

# EASTSPRING INVESTMENTS ASIA PACIFIC EX-JAPAN TARGET RETURN 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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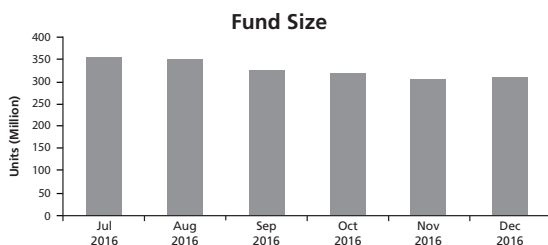
## FUND INFORMATION

<b>Name of Fund</b>	Eastspring Investments Asia Pacific ex-Japan Target Return Fund (the "Fund")
<b>Fund Category/ Type</b>	Equity/growth
<b>Fund Objective</b>	The Fund seeks to provide capital appreciation by investing in securities in the Asia Pacific ex-Japan region.
<b>Performance Benchmark</b>	<p>The performance benchmark of the Fund is 8% growth of NAV per annum over the medium to long-term.</p> <p><b>Note:</b> This is not a guaranteed return and is only a measurement of the Fund's performance. The Fund may not achieve the targeted return of 8% growth of NAV per annum in any particular financial year but strives to achieve this return over the medium to long-term.</p>
<b>Fund Income Distribution Policy</b>	Annual, 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 Asia Pacific ex-Japan Target Return Fund stood at 309.819 million units.

**Breakdown of Unit Holdings**

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	298	20.51	815	0.26
5,001 to 10,000 units	200	13.76	1,522	0.49
10,001 to 50,000 units	556	38.27	13,882	4.48
50,001 to 500,000 units	341	23.47	49,277	15.91
500,001 units and above	58	3.99	244,321	78.86
<b>Total</b>	<b>1,453</b>	<b>100.00</b>	<b>309,817</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER

Category	2016	2015	Since commencement 3.11.2014 to 30.6.2015
	(%)	(%)	(%)
<b>Quoted Securities</b>			
Conglomerate	-	1.22	1.75
Construction	-	-	0.03
Consumer	-	1.04	1.06
Consumer Discretionary	8.99	8.28	5.36
Consumer Goods	2.07	11.77	3.18
Consumer Services	-	5.76	3.29
Consumer Staple	14.40	5.21	0.41
Energy	2.50	0.97	-
ETF	-	-	2.89
Financial	14.16	15.41	21.93
Health Care	8.00	10.31	2.71
Industrial	7.75	5.09	8.30
Information Technology	11.57	0.57	1.05
Manufacturing	-	1.01	3.39
Material	0.94	-	-
Properties	-	3.31	3.37
Technology	-	8.85	11.34
Telecommunication	5.42	2.79	3.08
Utilities	6.81	4.28	3.16
Total quoted securities	82.61	85.87	76.30
Cash and other assets	17.39	14.13	23.70
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## KEY PERFORMANCE DATA (CONTINUED)

Category	2016	2015	Since commencement 3.11.2014 to 30.6.2015
Net Asset Value (NAV) (RM'000)	155,070	187,753	177,645
Units In Circulation (Units '000)	309,819	360,122	330,260
Net Asset Value Per Unit (RM)	0.5005	0.5214	0.5379
Highest Net Asset Value Per Unit (RM)#	0.5245	0.5214	0.5514
Lowest Net Asset Value Per Unit (RM)#	0.4879	0.5197	0.4968
Total Return (%)			
Capital Growth	2.31	(3.07)	7.58
Income Distribution	2.33	4.21	-
Total Return (%)	4.69	1.01	7.58
Gross Distribution Per Unit (RM)	0.0114	0.0219	-
Net Distribution Per Unit (RM)	0.0114	0.0219	-
Management Expense Ratio (MER) (%)*	1.04	0.95	1.40
Portfolio Turnover Ratio (PTR) (times)^	0.84	0.52	0.99

# Figures shown as ex-distribution.

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

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

## KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.1.2016 to 31.12.2016	Since commencement 3.11.2014 to 31.12.2016
	(%)	(%)
Average total return	(1.78)	3.05

Year ended	1.7.2015 to 30.6.2016	Since commencement 3.11.2014 to 30.6.2016
	(%)	(%)
Annual total return	(5.22)	7.58

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

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

$$\begin{aligned} \text{Percentage growth} &= \frac{\text{NAV}_t}{\text{NAV}_0} - 1 \\ \text{NAV}_t &= \text{NAV at the end of the period} \\ \text{NAV}_0 &= \text{NAV at the beginning of the period} \\ \text{Performance annualised} &= (1 + \text{Percentage Growth})^{1/n} - 1 \\ n &= \text{Number of years} \end{aligned}$$

**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

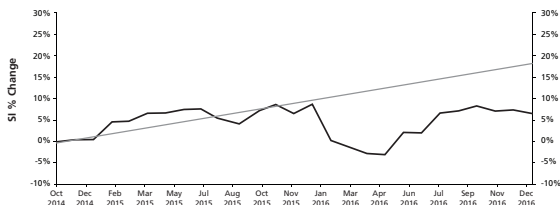
Since inception, the Fund recorded a return of 6.74%, underperforming the benchmark return of 18.15% by 11.41%.

During the period under review, the Fund registered a return of 4.69%, outperforming the benchmark return of 3.92% by 0.77%.

The positive return was very much helped by the broad base positive returns generated by the regional markets and the weaker Ringgit against our neighbors.

The less than stellar performance since inception can be attributed to some poor stock selections. For example in the period under review, the Fund performance was hurt by their exposure in the consumer discretionary stocks in Korea as the sector came under intense selling pressure as growth rates slowed and concerns over restrictions from China weighed on sentiment.

Eastspring Investments Asia Pacific ex-Japan Target Return Fund  
- Since Inception (SI) Return Vs Benchmark



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

**Benchmark:** The performance benchmark of the Fund is 8% growth of NAV per annum over the medium to long-term.

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

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

## MANAGER'S REPORT (CONTINUED)

## Analysis of Fund Performance

For the financial period ended 31 December 2016:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
2.33	2.31	4.69	3.92

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

Distribution/  
Unit Split

Ex-date	27-Dec-16
Distribution Per Unit	(RM)
Gross	0.0114
Net	0.0114

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

Ex-date	27-Dec-16
	(RM per Unit)
Net Asset Value before distribution	0.5014
Less: distribution	<u>(0.0114)</u>
Net Asset Value after distribution	<u>0.4900</u>

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

## MANAGER'S REPORT (CONTINUED)

### Investment Strategy During Period Under Review

The Fund Manager continues to look for new stock ideas and took gains on profitable positions and exit positions which have seen unfavorable changes to the company dynamics. The Fund Manager favors well managed companies backed by healthy balance sheets and strong cash flow with decent and sustainable earnings growth, preferably trading at attractive valuations.

With confidence rising on a more sustainable recovery on the back of greater monetary and fiscal stimulus across major economies, the Fund has started gradually shifting their exposure from the more defensive consumer and yield plays to some cyclical and commodity related exposures.

### Asset Allocation

Asset Allocation	31-Dec 2016 (%)	30-Jun 2016 (%)	Changes (%)
Quoted securities	82.61	83.61	(1.00)
Cash and other assets	17.39	16.39	1.00

#### Asset Allocation as at 31 December 2016

Cash and other assets  
17.39%



Quoted securities  
82.61%

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

## MANAGER'S REPORT (CONTINUED)

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### **State of Affairs of the Fund**

There have been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

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

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

## MARKET REVIEW

Malaysian equities as represented by FTSE Bursa Malaysia (“FBM”) 100 managed to close the period up even as market was dragged down by the telco sector given intense competition and price war in the industry, whilst the property sector continued to be weak. Similarly in Singapore, the telco sector was weak with concern of the 4<sup>th</sup> player disrupting the market.

Thailand performed well with improvement across the board sans the telco sector. This comes on the back of a successful referendum for political reform which carves the path to democracy and elections in 2H2017.

Indonesia also did well as the market was buoyed by the tax amnesty program announced by the Government where Fitch subsequently revised the country’s rating outlook to Positive.

Philippines was the worst performing market with the Philippine Composite Index (“PCI”) down -11.74% as heightened political noise around President Duterte and negative impact of nationalistic approach in the United States of America (“US”) led to foreigners’ outflows.

The Hong Kong/China markets traded in volatile fashion over the course of the second part of 2016, with 2 contrasting halves. The third quarter of 2016 marked an inflection point for China as corporate earnings reflected a solid first half of growth for the economy. Macroeconomic data released during the period pointed to further improvement in earnings, with producer prices continuing its uptick as commodity prices staged a rebound on the back of supply cuts and restocking demand. Meanwhile, the Chinese consumer continued to prove resilient with automobile sales posting strong gains while retail numbers also surprised to the upside. Property sales continued to flourish across major cities even as the government moved to tighten policy measures to control the strong surge in prices. In Hong Kong (“HK”), the HK Stock Exchange announced the approval of the HK-Shenzhen connect to allow Shenzhen and HK investors easier cross-trading access. All these factors led to the Hang Seng Index (“HSI”) and Hang Seng China Enterprises Index (“HSCEI”) rallying 12% and 10% respectively during the third quarter period.

Over in Taiwan, the Taiwan Stock Exchange (“TWSE”) index was up 5.8%. This was despite lukewarm reception to the newly launched Apple Iphone 7 as strong Chinese smartphone sales such as those of Oppo and Vivo quickly gained market share at the expense of Apple and Samsung, further supporting share prices of the technology sector heavy Taiwan index.

After the good performance in Q3, the markets suffered a pullback in the 4<sup>th</sup> quarter on the back of continued policy tightening in China's property market. Meanwhile, the Renminbi ("RMB") slid on the back of Donald Trump's unexpected US Presidential election victory, leading to increased capital outflows and the Central Bank having to intervene to stem the pace of outflows. Trump's victory gave way to a stronger United States Dollar ("USD"), higher inflation and trade protectionism which did not augur well with Asian stock markets. There was a pullback across the markets during the quarter but still managed to produce positive gains on the back of a stellar 3<sup>rd</sup> quarter rally.

Korea closed in positive territory even as consumer discretionary names came under intense selling pressure as growth rates slowed and concerns over restrictions from China weighed on sentiment.

India continued on a positive note as the government further liberalised foreign direct investment ("FDI") across nine sectors including defense, pharmaceuticals, civil aviation, and single brand retail. The passage of the goods and services tax ("GST") Bill is also a sign that Modi's government remains committed to reform. However, the unexpected forced exchange of the two largest bills of issue in a "demonetisation" move resulted in some short term negative impact on the domestic economy. In the longer term, it can be viewed as a positive move to eliminate tax evaders within the country and counterfeit currency in the system.

Overall, the region traded in the positive territory in the 3<sup>rd</sup> quarter 2016 as investors start to price in greater monetary and fiscal stimulus across major economies. However towards the end of 4<sup>th</sup> quarter 2016, Donald Trump's unexpected US Presidential election victory lead to increase capital outflows from the region. Despite the pullback in 4<sup>th</sup> quarter, most regional markets still managed to produce positive gains.

## 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 ASIA PACIFIC EX-JAPAN TARGET RETURN 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 16 to 71 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 ASIA PACIFIC EX-JAPAN TARGET RETURN FUND

We have acted as Trustee for Eastspring Investments Asia Pacific ex-Japan Target Return Fund (the "Fund") for 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.

We are of the view that the distribution made during this financial period ended 31 December 2016 by the Manager is not inconsistent with the objectives of the Fund.

**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 financial period ended 31.12.2016	6-months financial period ended 31.12.2015
		RM	RM
<b>INVESTMENT INCOME</b>			
Gross dividend income		2,184,674	1,663,274
Interest income from deposits with licensed financial institutions		63,881	464,651
Net gain on foreign currency exchange		2,454,839	3,166,362
Net gain/(loss) on financial assets at fair value through profit or loss	7	6,342,058	(441,467)
		<u>11,045,452</u>	<u>4,852,820</u>
<b>EXPENSES</b>			
Management fee	3	(1,530,491)	(1,692,033)
Trustee fee	4	(68,022)	(75,201)
Audit fee		(3,781)	(5,773)
Tax agent fee		(1,715)	(1,709)
Transaction costs		(827,927)	(605,078)
GST charges		(96,383)	(106,034)
Other expenses		(57,842)	(10,832)
		<u>(2,586,161)</u>	<u>(2,496,660)</u>
<b>PROFIT BEFORE TAXATION</b>		8,459,291	2,356,160
<b>TAXATION</b>	5	<u>(86,505)</u>	<u>(113,763)</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>8,372,786</u>	<u>2,242,397</u>
Profit after taxation is made up of the following:			
Realised amount		15,689,512	4,266,540
Unrealised amount		(7,316,726)	(2,024,143)
		<u>8,372,786</u>	<u>2,242,397</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	6-months financial period ended 31.12.2016	6-months financial period ended 31.12.2015
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	8	27,280,667	35,547,091
Amount due from brokers		144,056	5,994,132
Amount due from Manager		1,713	641,938
Dividends receivable		33,663	133,231
Financial assets at fair value through profit or loss	7	128,106,549	161,226,695
<b>TOTAL ASSETS</b>		<u>155,566,648</u>	<u>203,543,087</u>
<b>LIABILITIES</b>			
Amount due to brokers		-	14,653,160
Amount due to Manager		180,021	779,470
Accrued management fee		236,380	283,527
Amount due to Trustee		10,506	12,601
GST charges payable		14,813	17,768
Other payables and accruals		55,042	43,531
<b>TOTAL LIABILITIES</b>		<u>496,762</u>	<u>15,790,057</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>155,069,886</u>	<u>187,753,030</u>
<b>EQUITY</b>			
Unit holders' capital		156,642,996	182,668,531
(Accumulated loss)/retained earnings		(1,573,110)	5,084,499
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>155,069,886</u>	<u>187,753,030</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>309,819,363</u>	<u>360,121,806</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)</b>		<u>0.5005</u>	<u>0.5214</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

	Note	Unit holders' capital	(Accumulated loss)/ retained earnings	Total
		RM	RM	RM
Balance as at 1 July 2016		181,810,721	(6,489,478)	175,321,243
Movement in unit holders' contribution:				
Creation of units from applications		7,137,250	-	7,137,250
Creation of units from distribution		3,422,346	-	3,422,346
Cancellation of units		(35,727,321)	-	(35,727,321)
Total comprehensive income for the financial period		-	8,372,786	8,372,786
Distribution (Gross/Net: 1.14 sen per unit)	6	-	(3,456,418)	(3,456,418)
Balance as at 31 December 2016		<u>156,642,996</u>	<u>(1,573,110)</u>	<u>155,069,886</u>
Balance as at 1 July 2015		170,422,093	7,223,080	177,645,173
Movement in unit holders' contribution:				
Creation of units from applications		40,148,525	-	40,148,525
Creation of units from distribution		7,556,591	-	7,556,591
Cancellation of units		(32,270,344)	-	(32,270,344)
Total comprehensive income for the financial period		-	2,242,397	2,242,397
Distribution (Gross/Net: 2.19 sen per unit)	6	(3,188,334)	(4,380,978)	(7,569,312)
Balance as at 31 December 2015		<u>182,668,531</u>	<u>5,084,499</u>	<u>187,753,030</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 CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	Note	6-months financial period ended 31.12.2016	6-months financial period ended 31.12.2015
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		153,956,284	78,831,885
Purchase of investments		(131,886,903)	(96,573,905)
Dividend received		2,573,172	2,195,969
Interest received		63,881	464,651
Management fee paid		(1,553,185)	(1,664,210)
Trustee's fee paid		(69,030)	(73,965)
Payment for other fees and expenses		(170,713)	(110,923)
Net foreign currency exchange gain		2,454,839	2,827,181
Net cash generated from/(used in) operating activities		<u>25,368,345</u>	<u>(14,103,317)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		7,275,735	41,999,940
Payments for cancellation of units		<u>(36,457,502)</u>	<u>(32,103,834)</u>
Net cash (used in)/generated from financing activities		<u>(29,181,767)</u>	<u>9,896,106</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		(3,813,422)	(4,207,211)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>			
		<u>31,094,089</u>	<u>39,754,302</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>			
	8	<u>27,280,667</u>	<u>35,547,091</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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note L to the financial statements.

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

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

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

ii. Financial year beginning on/after 1 July 2018

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

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

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

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

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

- MFRS 15 “Revenue from contracts with customers” (effective from 1 January 2018) replaces MFRS 118 ‘Revenue’ and MFRS 111 “Construction contracts” and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.



Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

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

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

Key provisions of the new standard are as follows:

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

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

## **B. INCOME RECOGNITION**

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

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 investments is accounted for as the difference

between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

## **C. TAXATION**

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

Tax on dividend income from foreign quoted securities is based on the tax regime of the respective countries that the Fund invested in.

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

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

## **E. FOREIGN CURRENCY TRANSLATION**

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

## **F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

### **i. Classification**

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

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

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

The Fund's loans and receivables comprise amount due from brokers, amount due from Manager, dividends receivable and cash and cash equivalents 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 which include amount due to Manager, accrued management fee, amount due to Trustee, other payables and accruals and GST charges payable.

## ii. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. 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; i.e when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' 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. In accordance with the Deed, 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.

Quoted securities outside Malaysia are valued at the market last done prices quoted of the respective foreign stock exchanges as 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 when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

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

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

Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest 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 the statement of comprehensive income. If loans and receivables have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

## **G. CASH AND CASH EQUIVALENTS**

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

## **H. DISTRIBUTION**

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

## **I. UNIT HOLDERS' CAPITAL**

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

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

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

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

## **J. 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.

## **K. 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.

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

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

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

# NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016

### 1. INFORMATION ON THE FUND

Eastspring Investments Asia Pacific ex-Japan Target Return Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 24 April 2014 as modified by a Supplemental Deed dated 21 July 2014 and the Second Supplemental Deed dated 2 January 2015 entered into between Eastspring Investments Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee") (collectively referred to as the "Deed").

The Fund was launched on 10 October 2014 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund seeks to provide capital appreciation by investing in securities in the Asia Pacific ex-Japan region.

The Fund seeks to achieve its objective by investing in equities and equity-related securities, such as rights and warrants, which are listed on the Asia Pacific ex-Japan exchanges. The Fund's investments may also include liquid assets. The Fund will invest in markets where the regulatory authority is a member of IOSCO. The markets where the Fund will invest in include but not limited to Australia, Hong Kong, India, Indonesia, Malaysia, New Zealand, South Korea, Chinese Taipei, Vietnam, Singapore, Philippines and Thailand.

All investments will be subjected to the SC Guidelines on Unit Trust Funds, the Deed except where exemptions or variations have been approved by the Securities Commission, internal policies and procedures and the Fund's objective.

The Manager is a company incorporated in Malaysia and is related to Prudential Plc., a public listed company in the United Kingdom. The principal activity of the Manager is the establishment and management of unit trust funds and asset management.



## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2016</u>				
Cash and cash equivalents	8	27,280,667	-	27,280,667
Amount due from brokers		144,056	-	144,056
Amount due from Manager		1,713	-	1,713
Dividends receivable		33,663	-	33,663
Quoted securities	7	-	128,106,549	128,106,549
		<u>27,460,099</u>	<u>128,106,549</u>	<u>155,566,648</u>
<u>2015</u>				
Cash and cash equivalents	8	35,547,091	-	35,547,091
Amount due from brokers		5,994,132	-	5,994,132
Amount due from Manager		641,938	-	641,938
Dividends receivable		133,231	-	133,231
Quoted securities	7	-	161,226,695	161,226,695
		<u>42,316,392</u>	<u>161,226,695</u>	<u>203,543,087</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 so that the collapse of any one of the 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 which are exposed to price risk:

	2016	2015
	RM	RM
Quoted securities designated at fair value through profit or loss	128,106,549	161,226,695

The following table summarises the sensitivity of the Fund's net asset value and profit after tax to movements in prices of quoted securities at the end of the reporting period. The analysis is based on the assumptions that the market price of the quoted 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, having regard to the historical volatility of the prices.

% Change in price of financial assets at fair value through profit or loss	Market value	Increase/(decrease) in profit after tax and net asset value
	RM	RM
2016		
+5%	134,511,876	6,405,327
-5%	121,701,222	(6,405,327)

% Change in price of financial assets at fair value through profit or loss	Market value	Increase/(decrease) in profit after tax and net asset value
	RM	RM
2015		
+5%	169,288,030	8,061,335
-5%	153,165,360	(8,061,335)

ii. Interest rate risk

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

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

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

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

iii. Foreign exchange/currency risk

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

In the normal course of investment, the Fund Manager will usually not hedge foreign currency exposure. The Fund Manager may however depending on

prevailing market circumstances at a particular point in time, choose to use forward or option contracts for hedging and risk reduction purposes.

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

	<b>Financial assets at fair value through profit or loss</b>	<b>Cash and cash equivalents</b>	<b>Dividends receivable</b>	<b>Amount due from brokers</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2016</u>					
AUD	7,801,734	-	33,663	-	7,835,397
HKD	23,718,528	-	-	-	23,718,528
IDR	16,287,538	-	-	-	16,287,538
INR	11,520,608	-	-	-	11,520,608
KRW	12,948,547	-	-	-	12,948,547
PHP	9,886,779	-	-	-	9,886,779
SGD	12,247,954	-	-	144,056	12,392,010
THB	12,908,912	-	-	-	12,908,912
TWD	7,884,084	-	-	-	7,884,084
USD	-	23,720,689	-	-	23,720,689
	<b>115,204,684</b>	<b>23,720,689</b>	<b>33,663</b>	<b>144,056</b>	<b>139,103,092</b>
<u>2015</u>					
AUD	19,329,958	-	70,814	-	19,400,772
HKD	50,255,548	-	62,417	3,974,257	54,292,222
INR	22,437,905	-	-	-	22,437,905
IDR	7,585,174	-	-	-	7,585,174
KRW	11,854,918	-	-	-	11,854,918
PHP	10,538,772	-	-	-	10,538,772
SGD	8,124,632	-	-	2,019,875	10,144,507
THB	1,437,521	-	-	-	1,437,521
TWD	13,691,397	-	-	-	13,691,397
USD	-	12,837,914	-	-	12,837,914
	<b>145,255,825</b>	<b>12,837,914</b>	<b>133,231</b>	<b>5,994,132</b>	<b>164,221,102</b>

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

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

	<b>Change in exchange rate</b>	<b>Impact on profit after tax</b>	<b>Impact on net asset value</b>
	<b>%</b>	<b>RM</b>	<b>RM</b>
<u>2016</u>			
AUD	5	391,770	391,770
HKD	5	1,185,926	1,185,926
IDR	5	814,377	814,377
INR	5	576,030	576,030
KRW	5	647,427	647,427
PHP	5	494,339	494,339
SGD	5	619,600	619,600
THB	5	645,446	645,446
TWD	5	394,204	394,204
USD	5	1,186,034	1,186,034
<u>2015</u>			
AUD	5	970,039	970,039
HKD	5	2,714,611	2,714,611
INR	5	1,121,895	1,121,895
IDR	5	379,259	379,259
KRW	5	592,746	592,746
PHP	5	526,939	526,939
SGD	5	507,225	507,225
THB	5	71,876	71,876
TWD	5	684,570	684,570
USD	5	641,896	641,896

## 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 bank balances 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 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2016</u>			
Amount due to Manager	180,021	-	180,021
Accrued management fee	236,380	-	236,380
Amount due to Trustee	10,506	-	10,506
GST charges payable	14,813	-	14,813
Other payables and accruals	-	55,042	55,042
Contractual cash outflows	441,720	55,042	496,762

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2015</u>			
Amount due to brokers	14,653,160	-	14,653,160
Amount due to Manager	779,470	-	779,470
Accrued management fee	283,527	-	283,527
Amount due to Trustee	12,601	-	12,601
GST charges payable	17,768	-	17,768
Other payables and accruals	-	43,531	43,531
Contractual cash outflows	<u>15,746,526</u>	<u>43,531</u>	<u>15,790,057</u>

### **Credit/default risk**

Credit/default risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund.

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

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

	<b>Cash and cash equivalent</b>	<b>Dividends receivable</b>	<b>Amount due from Manager</b>	<b>Amount due from brokers</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2016</u>					
Financial					
- AA1	23,769,898	-	-	-	23,769,898
- AAA	3,510,769	-	-	-	3,510,769
Utilities					
- NR	-	33,663	-	-	33,663
Consumer					
Staple					
- NR	-	-	-	144,056	144,056
Other					
- NR	-	-	1,713	-	1,713
	<u>27,280,667</u>	<u>33,663</u>	<u>1,713</u>	<u>144,056</u>	<u>27,460,099</u>



	Cash and cash equivalent	Dividends receivable	Amount due from Manager	Amount due from brokers	Total
	RM	RM	RM	RM	RM
<u>2015</u>					
Financial					
- AA1	12,854,231	-	-	-	12,854,231
- AAA	22,692,860	-	-	-	22,692,860
- NR	-	-	-	2,593,195	2,593,195
Consumer Goods					
- NR	-	62,417	-	-	62,417
Consumer Services					
- NR	-	-	-	879,674	879,674
Consumer - NR	-	-	-	1,140,201	1,140,201
Industrial - NR	-	-	-	448,133	448,133
Technology - NR	-	-	-	932,929	932,929
Utilities - NR	-	70,814	-	-	70,814
Other - NR	-	-	641,938	-	641,938
	<u>35,547,091</u>	<u>133,231</u>	<u>641,938</u>	<u>5,994,132</u>	<u>42,316,392</u>

None of these assets are past due or impaired.

**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 holder.

**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.

**Capital risk**

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

## **Fair value estimation**

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

The fair value of financial assets traded in active market (such as publicly trading securities) are based on quoted market prices at the close of trading on the 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	128,106,549	-	-	128,106,549
<u>2015</u>				
Financial assets at fair value through profit or loss:				
Quoted securities	161,226,695	-	-	161,226,695

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 F to the financial statements.

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

For the financial period ended 31 December 2016, the management fee is recognised at a rate of 1.80% (2015: 1.80%) per annum on the net asset value of the Fund, calculated on 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 a fee at a rate not exceeding 0.20% per annum on the net asset value of the Fund, accrued on a daily basis for the financial period subject to a minimum fee of RM18,000 per annum excluding foreign custodian fees and charges.

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

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

## 5. TAXATION

	6-months financial period ended 31.12.2016	6-months financial period ended 31.12.2015
	RM	RM
Tax charged for the financial period:		
Current taxation - local	12,415	3,004
Current taxation - foreign	74,090	110,759
	<u>86,505</u>	<u>113,763</u>

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 financial period ended 31.12.2016	6-months financial period ended 31.12.2015
	RM	RM
Profit before taxation	<u>8,459,291</u>	<u>2,356,160</u>
Tax at Malaysian statutory rate of 24% (2015: 24%)	2,030,230	565,479
Tax effect of:		
Investment income exempt from tax	(2,621,112)	(1,157,468)
Expenses not deductible for tax purposes	252,453	191,725
Restriction on tax deductible expenses for Unit Trust Funds	368,225	407,473
Investment income subject to different tax rate	56,709	106,554
Taxation	<u>86,505</u>	<u>113,763</u>

**6. DISTRIBUTION**

	<b>6-months financial period ended 31.12.2016</b>	<b>6-months financial period ended 31.12.2015</b>
	<b>RM</b>	<b>RM</b>
Distribution to unit holders is from the following sources:		
Current and prior year realised income:		
Dividend income	3,023,948	3,101,215
Interest income	311,772	1,184,159
Net realised gain on sale of investments	3,915,223	4,013,148
Distribution equalisation	-	3,188,334
	<hr/>	<hr/>
Gross realised income	7,250,943	11,486,856
Less: Expenses	(3,794,525)	(3,917,544)
Less: Taxation	-	-
	<hr/>	<hr/>
	3,456,418	7,569,312
	<hr/>	<hr/>
Gross distribution per unit (RM)	0.0114	0.0219
	<hr/>	<hr/>
Net distribution per unit (RM)	0.0114	0.0219
	<hr/>	<hr/>
Ex-date	<u>27 December 2016</u>	<u>29 December 2015</u>

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

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

	2016	2015
	RM	RM
Designated at fair value through profit or loss:		
Quoted securities	128,106,549	161,226,695
Net gain/(loss) on financial assets at fair value through profit or loss:		
Realised gain on disposals	13,663,316	1,577,732
Change in unrealised fair value loss	(7,321,258)	(2,019,199)
	6,342,058	(441,467)

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

### Local

#### **Malaysia Securities**

##### Financial

Hong Leong Financial Group Berhad	104,313	1,711,738	1,483,331	0.96
IGB Real Estate Investment Trust	503,800	763,759	811,118	0.52
Pavilion Real Estate Investment Trust	1,015,500	1,772,825	1,929,450	1.24
Sunway Real Estate Investment Trust	1,090,900	1,745,162	1,876,348	1.21
	<u>2,714,513</u>	<u>5,993,484</u>	<u>6,100,247</u>	<u>3.93</u>

##### Health Care

Top Glove Corporation Bhd	393,900	1,857,829	2,107,365	1.36
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Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2016	of net asset value of the Fund
	Units	RM	RM	%
<b>Local</b> (continued)				
<b>Malaysia Securities</b> (continued)				
<u>Industrial</u>				
IJM Corporation Berhad	472,900	1,668,231	1,513,280	0.98
Kimlun Corporation Berhad	722,713	1,286,258	1,503,243	0.97
	<u>1,195,613</u>	<u>2,954,489</u>	<u>3,016,523</u>	<u>1.95</u>
<u>Utilities</u>				
Tenaga Nasional Berhad	120,700	1,690,322	1,677,730	1.08
<b>Total Malaysia Securities</b>	<b>4,424,726</b>	<b>12,496,124</b>	<b>12,901,865</b>	<b>8.32</b>
<b>Foreign</b>				
<b>Australia Securities</b>				
<u>Consumer Staple</u>				
Wesfarmers Limited	12,537	1,648,069	1,716,001	1.11
<u>Financial</u>				
Commonwealth Bank of Australia	3,984	971,131	1,066,421	0.69
<u>Health Care</u>				
CSL Ltd	5,096	1,624,652	1,662,018	1.07
Healthscope Limited	230,527	1,663,862	1,714,694	1.11
	<u>235,623</u>	<u>3,288,514</u>	<u>3,376,712</u>	<u>2.18</u>

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 31.12.2016	
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Australia Securities</b>				
(continued)				
<u>Utilities</u>				
Transurban Group	49,003	1,716,041	1,642,600	1.06
<b>Total Australia Securities</b>	<b>301,147</b>	<b>7,623,755</b>	<b>7,801,734</b>	<b>5.04</b>
<b>China Securities</b>				
<b>(Listed in Hong Kong)</b>				
<u>Consumer Discretionary</u>				
Great Wall Motor Co Ltd	688,000	3,391,990	2,883,260	1.86
Minth Group Limited	150,000	2,298,754	2,096,839	1.35
	838,000	5,690,744	4,980,099	3.21
<u>Information Technology</u>				
Alibaba Group Holding Limited	7,400	3,098,698	2,914,001	1.88
Tencent Holdings Limited	35,000	3,746,610	3,843,193	2.48
Travelsky Technology Limited	177,000	1,638,959	1,670,005	1.08
	219,400	8,484,267	8,427,199	5.44
<b>Total China Securities</b>	<b>1,057,400</b>	<b>14,175,011</b>	<b>13,407,298</b>	<b>8.65</b>
<b>(Listed in Hong Kong)</b>				

<b>Name of counter</b>	<b>Quantity</b>	<b>Aggregate cost</b>	<b>Fair value as at 31.12.2016</b>	<b>Percentage of net asset value of the Fund</b>
	<b>Units</b>	<b>RM</b>	<b>RM</b>	<b>%</b>
<b>Foreign</b> (continued)				
<b>Hong Kong Securities</b>				
<u>Financial</u>				
Ping An Insurance (Group) Co of China Ltd	86,000	1,719,408	1,931,466	1.24
<u>Telecommunication Services</u>				
China Mobile Limited	34,000	1,623,605	1,617,736	1.04
HKT Trust	638,000	3,720,770	3,512,028	2.26
	672,000	5,344,375	5,129,764	3.30
<u>Utilities</u>				
Cheung Kong Infrastructure Holdings Ltd	91,000	3,374,442	3,250,000	2.10
<b>Total Hong Kong Securities</b>	<b>849,000</b>	<b>10,438,225</b>	<b>10,311,230</b>	<b>6.64</b>
<b>India Securities</b>				
<u>Consumer Goods</u>				
Maruti Suzuki India Ltd	9,143	3,155,070	3,211,575	2.07
<u>Consumer Staple</u>				
Godrej Consumer Products Limited	16,528	1,586,586	1,647,925	1.06
<u>Financial</u>				
Housing Development Finance Corporation Limited	39,509	3,429,940	3,293,944	2.12

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 31.12.2016	
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>India Securities</b>				
(continued)				
<u>Health Care</u>				
Dr. Reddy's Laboratories Ltd	9,436	2,160,658	1,906,868	1.23
<u>Material</u>				
Asian Paints Limited	24,819	1,548,330	1,460,296	0.94
<b>Total India Securities</b>	<b>99,435</b>	<b>11,880,584</b>	<b>11,520,608</b>	<b>7.42</b>
<b>Indonesia Securities</b>				
<u>Consumer Staple</u>				
Indofood CBP Sukses Makmur PT TBK	1,371,800	3,705,600	3,914,788	2.52
<u>Energy</u>				
Bukit Asam (Persero) PT TBK	368,600	1,608,295	1,533,376	0.99
United Tractors PT TBK	331,400	2,408,454	2,343,661	1.51
	700,000	4,016,749	3,877,037	2.50
<u>Financial</u>				
Bumi Serpong Damai PT TBK	5,997,900	4,244,078	3,503,157	2.26
<u>Industrial</u>				
Semen Indonesia (Persero) PT TBK	556,100	1,998,417	1,698,018	1.10

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2016	of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Indonesia Securities</b>				
(continued)				
<u>Telecommunication</u>				
<u>Services</u>				
Telekomunikasi Indonesia				
PT TBK	2,487,300	3,287,082	3,294,538	2.12
<b>Total Indonesia Securities</b>	<b>11,113,100</b>	<b>17,251,926</b>	<b>16,287,538</b>	<b>10.50</b>
<b>Philippines Securities</b>				
<u>Consumer Staple</u>				
Universal Robina Corp				
	96,240	1,705,334	1,422,450	0.92
<u>Consumer Discretionary</u>				
Jollibee Foods Corp				
	162,090	3,282,714	2,842,638	1.83
<u>Financial</u>				
Ayala Land Inc.				
	1,063,200	3,424,671	3,075,591	1.98
<u>Utilities</u>				
Metro Pacific Investments Corporation				
	4,229,000	2,570,932	2,546,100	1.64
<b>Total Philippines Securities</b>	<b>5,550,530</b>	<b>10,983,651</b>	<b>9,886,779</b>	<b>6.37</b>

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2016	of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign (continued)</b>				
<b>Singapore Securities</b>				
<u>Consumer Staple</u>				
First Real Estate Investment Trust	152,887	566,210	600,301	0.39
Sheng Siong Group Ltd.	1,040,100	3,248,375	3,050,806	1.97
	<u>1,192,987</u>	<u>3,814,585</u>	<u>3,651,107</u>	<u>2.36</u>
<u>Health Care</u>				
Religare Health Trust	1,066,400	3,325,379	3,028,649	1.95
<u>Industrial</u>				
Sats Ltd.	112,800	1,603,401	1,698,082	1.10
Venture Corporation Limited	126,200	3,597,904	3,870,116	2.50
	<u>239,000</u>	<u>5,201,305</u>	<u>5,568,198</u>	<u>3.60</u>
<b>Total Singapore Securities</b>	<b><u>2,498,387</u></b>	<b><u>12,341,269</u></b>	<b><u>12,247,954</u></b>	<b><u>7.91</u></b>
<b>Republic of Korea Securities</b>				
<u>Consumer Staple</u>				
LG Household & Healthcare Ltd	1,263	4,691,722	4,027,577	2.60
<u>Consumer Discretionary</u>				
Amorepacific Corporation	2,291	3,235,651	2,740,727	1.77

Name of counter	Quantity	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Republic of Korea</b>				
<b>Securities</b> (continued)				
<u>Information Technology</u>				
Samsung Electronics Co., Ltd	706	4,371,597	4,733,901	3.05
<u>Utilities</u>				
Korea Electric Power Corporation	8,824	1,735,493	1,446,342	0.93
<b>Total Republic of Korea Securities</b>	<b>13,084</b>	<b>14,034,463</b>	<b>12,948,547</b>	<b>8.35</b>
<b>Taiwan Securities</b>				
<u>Consumer Discretionary</u>				
Pou Chen Corporation	292,000	1,907,207	1,625,651	1.05
<u>Financial</u>				
Fubon Financial Holding Co., Ltd.	427,000	2,591,956	3,015,897	1.94
<u>Information Technology</u>				
Taiwan Semiconductor Manufacturing Co Ltd	129,000	3,185,478	3,242,536	2.09
<b>Total Taiwan Securities</b>	<b>848,000</b>	<b>7,684,641</b>	<b>7,884,084</b>	<b>5.08</b>

Name of counter	Quantity	Aggregate cost	Fair value as at	Percentage of net asset value of the Fund
			31.12.2016	
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Thailand Securities</b>				
<u>Consumer Discretionary</u>				
Minor International Public Company Limited	382,000	1,753,278	1,746,570	1.13
<u>Consumer Staple</u>				
CP All Public Company Limited	463,800	3,373,693	3,631,119	2.34
Thai Beverage Public Company Limited	876,900	2,414,635	2,313,538	1.49
	1,340,700	5,788,328	5,944,657	3.83
<u>Health Care</u>				
Bangkok Dusit Medical Centre	683,800	1,667,307	1,978,658	1.28
<u>Industrial</u>				
The Siam Cement Public Company Limited	27,400	1,649,166	1,709,266	1.10



Name of counter	Quantity	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Thailand Securities</b> (continued)				
<i>Information Technology</i>				
KCE Electronics Public Company Limited	100,100	1,295,795	1,529,761	0.99
<b>Total Thailand Securities</b>	<b>2,534,000</b>	<b>12,153,874</b>	<b>12,908,912</b>	<b>8.33</b>
<b>Total Foreign Securities</b>	<b>24,864,083</b>	<b>118,567,399</b>	<b>115,204,684</b>	<b>74.29</b>
<b>TOTAL QUOTED SECURITIES</b>	<b>29,288,809</b>	<b>131,063,523</b>	<b>128,106,549</b>	<b>82.61</b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>(2,956,974)</b>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>128,106,549</b>		

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 31.12.2015	
	Units	RM	RM	%
<b>Local</b>				
<b>Malaysia Securities</b>				
<u>Conglomerate</u>				
Cahaya Mata Sarawak Berhad	447,200	2,279,923	2,294,136	1.22
<u>Consumer Services</u>				
Berjaya Auto Berhad	849,000	2,199,017	1,816,860	0.97
<u>Financial</u>				
Axis Real Estate Investment Trust	719,248	1,270,909	1,179,567	0.63
Hong Leong Financial Group Berhad	104,313	1,711,738	1,456,209	0.78
Sunway Berhad	390,000	1,414,541	1,201,200	0.64
Malayan Banking Berhad	226,072	1,913,472	1,899,005	1.01
	<b>1,439,633</b>	<b>6,310,660</b>	<b>5,735,981</b>	<b>3.06</b>
<u>Industrial</u>				
Inari Amertron Berhad	486,100	1,670,086	2,226,338	1.19
<u>Manufacturing</u>				
Karex Berhad	458,500	1,346,259	1,893,605	1.01
<u>Technology</u>				
Globetronics Technology Berhad	308,300	1,833,329	2,003,950	1.07
<b>Total Malaysia Securities</b>	<b>3,988,733</b>	<b>15,639,274</b>	<b>15,970,870</b>	<b>8.52</b>

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2015	of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b>				
<b>Australia Securities</b>				
<u>Consumer Services</u>				
Domino's Pizza Enterprises Ltd	23,922	3,682,918	4,310,957	2.30
<u>Financial</u>				
Commonwealth Bank of Australia	9,911	2,413,968	2,645,210	1.41
<u>Health Care</u>				
CSL Ltd	12,457	3,437,260	4,093,618	2.18
Ramsay Health Care Ltd	20,290	3,828,905	4,301,617	2.29
	32,747	7,266,165	8,395,235	4.47
<u>Utilities</u>				
Transurban Group	121,774	3,849,493	3,978,556	2.12
<b>Total Australia Securities</b>	<b>188,354</b>	<b>17,212,544</b>	<b>19,329,958</b>	<b>10.30</b>
<b>China Securities (Listed in Hong Kong)</b>				
<u>Consumer Goods</u>				
Great Wall Motor Co Ltd	528,000	2,838,396	2,643,660	1.41
<u>Industrial</u>				
Avichina Industry & Technology Company Limited	1,103,000	3,838,987	3,730,690	1.99
Sunny Optical Technology Group Co Ltd	188,000	1,522,966	1,857,588	0.99
	1,291,000	5,361,953	5,588,278	2.98

Name of counter	Quantity	Aggregate cost	Fair value as at	Percentage of net asset value of the Fund
			31.12.2015	
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>China Securities</b> <b>(Listed in Hong Kong)</b> (continued)				
<u>Technology</u>				
AAC Technologies Holdings Inc	118,000	3,691,919	3,307,402	1.76
Tencent Holdings Limited	46,700	3,378,971	3,948,849	2.10
Xinyi Solar Holdings Limited	1,010,000	1,918,613	1,775,270	0.95
	<u>1,174,700</u>	<u>8,989,503</u>	<u>9,031,521</u>	<u>4.81</u>
<b>Total China Securities</b> <b>(Listed in Hong Kong)</b>	<b>2,993,700</b>	<b>17,189,852</b>	<b>17,263,459</b>	<b>9.20</b>
<b>Hong Kong Securities</b>				
<u>Consumer Goods</u>				
Vitasoy International Holdings Limited	454,000	3,959,202	4,002,551	2.13
Techtronic Industries Co Ltd	169,000	2,878,197	2,961,131	1.58
Pacific Textiles Holdings Ltd	280,000	1,834,091	1,856,834	0.99
	<u>903,000</u>	<u>8,671,490</u>	<u>8,820,516</u>	<u>4.70</u>
<u>Consumer Services</u>				
MTR Corp Ltd	130,000	2,174,111	2,767,951	1.47

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at	of net asset
	Units	RM	31.12.2015	value of
			RM	the Fund
				%
<b>Foreign</b> (continued)				
<b>Hong Kong Securities</b>				
(continued)				
<u>Financial</u>				
AIA Group Ltd	72,800	1,501,798	1,881,054	1.00
China Construction Bank Corp Ltd	669,000	2,354,912	1,969,720	1.05
Cheung Kong (Holdings) Limited	62,500	4,210,115	3,624,896	1.93
Industrial and Commercial Bank of China Ltd	772,000	2,382,675	2,003,305	1.07
The Link Real Estate Investment Trust	76,000	1,956,940	1,955,309	1.04
Ping An Insurance (Group) Co of China Ltd	77,500	1,793,156	1,847,796	0.98
	<u>1,729,800</u>	<u>14,199,596</u>	<u>13,282,080</u>	<u>7.07</u>
<u>Properties</u>				
China Overseas Land & Investment Limited	128,000	1,882,193	1,930,469	1.03
China Resources Land Ltd	170,000	1,918,780	2,130,302	1.13
	<u>298,000</u>	<u>3,800,973</u>	<u>4,060,771</u>	<u>2.16</u>
<u>Utilities</u>				
Cheung Kong Infrastructure Holdings Ltd	102,000	3,797,977	4,060,771	2.16
<b>Total Hong Kong securities</b>	<b><u>3,162,800</u></b>	<b><u>32,644,147</u></b>	<b><u>32,992,089</u></b>	<b><u>17.56</u></b>

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2015	of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>India Securities</b>				
<u>Consumer Goods</u>				
Maruti Suzuki India Ltd	12,997	3,512,016	3,891,731	2.07
Dabur India Limited	164,544	2,913,987	2,952,282	1.57
	177,541	6,426,003	6,844,013	3.64
<u>Consumer Staple</u>				
Godrej Consumer Products Limited	45,845	3,550,911	3,918,708	2.09
<u>Energy</u>				
Bharat Petroleum Corp Ltd	31,628	1,853,358	1,828,341	0.97
<u>Health Care</u>				
Dr. Reddy's Laboratories Ltd	19,330	4,411,661	3,892,881	2.07
Divi's Laboratories Limited	39,055	2,842,089	2,921,976	1.56
	58,385	7,253,750	6,814,857	3.63
<u>Telecommunication Services</u>				
Bharti Infratel Ltd	109,322	2,922,776	3,031,986	1.61
<b>Total India Securities</b>	<b>422,721</b>	<b>22,006,798</b>	<b>22,437,905</b>	<b>11.94</b>

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2015	of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Indonesia Securities</b>				
<u>Consumer Staple</u>				
Gudang Garam PT TBK	177,100	2,612,387	3,030,270	1.61
<u>Health Care</u>				
Kalbe Farma PT TBK	723,000	353,477	296,901	0.16
<u>Financial</u>				
PT Bumi Serpong Damai TBK	3,651,700	1,912,810	2,044,879	1.09
<u>Telecommunication</u>				
<u>Services</u>				
Telekomunikasi Indonesia PT TBK	2,291,100	1,906,836	2,213,124	1.18
<b>Total Indonesia Securities</b>	<b>6,842,900</b>	<b>6,785,510</b>	<b>7,585,174</b>	<b>4.04</b>

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2015	of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Philippines Securities</b>				
<u>Consumer Staple</u>				
Universal Robina Corp	167,060	2,947,131	2,843,039	1.51
<u>Consumer Discretionary</u>				
Jollibee Foods Corp	195,100	3,645,716	3,909,298	2.08
<u>Financial</u>				
SM Prime Holdings Inc.	1,907,100	3,666,106	3,786,435	2.02
<b>Total Philippines Securities</b>	<b>2,269,260</b>	<b>10,258,953</b>	<b>10,538,772</b>	<b>5.61</b>
<b>Singapore Securities</b>				
<u>Consumer</u>				
Sheng Siong Group Ltd	765,800	1,766,948	1,944,354	1.04
<u>Consumer Services</u>				
Comfortdelgro Corporation Ltd	207,200	1,617,418	1,910,162	1.02
<u>Health Care</u>				
Religare Health Trust	124,000	373,978	374,802	0.20
<u>Industrial</u>				
Venture Corp Ltd	69,700	1,846,345	1,727,537	0.92



Name of counter	Quantity	Aggregate cost	Fair value as at 31.12.2015	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Singapore Securities</b> (continued)				
<u>Properties</u>				
First Real Estate Investment Trust	597,658	2,264,202	2,167,777	1.15
<b>Total Singapore Securities</b>	<b>1,764,358</b>	<b>7,868,891</b>	<b>8,124,632</b>	<b>4.33</b>
<b>Republic of Korea Securities</b>				
<u>Consumer Goods</u>				
LG Household & Healthcare Ltd	990	3,707,003	3,791,057	2.02
<u>Consumer Discretionary</u>				
Amorepacific Corporation	2,649	3,609,924	4,004,444	2.13
CJ CGV Co Ltd	8,834	3,719,704	4,059,417	2.16
	11,483	7,329,628	8,063,861	4.29
<b>Total Republic of Korea Securities</b>	<b>12,473</b>	<b>11,036,631</b>	<b>11,854,918</b>	<b>6.31</b>

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2015	of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Taiwan Securities</b>				
<u>Consumer Discretionary</u>				
Eclat Textile Co Ltd	33,000	1,788,312	1,949,406	1.04
Pou Chen Corporation	292,000	1,902,166	1,639,348	0.87
	<u>325,000</u>	<u>3,690,478</u>	<u>3,588,754</u>	<u>1.91</u>
<u>Financial</u>				
Cathay Financial Holding Co Ltd	238,000	1,549,455	1,435,387	0.76
<u>Health Care</u>				
Ginko International Co., Ltd	36,000	2,015,926	2,039,872	1.09
<u>Information Technology</u>				
PChome Online Inc	24,949	1,363,851	1,069,203	0.57
<u>Technology</u>				
Chipbond Technology Corp	338,000	2,667,604	2,093,526	1.12
Taiwan Semiconductor Manufacturing Co Ltd	186,000	3,095,666	3,464,655	1.85
	<u>524,000</u>	<u>5,763,270</u>	<u>5,558,181</u>	<u>2.97</u>
<b>Total Taiwan Securities</b>	<b>1,147,949</b>	<b>14,382,980</b>	<b>13,691,397</b>	<b>7.30</b>

Name of counter	Quantity	Aggregate cost	Fair value as at 31.12.2015	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>Foreign</b> (continued)				
<b>Thailand Security</b>				
Health Care				
Bangkok Dusit Medical Centre	451,700	1,172,768	1,437,521	0.76
<b>Total Thailand Security</b>	<b>541,700</b>	<b>1,172,768</b>	<b>1,437,521</b>	<b>0.76</b>
<b>Total Foreign Securities</b>	<b>19,346,215</b>	<b>140,559,074</b>	<b>145,255,825</b>	<b>77.35</b>
<b>TOTAL QUOTED SECURITIES</b>	<u>23,334,948</u>	156,198,348	<u>161,226,695</u>	85.87
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>5,028,347</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>161,226,695</u>		

## 8. CASH AND CASH EQUIVALENTS

	2016	2015
	RM	RM
Bank balances with a licensed bank	23,769,898	12,854,231
Deposit with a licensed financial institution	3,510,769	22,692,860
	<u>27,280,667</u>	<u>35,547,091</u>

The currency exposure profile of cash and cash equivalents is as follows:

	2016	2015
	RM	RM
MYR	3,559,978	22,709,177
USD	23,720,689	12,837,914
	<u>27,280,667</u>	<u>35,547,091</u>

The effective weighted average interest rate of short term deposit per annum as at the date of the 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 3 days (2015:4 days).

**9. UNITS IN CIRCULATION**

	<b>2016</b>	<b>2015</b>
	<b>No.of units</b>	<b>No.of units</b>
At the beginning of the financial period	358,403,037	330,259,948
Creation of units during the financial period:		
Arising from applications	13,946,798	75,516,889
Arising from distribution	6,984,380	14,526,319
Cancellation of units during the financial period	<u>(69,514,852)</u>	<u>(60,181,350)</u>
At the end of the financial period	<u>309,819,363</u>	<u>360,121,806</u>

## 10. TRANSACTIONS WITH BROKERS

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

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2016</u>				
Credit Suisse Limited	57,585,550	20.26	177,109	21.39
Morgan Stanley & Co Inc	47,247,989	16.61	84,153	10.16
CLSA Ltd	45,611,427	16.04	131,509	15.89
UBS Securities Pte Ltd	37,606,846	13.22	134,479	16.24
Merrill Lynch International Ltd	36,644,751	12.88	73,479	8.87
Macquarie Securities Ltd	12,540,512	4.41	44,670	5.39
Goldman Sach Limited	11,890,194	4.18	44,537	5.38
Citigroup Global Markets Limited	11,267,767	3.96	50,280	6.08
Deutsche Securities Asia Ltd	10,136,544	3.56	50,053	6.05
Malayan Banking Berhad	6,375,384	2.24	20,101	2.43
Others	7,531,046	2.64	17,561	2.12
	<u>284,438,010</u>	<u>100.00</u>	<u>827,931</u>	<u>100.00</u>

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

Financial institutions	Value of placements	Percentage of total placements
	RM	%
CIMB Bank Berhad	<u>494,890,000</u>	<u>100.00</u>

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

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2015</u>				
Morgan Stanley & Co Inc	48,216,908	24.63	99,987	16.52
UBS Securities Pte Ltd	28,716,621	14.67	105,226	17.39
Macquarie Securities Ltd	21,017,193	10.74	49,117	8.12
Credit Suisse Limited	18,476,045	9.44	72,154	11.92
CLSA Ltd	14,691,028	7.51	52,642	8.70
Citigroup Global Markets Limited	13,222,864	6.76	46,065	7.61
Malayan Banking Berhad	11,458,465	5.85	35,409	5.85
Deutsche Securities Asia Ltd	10,627,422	5.43	32,358	5.35
J.P. Morgan Securities Ltd	7,825,132	4.00	31,264	5.17
Merrill Lynch International Ltd	4,927,310	2.52	19,257	3.18
Others	16,568,200	8.45	61,600	10.19
	<u>195,747,188</u>	<u>100.00</u>	<u>605,079</u>	<u>100.00</u>

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	2,141,920,000	63.31
Malayan Banking Berhad	1,164,220,000	34.41
Public Bank Berhad	77,290,000	2.28
	<u>3,383,430,000</u>	<u>100.00</u>

All brokers highlighted above are not related to the Manager.

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

	2016	2015
	%	%
MER	<u>1.04</u>	<u>0.95</u>

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (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 RM168,659,022 (2015: RM186,971,724).



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

	<b>2016</b>	<b>2015</b>
PTR (times)	0.84	0.52

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM129,822,356 (2015: RM110,936,378)

total disposals for the financial period = RM154,100,341 (2015: RM84,826,017)

**13. UNITS HELD BY THE MANAGER**

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

<b>Related party</b>	<b>Relationship</b>
Eastspring Investments Berhad	The Manager

	<b>2016</b>		<b>2015</b>	
	<b>No. of units</b>	<b>RM</b>	<b>No. of units</b>	<b>RM</b>
Eastspring Investments Berhad	2,133	1,067	2,084	1,087

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.

#### **14. SEGMENTAL INFORMATION**

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

The reportable operating segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of dividend income earned from investments, interest income, foreign exchange gains/losses and gains/losses on the appreciation in the value of investments.

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

#### **15. 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

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WEBSITE

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## **BOARD OF DIRECTORS OF THE MANAGER**

Julian Christopher Vivian Pull

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

Iskander Bin Ismail Mohamed Ali

*(Independent, non-executive director)*

Khoo Chuan Keat

*(Independent, non-executive director)*

Michele Mi Kyung Bang

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

Raymond Tang Chee Kin

*(Non-independent, executive director)*

## **INVESTMENT COMMITTEE OF THE FUND**

Ho Yik

*(Independent member)*

Robert Yap Yen Choon

*(Independent member)*

Abdul Khalil Bin Abdul Hamid

*(Independent member)*

Dato' Saiful Bahri Bin Zainuddin

*(Independent member)*

Raymond Tang Chee Kin

*(Non-Independent member)*

**AUDIT AND COMPLIANCE  
COMMITTEE OF THE MANAGER**

Iskander Bin Ismail Mohamed Ali  
(Independent)

Khoo Chuan Keat  
(Independent)

Niall Dermot Grady  
(Non-independent)

**MANAGER'S DELEGATE - FUND VALUER**

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