark: MSCI EM Net TR

Source: Lipper for Investment Management and 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:

Income Return (%)	Capital Return* (%)	Total Return (%)	Total Return of Benchmark (%)
0.00	13.31	13.31	16.23

* 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 has a balanced approach to investing in emerging markets. The Target Fund uses a mix of top-down analysis and bottom-up stock selection, looking to derive 50% of the added value from country allocation and 50% from stock selection. The Target Fund's core investment process does not target any particular style bias and aims to outperform in most market environments.

Country allocation and stock selection were both negative in the 1Q2016. However, this was reversed in the remaining quarters of 2016.

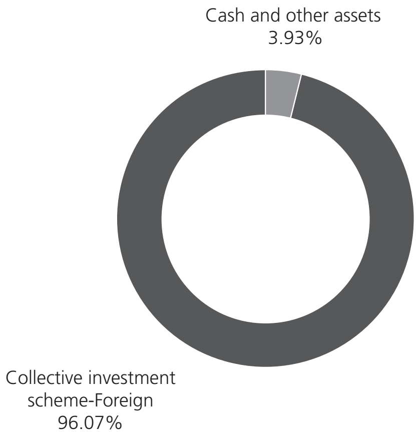
The Target Fund Manager believes that the outlook for emerging markets is broadly constructive supported by an improving economic and earnings growth profile. However, the outlook is currently somewhat overshadowed by the potential for a change in United States of America ("US") policy under a Trump administration.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Dec 2016	31-Dec 2015	Changes
	(%)	(%)	(%)
Collective investment scheme-Foreign	96.07	97.06	(0.99)
Cash and other assets	3.93	2.94	0.99

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)

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^{th}) day after the said six (6) months period at no cost. In the event the fifteenth (15^{th}) day falls on a non-Business Day, reinvestment will be made on the following Business Day.

MARKET REVIEW

Global markets started the year poorly, in part, given concerns of a recession in the United States of America (“US”) and uncertainty over Chinese currency policy. The deferral of expectations for further monetary policy tightening in the US, however, led global markets to rebound. The dollar weakened by approximately 5% on a trade weighted basis and commodity prices recovered resulting in significant market rotations.

This was evident at the country level with markets perceived as fragile such as Indonesia, Malaysia, Brazil, Turkey and South Africa rebounding, supported by local currency appreciation compared to the US dollar. Commodity producers such as Russia, Peru and Colombia were also among the strongest performers. The more cyclical materials and energy sectors outperformed and low quality, high margin companies and those stocks which had performed poorly previously were, generally speaking, among the strongest performers.

In 2Q2016, country allocation was positive. Underweight in Mexico and Malaysia added value as both markets underperformed. The overweight in outperformer Brazil was also accretive. The Mexican underperformance was driven entirely by currency weakness against the US dollar. Global risk-off sentiment post the British Exit (“BREXIT”) referendum weighed on the peso. Malaysia underperformed after a strong performance in the previous quarter. Brazil outperformed primarily driven by real strength against the US dollar and political change with Michel Temer taking charge while impeachment proceedings continue against Dilma Rousseff. This was somewhat offset by our overweight in Turkey, which underperformed. The resignation of Prime Minister Ahmet Davutoglu was taken negatively and concerns over the outlook for Europe following the BREXIT referendum outweighed the positive of likely abundant global liquidity for longer.

In 3Q2016, global equities posted positive returns as major central banks maintained accommodative policy in part, given elevated political uncertainty triggered by BREXIT. This backdrop led investors to focus on high yielding assets, which was beneficial for emerging market equities and currencies. Emerging markets rose, and the fund outperformed the benchmark with both country allocation and stock selection positive. Underweights to Mexico, Malaysia and Philippines, all of which underperformed added value. This was slightly offset by the overweight to Turkey, which under performed.

Global equities were up in the fourth quarter. Following Donald Trump’s election victory in early November, financial markets have priced in a US “reflation” trade. This is in anticipation that the new administration’s plan for US fiscal stimulus will lead to stronger US growth. The Federal Reserve (Fed) increased interest rates by 25 basis points (“bps”) in December as expected, but also indicated that rate rises may accelerate quicker than current expectations. Emerging market equities and currencies were negatively impacted by uncertainty over US trade and foreign policy, as well as the prospect of tighter US dollar liquidity.

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 EMERGING MARKETS FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS FUND

We have acted as Trustee for Eastspring Investments Global Emerging Markets 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

Mahesh Anchan
Head, Trustee Operations

Kuala Lumpur
Date: 17 February 2017

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Global Emerging Markets 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 50.

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
INVESTMENT INCOME			
Interest income from deposits with licensed financial institutions		10,929	10,513
Net gain on financial assets at fair value through profit or loss	6	1,892,982	1,456,282
Net foreign currency exchange loss		(42,661)	(21,947)
		1,861,250	1,444,848
EXPENSES			
Management fee	3	(51,206)	(63,093)
Trustee fee	4	(18,000)	(18,000)
Audit fee		(6,300)	(6,300)
Tax agent fee		(3,400)	(3,400)
GST charges		(4,152)	(3,583)
Other expenses		(6,117)	(26,956)
		(89,175)	(121,332)
PROFIT BEFORE TAXATION		1,772,075	1,323,516
TAXATION	5	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		1,772,075	1,323,516
Profit after taxation is made up of the following:			
Realised amount		175,643	811,339
Unrealised amount		1,596,432	512,177
		1,772,075	1,323,516

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
ASSETS			
Cash and cash equivalents	7	723,436	144,431
Amount due from a broker		-	375,421
Amount due from Manager		97,285	28,196
Financial assets at fair value through profit or loss	6	17,000,675	16,543,565
TOTAL ASSETS		17,821,396	17,091,613
LIABILITIES			
Amount due to Manager		93,206	1,109
Accrued management fee		5,445	4,836
Amount due to Trustee		1,525	3,705
GST charges payable		418	512
Other payables and accruals		24,857	36,499
TOTAL LIABILITIES		125,451	46,661
NET ASSET VALUE OF THE FUND		17,695,945	17,044,952
EQUITY			
Unit holders' capital		19,509,092	20,630,174
Accumulated losses		(1,813,147)	(3,585,222)
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		17,695,945	17,044,952
NUMBER OF UNITS IN CIRCULATION	8	56,783,942	61,981,806
NET ASSET VALUE PER UNIT (RM)		0.3116	0.2750

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	Accumulated losses	Total
	RM	RM	RM
Balance as at 1 January 2016	20,630,174	(3,585,222)	17,044,952
Movement in unit holders' contribution:			
Creation of units from applications	5,152,802	-	5,152,802
Cancellation of units	(6,273,884)	-	(6,273,884)
Total comprehensive income for the financial year	-	1,772,075	1,772,075
Balance as at 31 December 2016	19,509,092	(1,813,147)	17,695,945
Balance as at 1 January 2015	26,393,337	(4,908,738)	21,484,599
Movement in unit holders' contribution:			
Creation of units from applications	4,406,737	-	4,406,737
Cancellation of units	(10,169,900)	-	(10,169,900)
Total comprehensive income for the financial year	-	1,323,516	1,323,516
Balance as at 31 December 2015	20,630,174	(3,585,222)	17,044,952

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
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		3,221,871	5,977,957
Purchase of investments		(1,410,578)	(547,174)
Interest income received from deposits with licensed financial institutions		10,929	10,513
Management fee paid net of rebates		(50,597)	(64,399)
Trustee fee paid		(20,180)	(15,769)
Payment for other fees and expenses		(31,705)	(25,652)
Net foreign exchange loss		(42,661)	(21,947)
Net cash generated from operating activities		1,677,079	5,313,529
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		5,083,713	4,394,189
Payments for cancellation of units		(6,181,787)	(10,195,276)
Net cash used in financing activities		(1,098,074)	(5,801,087)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		579,005	(487,558)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		144,431	631,989
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	723,436	144,431

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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note K 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 equivalent 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. AMOUNT DUE FROM/(TO) BROKERS

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

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

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

G. CASH AND CASH EQUIVALENTS

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

H. 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.

I. 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.

J. SEGMENTAL INFORMATION

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

K. 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 Emerging Markets Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 7 December 2007 (the "Deed"), 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 was launched on 11 January 2008 and will continue its operations until terminated as provided under Clause 12 of the Deed.

The Fund invests in a foreign collective investment scheme primarily the Schroder International Selection Fund - Emerging Markets (the "Target Fund"), incorporated in Luxembourg.

The Fund seeks to achieve long-term capital growth by investing in a collective investment scheme called the Schroder International Selection Fund Emerging Markets (the "Target Fund"), which in turn seeks to provide capital growth primarily through investment in equity securities of emerging markets companies.

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), stock/issuer risk, fund management risk, liquidity risk, credit/default risk, country risk, emerging markets risk, non-compliance risk and capital 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
2016				
Cash and cash equivalents	7	723,436	-	723,436
Amount due from Manager		97,285	-	97,285
Collective investment scheme	6	-	17,000,675	17,000,675
		820,721	17,000,675	17,821,396
2015				
Cash and cash equivalents	7	144,431	-	144,431
Amount due from a broker		375,421	-	375,421
Amount due from Manager		28,196	-	28,196
Collective investment scheme	6	-	16,543,565	16,543,565
		548,048	16,543,565	17,091,613

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 Schroder International Selection Fund Emerging Markets 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 Schroder International Selection Fund Emerging Markets.

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	17,000,675	16,543,565

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 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%	17,850,709	850,034	17,370,743	827,178
-5%	16,150,641	(850,034)	15,716,387	(827,178)

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.

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

iii. Foreign exchange/currency risk

As the Underlying Fund, Schroder International Selection Fund Emerging Markets may invest its assets in securities denominated in a wide range of currencies other than Ringgit Malaysia, the net asset value of the Fund expressed in Ringgit Malaysia may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between Ringgit Malaysia and such other currencies. 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:

	Financial assets at fair value through profit or loss	Amount due from a broker	Impact on net asset value
	RM	RM	RM
2016			
EURO	17,000,675	-	17,000,675
2015			
EURO	16,543,565	375,421	16,918,986

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 constants. 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.

	Change in price	Impact on profit after tax	Impact on net asset value
	%	RM	RM
2016			
EURO	5	850,034	850,034
2015			
EURO	5	845,949	845,949

Stock/issuer risk

The performance of equities and money market instruments held by the Underlying Fund is also dependent on company specific factors like the issuer's business situation. If the company-specific factors deteriorate, the price of the specific security may drop significantly and permanently, possibly even regardless of an otherwise generally positive stock market trend. Risks include but are not limited to competitive operating environments, changing industry conditions and poor management.

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.

Liquidity risk

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

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

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

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
2016			
Amount due to Manager	93,206	-	93,206
Accrued management fee	5,445	-	5,445
Amount due to Trustee	1,525	-	1,525
GST charges payable	418	-	418
Other payables and accruals	-	24,857	24,857
Contractual cash outflows	100,594	24,857	125,451
2015			
Amount due to Manager	1,109	-	1,109
Accrued management fee	4,836	-	4,836
Amount due to Trustee	3,705	-	3,705
GST charges payable	512	-	512
Other payables and accruals	-	36,499	36,499
Contractual cash outflows	10,162	36,499	46,661

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 Manager	Total
	RM	RM	RM	RM
2016				
Collective investment scheme				
- NR	17,000,675	-	-	17,000,675
Finance				
- AAA	-	700,153	-	700,153
- AA1	-	23,283	-	23,283
Other				
- NR	-	-	97,285	97,285
	17,000,675	723,436	97,285	17,821,396

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from a broker	Amount due from Manager	Total
	RM	RM	RM	RM	RM
2015					
Collective investment scheme					
- NR	16,543,565	-	-	-	16,543,565
Finance					
- AAA	-	130,016	-	-	130,016
- AA1	-	14,415	-	-	14,415
Other					
- NR	-	-	375,421	28,196	403,617
	16,543,565	144,431	375,421	28,196	17,091,613

None of these assets are past due or impaired.

Country risk

The stock prices may be affected by the political and economic conditions of the country in which the stocks are listed. A unit trust fund that invests in foreign securities may experience more rapid and extreme changes in value than a unit trust fund that invests exclusively in securities of Malaysian companies. Nationalisation, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect a unit trust fund's investment in a foreign country. In the event of nationalisation, expropriation or other confiscation, a unit trust fund could lose its entire investment in foreign securities. Careful consideration shall be given to risk factors such as liquidity, political and economic environment before any investments are made in a foreign country.

Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated.

Emerging markets risk

Investments in securities of emerging market issuers entail significant risks in addition to those customarily associated with investing in securities of issuers in more developed markets, such as:

i. low or non-existent trading volume, resulting in a lack of liquidity and increased volatility in prices for such securities, as compared to securities of comparable issuers in more developed capital markets;

ii. uncertain national policies and social, political and economic instability, increasing the potential for expropriation of assets, confiscatory taxation, high rates of inflation or unfavourably diplomatic developments;

iii. possible fluctuations in exchange rates, differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other laws or restrictions applicable to such investments;

iv. national policies which may limit a portfolio's investment opportunities such as restrictions on investment in issuers or industries deemed sensitive to national interests; and

v. the lack of relatively early development of legal structures governing private and foreign investments and private property.

Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund do 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.

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 markets 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 judgement, 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	17,000,675	-	-	17,000,675
2015				
Financial assets at fair value through profit or loss:				
Collective investment scheme	16,543,565	-	-	16,543,565

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 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 1.80% 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 Schroder International Selection Fund Emerging Markets to the Fund will be fully refunded. The rebate of management fee is 1.50% per annum or RM222,305 (2015: 1.50% per annum or RM284,898) calculated on net asset value of Schroder International Selection Fund Emerging Markets 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 an annual fee, at a rate not exceeding 0.08% per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum (excluding foreign custodian fees and charges).

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

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

5. TAXATION

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

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

	2016	2015
	RM	RM
Profit before taxation	1,772,075	1,323,516
Tax at Malaysian statutory rate of 24% (2015: 25%)	425,298	330,879
Tax effects of:		
Investment income exempted from tax	(446,700)	(361,212)
Expenses not deductible for tax purposes	7,600	7,319
Restriction on the tax deductible expenses for Unit Trust Funds	13,802	23,014
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	17,000,675	16,543,565
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	300,677	939,978
Change in unrealised fair value gain	1,592,305	516,304
	1,892,982	1,456,282

	Quantity	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
2016				
Schroder International Selection Fund Emerging Markets – Class A	319,056	13,157,441	17,000,675	96.07
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		3,843,234		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		17,000,675		

	Quantity	Aggregate cost	Fair value as at 31.12.2015	Percentage of net asset value of the Fund
	Units	RM	RM	%
2015				
Schroder International Selection Fund Emerging Markets – Class A	355,383	14,292,636	16,543,565	97.06
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		2,250,929		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		16,543,565		

The Target Fund is a Sub-fund of the Schroder International Selection Fund which is a SICAV ("Société d'Investissement à Capital Variable").

Schroder International Selection Fund ("SICAV") is an open-ended investment company organised as a "Société Anonyme" under the law of the Grand Duchy of Luxembourg and qualifies as a SICAV. The Target Fund was launched on 17 January 2000. The investment manager of the Target Fund is Schroder Investment Management Limited in UK.

The Target Fund seeks to provide capital growth primarily through investment in equity and equity-related securities of emerging markets companies.

7. CASH AND CASH EQUIVALENTS

	2016	2015
	RM	RM
Bank balance with a licensed bank	23,283	14,415
Deposit with a licensed financial institution	700,153	130,016
	723,436	144,431

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

	2016	2015
	%	%
Deposit with a licensed financial institution	4.00	4.60

The deposit has an average maturity of 3 days (2015: 4 days).

8. UNITS IN CIRCULATION

	2016	2015
	No. of units	No. of units
At the beginning of the financial year	61,981,806	82,887,033
Creation of units arising from applications during the financial year	17,890,572	15,647,504
Cancellation of units during the financial year	(23,088,436)	(36,552,731)
At the end of the financial year	56,783,942	61,981,806

9. TRANSACTIONS WITH ISSUER

Details of transactions with the issuer are as follows:

Name of issuer	Value of trades	Percentage of total trades
	RM	%
2016		
Schroder Investment Management (Singapore) Limited	4,257,028	100.00
2015		
Schroder Investment Management (Singapore) Limited	6,900,552	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	%
2016		
CIMB Bank Berhad	82,830,000	100.00
2015		
CIMB Bank Berhad	7,489,000	100.00

The issuer highlighted above is not related to the Manager. 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	312	1,000	275

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 the SC 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	0.59	0.61

MER is derived from the following calculation:

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

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 RM15,194,826 (2015: RM19,332,643).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2016	2015
PTR (times)	0.14	0.18

PTR is derived from the following calculation:

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

where:
total acquisitions for the financial year = RM1,410,578 (2015: RM547,174)
total disposals for the financial year = RM2,846,450 (2015: RM6,353,378)

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

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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)

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MANAGER'S DELEGATE - REGISTRAR AND TRANSFER AGENT

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