

# EASTSPRING INVESTMENTS DYNAMIC FUND

## INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD  
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 Chee Kin', written in a cursive style.

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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## FUND INFORMATION

### Name of Fund

Eastspring Investments Dynamic Fund (the "Fund")

### Fund Category/ Type

Mixed asset/growth

### Fund Objective

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

**Note: The Fund's focus is on growth.**

### Performance Benchmark

- a. If 100% of the Fund's NAV invested in equities and equity-related securities:  
FTSE Bursa Malaysia ("FBM") 100
- b. If 100% of the Fund's Net Asset Value ("NAV") invested in debentures and liquid assets:  
Maybank 12-month fixed deposit rate
- c. If invested in a mix of equities and equity-related securities, debentures and liquid assets:  
50% FBM100 + 50% Maybank 12-month fixed deposit rate

**Source:** [www.bursamalaysia.com](http://www.bursamalaysia.com) and [www.maybank2u.com.my](http://www.maybank2u.com.my)

**Note:** The risk profile of the Fund is different from the risk profile of the performance benchmark.

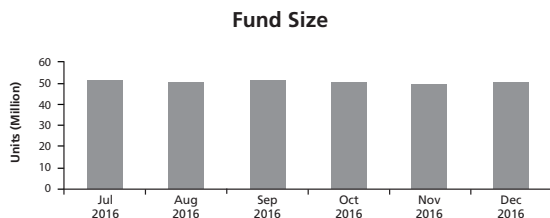
### Fund Income Distribution Policy

At least once a year, subject to the availability of income.

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 31 December 2016, the size of Eastspring Investments Dynamic Fund stood at 49.619 million units.



### Breakdown of Unit Holdings

| Unit Holdings           | No. of Unit Holders | %             | No of Units* ('000) | %             |
|-------------------------|---------------------|---------------|---------------------|---------------|
| 5,000 units and below   | 743                 | 29.40         | 1,818               | 3.66          |
| 5,001 to 10,000 units   | 587                 | 23.23         | 3,954               | 7.97          |
| 10,001 to 50,000 units  | 1,035               | 40.96         | 21,050              | 42.42         |
| 50,001 to 500,000 units | 156                 | 6.17          | 14,635              | 29.50         |
| 500,001 units and above | 6                   | 0.24          | 8,161               | 16.45         |
| <b>Total</b>            | <b>2,527</b>        | <b>100.00</b> | <b>49,618</b>       | <b>100.00</b> |

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER

| Category                         | 2016          | 2015          | 2014          |
|----------------------------------|---------------|---------------|---------------|
|                                  | (%)           | (%)           | (%)           |
| <b>Quoted securities</b>         |               |               |               |
| Construction                     | 5.56          | 4.14          | 5.29          |
| Consumer                         | 2.97          | 3.82          | -             |
| Consumer Product                 | 0.27          | 6.16          | 3.52          |
| Finance                          | 2.90          | 5.44          | 11.89         |
| Health Care                      | 25.95         | -             | -             |
| Hotel                            | -             | 0.82          | -             |
| Industrial Product               | 3.47          | 9.36          | 5.74          |
| Infrastructure Project Company   | -             | -             | 5.51          |
| Manufacturing                    | 1.67          | -             | -             |
| Plantation                       | -             | -             | 1.36          |
| Power/Utilities                  | -             | 2.64          | -             |
| Properties                       | 9.81          | 7.89          | 12.44         |
| Technology                       | 16.36         | 13.09         | 8.75          |
| Trading/Services                 | 26.42         | 33.13         | 30.51         |
|                                  | 95.38         | 86.49         | 85.01         |
| Unquoted fixed income securities | 2.16          | 2.16          | 2.67          |
| Cash and other assets            | 2.46          | 11.35         | 12.32         |
| <b>Total</b>                     | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> |

## KEY PERFORMANCE DATA (CONTINUED)

| Category                                | 2016   | 2015   | 2014   |
|---|--------|--------|--------|
| Net Asset Value (NAV) (RM'000)          | 46,907 | 46,701 | 37,712 |
| Units In Circulation (Units '000)       | 49,619 | 47,186 | 45,257 |
| Net Asset Value Per Unit (RM)           | 0.9454 | 0.9897 | 0.8333 |
| Highest Net Asset Value Per Unit (RM)   | 0.9692 | 0.9905 | 0.8970 |
| Lowest Net Asset Value Per Unit (RM)    | 0.9084 | 0.8287 | 0.7907 |
| Total Return (%)                        |        |        |        |
| Capital Growth                          | 3.53   | 4.50   | (2.86) |
| Income Distribution                     | -      | -      | -      |
| Total Return (%)                        | 3.53   | 4.50   | (2.86) |
| Gross Distribution Per Unit (RM)        | -      | -      | -      |
| Net Distribution Per Unit (RM)          | -      | -      | -      |
| Management Expense Ratio (MER) (%)*     | 0.72   | 0.70   | 0.73   |
| Portfolio Turnover Ratio (PTR) (times)^ | 0.22   | 0.16   | 0.79   |

\* 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      |             | 3 years     |             | 5 years     |             |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                      | 1.1.2016 to | 1.1.2014 to | 1.1.2012 to | 1.1.2012 to | 1.1.2012 to | 1.1.2012 to |
|                      | 31.12.2016  | 31.12.2016  | 31.12.2016  | 31.12.2016  | 31.12.2016  | 31.12.2016  |
|                      | (%)         | (%)         | (%)         | (%)         | (%)         | (%)         |
| Average total return | 0.06        | 10.07       |             |             |             | 12.56       |

| Year ended          | 1.7.2015 to | 1.7.2014 to | 1.7.2013 to | 1.7.2012 to | 1.7.2011 to |
|---------------------|-------------|-------------|-------------|-------------|-------------|
|                     | 30.6.2016   | 30.6.2015   | 30.6.2014   | 30.6.2013   | 30.6.2012   |
|                     | (%)         | (%)         | (%)         | (%)         | (%)         |
| Annual total return | 1.00        | 17.71       | 21.92       | 18.12       | (4.41)      |

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

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

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

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

$\text{NAV}_0$  = 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

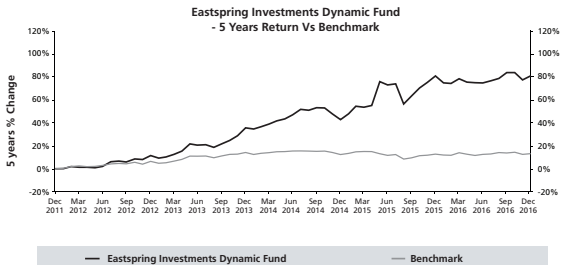
## Fund Performance

Over the 5-year period, the Fund recorded a return of 80.83%, outperforming the benchmark return of 13.14% by 67.69%.

During the period under review, the Fund registered a return of 3.53%, outperforming the benchmark return of 0.57% by 2.96%.

The Fund did well in 2H2016 mainly due to good stock selections and high equity holdings.

The fund holdings in selected corporate bonds also contributed slightly to the outperformance of the Fund.



## MANAGER'S REPORT (CONTINUED)

### Fund Performance (continued)

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

**Benchmark:**

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

**Source:** Lipper for Investment Management, [www.bursamalaysia.com](http://www.bursamalaysia.com) and [www.maybank2u.com.my](http://www.maybank2u.com.my) as at 31 December 2016.

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

### Analysis of Fund Performance

For the financial period ended 31 December 2016:

| Income Return | Capital Return* | Total Return | Total Return of Benchmark |
|---------------|-----------------|--------------|---------------------------|
| (%)           | (%)             | (%)          | (%)                       |
| 0.00          | 3.53            | 3.53         | 0.57                      |

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

### Distribution/ Unit Split

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

## MANAGER'S REPORT (CONTINUED)

## Investment Strategy During Period Under Review

**Equity Strategy**

The Fund's underweight position in Telcos and Banks did well. The Fund's investment in certain tech stocks rebounded in 2H2016 as the global tech cycles turned up. The Fund's overweight position in exporters did well in 2H2016 after Ringgit weakened further against United States Dollar ("USD"). The Fund's bet in politically-linked stocks also did well during the period.

**Bond Strategy**

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

## Asset Allocation

| Asset Allocation                 | 31-Dec 2016 | 30-Jun 2016 | Changes |
|----------------------------------|-------------|-------------|---------|
|                                  | (%)         | (%)         | (%)     |
| Quoted securities                | 95.38       | 71.28       | 24.10   |
| Unquoted fixed income securities | 2.16        | 2.18        | (0.02)  |
| Cash and other assets            | 2.46        | 26.54       | (24.08) |

**Asset Allocation as at 31 December 2016**

Equity exposure was low as at end June 2016 due to the British Exit (BREXIT). The fund gradually raised its equity exposure on exporters after the situation stabilised to take advantage of the strengthening USD.

## 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

### Equity

In 3Q2016 global markets enjoyed a decent rally on the back of expected continued global efforts to ensure accommodative monetary policy is still on the agenda. European markets stabilised somewhat as there was a quick resolution to the United Kingdom ("UK") Prime Minister's position that was vacated by David Cameron due to the British Exit ("BREXIT") outcome. Towards the end of the 3Q2016, the launch of Apple's iPhone 7 was well received with stock of the new model all out within a couple of days post launch. Samsung Electronics were badly affected by the recall of their latest Galaxy Note 7 due to the incidences of exploding batteries. The United States of America ("US") Presidential debate was also in focus as the race between the two candidates remained tight with just five weeks before the elections. Crude oil prices rebounded as Organisation of the Petroleum Exporting Countries' ("OPEC's") meeting in Algiers saw an agreement of sorts to freeze production. Malaysian equities corrected early 3Q2016 on the back of negative news flow from the announcement by the US Department of Justice filing a civil suit to seize assets tied to 1MDB, under the Kleptocracy Asset Recovery Initiative. Fitch Ratings downgraded Petronas' Long term Foreign and Local Currency Issuer Default Ratings ("IDRs") to A- from A, but affirmed their short term foreign currency IDR at F1. The outlook on the Long Term IDRs is Stable. The 2Q2016 results season delivered yet another round of lower than expected earnings, resulting in consensus downgrade of Malaysian earnings growth for 2016 to approximately -2% year-of-year ("y-o-y"), the third year of negative growth. The 3Q ended with more focus on the upcoming 2017 Budget, and concerns over whether Malaysia's fiscal deficit target of 3.1% for 2016 would be met.

4Q2016 was a volatile one for global markets. UK's parliament debated on their exit from the European Union ("EU"), as the Sterling fell to a low against the United States Dollar ("USD") and Euro. In November, the surprise win by Mr. Trump in the US Presidential Elections gave rise to global uncertainties, which saw the Asia Pacific regional markets correct sharply, in anticipation potential negative trade policies to be enacted. The US equity market, after a brief but sharp decline post elections, rallied to all-time highs as investors are hopeful that talks of a corporate tax cut and increased fiscal spending will stimulate the economy. In December, the US Federal Reserve ("Fed") raised the target range for the Federal Funds Rate at 0.5-0.75% as expected, and the Federal Open Market Committee ("FOMC") gave indications of more interest rate hikes to come. Oil prices rallied as non-OPEC members agreed to reduce output, on top of the output cut agreed by OPEC members. Malaysian equities started 4Q2016 off well with concerns over meeting fiscal deficit targets allayed somewhat leading up to the Budget 2017 announcement. Foreign investors' concerns were heightened when Bank Negara Malaysia ("BNM") reiterated that onshore banks are not to facilitate offshore banks with non-deliverable forwards ("NDFs") which they attributed speculation on the ringgit and the highly volatile movements in the exchange rate of late. The Malaysian ringgit

continued its downwards trend ending the 4Q2016 at RM4.4862/USD, prompting BNM to come out with measures early in the month to restrict exporters from apparent hoarding of USD.

The FTSE Bursa Malaysia KLCI (“FBMKLCI”) closed the year under review at 1,641.73 points, lower by 0.75%. The FBM Emas Index closed the period under review lower by 0.55% while the Morgan Stanley Capital International (“MSCI”) Asia Pacific ex-Japan Index gained by 2.98% in USD terms.<sup>1</sup>

## Bond

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

Headline inflation increased from 1.1% y-o-y in July 2016 to 1.8% yoy in November 2016. The increase in November was mainly driven by lower fall in transportation costs (-1.5% y-o-y), communications (-2.7% y-o-y) and clothing inflation (-0.5% y-o-y). On the other hand, food and non-alcoholic beverages inflation was relatively stable at 4.2% y-o-y in June 2016 and 3.8% yoy in November 2016. For 2017, headline inflation is expected to increase due to the removal of subsidies.

In his budget speech in October, the Prime Minister unveiled 2017 national budget with the theme “Accelerating Growth, Ensuring Fiscal Prudence, Enhancing Well-being of the Rakyat”. Overall, fiscal consolidation remains on track as the Government plan to achieve a budget deficit at RM40.3 billion or 3.0% of Gross Domestic Product (“GDP”) in 2017.

<sup>1</sup>Source: Bloomberg: World indices

The Government expect revenue in 2016 to ease lower to RM212.6 billion (2015: RM219.1 billion) mainly due to lower collection of petroleum related revenue following lower crude oil prices. However, this impact is expected to be cushioned by improved government service and tax ("GST") collection. Furthermore, the Government expects revenue collection to improve by 3% in 2017 on the back of larger tax revenue from corporate income tax collection. Separately, the Federal Government expects the Malaysian economy to gain some traction to grow between 4.0%-5.0% in 2017 as the Government expects that growth will remain private sector-driven, supported by quicker expansions in private consumption and private investment with added support from public spending and continued recovery in exports.

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

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

For the period under review, the 3-year, 5-year, 10-year and 15-year sovereign bond yields changed by +38bps, +36bps, +50bps and +60bps to 3.57%, 3.72%, 4.22% and 4.65% respectively. Sovereign bond yields fall across all tenors at the end of the second and third quarter of 2017, following UK's Referendum on 23 June to withdraw from EU and after BNM unexpectedly cut the OPR by 0.25% to 3.00% in July's MPC meeting. However, sovereign yields spiked higher in November after the Republican presidential nominee Donald Trump won the recent US Presidential Election. Investors were left unsettled over the future of the American and global economy based on the economic policies that were advocated by Trump throughout his presidential campaign. Furthermore, yields we traded higher on the expectation of higher Fed rate hike as the Fed are now forecasting three rate increases in 2017 instead of two rate hikes as previously projected.

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

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

## REBATES AND SOFT COMMISSIONS

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

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



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# EASTSPRING INVESTMENTS DYNAMIC FUND

## UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016

## STATEMENT BY THE MANAGER

We, Tang Chee Kin and Khoo Chuan Keat, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 18 to 63 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 December 2016 and of its financial performance, changes in equity and cash flows for the six months financial period ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,  
**EASTSPRING INVESTMENTS BERHAD**

**TANG CHEE KIN**  
Executive Director/Chief Executive Officer

**KHOO CHUAN KEAT**  
Director

Kuala Lumpur  
Date: 17 February 2017

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

We have acted as Trustee for Eastspring Investments Dynamic Fund (the "Fund") for the financial period ended 31 December 2016. To the best of our knowledge, for the period 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

# UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016

|  | Note | 6-months<br>financial<br>period ended<br>31.12.2016 | 6-months<br>financial<br>period ended<br>31.12.2015 |
|--|------|---|---|
|  |      | RM  | RM  |
| <b>INVESTMENT INCOME</b>   |      |   |   |
| Gross dividend income  |      | 486,569   | 423,513   |
| Interest income from deposits with licensed financial institutions |      | 82,427  | 144,102   |
| Interest income from unquoted fixed income securities              |      | 25,305  | 21,106  |
| Net gain on financial assets at fair value through profit or loss  | 6    | 1,464,482   | 1,748,498   |
|  |      | <u>2,058,783</u>                                    | <u>2,337,219</u>                                    |
| <b>EXPENSES</b>  |      |   |   |
| Management fee   | 3    | (299,729)   | (272,343)   |
| Trustee fee  | 4    | (16,785)  | (15,251)  |
| Audit fee  |      | (3,529)   | (3,907)   |
| Tax agent fee  |      | (1,715)   | (1,709)   |
| Other expenses   |      | (3,534)   | (10,494)  |
| GST charges  |      | (19,457)  | (17,256)  |
| Transaction costs  |      | (68,040)  | (52,561)  |
|  |      | <u>(412,789)</u>                                    | <u>(373,521)</u>                                    |
| <b>PROFIT BEFORE TAXATION</b>                                      |      | 1,645,994   | 1,963,698   |
| <b>TAXATION</b>  | 5    | -   | -   |
| <b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>        |      | <u>1,645,994</u>                                    | <u>1,963,698</u>                                    |
| Profit after taxation is made up of the following:                 |      |   |   |
| Realised amount  |      | 444,184   | 495,458   |
| Unrealised amount  |      | 1,201,810   | 1,468,240   |
|  |      | <u>1,645,994</u>                                    | <u>1,963,698</u>                                    |

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

# UNAUDITED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2016

|   | Note | 2016              | 2015              |
|---|------|-------------------|-------------------|
|   |      | RM                | RM                |
| <b>ASSETS</b>   |      |                   |                   |
| Cash and cash equivalents                             | 7    | 1,086,058         | 5,384,427         |
| Amount due from Manager                               |      | 24,330            | 31,937            |
| Dividends receivable                                  |      | 141,761           | 63,741            |
| Financial assets at fair value through profit or loss | 6    | 45,747,106        | 41,396,638        |
| <b>TOTAL ASSETS</b>                                   |      | <u>46,999,255</u> | <u>46,876,743</u> |
| <b>LIABILITIES</b>                                    |      |                   |                   |
| Amount due to Manager                                 |      | 9,136             | 88,129            |
| Accrued management fee                                |      | 49,331            | 48,057            |
| Amount due to Trustee                                 |      | 2,763             | 2,691             |
| GST charges payable                                   |      | 3,126             | 3,045             |
| Other payables and accruals                           |      | 25,768            | 32,073            |
| Tax payable   |      | 2,110             | 2,110             |
| <b>TOTAL LIABILITIES</b>                              |      | <u>92,234</u>     | <u>176,105</u>    |
| <b>NET ASSET VALUE OF THE FUND</b>                    |      | <u>46,907,021</u> | <u>46,700,638</u> |
| <b>EQUITY</b>   |      |                   |                   |
| Unit holders' capital                                 |      | 11,129,519        | 8,857,410         |
| Retained earnings                                     |      | 35,777,502        | 37,843,228        |
| <b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>         |      | <u>46,907,021</u> | <u>46,700,638</u> |
| <b>NUMBER OF UNITS IN CIRCULATION</b>                 | 8    | <u>49,618,558</u> | <u>47,185,942</u> |
| <b>NET ASSET VALUE PER UNIT (RM)</b>                  |      | <u>0.9454</u>     | <u>0.9897</u>     |

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

## UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016

|  | Unit<br>holders'<br>capital | Retained<br>earnings | Total       |
|--|-----------------------------|----------------------|-------------|
|  | RM                          | RM                   | RM          |
| Balance as at 1 July 2016                              | 12,944,481                  | 34,131,508           | 47,075,989  |
| Movement in unit holders' contribution:                |                             |                      |             |
| Creation of units from applications                    | 1,061,921                   | -                    | 1,061,921   |
| Cancellation of units                                  | (2,876,883)                 | -                    | (2,876,883) |
| Total comprehensive income<br>for the financial period | -                           | 1,645,994            | 1,645,994   |
| Balance as at 31 December 2016                         | 11,129,519                  | 35,777,502           | 46,907,021  |
| Balance as at 1 July 2015                              | 8,607,233                   | 35,879,530           | 44,486,763  |
| Movement in unit holders' contribution:                |                             |                      |             |
| Creation of units from applications                    | 2,049,347                   | -                    | 2,049,347   |
| Cancellation of units                                  | (1,799,170)                 | -                    | (1,799,170) |
| Total comprehensive income<br>for the financial period | -                           | 1,963,698            | 1,963,698   |
| Balance as at 31 December 2015                         | 8,857,410                   | 37,843,228           | 46,700,638  |

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

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016

|   | 6-months<br>financial<br>period ended<br>31.12.2016 | 6-months<br>financial<br>period ended<br>31.12.2015 |
|---|---|---|
| Note  | RM  | RM  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |   |   |
| Proceeds from sale of investments   | 5,731,069   | 4,336,329   |
| Purchase of investments   | (18,840,290)  | (9,983,126)   |
| Dividends received  | 416,164   | 472,814   |
| Interest received from deposits with licensed financial institutions      | 82,427  | 144,102   |
| Interest received from unquoted fixed income securities                   | 26,129  | 21,928  |
| Management fee paid   | (298,454)   | (265,610)   |
| Trustee fee paid  | (16,713)  | (14,874)  |
| Payment for other fees and expenses                                       | (35,578)  | (41,829)  |
| Tax refund  | -   | 12,551  |
| Net cash used in operating activities                                     | <u>(12,935,246)</u>                                 | <u>(5,317,715)</u>                                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                               |   |   |
| Cash proceeds from units created  | 1,196,341   | 2,164,260   |
| Payments for cancellation of units  | (2,872,679)   | (1,711,041)   |
| Distribution paid   | (57,676)  | (85,275)  |
| Net cash (used in)/generated from financing activities                    | <u>(1,734,014)</u>                                  | <u>367,944</u>                                      |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                          | (14,669,260)  | (4,949,771)   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b> | <u>15,755,318</u>                                   | <u>10,334,198</u>                                   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>       | 7 <u>1,086,058</u>                                  | <u>5,384,427</u>                                    |

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE SIX MONTHS FINANCIAL PERIOD 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 period. 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 in Note J to the financial statements.

The new standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

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

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

ii. Financial year beginning on/after 1 July 2018

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

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

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

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

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

- MFRS 15 “Revenue from contracts with customers” (effective from 1 January 2018) replaces MFRS 118 ‘Revenue’ and MFRS 111 “Construction contracts” and related interpretations. The 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 from short-term deposits is recognised on the accrual basis using the effective interest method.

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

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

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

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

### **C. TAXATION**

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

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

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

### **E. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

#### **i. Classification**

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise cash and

cash equivalents, amount due from Manager and dividends receivable which are all due within 12 months.

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

The Fund's financial liabilities include 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. Transaction costs are expensed in the statement of comprehensive income.

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

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

Financial 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.

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

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

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

Unquoted fixed income securities are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis using the net present value method based on fair value prices quoted by a bond pricing agency (‘BPA’) registered with the Securities Commission as per the Securities Commission’s Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

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

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 rate 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 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.

## **G. 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.



## **H. 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.

## **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.

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

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

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

Unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the Manager is of the view that the price quoted by BPA for a specific bond differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

# NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016

## 1. INFORMATION ON THE FUND

Eastspring Investments Dynamic Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 5 November 2003, Master Supplemental Deed dated 12 July 2007 and Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Berhad (“HSBC Trustee”) and Eastspring Investments Berhad (the “Manager”). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the “Trustee”) effective 1 October 2010. A Supplemental Master Deed was entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”) on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016 and Eight Supplemental Master Deed dated 25 January 2017 (collectively referred to as the “Deed”).

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

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

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

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Financial instruments of the Fund are as follows:

|                                     | Note | Loans and<br>receivables | Financial<br>assets at fair<br>value through<br>profit or loss | Total             |
|-------------------------------------|------|--------------------------|--|-------------------|
|                                     |      | RM                       | RM   | RM                |
| <b>2016</b>                         |      |                          |  |                   |
| Cash and cash equivalents           | 7    | 1,086,058                | -  | 1,086,058         |
| Amount due from<br>Manager          |      | 24,330                   | -  | 24,330            |
| Dividends receivable                |      | 141,761                  | -  | 141,761           |
| Quoted securities                   | 6    | -                        | 44,736,084   | 44,736,084        |
| Unquoted fixed income<br>securities | 6    | -                        | 1,011,022  | 1,011,022         |
|                                     |      | <u>1,252,149</u>         | <u>45,747,106</u>  | <u>46,999,255</u> |
| <b>2015</b>                         |      |                          |  |                   |
| Cash and cash equivalents           | 7    | 5,384,427                | -  | 5,384,427         |
| Amount due from<br>Manager          |      | 31,937                   | -  | 31,937            |
| Dividends receivable                |      | 63,741                   | -  | 63,741            |
| Quoted securities                   | 6    | -                        | 40,389,875   | 40,389,875        |
| Unquoted fixed income<br>securities | 6    | -                        | 1,006,763  | 1,006,763         |
|                                     |      | <u>5,480,105</u>         | <u>41,396,638</u>  | <u>46,876,743</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 because a Fund would generally hold a well-diversified portfolio of securities from different market sectors that the collapse of any one security or any one market sector would not impact too greatly on the value of the Fund.

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

|   | <b>2016</b>       | <b>2015</b>       |
|---|-------------------|-------------------|
|   | <b>RM</b>         | <b>RM</b>         |
| Quoted securities designated at fair value through profit or loss                 | <u>44,736,084</u> | <u>40,389,875</u> |
| Unquoted fixed income securities designated at fair value through profit or loss* | <u>1,011,022</u>  | <u>1,006,763</u>  |

\* Includes interest receivable of RM14,532 (2015: RM15,088).

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

|   |                     | <b>2016</b>  |  |
|---|---------------------|--|--|
| <b>% Change in price of financial assets at fair value through profit or loss</b> | <b>Market value</b> | <b>Increase/(decrease) on profit after tax and net asset value</b> |  |
|   | <b>RM</b>           | <b>RM</b>  |  |
| +5%   | 48,034,461          | 2,287,355  |  |
| -5%   | 43,459,751          | (2,287,355)  |  |

|   |                     | <b>2015</b>  |  |
|---|---------------------|--|--|
| <b>% Change in price of financial assets at fair value through profit or loss</b> | <b>Market value</b> | <b>Increase/(decrease) on profit after tax and net asset value</b> |  |
|   | <b>RM</b>           | <b>RM</b>  |  |
| +5%   | 43,466,470          | 2,069,832  |  |
| -5%   | 39,326,806          | (2,069,832)  |  |

ii. Interest rate risk

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

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

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should

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

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

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

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

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

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

| % Change in interest rate of unquoted fixed income securities | 2016  | 2015  |
|---|---|---|
|   | Impact on profit after tax/ net asset value | Impact on profit after tax/ net asset value |
|   | RM  | RM  |
| +1% (2015:+5%)  | (2,038)                                     | (745)                                       |
| -1% (2015:-5%)  | 2,043                                       | 745   |

### Stock/issuer risk

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

### Liquidity risk

Liquidity risk 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.

|                             | <b>Less than<br/>1 month</b> | <b>Between<br/>1 month to<br/>1 year</b> | <b>Total</b>   |
|-----------------------------|------------------------------|--|----------------|
|                             | <b>RM</b>                    | <b>RM</b>                                | <b>RM</b>      |
| <u>2016</u>                 |                              |  |                |
| Amount due to Manager       | 9,136                        | -  | 9,136          |
| Accrued management fee      | 49,331                       | -  | 49,331         |
| Amount due to Trustee       | 2,763                        | -  | 2,763          |
| GST charges payable         | 3,126                        | -  | 3,126          |
| Other payables and accruals | -                            | 25,768                                   | 25,768         |
| Contractual cash outflows   | <u>64,356</u>                | <u>25,768</u>                            | <u>90,124</u>  |
| <u>2015</u>                 |                              |  |                |
| Amount due to Manager       | 88,129                       | -  | 88,129         |
| Accrued management fee      | 48,057                       | -  | 48,057         |
| Amount due to Trustee       | 2,691                        | -  | 2,691          |
| GST charges payable         | 3,045                        | -  | 3,045          |
| Other payables and accruals | -                            | 32,073                                   | 32,073         |
| Contractual cash outflows   | <u>141,922</u>               | <u>32,073</u>                            | <u>173,995</u> |

### **Non-compliance risk**

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

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

### **Fund management risk**

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

### **Capital risk**

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

### **Credit/default risk**

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

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

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

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

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

|                                  | Financial assets at fair value through profit or loss | Cash and cash equivalents | Dividends receivable | Amount due from Manager | Total            |
|----------------------------------|---|---------------------------|----------------------|-------------------------|------------------|
|                                  | RM  | RM                        | RM                   | RM                      | RM               |
| <u>2016</u>                      |   |                           |                      |                         |                  |
| Finance                          |   |                           |                      |                         |                  |
| - AA1                            | -   | 25,826                    | -                    | -                       | 25,826           |
| - AAA                            | -   | 1,060,232                 | -                    | -                       | 1,060,232        |
| Consumer                         |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 35,160               | -                       | 35,160           |
| Health Care                      |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 13,012               | -                       | 13,012           |
| Technology                       |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 66,032               | -                       | 66,032           |
| Trading/Services                 |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 27,557               | -                       | 27,557           |
| Unquoted Fixed Income Securities |   |                           |                      |                         |                  |
| - AAA                            | 1,011,022   | -                         | -                    | -                       | 1,011,022        |
| Other                            |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | -                    | 24,330                  | 24,330           |
|                                  | <u>1,011,022</u>                                      | <u>1,086,058</u>          | <u>141,761</u>       | <u>24,330</u>           | <u>2,263,171</u> |

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 | Dividends receivable | Amount due from Manager | Total            |
|----------------------------------|---|---------------------------|----------------------|-------------------------|------------------|
|                                  | RM  | RM                        | RM                   | RM                      | RM               |
| <u>2015</u>                      |   |                           |                      |                         |                  |
| Finance                          |   |                           |                      |                         |                  |
| - AA1                            | -   | 63,757                    | -                    | -                       | 63,757           |
| - AAA                            | -   | 5,320,670                 | -                    | -                       | 5,320,670        |
| Consumer                         |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 20,160               | -                       | 20,160           |
| Construction                     |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 16,724               | -                       | 16,724           |
| Properties                       |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 18,282               | -                       | 18,282           |
| Technology                       |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 4,658                | -                       | 4,658            |
| Trading/Services                 |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | 3,917                | -                       | 3,917            |
| Unquoted Fixed Income Securities |   |                           |                      |                         |                  |
| - AA2                            | 1,006,763   | -                         | -                    | -                       | 1,006,763        |
| Other                            |   |                           |                      |                         |                  |
| - NR                             | -   | -                         | -                    | 31,937                  | 31,937           |
|                                  | <u>1,006,763</u>                                      | <u>5,384,427</u>          | <u>63,741</u>        | <u>31,937</u>           | <u>6,486,868</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 period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Fund Manager will determine the point within the bid-ask spread that is representative of the fair value.

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

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

## Fair value hierarchy

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

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

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

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

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

|  | Level 1    | Level 2   | Level 3 | Total      |
|--|------------|-----------|---------|------------|
|  | RM         | RM        | RM      | RM         |
| <u>2016</u>  |            |           |         |            |
| Financial assets at fair value through profit or loss: |            |           |         |            |
| Quoted securities                                      | 44,736,084 | -         | -       | 44,736,084 |
| Unquoted fixed income securities                       | -          | 1,011,022 | -       | 1,011,022  |
|  |            |           |         |            |
| <u>2015</u>  |            |           |         |            |
| Financial assets at fair value through profit or loss: |            |           |         |            |
| Quoted securities                                      | 40,389,875 | -         | -       | 40,389,875 |
| Unquoted fixed income securities                       | -          | 1,006,763 | -       | 1,006,763  |
|  |            |           |         |            |

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

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2 these

include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note E to the financial statements.

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

### **3. MANAGEMENT FEE**

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum of the net asset value of the Fund accrued and calculated on daily basis.

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

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.20% per annum of the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum.

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

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



## 5. TAXATION

|  | 6-months<br>financial<br>period ended<br>31.12.2016 | 6-months<br>financial<br>period ended<br>31.12.2015 |
|--|---|---|
|  | RM  | RM  |

Tax charged for the financial period:

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:

|  | 6-months<br>financial<br>period ended<br>31.12.2016 | 6-months<br>financial<br>period ended<br>31.12.2015 |
|--|---|---|
|  | RM  | RM  |
| Profit before taxation   | 1,645,994   | 1,963,698   |
| Tax at Malaysian statutory rate of 24%<br>(2015: 24%)          | 395,039   | 471,287   |
| Tax effect of:   |   |   |
| Investment income exempt from tax                              | (494,108)   | (560,933)   |
| Expenses not deductible for tax purposes                       | 26,287  | 23,346  |
| Restriction on tax deductible expenses for<br>Unit Trust Funds | 72,782  | 66,300  |
| Taxation   | -   | -   |

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

|  | 2016              | 2015              |
|--|-------------------|-------------------|
|  | RM                | RM                |
| Designated at fair value through profit or loss:                   |                   |                   |
| Quoted securities (Note 6 (i))                                     | 44,736,084        | 40,389,875        |
| Unquoted fixed income securities (Note 6 (ii))                     | 1,011,022         | 1,006,763         |
|  | <u>45,747,106</u> | <u>41,396,638</u> |
| Net gain on financial assets at fair value through profit or loss: |                   |                   |
| Realised gain on disposals   | 262,672           | 280,258           |
| Change in unrealised fair value gain                               | 1,201,810         | 1,468,240         |
|  | <u>1,464,482</u>  | <u>1,748,498</u>  |

### i. Quoted securities

| Name of counter                        | Quantity         | Aggregate cost   | Fair value as at | Percentage of net asset value of the Fund |
|--|------------------|------------------|------------------|---|
|  |                  |                  | 31.12.2016       |   |
|  | Units            | RM               | RM               | %   |
| <u>Construction</u>                    |                  |                  |                  |   |
| Gamuda Berhad                          | 44,133           | 11,033           | 53,401           | 0.11                                      |
| Malaysian Resources Corporation Berhad | 350,000          | 441,000          | 465,500          | 0.99                                      |
| ML Global Berhad                       | 1,800,000        | 1,350,000        | 1,503,000        | 3.20                                      |
| Protasco Berhad                        | 522,625          | 716,234          | 590,566          | 1.26                                      |
|  | <u>2,716,758</u> | <u>2,518,267</u> | <u>2,612,467</u> | <u>5.56</u>                               |
| <u>Consumer</u>                        |                  |                  |                  |   |
| Salutica Berhad                        | 693,400          | 596,020          | 880,618          | 1.88                                      |
| Texchem Resources Berhad               | 351,600          | 567,280          | 513,336          | 1.09                                      |
|  | <u>1,045,000</u> | <u>1,163,300</u> | <u>1,393,954</u> | <u>2.97</u>                               |

i. Quoted securities (continued)

| Name of counter                  | Quantity  | Aggregate cost | Fair value as at | Percentage of net asset value of the Fund |
|----------------------------------|-----------|----------------|------------------|---|
|                                  |           |                | 31.12.2016       |   |
|                                  | Units     | RM             | RM               | %   |
| <u>Consumer Product</u>          |           |                |                  |   |
| Heineken Malaysia Berhad         | 7,600     | 103,292        | 124,488          | 0.27                                      |
| <u>Finance</u>                   |           |                |                  |   |
| Syarikat Takaful Malaysia Berhad | 328,900   | 1,341,754      | 1,361,646        | 2.90                                      |
| <u>Health Care</u>               |           |                |                  |   |
| IHH Healthcare Berhad            | 348,800   | 1,535,290      | 2,214,880        | 4.72                                      |
| Karex Berhad                     | 1,500,137 | 2,598,109      | 3,540,323        | 7.55                                      |
| Kossan Rubber Industries Berhad  | 211,100   | 1,329,701      | 1,391,149        | 2.97                                      |
| KPJ Healthcare Berhad            | 163,800   | 578,304        | 684,684          | 1.46                                      |
| Top Glove Corporation Bhd        | 810,900   | 3,817,521      | 4,338,315        | 9.25                                      |
|                                  | 3,034,737 | 9,858,925      | 12,169,351       | 25.95                                     |
| <u>Industrial Product</u>        |           |                |                  |   |
| Cahaya Mata Sarawak Berhad       | 339,600   | 1,497,855      | 1,358,400        | 2.90                                      |
| Coastal Contracts Bhd            | 192,500   | 593,852        | 267,575          | 0.57                                      |
|                                  | 532,100   | 2,091,707      | 1,625,975        | 3.47                                      |
| <u>Manufacturing</u>             |           |                |                  |   |
| Pecca Group Berhad               | 493,200   | 785,491        | 784,188          | 1.67                                      |

i. Quoted securities (continued)

| Name of counter                     | Quantity         | Aggregate cost   | Fair value as at 31.12.2016 | Percentage of net asset value of the Fund |
|-------------------------------------|------------------|------------------|-----------------------------|---|
|                                     | Units            | RM               | RM                          | %   |
| <u>Properties</u>                   |                  |                  |                             |   |
| Eastern & Oriental Berhad           | 484,420          | 1,060,790        | 702,409                     | 1.50                                      |
| Eastern & Oriental Berhad – Warrant | 71,640           | -                | 9,313                       | 0.02                                      |
| IOI Properties Group Berhad         | 495,700          | 1,211,458        | 1,040,970                   | 2.22                                      |
| LBS Bina Group Berhad               | 1,192,600        | 1,773,173        | 1,991,642                   | 4.25                                      |
| Matrix Concepts Holdings Berhad     | 46,050           | -                | 17,960                      | 0.04                                      |
| Sentoria Group Berhad               | 1,043,900        | 992,426          | 835,120                     | 1.78                                      |
|                                     | <u>3,334,310</u> | <u>5,037,847</u> | <u>4,597,414</u>            | <u>9.81</u>                               |
| <u>Technology</u>                   |                  |                  |                             |   |
| Inari Amertron Berhad               | 1,000,918        | 2,496,117        | 3,323,048                   | 7.08                                      |
| Inari Amertron Berhad – Warrant     | 92,093           | -                | 152,874                     | 0.33                                      |
| N2N Connect Berhad                  | 1,506,800        | 1,354,312        | 1,137,634                   | 2.43                                      |
| Unisem (M) Berhad                   | 806,900          | 1,498,308        | 1,904,284                   | 4.06                                      |
| Vitrox Corporation Berhad           | 310,500          | 896,992          | 1,151,955                   | 2.46                                      |
|                                     | <u>3,717,211</u> | <u>6,245,729</u> | <u>7,669,795</u>            | <u>16.36</u>                              |

i. Quoted securities (continued)

| Name of counter   | Quantity          | Aggregate cost    | Fair value        | Percentage of net asset value of the Fund |
|---|-------------------|-------------------|-------------------|---|
|   |                   |                   | as at 31.12.2016  |   |
|   | Units             | RM                | RM                | %   |
| <u>Trading/Services</u>   |                   |                   |                   |   |
| Barakah Offshore Petroleum Berhad   | 386,600           | 338,294           | 259,022           | 0.55                                      |
| Datasonic Group Berhad  | 643,500           | 1,047,445         | 778,635           | 1.66                                      |
| Genting Bhd   | 119,000           | 944,349           | 952,000           | 2.03                                      |
| MY E.G. Services Berhad   | 2,437,200         | 2,567,289         | 3,680,172         | 7.85                                      |
| Sapurakencana Petroleum Berhad  | 2,621,600         | 4,009,298         | 4,246,992         | 9.05                                      |
| UMW Oil & Gas Corporation Berhad  | 1,905,000         | 2,892,054         | 1,666,875         | 3.55                                      |
| Uzma Berhad   | 478,300           | 915,020           | 813,110           | 1.73                                      |
|   | <u>8,591,200</u>  | <u>12,713,749</u> | <u>12,396,806</u> | <u>26.42</u>                              |
| <b>TOTAL QUOTED SECURITIES</b>  | <u>23,801,016</u> | 41,860,061        | <u>44,736,084</u> | 95.38                                     |
| <b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b> |                   |                   | <u>2,876,023</u>  |   |
| <b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>                  |                   |                   | <u>44,736,084</u> |   |

i. Quoted securities (continued)

| Name of counter                     | Quantity         | Aggregate cost   | Fair value as at | Percentage of net asset value of the Fund |
|-------------------------------------|------------------|------------------|------------------|---|
|                                     |                  |                  | 31.12.2015       | %   |
|                                     | Units            | RM               | RM               |   |
| <u>Construction</u>                 |                  |                  |                  |   |
| Gamuda Berhad                       | 264,800          | 1,287,973        | 1,233,968        | 2.64                                      |
| Protasco Berhad                     | 418,100          | 716,234          | 673,141          | 1.44                                      |
| Sunway Construction Group Berhad    | 19,780           | -                | 27,692           | 0.06                                      |
|                                     | <u>702,680</u>   | <u>2,004,207</u> | <u>1,934,801</u> | <u>4.14</u>                               |
| <u>Consumer</u>                     |                  |                  |                  |   |
| Kim Teck Cheong Consolidated Berhad | 3,377,300        | 506,595          | 1,418,466        | 3.04                                      |
| Texchem Resources Berhad            | 201,600          | 331,780          | 366,912          | 0.78                                      |
|                                     | <u>3,578,900</u> | <u>838,375</u>   | <u>1,785,378</u> | <u>3.82</u>                               |
| <u>Consumer Product</u>             |                  |                  |                  |   |
| Carlsberg Brewery Malaysia Berhad   | 29,900           | 384,871          | 349,830          | 0.75                                      |
| Guinness Anchor Berhad              | 27,600           | 375,112          | 365,424          | 0.78                                      |
| Karex Berhad                        | 502,425          | 858,459          | 2,075,015        | 4.44                                      |
| NTPM Holdings Berhad                | 99,000           | 76,839           | 86,625           | 0.19                                      |
|                                     | <u>658,925</u>   | <u>1,695,281</u> | <u>2,876,894</u> | <u>6.16</u>                               |
| <u>Finance</u>                      |                  |                  |                  |   |
| Allianz Malaysia Berhad             | 1,000            | 12,854           | 10,500           | 0.02                                      |
| Public Bank Berhad                  | 67,210           | 796,750          | 1,244,729        | 2.67                                      |
| Syarikat Takaful Malaysia Berhad    | 328,900          | 1,337,385        | 1,282,710        | 2.75                                      |
|                                     | <u>397,110</u>   | <u>2,146,989</u> | <u>2,537,939</u> | <u>5.44</u>                               |
| <u>Hotel</u>                        |                  |                  |                  |   |
| Landmarks Berhad                    | 382,700          | 515,526          | 382,700          | 0.82                                      |

i. Quoted securities (continued)

| Name of counter                           | Quantity         | Aggregate cost   | Fair value as at | Percentage of net asset value of the Fund |
|---|------------------|------------------|------------------|---|
|   |                  |                  | 31.12.2015       | of the Fund                               |
|   | Units            | RM               | RM               | %   |
| <u>Industrial Product</u>                 |                  |                  |                  |   |
| Cahaya Mata Sarawak Berhad                | 273,600          | 1,387,276        | 1,403,568        | 3.00                                      |
| Coastal Contracts Bhd                     | 207,600          | 640,435          | 381,984          | 0.82                                      |
| KNM Group Berhad                          | 794,000          | 397,000          | 404,940          | 0.87                                      |
| Press Metal Berhad                        | 693,000          | 1,657,372        | 1,448,370        | 3.10                                      |
| SKP Resources Bhd                         | 370,000          | 499,500          | 484,700          | 1.04                                      |
| Ta Ann Holdings Berhad                    | 49,500           | 198,651          | 248,490          | 0.53                                      |
|   | <u>2,387,700</u> | <u>4,780,234</u> | <u>4,372,052</u> | <u>9.36</u>                               |
| <u>Power/Utilities</u>                    |                  |                  |                  |   |
| Malakoff Corporation Berhad               | 769,900          | 1,375,420        | 1,231,840        | 2.64                                      |
| <u>Properties</u>                         |                  |                  |                  |   |
| Eastern & Oriental Berhad                 | 459,020          | 1,079,324        | 656,399          | 1.41                                      |
| Eastern & Oriental Berhad – Warrant       | 71,640           | -                | 12,537           | 0.03                                      |
| IOI Properties Group Berhad               | 411,500          | 1,014,819        | 925,875          | 1.98                                      |
| Matrix Concepts Holdings Berhad           | 322,350          | 868,595          | 802,652          | 1.72                                      |
| Matrix Concepts Holdings Berhad - Warrant | 46,050           | -                | 19,571           | 0.04                                      |
| Sentoria Group Berhad                     | 700,000          | 702,278          | 651,000          | 1.39                                      |
| Sunway Berhad                             | 67,800           | 204,582          | 208,824          | 0.45                                      |
| UEM Sunrise Berhad                        | 362,000          | 403,191          | 405,440          | 0.87                                      |
|   | <u>2,440,360</u> | <u>4,272,789</u> | <u>3,682,298</u> | <u>7.89</u>                               |

i. Quoted securities (continued)

| Name of counter                       | Quantity         | Aggregate cost   | Fair value as at | Percentage of net asset value of the Fund |
|---------------------------------------|------------------|------------------|------------------|---|
|                                       |                  |                  | 31.12.2015       |   |
|                                       | Units            | RM               | RM               | %   |
| <u>Technology</u>                     |                  |                  |                  |   |
| Inari Amertron Berhad                 | 475,375          | 1,053,366        | 2,177,218        | 4.66                                      |
| Inari Amertron Berhad<br>- Warrant    | 73,675           | -                | 195,976          | 0.42                                      |
| N2N Connect Berhad                    | 896,700          | 840,461          | 878,766          | 1.88                                      |
| Unisem (M) Berhad                     | 754,100          | 1,232,438        | 1,794,758        | 3.84                                      |
| Vitrox Corporation Berhad             | 310,500          | 896,992          | 1,068,120        | 2.29                                      |
|                                       | <u>2,510,350</u> | <u>4,023,257</u> | <u>6,114,838</u> | <u>13.09</u>                              |
| <u>Trading/Services</u>               |                  |                  |                  |   |
| <u>Barakah Offshore</u>               |                  |                  |                  |   |
| Petroleum Berhad                      | 687,100          | 601,246          | 611,519          | 1.31                                      |
| Berjaya Auto Berhad                   | 409,920          | 519,712          | 877,229          | 1.88                                      |
| Datasonic Group Berhad                | 249,100          | 471,148          | 348,740          | 0.75                                      |
| <u>Dayang Enterprise</u>              |                  |                  |                  |   |
| Holdings Berhad                       | 166,800          | 397,450          | 233,520          | 0.50                                      |
| IHH Healthcare Berhad                 | 382,000          | 1,681,424        | 2,513,560        | 5.38                                      |
| KPJ Healthcare Berhad                 | 223,800          | 790,137          | 944,436          | 2.02                                      |
| MY E.G. Services Berhad               | 407,700          | 934,715          | 1,761,264        | 3.77                                      |
| <u>SapuraKencana Petroleum Berhad</u> |                  |                  |                  |   |
| Berhad                                | 810,700          | 2,183,287        | 1,637,614        | 3.50                                      |
| Sime Darby Berhad                     | 183,600          | 1,375,715        | 1,422,900        | 3.05                                      |
| Telekom Malaysia Berhad               | 68,021           | 417,206          | 461,181          | 0.99                                      |
| Tenaga Nasional Berhad                | 171,700          | 2,037,202        | 2,287,044        | 4.90                                      |



i. Quoted securities (continued)

| Name of counter   | Quantity          | Aggregate cost    | Fair value as at  | Percentage of net asset value of the Fund |
|---|-------------------|-------------------|-------------------|---|
|   |                   |                   | 31.12.2015        |   |
|   | Units             | RM                | RM                | %   |
| Trading/Services (continued)  |                   |                   |                   |   |
| UMW Oil & Gas Corporation Berhad  | 750,000           | 1,971,288         | 802,500           | 1.72                                      |
| Uzma Berhad   | 348,300           | 731,148           | 696,600           | 1.49                                      |
| Westports Holdings Berhad   | 211,900           | 914,158           | 873,028           | 1.87                                      |
|   | <u>5,070,641</u>  | <u>15,025,836</u> | <u>15,471,135</u> | <u>33.13</u>                              |
| <b>TOTAL QUOTED SECURITIES</b>  | <u>18,899,266</u> | <u>36,677,914</u> | <u>40,389,875</u> | <u>86.49</u>                              |
| <b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b> |                   | <u>3,711,961</u>  |                   |   |
| <b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>                  |                   |                   | <u>40,389,875</u> |   |

ii. Unquoted fixed income securities

| Name of counter   | Quantity         | Carrying cost  | Fair value       | Percentage of net asset value of the Fund |
|---|------------------|----------------|------------------|---|
|   |                  |                | as at 31.12.2016 |   |
|   | Units            | RM             | RM               | %   |
| 5.10% Gulf Investment Corporation G.S.C 16.3.2021 (AAA)                                     | 1,000,000        | 1,018,333      | 1,011,022        | 2.16                                      |
| <b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>   | <u>1,000,000</u> | 1,018,333      | <u>1,011,022</u> | 2.16                                      |
| <b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b> |                  | <u>(7,311)</u> |                  |   |
| <b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>                  |                  |                | <u>1,011,022</u> |   |

ii. Unquoted fixed income securities (continued)

| Name of counter   | Quantity         | Carrying cost    | Fair value as at | Percentage of net asset value of the Fund |
|---|------------------|------------------|------------------|---|
|   |                  |                  | 31.12.2015       |   |
|   | Units            | RM               | RM               | %   |
| 4.35% Hong Leong Bank Berhad 5.5.2016 (AA2)   | 1,000,000        | 1,007,242        | 1,006,763        | 2.16                                      |
| <b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>   | <u>1,000,000</u> | <u>1,007,242</u> | <u>1,006,763</u> | <u>2.16</u>                               |
| <b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b> |                  | <u>(479)</u>     |                  |   |
| <b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>                  |                  |                  | <u>1,006,763</u> |   |

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

|                                  | 2016        | 2015        |
|----------------------------------|-------------|-------------|
|                                  | %           | %           |
| Unquoted fixed income securities | <u>5.19</u> | <u>4.33</u> |

## 7. CASH AND CASH EQUIVALENTS

|   | 2016             | 2015             |
|---|------------------|------------------|
|   | RM               | RM               |
| Bank balance with a licensed bank             | 25,826           | 63,757           |
| Deposit with a licensed financial institution | 1,060,232        | 5,320,670        |
|   | <u>1,086,058</u> | <u>5,384,427</u> |

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

|   | 2016        | 2015        |
|---|-------------|-------------|
|   | %           | %           |
| Deposit with a licensed financial institution | <u>4.00</u> | <u>4.60</u> |

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

## 8. UNITS IN CIRCULATION

|   | 2016               | 2015               |
|---|--------------------|--------------------|
|   | No. of units       | No. of units       |
| At the beginning of the financial period                                | 51,549,480         | 46,969,157         |
| Creation of units arising from applications during the financial period | 1,129,388          | 2,170,163          |
| Cancellation of units during the financial period                       | <u>(3,060,310)</u> | <u>(1,953,378)</u> |
| At the end of the financial period                                      | <u>49,618,558</u>  | <u>47,185,942</u>  |

## 9. TRANSACTIONS WITH BROKERS/DEALERS

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

| Name of brokers/<br>dealers                  | Value of<br>trades | Percentage<br>of total<br>trades | Brokerage<br>fees | Percentage<br>of total<br>brokerage<br>fees |
|--|--------------------|----------------------------------|-------------------|---|
|  | RM                 | %                                | RM                | %   |
| <u>2016</u>                                  |                    |                                  |                   |   |
| RHB Investment Bank<br>Berhad                | 3,975,921          | 18.86                            | 13,629            | 20.03                                       |
| CIMB Investment Bank<br>Berhad               | 3,647,471          | 17.30                            | 13,087            | 19.23                                       |
| Affin Hwang Investment<br>Bank Berhad        | 2,575,838          | 12.22                            | 8,089             | 11.89                                       |
| AmInvestment Bank<br>Berhad                  | 2,294,348          | 10.88                            | 3,003             | 4.41  |
| Citigroup Global<br>Markets (M) Sdn Bhd      | 1,340,671          | 6.36                             | 4,742             | 6.97  |
| Nomura Securities<br>Malaysia Sdn Bhd        | 1,308,491          | 6.21                             | 4,526             | 6.65  |
| Maybank Investment<br>Bank Berhad            | 1,056,650          | 5.01                             | 3,336             | 4.90  |
| Public Investment Bank<br>Berhad             | 945,013            | 4.48                             | 3,405             | 5.01  |
| UOB Kay Hian Securities<br>(M) Sdn Bhd       | 866,180            | 4.11                             | 3,016             | 4.43  |
| J.P. Morgan Securities<br>(Malaysia) Sdn Bhd | 802,395            | 3.81                             | 2,582             | 3.80  |
| Others                                       | 2,267,351          | 10.76                            | 8,625             | 12.68                                       |
|  | <b>21,080,329</b>  | <b>100.00</b>                    | <b>68,040</b>     | <b>100.00</b>                               |

Details of transactions, primarily cash placements with financial institutions for the financial period ended 31 December 2016 are as follows:

| <b>Financial institutions</b> | <b>Value of placements</b> | <b>Percentage of total placements</b> |
|-------------------------------|----------------------------|---------------------------------------|
|                               | <b>RM</b>                  | <b>%</b>                              |
| CIMB Bank Berhad              | 592,050,000                | 93.32                                 |
| Malayan Banking Berhad        | 42,370,000                 | 6.68                                  |
|                               | <u>634,420,000</u>         | <u>100.00</u>                         |

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

| Name of brokers/<br>dealers                       | Value of<br>trades | Percentage<br>of total<br>trades | Brokerage<br>fees | Percentage<br>of total<br>brokerage<br>fees |
|---|--------------------|----------------------------------|-------------------|---|
|   | RM                 | %                                | RM                | %   |
| <u>2015</u>                                       |                    |                                  |                   |   |
| Kenanga Investment<br>Bank Berhad                 | 2,822,592          | 20.66                            | 12,207            | 23.22                                       |
| Maybank Investment<br>Bank Berhad                 | 2,640,135          | 19.32                            | 8,636             | 16.43                                       |
| Nomura Securities<br>Malaysia Sdn Bhd             | 2,144,683          | 15.70                            | 7,352             | 13.99                                       |
| Credit Suisse Securities<br>(Malaysia) Sdn Bhd    | 1,653,990          | 12.10                            | 5,309             | 10.10                                       |
| RHB Investment Bank<br>Berhad                     | 1,150,204          | 8.42                             | 7,480             | 14.23                                       |
| CIMB Investment Bank<br>Berhad                    | 997,838            | 7.30                             | 3,444             | 6.55  |
| Affin Hwang Investment<br>Bank Berhad             | 939,732            | 6.88                             | 3,389             | 6.46  |
| Public Investment Bank<br>Berhad                  | 843,364            | 6.17                             | 2,903             | 5.52  |
| KAF Seagroatt &<br>Campbell Securities<br>Sdn Bhd | 232,008            | 1.70                             | 889               | 1.69  |
| J.P. Morgan Securities<br>(Malaysia) Sdn Bhd      | 125,080            | 0.91                             | 497               | 0.95  |
| Others  | 114,355            | 0.84                             | 455               | 0.86  |
|   | <b>13,663,981</b>  | <b>100.00</b>                    | <b>52,561</b>     | <b>100.00</b>                               |

Details of transactions, primarily cash placements with financial institutions for the financial period ended 31 December 2015 are as follows:

| Financial institutions | Value of placements | Percentage of total placements |
|------------------------|---------------------|--------------------------------|
|                        | RM                  | %                              |
| CIMB Bank Berhad       | 827,580             | 78.96                          |
| Malayan Banking Berhad | 220,510             | 21.04                          |
|                        | <u>1,048,090</u>    | <u>100.00</u>                  |

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

## 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 | <u>1,270</u> | <u>1,201</u> | <u>1,218</u> | <u>1,205</u> |

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 | 0.72 | 0.70 |

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (inclusive GST charges)

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

The average net asset value of the Fund for the financial period calculated on a daily basis is RM47,563,856 (2015: RM43,336,405).

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

|             | 2016 | 2015 |
|-------------|------|------|
| PTR (times) | 0.22 | 0.16 |

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM15,392,773 (2015: RM10,423,258)

total disposals for the financial period = RM5,667,877 (2015: RM3,229,579)

### **13. SEGMENTAL INFORMATION**

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

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

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

### **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

50350 Kuala Lumpur

BUSINESS OFFICE

Level 12, Menara Prudential

No. 10, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2052 3388

FAX NO.

603-2070 6129

EMAIL

cs.my@eastspring.com

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

REGISTERED OFFICE  
Level 18, Menara IMC  
No. 8, Jalan Sultan Ismail  
50250 Kuala Lumpur

BUSINESS OFFICE  
Level 18-20, Menara IMC  
No. 8, Jalan Sultan Ismail  
50250 Kuala Lumpur

TELEPHONE NO.  
603-2053 6788

FAX NO.  
603-2031 8710

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

NAME

KARVY COMPUTERSHARE  
(MALAYSIA) SDN BHD

COMPANY NO.  
1178655-U

REGISTERED OFFICE  
16<sup>th</sup> Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur

BUSINESS OFFICE  
Suite 16.1, Level 16, Menara IMC  
No. 8, Jalan Sultan Ismail  
50250 Kuala Lumpur

TELEPHONE NO.  
603-2022 4900

FAX NO.  
603-2022 4099

**COMPANY SECRETARY OF  
THE MANAGER**

NAME

VIJEY A/L R. MOHANA KRISHNAN  
(BCN/143)

ADDRESS  
RDL Corporate Services Sdn Bhd  
16<sup>th</sup> Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur

TELEPHONE NO.  
603-2694 9999

**TRUSTEE**

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE &  
BUSINESS OFFICE

Level 20, Menara IMC  
No. 8, Jalan Sultan Ismail  
50250 Kuala Lumpur

TELEPHONE NO.

603-2053 7522

FAX NO.

603-2053 7526

**TRUSTEE'S DELEGATE - CUSTODIAN**

NAME

DEUTSCHE BANK (MALAYSIA) BERHAD

COMPANY NO.

312552-W

REGISTERED OFFICE

Level 18, Menara IMC  
No. 8, Jalan Sultan Ismail  
50250 Kuala Lumpur

BUSINESS OFFICE

Level 18-20, Menara IMC  
No. 8, Jalan Sultan Ismail  
50250 Kuala Lumpur

TELEPHONE NO.

603-2053 6788

FAX NO.

603-2031 8710

**TAXATION ADVISER OF  
THE FUND**

NAME

PRICEWATERHOUSECOOPERS  
TAXATION SERVICES SDN BHD

ADDRESS

Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
PO Box 10192  
50706 Kuala Lumpur

TELEPHONE NO.

603-2173 1188

**AUDITORS OF THE MANAGER**

NAME

KPMG

ADDRESS

Level 10, KPMG Tower  
No. 8, First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor

TELEPHONE NO.

603-7721 3388

**AUDITORS AND REPORTING  
ACCOUNTANT OF THE FUND**

NAME

PRICEWATERHOUSECOOPERS

ADDRESS

Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
PO Box 10192  
50706 Kuala Lumpur

TELEPHONE NO.

603-2173 1188

**PRINCIPAL BANKERS**

NAME

DEUTSCHE BANK (MALAYSIA) BERHAD

ADDRESS

Level 18, Menara IMC  
No. 8, Jalan Sultan Ismail  
50250 Kuala Lumpur

TELEPHONE NO.

603-2053 6788

NAME

MALAYAN BANKING BERHAD

ADDRESS

No. 100, Jalan Tun Perak  
50050 Kuala Lumpur

TELEPHONE NO.

603-2070 8833

NAME

STANDARD CHARTERED BANK  
MALAYSIA BERHAD

ADDRESS

Level 16, Menara Standard Chartered  
No. 30, Jalan Sultan Ismail  
50250 Kuala Lumpur

TELEPHONE NO.

603-2117 7777

NAME

HSBC BANK MALAYSIA BERHAD

ADDRESS

No. 2, Leboh Ampang  
50100 Kuala Lumpur

TELEPHONE NO.

603-2075 3000

**SOLICITORS**

NAME

MESSRS NAQIZ & PARTNERS

ADDRESS

No. 42A, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur

TELEPHONE NO.

603-2081 7888

**FEDERATION OF INVESTMENT  
MANAGERS MALAYSIA (FiMM)**

ADDRESS

19-06-1, 6<sup>th</sup> Floor  
Wisma Tune  
No. 19, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur

TELEPHONE NO.  
603-2093 2600

FAX NO.  
603-2093 2700

EMAIL  
info@fimm.com.my

WEBSITE  
www.fimm.com.my

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

Level 12, Menara Prudential  
No. 10, Jalan Sultan Ismail  
50250 Kuala Lumpur

TELEPHONE NO.  
603-2332 1000

FAX NO.  
603-2052 3366

**BRANCHES**

**Petaling Jaya**

Eastspring Investments Berhad  
A-17-P1 & M  
Block A, Jaya One  
72A, Jalan Universiti  
46200 Petaling Jaya, Selangor

TELEPHONE NO.  
603-7948 1288

**Kota Kinabalu**

Eastspring Investments Berhad  
Suite E3, 9<sup>th</sup> Floor  
CPS Tower, Centre Point Sabah  
No. 1, Jalan Centre Point  
88000 Kota Kinabalu, Sabah

TELEPHONE NO.  
6088-238 613

**ENQUIRIES**

CLIENT SERVICES  
603-2332 1000

Eastspring Investments Berhad (531241-U)  
Level 12, Menara Prudential  
No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur  
T: (603) 2052 3388 F: (603) 2070 6129  
[eastspringinvestments.com.my](http://eastspringinvestments.com.my)

Client Services  
T: (603) 2332 1000 F: (603) 2052 3366  
[cs.my@eastspring.com](mailto:cs.my@eastspring.com)