

EASTSPRING INVESTMENTS DANA AL-ISLAH

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017



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 March 2017.

You may also download these reports from our website at www.eastspringinvestments.com.my

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Raymond Tang 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

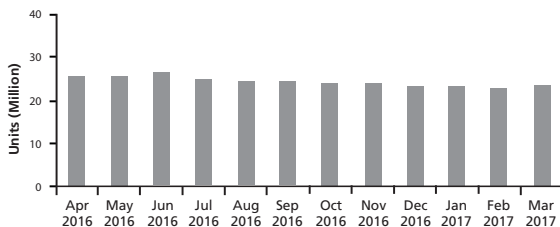
Name of Fund	Eastspring Investments Dana al-Islah (the "Fund")
Fund Category/ Type	Sukuk/income
Fund Objective	<p>The Fund seeks to provide investors with a stable income* stream and an opportunity for capital appreciation from Shariah-compliant fixed income and equity securities.</p> <p>* Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.</p>
Performance Benchmark	<p>78% Quant Shop Malaysian Government Securities ("MGS") Short Index + 22% FTSE Bursa Malaysia EMAS Shariah Index ("FBMS")</p> <p>Source: www.quantshop.com and www.bursamalaysia.com</p> <p>Note: The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	At least once a year, subject to the availability of income.

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 March 2017, the size of Eastspring Investments Dana al-Islah stood at 23.609 million units.

Fund Size



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	301	26.36	899	3.81
5,001 to 10,000 units	269	23.56	2,003	8.49
10,001 to 50,000 units	486	42.54	10,575	44.80
50,001 to 500,000 units	84	7.36	8,831	37.40
500,001 units and above	2	0.18	1,299	5.50
Total	1,142	100.00	23,607	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	31.3.2017	31.3.2016	31.3.2015
	(%)	(%)	(%)
Quoted Shariah-compliant securities			
Construction	2.34	2.05	2.05
Consumer Product	2.27	2.00	2.13
Finance	-	-	1.61
Health Care	2.37	2.45	-
Industrial Product	3.59	2.83	2.37
Infrastructure Project Company	1.14	1.40	1.93
i-REITS	-	-	0.82
Plantation	2.53	2.21	1.05
Properties	1.07	0.02	1.67
Technology	0.33	-	0.90
Trading/Services	12.26	14.10	11.68
	27.90	27.06	26.21
Sukuk	67.21	51.53	68.25
Cash and other assets	4.89	21.41	5.54
Total	100.00	100.00	100.00

KEY PERFORMANCE DATA (CONTINUED)

Category	31.3.2017	31.3.2016	31.3.2015
Net Asset Value (NAV) (RM'000)	16,718	18,661	31,180
Units In Circulation (Units '000)	23,609	25,904	42,504
Net Asset Value Per Unit (RM)	0.7081	0.7204	0.7336
Highest Net Asset Value Per Unit (RM) [#]	0.7091	0.7202	0.7336
Lowest Net Asset Value Per Unit (RM) [#]	0.7075	0.7185	0.7321
Total Return (%)			
Capital Growth	(1.71)	(1.80)	(1.08)
Income Distribution	0.04	4.11	4.13
Total Return (%)	2.35	2.24	3.00
Gross Distribution Per Unit (RM)	0.0292	0.0296	0.0302
Net Distribution Per Unit (RM)	0.0290	0.0292	0.0299
Management Expense Ratio (MER) (%) [*]	1.59	1.46	1.76
Portfolio Turnover Ratio (PTR) (times) [^]	0.26	0.47	0.65

[#] 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 1.4.2016 to 31.3.2017		3 years 1.4.2014 to 31.3.2017		5 years 1.4.2012 to 31.3.2017
	(%)		(%)		(%)
Average total return	2.35		2.53		3.98

Year ended	1.4.2016 to 31.3.2017	1.4.2015 to 31.3.2016	1.4.2014 to 31.3.2015	1.4.2013 to 31.3.2014	1.4.2012 to 31.3.2013
	(%)	(%)	(%)	(%)	(%)
Annual total return	2.35	2.24	3.00	6.94	5.47

Source: Lipper for Investment Management, as at 31 March 2017.

Bases of calculation and assumptions made in calculating returns:

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

NAV_t = NAV at the end of the period

NAV_0 = NAV at the beginning of the period

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

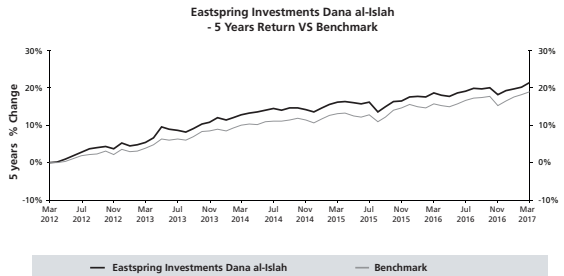
Fund Performance

Over the 5-year period, the Fund recorded a return of 21.57%, outperforming the benchmark return of 19.02% by 2.55%.

For the period under review, the Fund registered a return of 2.35%, underperforming the benchmark return of 2.82% by -0.47%.

The underperformance was attributable to the performance of both the Shariah-compliant equities and sukuk.

The fund met its investment objective to provide investors with a stable income and an opportunity for capital appreciation from Shariah-compliant fixed income and equity securities.



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

Benchmark: 78% Quant Shop MGS Short Index + 22% FBMS

Source: Lipper for Investment Management, www.quantshop.com and www.bursamalaysia.com, as at 31 March 2017

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

MANAGER'S REPORT (CONTINUED)

Analysis of Fund Performance

For the financial year ended 31 March 2017:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.04	(1.71)	2.35	2.82

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

Distribution/
Unit Split

Ex-date	24-Mar-17
Distribution Per Unit	(RM)
Gross	0.0292
Net	0.0290

Impact on NAV arising from distribution for the financial year ended 31 March 2017.

Ex-date	24-Mar-17
	(RM per Unit)
Net Asset Value before distribution	0.7365
Less: distribution	(0.0290)
Net Asset Value after distribution	0.7075

No unit split were declared for the financial year ended 31 March 2017.

Investment
Strategy During
Period Under
Review

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

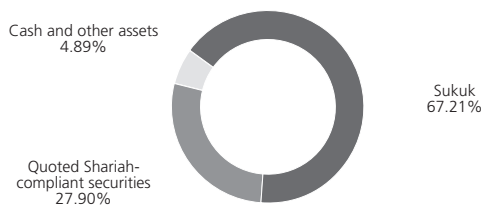
For equities, the Fund maintained its exposure in fundamentally strong and defensive Shariah-compliant stocks. The Fund continued to identify investment opportunities during share price weakness/market volatility.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Mar 2017 (%)	31-Mar 2016 (%)	Changes (%)
Quoted Shariah-compliant securities	27.90	27.06	0.84
Sukuk	67.21	51.53	15.68
Cash and other assets	4.89	21.41	(16.52)

Asset Allocation as at 31 March 2017



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

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund

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

However, in the Eastspring Investments First Supplementary Master Prospectus dated 24 November 2016, the information in relation to the auto reinvestment policy has been revised as set out in (a) below, while in the Eastspring Investments Second Supplementary Master Prospectus dated 15 March 2017, the information in relation to the income reinvestment policy and reclassification of Shariah status risk have been revised as disclosed in (b) and (c) below:

a. Auto reinvestment policy

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

b. Income Reinvestment Policy

Income distributed to a Unit Holder will automatically be reinvested into additional Units in the Fund at the NAV per Unit at the end of the Business Day of the income distribution date at no cost if the Unit Holder did not elect the mode of distribution in the master account opening form or provide any written instruction to the Manager.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

Should a Unit Holder elect the mode of distribution in the master account opening form or provide any written instruction to the Manager, the income distribution proceeds will either be paid by cheque or credited into the bank account located in Malaysia via telegraphic or online transfer at the cost and expense of the Unit Holder.

The Manager reserves the right to reinvest income distribution without providing any reason if the instruction in the master account opening form or written instruction is incomplete.

c. Reclassification of Shariah status risk

This is the risk that Shariah-compliant securities in the Fund may be reclassified to be Shariah non-compliant upon periodic review of the securities by the Shariah Advisory Council of the Securities Commission Malaysia. If this occurs, the Manager will adopt the necessary steps to dispose such securities.

Cross-Trade Transaction

During the year under review, there were cross-trades executed through a dealer or a financial institution on an arm's length and fair value basis and in the best interest of the unit holders

MARKET REVIEW

Bond

During the period under review, Bank Negara Malaysia (“BNM”) unexpectedly reduced the Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) to 3.00% from 3.25% during its Monetary Policy Committee (“MPC”) meeting on 13 July 2016. BNM’s move to reduce the OPR was seen as a pre-emptive move by the central bank as BNM expects growth momentum in the major economies to moderate in the second half of the year coupled with increasing downside risks in light of possible repercussions from the European Union (“EU”) referendum in the United Kingdom. Following the rate cut in July’16 BNM kept the OPR at 3.00% in the subsequent MPC meetings for 2016 and in the first quarter of 2017. BNM anticipates that the domestic economy is expected to remain robust and to grow between 4% - 4.5% for 2016. In the recent MPC meeting in March’17, Bank Negara believe that the current level of the OPR provides a degree of monetary accommodativeness which will ensure that the domestic economy continues on a steady growth path amid stable core inflation, supported by sustained financial intermediation in the economy. Bank Negara also acknowledged that there are improvements in the global economy and highlighted evidence of a recovery in global trade.

Headline inflation increased higher than market expectations in February as Consumer Price Index rose 4.5% year on year (“y-o-y”) in compared to 3.2% y-o-y in January’17. During the month, prices for Transportation rose by 17.9% y-o-y (Jan: +8.3%) as the Government increased the retail price for RON95 petrol by 20cent to RM2.30 per litre while the price of diesel increased by 10cent to RM2.15 per litre. Besides that, prices for Food & Non-alcoholic beverages rose slightly during the month (Feb: +4.3%, Jan: +4.0), while cost of Housing, Water, Electricity, Gas and Other Fuels also increased during the period (Feb: +2.2%, Jan: +1.9%).

In his budget speech in October’16, the Prime Minister unveiled 2017 national budget with the theme “Accelerating Growth, Ensuring Fiscal Prudence, Enhancing Well-being of the Rakyat”. Overall, fiscal consolidation remains on track as the Government plan to achieve a budget deficit at RM40.3 billion or 3.0% of GDP in 2017. The Government expect revenue in 2016 to ease lower to RM212.6 billion (2015: RM219.1 billion) mainly due to lower collection of petroleum related revenue following lower crude oil prices. However, this impact is expected to be cushioned by improved Government Service Tax (“GST”) collection. Furthermore, the Government expects revenue collection to improve by 3% in 2017 on the back of larger tax revenue from corporate income tax collection. Separately, the Federal Government expects the Malaysian economy to gain some traction to grow between 4.0-5.0% in 2017 as the Government expects that growth will remain private sector-driven, supported by quicker expansions in private consumption and private investment with added support from public spending and continued recovery in exports.

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

In December'16, the US 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'16 from a record low near zero set during the 2008 financial crisis. The Fed continued to raise its key interest rates by 25bps to between 0.75%-1.00% during the recent Federal Open Market Committee ("FOMC") meeting on 14-15 March. This is the second time that the Fed has raised its benchmark interest rate in past four months. The FOMC's recent action signalled that the Fed believes that the United States ("US") economy will continue to improve steadily coupled with a strengthening job market.

For the period under review, the 3-year, 5-year, 10-year and 15-year sovereign bond yields changed by +22bps, +29bps, +21bps and +27bps to 3.31%, 3.52%, 4.13% and 4.51% respectively. In the beginning, sovereign bond yields fell across all tenors at the end of the second and third quarter of 2016, following United Kingdom's Referendum on 23 June to withdraw from European Union and after BNM unexpectedly cut the OPR by 0.25% to 3.00% in July's 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. Malaysian Government Securities ("MGS") yields continued to increase in the February'17 and March'17 due to continued foreign outflows coupled with US Federal Reserve raising its key interest rates by 25bps to between 0.75-1.00%.

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 as at end March 2017 were higher around RM14.2bilion of which approximately 46% was

conventional and 54% was Islamic. Major primary issuances were from the government guaranteed, corporates and banking sectors. Major issuances include RM2.6billion from Danainfra, RM2.6billion from Genting Capital Berhad, RM3.0billion from GovCo Holdings Berhad, RM2.2billion from Perbadanan Tabung Pendidikan Tinggi Nasional (“PTPTN”), RM1.1billion from Bank Pembangunan Berhad and RM1billion from Rantau Abang Capital Berhad.

Equity

Markets consolidated early in 2Q2016 amidst steadily higher crude oil prices and volatility in currencies against the United States Dollar (“USD”). After months of uncertainty regarding the changing risk probability of a British Exit (“BREXIT”), US interest rate hike and slower economic data from China, global markets corrected sharply towards the end of the 2Q2016 as the unexpected happened: on the 23 June 2016, United Kingdom (“UK”) voted to leave the EU. Panic selling ensued but markets quickly rebounded thereafter as UK’s Prime Minister stepped down following the result, and investors digest the mechanics of how UK will leave the EU, and how it will be a long drawn out affair. The demand for safe haven currencies took hold, and the Japanese Yen strengthened below Yen100/USD intraday near the end of June (strengthening about 16% year to date), whilst the British Pound depreciated by 10% year to date (“YTD”). Domestically, Malaysia trended down during the 2Q2016 despite the stronger crude oil prices which bounced back from USD40/bbl to USD50/bbl during the quarter. Investor sentiment was weak following the concerns over the technical default on the 1Malaysia Development Berhad (“1MDB”) bond which missed a payment given the dispute between the issuer (1MDB) and the guarantor (International Petroleum Investment Company (“IPIC”)), which led to speculation over potential cross defaults and putting sovereign ratings at risk. Even the announcement of Datuk Muhammad Ibrahim, who was the BNM deputy governor, as the new governor of BNM failed to excite the market. 1Q2016 results season was once again a disappointment, and consensus has cut 2016 earnings by 4.5%, and now expects 2016 earnings to still grow by 1.3%. However, despite the weak earnings growth outlook, the Malaysian economy remained fairly resilient in light of the external volatilities such as BREXIT.

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 UK Prime Minister’s position that was vacated by David Cameron due to the 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 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% yoy, 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 EU, as the Sterling fell to a low against the US dollar 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 raised the target range for the Federal Funds Rate at 0.5-0.75% as expected, and the 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 BNM reiterated that onshore banks are not to facilitate offshore banks with non-deliverable forwards ("NDF"s) 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 4Q 2016 at RM4.4862/ USD, prompting BNM to come out with measures early in the month to restrict exporters from apparent hoarding of US Dollars.

1Q2017 saw global markets start the year on a positive note, on the expectations that Trump's policies for the US will be reflationary in nature, focused on tax cuts and corporate tax overhaul, infrastructure spending in the US, and increased protectionism. US corporates reporting 4Q2016 results in February generally surprised the market with a higher percentage of companies beating consensus earnings expectations for their 4Q results, in particular the Technology related companies and Health care. China surprised

the market by raising their Medium-term Lending Facility 6-month and 1-year rates by 10bps, the first in nearly 6 years. This was followed by China's raising of its overnight rates for the standing lending facility loans to 3.1% post the Lunar New Year break, which saw the Chinese Yuan firmer against the US Dollar. The US markets took a breather towards the end of the quarter, as oil prices corrected with rising inventory levels and higher rig counts in the US. US President Trump failed to push through his election promise of getting rid of Obama-care, and in the UK Prime Minister Theresa May triggered Article 50 to exit the European Union. Malaysian equities rallied in tandem with global markets, supported by a firmer ringgit given BNM's efforts to clamp down on currency speculation. Announcements by Permodalan Nasional Berhad ("PNB") related companies to restructure the UMW Holdings and UMW Oil and Gas, and Sime Darby's intentions to spin-off various divisions brought some excitement to the market. M&A news dominated news in the 1Q as Saudi Aramco announced their JV with Petronas in RAPID during the Saudi Arabia King's visit to Malaysia, the media speculated the potential merger between Telekom Malaysia and Axiata, and Alibaba's Jack Ma's announcement of establishing an e-commerce hub in the new Digital Free Trade Zone in Sepang.

The FTSE Bursa Malaysia Kuala Lumpur Composite Index ("FBM KLCI") closed the year under review at 1,740.09 points, up 1.31%. The broader FBM Emas (FBM Emas) Index closed the period under review higher by 3.7%. The Morgan Stanley Capital International ("MSCI") Asia Pacific ex-Japan Index gained by 14.92% in USD terms¹.

REBATES AND SOFT COMMISSIONS

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

¹ Source: Bloomberg; World indices

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EASTSPRING INVESTMENTS DANA AL-ISLAH

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DANA AL-ISLAH

We have acted as Trustee for Eastspring Investments Dana al-Islah (the "Fund") for financial year ended 31 March 2017. To the best of our knowledge, for the year under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:

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

We are of the view that the distribution made during this financial year ended 31 March 2017 by the Manager is not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching

Senior Manager, Trustee Operation

Richard Lim Hock Seng

Chief Executive Officer

Kuala Lumpur

Date: 12 May 2017

SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DANA AL-ISLAH

We have acted as the Shariah Adviser of Eastspring Investments Dana al-Islah. Our responsibility is to ensure that the procedures and processes employed by Eastspring Investments Berhad are in accordance with Shariah principles.

In our opinion, Eastspring Investments Berhad has managed and administered Eastspring Investments Dana al-Islah in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 March 2017.

In addition, we also confirm that the investment portfolio of Eastspring Investments Dana al-Islah comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission ("SACSC"). As for the securities which are not certified by the SACSC, we have reviewed the said securities and opine that these securities are designated as Shariah-compliant.

For and on behalf of the Shariah Adviser
IBFIM

AHMAD ZAKIRULLAH BIN MOHAMED SHAARANI

Managing Advisor (Shariah)/Designated Person Responsible for Shariah Advisory

Kuala Lumpur
Date: 12 May 2017

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DANA AL-ISLAH

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Dana al-Islah ("the Fund") give a true and fair view of the financial position of the Fund as at 31 March 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 70.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing

will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- a. Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- d. Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur

Date: 12 May 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	2017	2016
		RM	RM
INVESTMENT INCOME			
Gross dividend income		114,234	164,724
Profit income from Islamic deposits with licensed financial institutions		105,684	72,552
Profit income from sukuk		504,551	874,780
Net loss on financial assets at fair value through profit or loss	7	(32,963)	(151,035)
		<u>691,506</u>	<u>961,021</u>
EXPENSES			
Management fee	3	(220,586)	(320,749)
Trustee fee	4	(18,002)	(20,062)
Audit fee		(6,500)	(6,500)
Tax agent fee		(3,400)	(3,400)
Other expenses		(17,439)	(20,284)
GST charges		(15,162)	(21,704)
Transaction costs		(7,502)	(57,144)
		<u>(288,591)</u>	<u>(449,843)</u>
PROFIT BEFORE TAXATION		402,915	511,178
TAXATION	5	<u>315</u>	<u>(896)</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>403,230</u>	<u>510,282</u>
Profit after taxation is made up of the following:			
Realised amount		580,194	1,333,830
Unrealised amount		(176,964)	(823,548)
		<u>403,230</u>	<u>510,282</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	2017	2016
		RM	RM
ASSETS			
Cash and cash equivalents	8	880,496	3,998,581
Amount due from Manager		5,905	36,799
Dividends receivable		-	604
Tax recoverable		883	883
Redemption receivable		18,966	18,966
Financial assets at fair value through profit or loss	7	15,900,552	14,665,350
TOTAL ASSETS		<u>16,806,802</u>	<u>18,721,183</u>
LIABILITIES			
Amount due to Manager		36,274	2,880
Accrued management fee		17,805	19,929
Amount due to Trustee		1,529	1,525
Distribution payable		2,831	4,171
Other payables and accruals		29,352	30,873
GST charges payable		1,160	1,287
TOTAL LIABILITIES		<u>88,951</u>	<u>60,665</u>
NET ASSET VALUE OF THE FUND		<u>16,717,851</u>	<u>18,660,518</u>
EQUITY			
Unit holders' capital		11,129,285	12,812,972
Retained earnings		<u>5,588,566</u>	<u>5,847,546</u>
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>16,717,851</u>	<u>18,660,518</u>
NUMBER OF UNITS IN CIRCULATION	10	<u>23,608,683</u>	<u>25,904,326</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>0.7081</u>	<u>0.7204</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 April 2016		12,812,972	5,847,546	18,660,518
Movement in unit holders' contribution:				
Creation of units from applications		2,014,987	-	2,014,987
Creation of units from distribution		659,379	-	659,379
Cancellation of units		(4,358,053)	-	(4,358,053)
Distribution (Gross: 2.92 sen per unit/ Net: 2.90 sen per unit)	6	-	(662,210)	(662,210)
Total comprehensive income for the financial year		-	403,230	403,230
Balance as at 31 March 2017		<u>11,129,285</u>	<u>5,588,566</u>	<u>16,717,851</u>
Balance as at 1 April 2015		25,113,935	6,066,196	31,180,131
Movement in unit holders' contribution:				
Creation of units from applications		5,028,906	-	5,028,906
Creation of units from distribution		724,761	-	724,761
Cancellation of units		(18,054,630)	-	(18,054,630)
Distribution (Gross: 2.96 sen per unit/ Net: 2.92 sen per unit)	6	-	(728,932)	(728,932)
Total comprehensive income for the financial year		-	510,282	510,282
Balance as at 31 March 2016		<u>12,812,972</u>	<u>5,847,546</u>	<u>18,660,518</u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	2017	2016
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of Shariah-compliant investments		3,930,648	20,229,526
Purchase of Shariah-compliant investments		(5,236,825)	(5,893,139)
Dividends received		114,838	168,918
Profit income received from Islamic deposits		105,684	72,552
Profit income received from sukuk		535,061	1,108,106
Management fee paid		(222,710)	(340,303)
Trustee fee paid		(17,998)	(20,379)
Payment for other fees and expenses		(44,149)	(50,777)
Tax refund		315	2,403
Net cash (used in)/generated from operating activities		<u>(835,136)</u>	<u>15,276,907</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		2,045,881	5,063,816
Payments for cancellation of units		(4,324,659)	(18,072,859)
Distributions paid		(4,171)	(4,870)
Net cash used in from financing activities		<u>(2,282,949)</u>	<u>(13,013,913)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,118,085)	2,262,994
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>3,998,581</u>	<u>1,735,587</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	<u>880,496</u>	<u>3,998,581</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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 under the historical cost convention in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”), as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

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

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

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 April 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 April 2018

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

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments¹ 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 instrument² is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest³.

¹ For the purposes of the investments made by the Fund, equity instruments and derivatives refers to Shariah-compliant equity instruments and Shariah-compliant derivatives.

² For the purposes of the investments made by the Fund, debt instruments refers to sukuk.

³ For the purposes of this Fund, interest refers to profits earned from Shariah-compliant investments.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives¹. 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 standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

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. 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.

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

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

Profit income earned from Islamic deposits with licensed financial institutions and sukuk are recognised on an accrual basis, using the effective profit 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 Shariah-compliant investments are accounted for as the difference between the net disposal proceeds and the carrying amount of Shariah-compliant securities, which is determined on a weighted average cost basis and on cost adjusted for accretion of discount and amortisation of premium on investments for sukuk.

C. TAXATION

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

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 Shariah-compliant investments in quoted Shariah-compliant securities and sukuk 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.

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 receivables comprise amount due from Manager, redemption 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 distribution payable, 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. Shariah-compliant investments are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

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

Financial liability, 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 liability is 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.

Quoted Shariah-compliant 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 Shariah-compliant 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 Shariah-compliant securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the Shariah-compliant 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.

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

Sukuk 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. 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 sukuk 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.

Receivables and other financial liabilities are subsequently carried at amortised cost using the effective profit 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 profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in statement of comprehensive income. If

“receivables” or a “held-to-maturity investment” have a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit 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 Islamic 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 unitholder 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. 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.

I. DISTRIBUTION

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

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 sukuk

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.

Sukuk 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 sukuk 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. This is allowed for under the Securities Commission ("SC") Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

1. INFORMATION ON THE FUND

Eastspring Investments Dana al-Islah (the "Fund") was constituted pursuant to the execution of a Master Deed dated 25 July 2002 as amended by a Supplemental Master Deed dated 22 June 2004 and a Second Supplemental Master Deed dated 25 January 2005, followed by Master Supplemental Deed dated 12 July 2007 and a 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 the Manager and the Trustee on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by a Second Supplemental Master Deed dated 28 January 2011, a Third Supplemental Master Deed dated 9 March 2011, a Fourth Supplemental Master Deed dated 20 January 2012, a Fifth Supplemental Master Deed dated 26 March 2014, a Sixth Supplemental Master Deed dated 2 January 2015, a Seventh Supplemental Master Deed dated 11 July 2016 and an Eighth Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund was launched on 14 August 2002 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund invests in a portfolio comprising primarily Sukuk and Shariah-compliant equities and equity-related securities. All Shariah-compliant investments will be subjected to the Securities Commission's ("SC") Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

The Fund seeks to provide investors with a stable income stream, and an opportunity for capital appreciation from Shariah-compliant fixed income and equity securities.

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 price risk and exposure to interest rate risk), stock/issuer risk, liquidity risk, credit/default risk, fund management risk, non-compliance risk, capital risk and reclassification of Shariah status 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	Receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2017</u>				
Cash and cash equivalents	8	880,496	-	880,496
Amount due from Manager		5,905	-	5,905
Redemption receivable		18,966	-	18,966
Quoted Shariah-compliant securities	7	-	4,665,326	4,665,326
Sukuk	7	-	11,235,226	11,235,226
		<u>905,367</u>	<u>15,900,552</u>	<u>16,805,919</u>
<u>2016</u>				
Cash and cash equivalents	8	3,998,581	-	3,998,581
Amount due from Manager		36,799	-	36,799
Dividends receivable		604	-	604
Redemption receivable		18,966	-	18,966
Quoted Shariah-compliant securities	7	-	5,049,724	5,049,724
Sukuk	7	-	9,615,626	9,615,626
		<u>4,054,950</u>	<u>14,665,350</u>	<u>18,720,300</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 Shariah-compliant Unit Trust Fund, however, helps mitigate this risk because a Fund would generally hold a well-diversified portfolio of Shariah-compliant securities from different market sectors so that the collapse of any one of the Shariah-compliant 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 March which are exposed to price risk:

	2017	2016
	RM	RM
Quoted Shariah-compliant securities designated at fair value through profit or loss	<u>4,665,326</u>	<u>5,049,724</u>
Sukuk designated at fair value through profit or loss*	<u>11,235,226</u>	<u>9,615,626</u>

* Includes profit receivables of RM166,399 (2016: RM124,820).

The following table summarises the sensitivity of the Fund's profit after tax and net asset value to movements in prices of quoted Shariah-compliant securities and sukuk at the end of each reporting year. The analysis is based on the assumptions that the market price of the quoted Shariah-compliant securities and sukuk increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted Shariah-compliant securities and sukuk, 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
<u>2017</u>		
+5%	16,520,861	786,708
-5%	14,947,445	(786,708)
<u>2016</u>		
+5%	15,267,557	727,027
-5%	13,813,503	(727,027)

ii. Exposure to 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.

The Fund is exposed to interest rate risk. Changes in interest rates will affect the value of the Shariah-compliant investments and its returns. To manage the risk, Shariah-compliant investments will be concentrated in investment grade issues by financial institutions and companies determined by the Manager.

This risk is crucial in a sukuk fund since sukuk portfolio management depends on forecasting interest rate movements valuation for sukuk move inversely to interest rate movements, therefore as interest rates rise, the valuation for sukuk decrease and vice versa. Furthermore, sukuk with longer maturity and lower profit rates are more susceptible to interest rate movements.

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

The above interest rate is a general economic indicator that will have an impact on the management of the fund regardless whether it is a Shariah-compliant unit trust fund or otherwise. It does not in any way suggest that the fund will invest in conventional financial instruments. All the investments carried out for the fund are in accordance with Shariah requirements. The Fund also holds a limited amount of cash and cash equivalents that expose the Fund to cash flow interest rate risk.

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to movements in interest rate for investments at the end of each reporting year as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% (2016: 1%) 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	Impact on profit after tax/net asset value
	RM
<u>Sukuk</u>	
<u>2017</u>	
+1%	(14,336)
-1%	14,361
	<hr/>
<u>2016</u>	
+1%	(16,509)
-1%	16,549
	<hr/>

Stock/issuer risk

The Fund is restricted to investment in Shariah-compliant investments issued by and Shariah-compliant investments relating to any issuer of not more than tenth percent (10%) of its net asset value. Furthermore, the Fund is restricted to invest in Shariah-compliant investments issued by and Shariah-compliant investments relating to any group of companies of not more than twenty percent (20%) of its net asset value. Under such restrictions, the exposure risk to the Shariah-compliant investments of any single issuer or any one group of companies is minimised.

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 Islamic liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unitholders. Islamic liquid assets comprise bank balances, Islamic deposits with licensed financial

institutions and other Shariah-compliant instruments which are capable of being converted into cash within 7 days.

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

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
<u>2017</u>			
Amount due to Manager	36,274	-	36,274
Accrued management fee	17,805	-	17,805
Amount due to Trustee	1,529	-	1,529
Distribution payable	2,831	-	2,831
Other payables and accruals	-	29,352	29,352
GST charges payable	1,160	-	1,160
Contractual cash outflows	<u>59,599</u>	<u>29,352</u>	<u>88,951</u>
<u>2016</u>			
Amount due to Manager	2,880	-	2,880
Accrued management fee	19,929	-	19,929
Amount due to Trustee	1,525	-	1,525
Distribution payable	4,171	-	4,171
Other payables and accruals	-	30,873	30,873
GST charges payable	1,287	-	1,287
Contractual cash outflows	<u>29,792</u>	<u>30,873</u>	<u>60,665</u>

Credit/default risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of profit income, principals and proceeds from realisation of Shariah-compliant 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 Deed.

The credit risk arising from placements of Islamic deposits with licensed financial institutions is managed by ensuring that the Fund will only place Islamic 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 SC Guidelines on Unit Trust Funds.

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

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

	Sukuk	Cash and cash equivalents	Amount due from Manager	Redemption receivable	Total
	RM	RM	RM	RM	RM
<u>2017</u>					
Finance					
- AAA	-	850,069	-	-	850,069
- AA1	-	30,427	-	-	30,427
Sukuk					
- AA2	2,443,909	-	-	-	2,443,909
- AA3	8,674,186	-	-	-	8,674,186
- B-ID	117,131	-	-	-	117,131
Other					
- NR	-	-	5,905	18,966	24,871
	<u>11,235,226</u>	<u>880,496</u>	<u>5,905</u>	<u>18,966</u>	<u>12,140,593</u>

	Sukuk equivalents		Cash and cash equivalents		Dividends receivable		Amount due from Manager		Redemption receivable		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<u>2016</u>												
Finance												
- AAA	-	1,450,127	-	-	-	-	-	-	-	-	-	1,450,127
- AA1	-	37,851	-	-	-	-	-	-	-	-	-	37,851
- NR	-	2,510,603	-	-	-	-	-	-	-	-	-	2,510,603
Sukuk												
- AA3	9,506,906	-	-	-	-	-	-	-	-	-	-	9,506,906
- B-	108,720	-	-	-	-	-	-	-	-	-	-	108,720
Health Care												
- NR	-	-	-	-	604	-	-	-	-	-	-	604
Other												
- NR	-	-	-	-	-	-	36,799	-	18,966	-	-	55,765
	<u>9,615,626</u>	<u>3,998,581</u>	<u>604</u>	<u>604</u>	<u>36,799</u>	<u>18,966</u>	<u>18,966</u>	<u>13,670,576</u>				

None of these financial 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 have 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 do not comply 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 Shariah-compliant investment activities of the Fund.

Reclassification of Shariah Status Risk

The risk refers to the risk that the currently held Shariah-compliant securities in the portfolio of Shariah-compliant Funds may be reclassified to be Shariah non-compliant upon review of the securities by the Shariah Advisory Council of the Securities Commission performed twice yearly. If this occurs, the Manager will take the necessary steps to dispose of such securities in accordance with the Shariah Advisory Council's advice.

There may be opportunity loss to the Fund due to the Fund not being allowed to retain the excess capital gains derived from the disposal of the Shariah non-compliant securities. The value of the Fund may also be adversely affected in the event of a disposal of Shariah non-compliant securities at a price lower than the investment cost.

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

An active market is a market in which transactions for the asset 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 judgement 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

2017

Financial assets at fair value through profit or loss:

Quoted Shariah-compliant Securities	4,665,326	-	-	4,665,326
Sukuk	-	11,235,226	-	11,235,226
Total	4,665,326	11,235,226	-	15,900,552

2016

Financial assets at fair value through profit or loss:

Quoted Shariah-compliant securities	5,049,724	-	-	5,049,724
Sukuk	-	9,615,626	-	9,615,626
Total	5,049,724	9,615,526	-	14,665,350

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, which include active listed Shariah-compliant 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 sukuk. 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, redemption 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 on the net asset value of the Fund calculated on daily basis.

For the financial year ended 31 March 2017, the management fee is recognised at a rate of 1.25% (2016: 1.50%) 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 an annual trustee fee at a rate not exceeding 0.20% per annum, inclusive of custodian fee, on the net asset value of the Fund, calculated on daily basis subject to a minimum fee of RM18,000 per annum.

For the financial year ended 31 March 2017, the Trustee's fee is recognised at a rate of 0.07% (2016: 0.07%) per annum on the net asset value of the Fund, inclusive of local custodian fee, 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

	2017	2016
	RM	RM
Tax charged for the financial year:		
Current taxation - local	-	896
Overprovision of taxation in previous years	(315)	-
	<u>(315)</u>	<u>896</u>

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

	2017	2016
	RM	RM
Profit before taxation	<u>402,915</u>	<u>511,178</u>
Tax at Malaysian statutory rate of 24% (2016: 24%)	96,700	122,683
Tax effects of:		
Investment income exempt from tax	(165,962)	(228,495)
Expenses not deductible for tax purposes	11,491	24,591
Restriction on tax deductible expenses for Unit Trust Funds	57,771	83,371
Income subject to different tax rate	-	(1,254)
Overprovision of taxation in previous years	(315)	-
Taxation	<u>(315)</u>	<u>896</u>

6. DISTRIBUTION

	2017	2016
	RM	RM
Distribution to unitholders are from the following sources:		
Prior years' income:		
Dividend income	89,724	156,839
Profit income earned from Shariah-compliant investments	438,935	756,391
Net amortisation of premiums	(6,075)	(3,225)
Net realised gain on sale of Shariah-compliant investments	375,026	700,770
Distribution equalisation (Memorandum account)	-	(465,869)
	<hr/>	<hr/>
Gross realised income	897,610	1,144,906
Less: Expenses	(230,736)	(407,098)
Less: Taxation	(4,664)	(8,876)
	<hr/>	<hr/>
	662,210	728,932
	<hr/>	<hr/>
Gross distribution per unit (RM)	0.0292	0.0296
	<hr/>	<hr/>
Net distribution per unit (RM)	0.0290	0.0292
	<hr/>	<hr/>
Ex-date	24 March 2017	24 March 2016
	<hr/>	<hr/>

Gross distribution is derived using total income less total expenses. The distribution is made from prior year's realised income.

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.

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purposes of determining amount available for distribution, distribution equalisation is included in the computation of realised gain or income available for distribution.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RM	RM
Designated at fair value through profit or loss:		
Quoted Shariah-compliant securities (Note 7(i))	4,665,326	5,049,724
Sukuk (Note 7(ii))	11,235,226	9,615,626
	<u>15,900,552</u>	<u>14,665,350</u>
Net loss on financial assets at fair value through profit or loss:		
Realised gain on disposals	144,001	672,513
Change in unrealised fair value loss	(176,964)	(823,548)
	<u>(32,963)</u>	<u>(151,035)</u>

i. Quoted Shariah-compliant securities

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.3.2017	of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gamuda Berhad	30,000	137,141	155,400	0.93
Gamuda Berhad-Warrant	5,000	1,250	7,050	0.04
IJM Corporation Berhad	43,000	148,840	146,200	0.87
ML Global Berhad	83,100	80,531	83,931	0.50
	<u>161,100</u>	<u>367,762</u>	<u>392,581</u>	<u>2.34</u>

i. Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.3.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Consumer Product</u>				
Nestle (Malaysia) Berhad	3,100	216,536	246,078	1.47
PPB Group Berhad	8,000	133,082	133,920	0.80
	11,100	349,618	379,998	2.27
<u>Health Care</u>				
IHH Healthcare Berhad	39,600	185,287	237,600	1.42
Top Glove Corporation Berhad	32,200	169,745	158,424	0.95
	71,800	355,032	396,024	2.37
<u>Industrial Product</u>				
Cahaya Mata Sarawak Berhad	16,000	67,440	67,360	0.40
Petronas Chemicals Group Berhad	59,000	414,515	454,300	2.72
Petronas Gas Berhad	4,000	87,930	79,040	0.47
	79,000	569,885	600,700	3.59
<u>Infrastructure Project Company</u>				
Digi.Com Berhad	37,100	189,912	190,323	1.14
<u>Technology</u>				
Unisem (M) Berhad	17,500	50,925	54,950	0.33
<u>Plantation</u>				
IOI Corporation Berhad	51,000	237,916	237,150	1.42
Kuala Lumpur Kepong Berhad	7,500	178,606	185,100	1.11
	58,500	416,522	422,250	2.53

i. Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.3.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Properties</u>				
Eastern & Oriental Berhad				
-Warrant	18,420	-	4,881	0.03
LBS Bina Group Berhad	47,800	84,606	97,034	0.58
UEM Sunrise Berhad	60,800	69,920	77,216	0.46
	<u>127,020</u>	<u>154,526</u>	<u>179,131</u>	<u>1.07</u>
<u>Trading/Services</u>				
Axiata Group Berhad	66,253	402,717	335,240	2.01
Maxis Berhad	26,200	173,575	168,728	1.01
Petronas Dagangan Berhad	4,200	106,047	100,800	0.60
Sapura Energy Berhad	54,000	96,443	98,280	0.59
Sime Darby Berhad	47,279	341,952	438,750	2.62
Telekom Malaysia Berhad	40,069	259,236	257,243	1.54
Tenaga Nasional Berhad	47,400	580,252	650,328	3.89
	<u>285,401</u>	<u>1,960,222</u>	<u>2,049,369</u>	<u>12.26</u>
TOTAL QUOTED SHARIAH-COMPLIANT SECURITIES	<u>848,521</u>	<u>4,414,404</u>	<u>4,665,326</u>	<u>27.90</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>250,922</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,665,326</u>		

i. Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.3.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gamuda Berhad	30,000	136,192	147,600	0.79
Gamuda Berhad-Warrant	5,000	1,250	5,500	0.03
IJM Corporation Berhad	43,000	148,251	151,790	0.82
Pintaras Jaya Bhd	20,900	83,347	76,912	0.41
	98,900	369,040	381,802	2.05
<u>Consumer Product</u>				
Nestle (Malaysia) Berhad	3,100	216,536	238,390	1.28
PPB Group Berhad	8,000	132,556	133,600	0.72
	11,100	349,092	371,990	2.00
<u>Health Care</u>				
Hartalega Holdings Berhad	10,400	38,283	50,440	0.27
IHH Healthcare Berhad	39,600	185,287	259,776	1.39
KPJ Healthcare Berhad	34,526	130,843	147,426	0.79
	84,526	354,413	457,642	2.45
<u>Industrial Product</u>				
Petronas Chemicals Group Berhad	41,000	284,540	275,110	1.47
Petronas Gas Berhad	11,500	251,850	253,000	1.36
	52,500	536,390	528,110	2.83
<u>Infrastructure Project Company</u>				
Digi.Com Berhad	53,000	270,300	261,820	1.40

i. Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.3.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Plantation</u>				
IOI Corporation Berhad Kuala Lumpur Kepong Berhad	51,000	237,013	233,070	1.25
	7,500	177,900	180,000	0.96
	58,500	414,913	413,070	2.21
<u>Properties</u>				
Eastern & Oriental Berhad -Warrant	18,420	-	3,776	0.02
<u>Trading/Services</u>				
Axiata Group Berhad	64,000	390,400	376,960	2.02
Maxis Berhad	37,000	244,200	234,950	1.26
MISC Berhad	20,800	180,328	185,120	0.99
MY E.G. Services Berhad	163,600	146,414	350,104	1.88
Petronas Dagangan Bhd	4,200	105,627	101,220	0.54
Sapurakencana Petroleum Berhad	54,000	96,061	100,440	0.54
Sime Darby Berhad	46,000	331,112	365,700	1.96
Telekom Malaysia Berhad	32,069	208,020	211,656	1.13
Tenaga Nasional Berhad	50,600	616,291	705,364	3.78
	472,269	2,318,453	2,631,514	14.10

i. Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.3.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
TOTAL QUOTED SHARIAH-COMPLIANT SECURITIES	<u>849,215</u>	4,612,601	<u>5,049,724</u>	27.06
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>437,123</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>5,049,724</u>		

ii. Sukuk

Name of counter	Quantity	Carrying cost	Fair value as at	Percentage of net asset value of the Fund
			31.3.2017	
	Units	RM	RM	%
4.60% Perbadanan Kemajuan Negeri Selangor 25.05.2018 (AA3)	1,300,000	1,321,116	1,322,061	7.91
4.45% Perbadanan Kemajuan Negeri Selangor 26.10.2018 (AA3)	200,000	204,123	203,518	1.22
5.05% Ambank Islamic Berhad 25.03.2024 (AA3)	200,000	200,172	201,604	1.21
4.95% RHB Islamic Bank Berhad 15.05.2024 (AA3)	200,000	206,415	205,244	1.23
4.80% Hong Leong Islamic Bank Berhad 17.06.2024 (AA2)	2,400,000	2,448,930	2,443,909	14.62
6.00% Talam Transform Berhad 28.06.2019 (B-ID)	125,851	101,000	117,131	0.70
5.02% Tanjung Bin Energy Issuer Berhad 15.09.2020 (AA3)	2,000,000	2,013,953	2,038,561	12.19
5.25% BGSM Management Sdn Bhd 24.12.2020 (AA3)	2,300,000	2,365,970	2,374,682	14.20

ii. Sukuk (continued)

Name of counter	Quantity	Carrying cost	Fair value as at 31.3.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
9.30% Jimah Energy Ventures Sdn Bhd 12.11.2021 (AA3)	1,900,000	2,296,726	2,328,516	13.93
TOTAL SUKUK	<u>10,625,851</u>	11,158,405	<u>11,235,226</u>	67.21
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>76,821</u>	
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>11,235,226</u>	

ii. Sukuk (continued)

Name of counter	Quantity	Carrying cost	Fair value as at 31.3.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
4.40% AmBank Islamic Berhad (fka AmIslamic Bank Berhad) 30.09.2016 (AA3)	1,500,000	1,501,275	1,503,497	8.06
6.00% Talam Transform Berhad (fka Trinity Corporation Berhad) 28.06.2019 (B-id)	125,851	90,079	108,720	0.58
5.02% Tanjung Bin Energy Issuer Berhad 15.09.2020 (AA3)	2,500,000	2,520,550	2,534,851	13.58
5.25% BGSM Management Sdn Berhad 24.12.2020 (AA3)	2,500,000	2,581,160	2,580,161	13.83
9.30% Jimah Energy Ventures Sdn Berhad 12.11.2021 (AA3)	2,300,000	2,854,978	2,888,397	15.48
TOTAL SUKUK	<u>8,925,851</u>	<u>9,548,042</u>	<u>9,615,626</u>	<u>51.53</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>67,584</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>9,615,626</u>	

The effective weighted average rate of return of sukuk per annum as at the date of the statement of financial position are as follows:

	2017	2016
	%	%
Sukuk	4.67	4.83

8. CASH AND CASH EQUIVALENTS

	2017	2016
	RM	RM
Bank balance with a licensed bank	30,427	37,851
Islamic deposit with a licensed financial institution	850,069	3,960,730
	<u>880,496</u>	<u>3,998,581</u>

The effective weighted average rate of return of Islamic deposit with a licensed financial institution per annum as at the date of the statement of financial position are as follows:

	2017	2016
	%	%
Islamic deposit with a licensed financial institution	2.95	3.90

The Islamic deposit has an average maturity of 3 days (2016: 1 day).

9. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investments portfolio of the Fund is Shariah-compliant, which comprises:

- a. Equity investments listed in Bursa Malaysia which has been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission;
- b. Sukuk are in order and as per the list of sukuk available at Bond Info Hub and Fully Automated System For Issuing/Tendering of Bank Negara Malaysia; and
- c. Liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

10. UNITS IN CIRCULATION

	2017	2016
	No. of units	No. of units
At the beginning of the financial year	25,904,326	42,503,875
Creation of units during the financial year:		
Arising from applications	2,799,350	6,872,606
Arising from distribution	931,984	1,007,172
Cancellation of units during the financial year	<u>(6,026,977)</u>	<u>(24,479,327)</u>
At the end of the financial year	<u>23,608,683</u>	<u>25,904,326</u>

11. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 March are as follows:

Name of brokers/ dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2017</u>				
Hong Leong Investment Bank Berhad	4,023,900	43.90	-	-
AmBank (M) Berhad	1,744,862	19.03	-	-
RHB Investment Bank Berhad	1,217,034	13.27	-	-
Affin Hwang Investment Bank Berhad	587,514	6.41	2,334	31.11
Public Investment Bank Berhad	512,947	5.59	2,037	27.15
Nomura Securities Malaysia Sdn Bhd	321,376	3.51	1,154	15.38
AmInvestment Bank Berhad	251,667	2.74	1,001	13.35
Hong Leong Bank Berhad	243,200	2.65	-	-
Inter-Pacific Securities Sdn Berhad	170,107	1.86	677	9.02
J.P. Morgan Securities (Malaysia) Sdn Bhd	75,200	0.82	299	3.99
Others	20,615	0.22	-	-
	<u>9,168,422</u>	<u>100.00</u>	<u>7,502</u>	<u>100.00</u>

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 March are as follows:

Name of brokers/ dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2016</u>				
RHB Investment Bank Berhad	4,672,858	18.59	3,502	6.13
Hong Leong Bank Berhad	4,645,700	18.48	-	-
Maybank Investment Bank Berhad	2,749,094	10.94	10,121	17.71
CIMB Investment Bank Berhad	2,599,884	10.34	10,083	17.64
KAF Investment Bank Berhad	2,309,410	9.19	1,107	1.94
Kenanga Investment Bank Berhad	1,365,529	5.43	6,075	10.63
Citigroup Global Markets (M) Sdn Bhd	1,190,301	4.74	4,515	7.90
Public Investment Bank Berhad	1,114,285	4.43	4,457	7.80
UOB Kay Hian Securities (M) Sdn Bhd	1,048,627	4.17	3,883	6.79
Nomura Securities Malaysia Sdn Bhd	685,720	2.73	2,726	4.77
Others	2,751,811	10.96	10,677	18.69
	<u>25,133,219</u>	<u>100.00</u>	<u>57,146</u>	<u>100.00</u>

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

Financial institutions	Value of placements	Percentage of total placements
	RM	%
<u>2017</u>		
CIMB Islamic Bank Berhad	173,260,000	74.63
Maybank Islamic Berhad	28,600,000	12.32
Hong Leong Islamic Bank Bhd	27,300,000	11.76
Malayan Banking Berhad (Islamic Banking)	3,000,000	1.29
	<u>232,160,000</u>	<u>100.00</u>
<u>2016</u>		
CIMB Islamic Bank Berhad	445,070,000	95.82
Bank Islam Malaysia Berhad	16,900,000	3.64
Alliance Islamic Bank	2,500,000	0.54
	<u>464,470,000</u>	<u>100.00</u>

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

12. MANAGEMENT EXPENSE RATIO ("MER")

	2017	2016
	%	%
MER	1.59	1.46

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 year calculated on a daily basis is RM17,646,149 (2016: RM26,811,807).

13. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR (times)	0.26	0.47

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM5,233,699 (2016: RM5,870,468)

total disposals for the financial year = RM3,934,723 (2016: RM19,229,526)

14. 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				
		2017		2016	
		No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,284	909	1,233	888	

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 SC's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the Directors or parties related to the Manager.

15. 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 its income by seeking Shariah-compliant investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of profit income, dividend income and gains on the appreciation in the value of Shariah-compliant investments.

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

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 12 May 2017.

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

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EMAIL

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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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603-2031 8710

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

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IBFIM

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