

# EASTSPRING INVESTMENTS GLOBAL LEADERS MY FUND

## ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 30 June 2017.**

You may also download these reports from our website at [www.eastspringinvestments.com.my](http://www.eastspringinvestments.com.my)

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

Yours sincerely,

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

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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## FUND INFORMATION

### Name of Fund

Eastspring Investments Global Leaders MY Fund (the "Fund")

### Fund Category/ Type

Feeder fund (global equity)/growth

### Fund Objective

The Fund seeks to maximise long-term total returns (the combination of income\* and growth of capital) by investing in the M&G Global Leaders Fund, which in turn invests in a wide range of global equities that are considered to be leading in their field. (If the Manager considers that the M&G Global Leaders Fund is no longer viable, the Manager reserves the right to invest in some other collective investment scheme which the Manager considers is similar to or has the same objective as the M&G Global Leaders Fund.)

**SHOULD THE MANAGER DECIDE TO INVEST IN ANOTHER COLLECTIVE INVESTMENTScheme OTHER THAN M&G GLOBAL LEADERS FUND FOR ANY REASON WHATSOEVER, UNIT HOLDERS' APPROVAL IS REQUIRED.**

\* Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.

### Performance Benchmark

The performance benchmark of the Fund is MSCI World Index.

**Source:** [www.msci.com](http://www.msci.com)

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

### Fund Income Distribution Policy

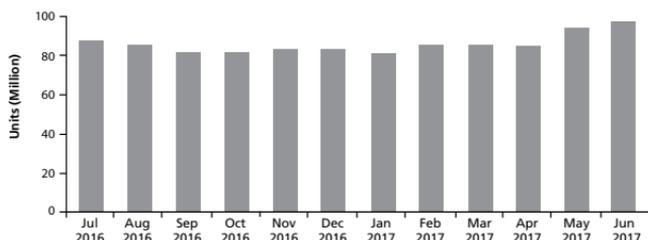
At least once a year, subject to the availability of income.

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 30 June 2017, the size of Eastspring Investments Global Leaders MY Fund stood at 97.079 million units.

#### Fund Size



#### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	152	8.89	400	0.41
5,001 to 10,000 units	302	17.66	2,640	2.72
10,001 to 50,000 units	1,026	60.00	22,432	23.11
50,001 to 500,000 units	213	12.46	22,787	23.47
500,001 units and above	17	0.99	48,819	50.29
<b>Total</b>	<b>1,710</b>	<b>100.00</b>	<b>97,078</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	30.6.2017	30.6.2016	30.6.2015
	(%)	(%)	(%)
Collective investment scheme-Foreign	94.92	97.40	98.33
Cash and other assets	5.08	2.60	1.67
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	68,744	48,023	43,401
Units In Circulation (Units '000)	97,079	87,248	77,243
Net Asset Value Per Unit (RM)	0.7081	0.5504	0.5619
Highest Net Asset Value Per Unit (RM)	0.7155	0.6380	0.5814
Lowest Net Asset Value Per Unit (RM)	0.5547	0.4964	0.4478
Total Return (%)			
- Capital Growth	28.65	(2.05)	11.05
- Income Distribution	-	-	-
Total Return (%)	28.65	(2.05)	11.05
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.18	0.16	0.22
Portfolio Turnover Ratio (PTR) (times)^	0.23	0.16	0.18

\* 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 1.7.2016 to 30.6.2017	3 years 1.7.2014 to 30.6.2017	5 years 1.7.2012 to 30.6.2017
	(%)	(%)	(%)

Average total return	28.65	11.84	15.00
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Year ended	1.7.2016 to 30.6.2017	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2013 to 30.6.2014	1.7.2012 to 30.6.2013
	(%)	(%)	(%)	(%)	(%)

Annual total return	28.65	(2.05)	11.05	19.34	20.49
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**The unit prices of the Fund may go down as well as up and the past performance figures shown are not indicative of future performance.**

**Source:** The above total return of the Fund was sourced from Lipper for Investment Management.

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

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

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

NAV<sub>0</sub> = NAV at the beginning of the period

$$\text{Performance annualised} = (1 + \text{Percentage Growth})^{1/n} - 1$$

Adjusted for unit split and distribution paid out for the period

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

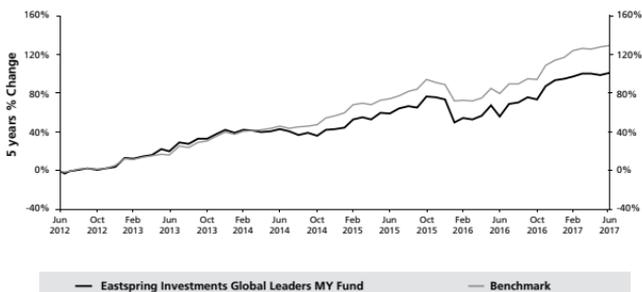
## Fund Performance

Over the 5-year period, the Fund recorded a return of 101.22%, underperforming the benchmark return of 129.69% by -28.47%.

During the period under review, the Fund registered a return of 28.65%, outperforming the benchmark return of 27.31% by 1.34%.

The Fund met its investment objective and outperformed the benchmark for the period under review due to positive contribution from stock selection.

**Eastspring Investments Global Leaders MY Fund  
- 5 Years Return Vs Benchmark**



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

**Benchmark:** MSCI World Index

**Source:** Lipper for Investment Management and [www.msci.com](http://www.msci.com), as at 30 June 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 30 June 2017:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
-	28.65	28.65	27.31

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

### Distribution/ Unit Split

No distribution or unit split were declared for the financial year ended 30 June 2017.

### Investment Strategy During The Period Under Review

The Target Fund, i.e. the M&G Global Leaders Fund, continued to invest in companies undergoing self-improvement, leading to improvement in return on capital. Look to invest in people who can change the companies for the better. Look for disparities between the boardroom and the stock market, and invest with a long-term investment horizon.

Towards the end of the period under review, the Target Fund increased their exposure in emerging market companies in Turkey, Brazil and Central and Eastern Europe, where companies had corrected to more attractive levels due to exogenous shocks. Nevertheless, for now the Target Fund remains underweight in emerging markets and remain selective. The Target Fund remains overweight in Japan as valuations remain attractive but the Target Fund Manager accepts that the Japanese government initiatives at the policy level need to be followed through by governance reform at the corporate level.

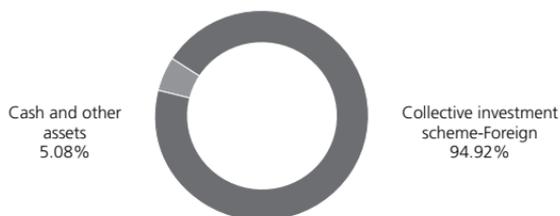
Sector exposures are an outcome of bottom-up stock picking approach and individual opportunities identified. One of the core investment themes is the shift from analogue to digital as one of the most important changes happening in the investment world today, this is a transformation many of the fund's technology holdings are primed to benefit from.

## MANAGER'S REPORT (CONTINUED)

## Asset Allocation

Asset Allocation	30-Jun 2017	30-Jun 2016	Changes
	(%)	(%)	(%)
Collective investment scheme-Foreign	94.92	97.40	(2.48)
Cash and other assets	5.08	2.60	2.48

## Asset Allocation as at 30 June 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 Second Supplementary Master Prospectus dated 15 March 2017, the information in relation to the income reinvestment policy has been revised as set out in (a) below:

#### **a. Income Reinvestment Policy**

Income distributed to a Unit Holder will automatically be reinvested into additional Units in the Fund at the Net Asset Value ("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.

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.

While in the Eastspring Investments Master Prospectus dated 15 July 2017, the information in relation to temporary defensive positions and the 2<sup>nd</sup> paragraph of the errors in calculation of the net asset value of the target fund's risk as set out in (b) and (c) below have been deleted, and the currency risk, counterparty risk, investment strategy of the target fund, dilution adjustment table of the target fund and minimum holdings of units have been revised as set out in (d) to (h) below.

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

#### **b. Temporary Defensive Positions**

##### **Deleted:**

The Manager may not adopt temporary defensive positions.

#### **c. Errors in Calculation of the net asset value of the M&G Global Leaders Fund ("Target Fund")'s risk – 2<sup>nd</sup> paragraph**

##### **Deleted:**

In view of the foregoing, Unit Holders must be aware that there are circumstances where neither the Target Fund nor the Manager will be bound to compensate final beneficial owners.

#### **d. Currency Risk**

As the investments of the Fund may be denominated in currencies other than the base currency, any fluctuation in the exchange rate between the base currency and the currencies in which the investments are denominated may have an impact on the value of these investments. Investors should be aware that if the currencies in which the investments are denominated depreciate against the base currency, this will have an adverse effect on the NAV of the Fund in the base currency and vice versa. Investors should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.

The impact of the exchange rate movement between the base currency of the Fund and the currency of the underlying investments may result in a depreciation of the value of the investments as expressed in the base currency of the Fund.

In the normal course of investment, the Fund does not engage any currency hedging strategy in mitigating the currency risk. The Manager may, however, depending on prevailing market circumstances at a particular point in time, choose to use forward or option contracts for hedging and risk reduction purposes.

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

#### e. Counterparty Risk

Applicable only to Eastspring Global Leaders MY

The investment manager will place transactions, hold positions (including derivatives transactions) and deposit cash on deposit with a range of counterparties, there is a risk that a counterparty may default on its obligations or become insolvent, which may put the Target Fund's capital at risk.

#### f. Investment Strategy of the Target Fund

The fund manager selects shares in companies that he believes to be leading in their field, or have the potential to be leading in their field, in terms of improving shareholder value. Importantly, their prospects are not fully reflected in their share prices.

The approach has three core beliefs: i. management can make a big difference to returns shareholder receive; ii. where management decide to allocate resources and capital is key - companies must concentrate resources on those business activities where they have an advantage relative to other companies and can create value; iii. the above factors are only attractive from an investment perspective if they are not yet reflected in the share price.

Stocks are selected on a bottom-up basis; that is the fund manager focuses on company fundamentals. He tends to avoid imposing top-down views, that is sector, country or currency selections do not drive stockpicking, but they will be taken into account where they impact on a particular stock or the risk profile of the broader portfolio. The fund usually holds between 50 and 80 stocks, with a typical holding period of three to five years.

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

#### g. Target Fund's dilution adjustment table

Typical dilution adjustment for the following Target Fund would be:

M&G Global Leaders Fund	+ 0.15% / -0.12%
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Positive dilution adjustment figures indicate a typical increase from mid price when the Target Fund is experiencing net issues. Negative dilution adjustment figures indicate a typical decrease from mid price when the Target Fund is experiencing net redemptions. Figures are based on the historic costs of dealing in the underlying investments of the Target Fund for twelve months to 31 May 2016, including any spreads, commissions and transfer taxes.

#### h. Minimum Holdings of Units

There is no limit on the frequency of redemption. In the case of a partial redemption, instructions will be carried out only if the minimum holding of Units (being 1,000 Units\* or such other number of Units as the Manager may determine from time to time) remains in the Fund after the redemption. If the Units in a Unit Holder's account are less than the minimum holding of Units for the Fund after a redemption application is made, all Units that the Unit Holders holds in the Fund will be redeemed automatically. The same applies for partial switching out.

- \* should we increase the minimum holdings of Units in future, Unit Holder will be informed via post mail at least 14 days prior to the implementation been made effective.

## MARKET REVIEW

Global stock markets enjoyed a solid 3Q2016, with most of the gains coming in the first month. Attention remained focus on central bank policy throughout the review period with the United States of America (“US”) Federal Reserve signaling gradual rate hikes in the near future. Shares rallied strongly in July extending their recovery from the sell-off in June that was sparked by the United Kingdom (“UK”)’s decision to leave the European Union (“EU”). The standout sectors over the 3Q2016 were technology, materials and financials. On the other hand, defensive sectors lagged the broader market. The Target Fund performed well with an overweight position in technology and stock selection across a number of sectors added value.

There was a significant shift in investor sentiment during the final quarter of 2016. In late summer, investors had already begun to challenge the widely held view that interest rates, economic growth and inflation would all stay low for some time. However, following Donald Trump’s victory in the US Presidential election, expectations that taxes and regulations would be cut, giving the US economy a boost, became more prevalent. So too did the view that this would lead to higher inflation and interest rates, which contributed to a major switch out of bonds into equities, resulting in several major stock market indices hitting all-time highs. At a sector level, cyclicals were in favour particularly oil & gas and financials – which benefited from higher bond yields and the prospect of less regulation. The energy sector ended the quarter sharply higher after The Organization of the Petroleum Exporting Countries (“OPEC”)’s decision in late November to cut production sparked a sharp rally in the oil price. Meanwhile, defensive sectors lagged the market. Against this backdrop, the Target Fund outperformed the benchmark driven mainly by stock selection.

The 1Q2017 was a good one for global equities, with most stock markets extending their gains from the final quarter of 2016. European and emerging market shares performed particularly well, but Japan shares ended the quarter lower. The Target Fund’s performance was held back by their underweight in emerging markets and poor stockpicking in technology, resulting in the Target Fund’s underperformance versus the benchmark for the 1Q2017.

Currency movements in 2Q2017 resulted in a mixed stock market performance. Japanese equities managed to rebound in performance after struggling in 1Q2017, benefiting from the weaker Yen. Central banks (other than the US Federal reserve) seem to be preparing to call an end to ultra-loose monetary policy which caused bond yields to rise and provided a fillip for the financial sector, and falling oil prices, which kept the energy sector under pressure. Against this backdrop, the Target Fund’s performance lagged the benchmark hurt by stock selection in technology.

## REBATES AND SOFT COMMISSIONS

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

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# EASTSPRING INVESTMENTS GLOBAL LEADERS MY FUND

## FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

We have acted as Trustee for Eastspring Investments Global Leaders MY Fund (the "Fund") for financial year ended 30 June 2017. To the best of our knowledge, for the financial 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 under the Deed(s), the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b. valuation and pricing for the Fund has been carried out in accordance with the Deed(s) 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(s) of the Fund and applicable regulatory requirements.

For Deutsche Trustees Malaysia Berhad

**Soon Lai Ching**  
Senior Manager, Trustee Operations

**Richard Lim Hock Seng**  
Chief Executive Officer

Kuala Lumpur  
Date: 21 August 2017

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL LEADERS MY FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Eastspring Investments Global Leaders MY Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 30 June 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 30 June 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 21 to 54.

### 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: 21 August 2017

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		RM	RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Interest from deposits with licensed financial institutions		51,864	41,336
Net gain/(loss) on financial assets at fair value through profit or loss	6	13,394,493	(1,728,404)
Net foreign currency exchange gain		18,282	31,533
		<u>13,464,639</u>	<u>(1,655,535)</u>
<b>EXPENSES</b>			
Management fee	3	(34,812)	(23,867)
Trustee fee	4	(39,262)	(35,564)
Audit fee		(6,800)	(7,048)
Tax agent fee		(3,400)	(3,400)
GST charges		(5,330)	(4,263)
Other expenses		(9,961)	(6,088)
		<u>(99,565)</u>	<u>(80,230)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		13,365,074	(1,735,765)
<b>TAXATION</b>	5	-	-
<b>PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<u>13,365,074</u>	<u>(1,735,765)</u>
Profit/(loss) after taxation is made up of the following:			
Realised amount		2,685,321	803,306
Unrealised amount		10,679,753	(2,539,071)
		<u>13,365,074</u>	<u>(1,735,765)</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 30 JUNE 2017

	Note	2017	2016
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	7	3,273,507	675,694
Amount due from Manager		1,170,456	812,687
Financial assets at fair value through profit or loss	6	65,251,388	46,775,276
<b>TOTAL ASSETS</b>		<u>69,695,351</u>	<u>48,263,657</u>
<b>LIABILITIES</b>			
Amount due to brokers		738,722	-
Amount due to Manager		180,138	203,909
Accrued management fee		5,110	1,161
Amount due to Trustee		3,873	2,911
GST charges payable		539	245
Other payables and accruals		22,882	32,218
<b>TOTAL LIABILITIES</b>		<u>951,264</u>	<u>240,444</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>68,744,087</u>	<u>48,023,213</u>
<b>EQUITY</b>			
Unit holders' capital		37,267,448	29,911,648
Retained earnings		31,476,639	18,111,565
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>68,744,087</u>	<u>48,023,213</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	8	<u>97,078,575</u>	<u>87,247,935</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.7081</u>	<u>0.5504</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 30 JUNE 2017

	Unit holders' capital	Retained earnings	Total
	RM	RM	RM
Balance as at 1 July 2016	29,911,648	18,111,565	48,023,213
Movement in unit holders' contribution:			
Creation of units from applications	39,821,826	-	39,821,826
Cancellation of units	(32,466,026)	-	(32,466,026)
Total comprehensive income for the financial year	-	13,365,074	13,365,074
Balance as at 30 June 2017	<u>37,267,448</u>	<u>31,476,639</u>	<u>68,744,087</u>
Balance as at 1 July 2015	23,553,886	19,847,330	43,401,216
Movement in unit holders' contribution:			
Creation of units from applications	31,830,505	-	31,830,505
Cancellation of units	(25,472,743)	-	(25,472,743)
Total comprehensive loss for the financial year	-	(1,735,765)	(1,735,765)
Balance as at 30 June 2016	<u>29,911,648</u>	<u>18,111,565</u>	<u>48,023,213</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 30 JUNE 2017

	Note	2017	2016
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		10,651,404	5,321,879
Purchase of investments		(14,976,019)	(11,118,353)
Interest received		51,864	41,336
Management fee paid net of rebates		(32,715)	(25,650)
Trustee fee paid		(40,599)	(37,291)
Payment for other fees and expenses		(30,382)	(25,023)
Net cash used in operating activities		<u>(4,376,447)</u>	<u>(5,843,102)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from units created		39,464,057	31,383,817
Payments for cancellation of units		<u>(32,489,797)</u>	<u>(25,859,327)</u>
Net cash generated from financing activities		<u>6,974,260</u>	<u>5,524,490</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		2,597,813	(318,612)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>			
		<u>675,694</u>	<u>994,306</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>			
	7	<u>3,273,507</u>	<u>675,694</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 30 JUNE 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 in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by financial assets at fair value through profit or loss.

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note L to the financial statements.

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

- Amendments to MFRS 101 "Presentation of financial statements" – Disclosure initiative
- 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 July 2017

- Amendments to MFRS 107 “Statement of Cash Flows – Disclosure Initiative” (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

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

ii. Financial year beginning on/after 1 July 2018

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

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”).

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

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

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

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

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

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

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

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

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

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

Key provisions of the new standard are as follows:

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

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

## **B. INCOME RECOGNITION**

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

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

### **C. TAXATION**

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

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

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

### **E. FOREIGN CURRENCY TRANSLATION**

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

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

#### **i. Classification**

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

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

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

The Fund's loans and receivables comprise cash and cash equivalents and amount due from Manager.

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

The Fund's financial liabilities include amount due to brokers, amount due to Manager, accrued management fee, amount due to Trustee, GST charges payable and other payables and accruals.

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs are expensed in statement of comprehensive income.

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

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

Financial 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', including the effects of currency translation are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit and loss' in the period in which they arise. Any unrealised gains however are not distributable.

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

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

Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

iii. Impairment for assets carried at amortised costs

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in statement of comprehensive income. If 'loan and receivables' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

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

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

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

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

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

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

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

## **I. AMOUNT DUE FROM/(TO) BROKERS**

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

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

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

## **J. SEGMENTAL INFORMATION**

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

## **K. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities. 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 information presented herein represents the estimates of fair values as on the statement of financial position date.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

### 1. INFORMATION ON THE FUND

Eastspring Investments Global Leaders MY Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 6 March 2006 (the "Deed"), Master Supplemental Deed dated 12 July 2007, Second Supplemental Master Deed dated 30 November 2009 entered into between Eastspring Investments Berhad (the "Manager") and HSBC (Malaysia) Trustee Berhad ("HSBC Trustee"). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between Eastspring Investments Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee") on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016 and Eighth Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund commenced operations on 23 March 2006 and will continue its operations until terminated by the Manager or the Trustee as provided under Part 12 of the Deed.

The main objective of the Fund seeks to maximise long-term total returns (the combination of income and growth of capital) by investing in the M&G Global Leaders Fund, which in turn invests in a wide range of global equities that are considered to be leading in their field. All investments will be subjected to the Securities Commission's (the "SC") Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

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

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
<u>2017</u>				
Collective investment scheme	6	-	65,251,388	65,251,388
Amount due from Manager		1,170,456	-	1,170,456
Cash and cash equivalent	7	3,273,507	-	3,273,507
		<u>4,443,963</u>	<u>65,251,388</u>	<u>69,695,351</u>
<u>2016</u>				
Collective investment scheme	6	-	46,775,276	46,775,276
Amount due from Manager		812,687	-	812,687
Cash and cash equivalent	7	675,694	-	675,694
		<u>1,488,381</u>	<u>46,775,276</u>	<u>48,263,657</u>

All liabilities are financial liabilities which are carried at amortised cost.

## Market risk

### i. Price risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The very nature of a Unit Trust Fund, however, helps mitigate this risk. The Underlying Fund that is the M&G Global Leaders Fund would generally hold a well-diversified portfolio of securities from different market sectors that the collapse of any one security or any one market sector would not impact too greatly on the value of the M&G Global Leaders Fund.

The table below shows assets of the Fund as at 30 June which are exposed to price risk:

	2017	2016
	RM	RM
Collective investment scheme designated at fair value through profit or loss	<u>65,251,388</u>	<u>46,775,276</u>

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

	2017	
% Change in price of financial assets at fair value through profit or loss	Market value	Impact on profit after tax/net asset value
	RM	RM
+5%	68,513,957	3,262,569
-5%	61,988,819	(3,262,569)

	2016	
% Change in price of financial assets at fair value through profit or loss	Market value	Impact on loss after tax/ net asset value
	RM	RM
+5%	49,114,040	2,338,764
-5%	44,436,512	(2,338,764)

ii. Interest rate risk

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

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

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

iii. Foreign exchange/currency risk

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

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

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

<b>Financial asset</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>
<u>2017</u>		
Euro	65,251,388	65,251,388
<u>2016</u>		
Euro	46,775,276	46,775,276
<b>Financial liability</b>	<b>Amount due to brokers</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>
<u>2017</u>		
Euro	738,722	738,722
<u>2016</u>		
Euro	-	-

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

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

	<b>Change in foreign exchange rate</b>	<b>Impact on profit/(loss) after taxation</b>	<b>Impact on net asset value</b>
	<b>%</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>			
Euro	5	3,225,633	3,225,633
<u>2016</u>			
Euro	5	2,338,764	2,338,764

### Liquidity risk

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

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

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

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>			
Amount due to brokers	738,722	-	738,722
Amount due to Manager	180,138	-	180,138
Accrued management fee	5,110	-	5,110
Amount due to Trustee	3,873	-	3,873
GST charges payable	539	-	539
Other payables and accruals	-	22,882	22,882
Contractual cash outflows	<u>928,382</u>	<u>22,882</u>	<u>951,264</u>

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2016</u>			
Amount due to Manager	203,909	-	203,909
Accrued management fee	1,161	-	1,161
Amount due to Trustee	2,911	-	2,911
GST charges payable	245	-	245
Other payables and accruals	-	32,218	32,218
Contractual cash outflows	<u>208,226</u>	<u>32,218</u>	<u>240,444</u>

## Credit risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of interest, principals and proceeds from realisation of investments.

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

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

The following table set out the credit risk concentrations and counterparties of the Fund.

	<b>Cash and cash equivalents</b>	<b>Amount due from Manager</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>			
Finance			
-AAA	3,250,338	-	3,250,338
-AA1	23,169	-	23,169
Other			
-NR	-	1,170,456	1,170,456
	3,273,507	1,170,456	4,443,963
<u>2016</u>			
Finance			
-AAA	660,062	-	660,062
-AA1	15,632	-	15,632
Other			
-NR	-	812,687	812,687
	675,694	812,687	1,488,381

None of these assets are past due or impaired.

**Fund management risk**

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

**Non-compliance risk**

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

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

**Capital risk**

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

## **Fair value estimation**

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

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

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

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

## **Fair value hierarchy**

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

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

adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2017</u>				
Financial assets at fair value through profit or loss:				
Collective investment scheme	65,251,388	-	-	65,251,388
<u>2016</u>				
Financial assets at fair value through profit or loss:				
Collective investment scheme	46,775,276	-	-	46,775,276

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

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

### **3. MANAGEMENT FEE**

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 2.00% per annum of the net asset value of the Fund accrued and calculated on a daily basis.

For the financial year ended 30 June 2017, management fee is recognised at a rate of 1.75% (2016: 1.75%) per annum on the net asset value of the Fund, calculated on daily basis. As the Fund invests in collective investment scheme, any management fee charged by M&G Global Leaders Fund to the Fund will be fully refunded. The rebate of management fee is 1.75% per annum or RM946,722 (2016: 1.75% or RM865,228) calculated on net asset value of M&G Global Leaders Fund on a daily basis. In accordance with the SC Guidelines in Unit Trust Funds, there is no double charging of management fee to the Fund.

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.20% per annum of the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum and a maximum fee of RM350,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 30 June 2017, Trustee fee is recognised at a rate of 0.07% (2016: 0.07%) per annum on the net asset value of the Fund, calculated on a daily basis.

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

**5. TAXATION**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial period:		
Current taxation – local	-	-

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

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Profit/(loss) before taxation	13,365,074	(1,735,765)
Tax at applicable rate of 24% (2016: 24%)	3,207,618	(416,584)
Tax effects of:		
Investment income exempt from tax	(3,231,514)	397,328
Restriction on the tax deductible expenses for Unit Trust Funds	9,987	7,439
Expenses not deductible for tax purposes	13,909	11,817
Taxation	-	-

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

	2017	2016
	RM	RM
Designated at fair value through profit or loss:		
Collective investment scheme	<u>65,251,388</u>	<u>46,775,276</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
Realised gain on disposals	2,714,740	810,667
Change in unrealised fair value gain/(loss)	<u>10,679,753</u>	<u>(2,539,071)</u>
	<u>13,394,493</u>	<u>(1,728,404)</u>

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 30.6.2017	of net asset value of the Fund
	Units	RM	RM	%

### Unit Trust Fund

M & G Global Leaders

Fund Class A Euro

<u>672,966</u>	49,288,288	<u>65,251,388</u>	94.92
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### **ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

15,963,100

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

65,251,388

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 30.6.2016	of net asset value of the Fund
	Units	RM	RM	%
<u>Unit Trust Fund</u>				
M & G Global Leaders Fund Class A Euro	625,955	41,491,929	46,775,276	97.40
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		5,283,347		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		46,775,276		

The M&G Global Leaders Fund is a global equity fund which invests in select stocks from across the global equities universe that are undergoing positive internal change leading to improvements in return on capital. The aim of the M&G Global Leaders Fund is to maximise long-term total return (the combination of income and growth of capital) by investing in a wide range of global equities issued by companies that the Fund Manager considers to be, or have the potential to be, leading in their field in terms of improving shareholder value.

The investment manager of the M&G Global Leaders Fund is M&G Investment Management Limited (M&G), which is part of the Prudential Group.

**7. CASH AND CASH EQUIVALENTS**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Bank balance with a licensed bank	23,169	15,632
Deposits with a licensed financial institution	3,250,338	660,062
	<u>3,273,507</u>	<u>675,694</u>

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

	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Deposits with a licensed financial institution	<u>3.80</u>	<u>3.40</u>

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

**8. UNITS IN CIRCULATION**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
At the beginning of the financial year	87,247,935	77,243,471
Creation of units during the financial year	58,540,605	53,318,209
Cancellation of units during the financial year	<u>(48,709,965)</u>	<u>(43,313,745)</u>
At the end of the financial year	<u>97,078,575</u>	<u>87,247,935</u>

## 9. TRANSACTIONS WITH ISSUER

Details of transactions with the issuer are as follows:

Name of issuer	Value of trades RM	Percentage of total trades %
<u>2017</u>		
M&G Investment Management Limited	26,300,801	100.00
<u>2016</u>		
CIMB Bank Berhad	282,530,000	94.49
M&G Investment Management Limited	16,474,477	5.51
	<u>299,004,477</u>	<u>100.00</u>

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

There are no brokerage fees charged by the issuer.

## 10. UNITS HELD BY THE MANAGER

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

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

	<b>2017</b>		<b>2016</b>	
	<b>No. of units</b>	<b>RM</b>	<b>No. of units</b>	<b>RM</b>
Eastspring Investments Berhad	1,000	708	1,000	550

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.

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

	<b>2017</b>	<b>2016</b>
	%	%
MER	<u>0.18</u>	<u>0.16</u>

MER is derived from the following calculation:

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

- A = Management fee net of rebates of 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 RM56,087,474 (2016: RM50,805,225).

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

	<b>2017</b>	<b>2016</b>
PTR (times)	<u>0.23</u>	<u>0.16</u>

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 = RM15,691,210 (2016: RM11,151,242)

total disposals for the financial year = RM10,609,591 (2016: RM5,323,235)

### **13. SEGMENTAL INFORMATION**

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

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

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

### **14. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 21 August 2017.

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

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

Jalan Raja Laut

50350 Kuala Lumpur

BUSINESS OFFICE

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603-2052 3388

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603-2070 6129

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WEBSITE

www.eastspringinvestments.com.my

## **TRUSTEE**

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE &

BUSINESS OFFICE

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TELEPHONE NO.

603-2053 7522

FAX NO.

603-2053 7526

## **SALE & PURCHASE OF UNITS**

**Eastspring Investments Berhad**

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TELEPHONE NO.

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FAX NO.

603-2052 3366

**BRANCHES**

**Petaling Jaya**

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TELEPHONE NO.

603-7948 1288

**Kota Kinabalu**

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TELEPHONE NO.

6088-238 613

**ENQUIRIES**

CLIENT SERVICES

603-2332 1000

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