

# EASTSPRING INVESTMENTS DINASTI EQUITY 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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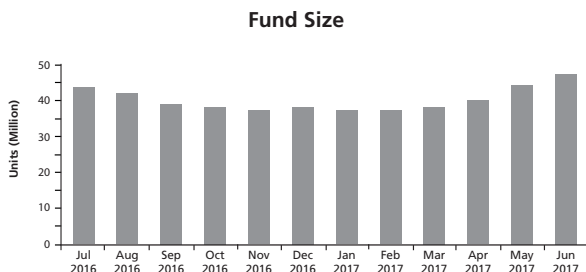
## FUND INFORMATION

<b>Name of Fund</b>	Eastspring Investments Dinasti Equity Fund (the "Fund")
<b>Fund Category/ Type</b>	Shariah equity/growth
<b>Fund Objective</b>	<p>The Fund aims to provide investors with long-term capital appreciation by investing in Shariah-compliant investments with exposure to the Greater China region.</p> <p><b>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</b></p>
<b>Performance Benchmark</b>	<p>The performance benchmark of the Fund is DJIM Greater China Index.</p> <p><b>Source:</b> <a href="http://www.djindexes.com">www.djindexes.com</a></p> <p><b>Note:</b> The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
<b>Fund Income Distribution Policy</b>	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 Dinasti Equity Fund stood at 46.823 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	430	47.72	934	1.99
5,001 to 10,000 units	206	22.86	1,448	3.09
10,001 to 50,000 units	225	24.97	4,213	9.00
50,001 to 500,000 units	34	3.78	3,500	7.48
500,001 units and above	6	0.67	36,727	78.44
<b>Total</b>	<b>901</b>	<b>100.00</b>	<b>46,822</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
	(%)	(%)	(%)
<b>Quoted Shariah-compliant securities</b>			
Basic Material	2.31	3.44	0.85
Consumer Discretionary	0.40	-	-
Consumer Goods	5.08	6.68	6.99
Consumer Services	6.20	5.09	2.89
Consumer Staples	0.72	-	-
Energy	1.95	-	-
Financial	5.33	2.21	7.54
Health Care	5.95	2.93	3.51
Industrial	6.88	12.17	11.94
Technology	50.12	32.44	40.71
Telecommunication	8.71	12.99	1.31
Utilities	1.98	4.66	4.49
Total quoted Shariah-compliant securities	95.63	82.61	80.23
Cash and other assets	4.37	17.39	19.77
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## KEY PERFORMANCE DATA (CONTINUED)

Category	30.6.2017	30.6.2016	30.6.2015
Net Asset Value (NAV) (RM'000)	79,367	55,299	62,067
Units In Circulation (Units '000)	46,823	42,888	44,615
Net Asset Value Per Unit (RM)	1.6950	1.2894	1.3912
Highest Net Asset Value Per Unit (RM) <sup>#</sup>	1.7148	1.2894	1.4342
Lowest Net Asset Value Per Unit (RM) <sup>#</sup>	1.6950	1.2695	1.0991
Total Return (%)			
- Capital Growth	31.46	(7.32)	23.88
- Income Distribution	4.04	4.04	-
Total Return (%)	36.76	(3.57)	23.88
Gross Distribution Per Unit (RM)	0.0692	0.0514	-
Net Distribution Per Unit (RM)	0.0692	0.0514	-
Management Expense Ratio (MER) (%) <sup>*</sup>	2.11	2.11	2.10
Portfolio Turnover Ratio (PTR) (times) <sup>^</sup>	0.82	0.86	0.92

<sup>#</sup> Figure shown as ex-distribution.

<sup>\*</sup> There were no significant changes to the MER during the period under review.

<sup>^</sup> 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	36.76	17.76	14.34

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	36.76	(3.57)	23.88	13.85	5.13

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:

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

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

$\text{NAV}_0$  = 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

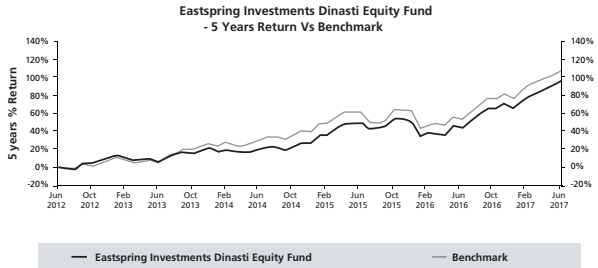
## Fund Performance

Over the 5-year period, the Fund recorded a return of 95.53%, underperforming the benchmark return of 107.19% by -11.66%.

During the period under review, the Fund registered a return of 36.76%, outperforming the benchmark return of 36.17% by 0.59%.

Outperformance was mainly due to Shariah-compliant stock selection in the technology and consumer discretionary sectors where several mid-cap technology Shariah-compliant stock picks outperformed the benchmark significantly.

The Fund met its investment objective to provide investors with long-term capital appreciation.



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

**Benchmark:** DJIM Greater China Index

**Source:** Lipper for Investment Management and [www.djindexes.com](http://www.djindexes.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
(%)	(%)	(%)	(%)
4.04	31.46	36.76	36.17

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

Distribution/  
Unit Split

Ex-date	23-Jun-17
Distribution Per Unit	(RM)

Gross	0.0692
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Net	0.0692
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Impact on NAV arising from distribution for the financial year ended 30 June 2017.

Ex-Date	23-Jun-17
	(RM per Unit)

Net Asset Value before distribution	1.7840
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Less: distribution	(0.0692)
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Net Asset Value after distribution	1.7148
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No unit split were declared for the financial year ended 30 June 2017.

## MANAGER'S REPORT (CONTINUED)

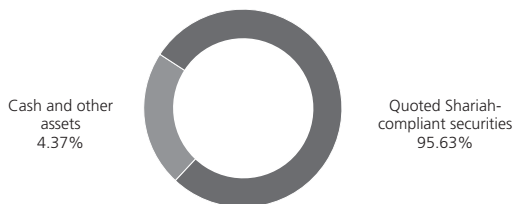
### Investment Strategy During The Period Under Review

The fund raised its equity exposure and switched focus to overweight the HK/China countries while also increasing allocation to the technology sectors on the back of positive trends in the global semiconductor sales. The Fund continues to focus on Shariah-compliant stock selection, and favor companies with healthy balance sheets, good market positioning, decent earnings growth and are trading at attractive valuations.

### Asset Allocation

Asset Allocation	30-Jun 2017	30-Jun 2016	Changes
	(%)	(%)	(%)
Quoted Shariah-compliant securities	95.63	82.61	13.02
Cash and other assets	4.37	17.39	(13.02)

#### 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, a new paragraph has been added into the investment strategy of the Fund as set out in (a) below, while the information in relation to the income reinvestment policy has been revised as set out in (b) below:

#### **a. Investment Strategy**

Currently, EPF Members Investment Scheme does not allow investment in derivatives and structured products. Hence, the Fund is not allow to invest in Shariah-compliant derivatives, derivatives-related instruments and Islamic structured product. However, the Fund may invest in Shariah-compliant derivatives, derivatives-related instruments and Islamic structured product if there is a change in (i) the restrictions imposed on the EPF Members Investment Scheme on investment in derivatives and structured products, and/or (ii) the eligibility of the Fund under EPF Members Investment Scheme.

#### **b. 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.

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

While in the Eastspring Investments Master Prospectus dated 15 July 2017, a new paragraph has been added into the investment strategy of the Fund as set out in (c) below, and the information in relation to the 1<sup>st</sup> paragraph, 1<sup>st</sup> sentence in 3<sup>rd</sup> paragraph and 4<sup>th</sup> paragraph of the investment strategy, security risk, currency risk, Shariah-compliant derivatives risk, counterparty risk, reclassification of Shariah status risk and minimum holdings of units have been revised as set out in (c) to (i) below. The revision of the 1<sup>st</sup> paragraph of the investment strategy was due to addition of explanation to "attractive".

### c. Investment Strategy

#### (i) New paragraph:

The Fund will only invest in Shariah-compliant derivatives that are issued by counterparties with a strong credit rating. A Malaysian counterparty must have a credit rating of at least AA3 or P2 by RAM Rating Services Berhad ("RAM"), or its equivalent rating by any other domestic rating agencies. A foreign counterparty, on the other hand, must have a credit rating of at least A as rated by Standard & Poor's, or its equivalent rating by any other global rating agencies. Should the credit rating of the counterparty be downgraded by the rating agencies to below the minimum credit rating, the Manager will unwind the affected invested Shariah-compliant derivative instrument or hold the Shariah-complaint derivative instrument to maturity if its period to maturity is less than six (6) months.

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

#### **(ii) 1<sup>st</sup> paragraph:**

The Fund seeks to achieve its objective by investing primarily in Shariah-compliant equities and equity-related securities of companies based in the Greater China region which potentially offer attractive\* long-term value. The Fund will invest in markets where the regulatory authority is an ordinary member of International Organization of Securities Commissions ("IOSCO"). The markets where the Fund will invest in include China, Hong Kong and Taiwan. The Fund will also invest in Shariah-compliant shares of companies listed in Malaysia, Singapore and the United States of America, where such companies have exposure to the Greater China region. The Fund will adopt a bottom up Shariah-compliant investment approach with no benchmark constraint (i.e. the weightage of the stocks of the fund is not constrained by the weightage of the stocks in the benchmark).

\* attractive generally refers to companies with a good balance of healthy earnings growth trading at reasonable valuations. Valuation can be measured by various measures, such as but not limited to, price/earnings, price/book and discounted cash flows.

#### **(iii) 1<sup>st</sup> sentence in 3<sup>rd</sup> paragraph:**

The Fund shall invest in domestic sukuk with a minimum credit rating of AA3 or P2 by RAM, or its equivalent rating by any other domestic rating agencies whilst foreign sukuk shall carry a minimum credit rating of BB3 or A-3 by Standard & Poor's or its equivalent rating by any other global rating agencies. Should the credit rating of the sukuk be downgraded by the rating agencies to below the minimum credit rating, the Manager may dispose of the affected sukuk in the market.

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

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#### (iv) 4<sup>th</sup> paragraph:

The Manager may also employ Shariah-compliant derivatives and derivative-related instruments (over-the-counter (OTC)) such as Islamic products based on Arboon contracts, murabahah and mudharabah contracts as well as Islamic structured products for efficient portfolio management and hedging purposes only. Net short positions and leverage are not allowed.

#### d. Security Risk

Adverse price movements of a particular security or Shariah-compliant security invested by the Fund may adversely affect the Fund's NAV. The Manager strives to mitigate the impact of a particular security or Shariah-compliant security risk through portfolio diversification.

Meanwhile investing in equity-related securities such as American Depository Receipts ("ADRs"), rights and warrants or Shariah-compliant equity-related securities such as Shariah-compliant warrants, where price movement is dependent on the price movement of the underlying of the equity-related securities or Shariah-compliant equity-related securities, the risk is generally higher than their equities or Shariah-compliant equities as these equity-related securities or Shariah-compliant equity-related securities are leveraged form of investment. The price of equity-related securities or Shariah-compliant equity-related securities generally fluctuates more than the equities or Shariah-compliant equities and consequently may affect the volatility of the Fund's NAV. To mitigate this risk, the Manager will conduct rigorous fundamental analysis of the equities and equity-related securities or Shariah-compliant equities and equity-related securities.

Warrants or Shariah-compliant warrants are financial instruments that give the buyer the right but not the obligation to purchase or sell equities or Shariah-compliant equities at a pre-determined price before the expiry date. Such investments may experience time decay, and the erosion of value accelerates as the instrument advances to its expiry date.

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## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

#### **e. 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.

The Fund does not intend to engage in any currency hedging to mitigate currency risk.

#### **f. Shariah-compliant Derivatives Risk**

The Manager may invest in Shariah-compliant derivatives for hedging and efficient portfolio management purposes. Shariah-compliant derivatives' market values may be subject to wide fluctuations and expose the Fund to potential gains or losses due to mark-to-market value.

#### **g. Counterparty Risk**

The Fund will be exposed to credit risk on the counterparties with whom the Fund trades with. The Fund may enter into Shariah-compliant derivative contracts. In the event that the counterparty is not able to fulfil its obligations especially in the event of bankruptcy, this may lead to a loss to the Fund. This risk is mitigated by conducting credit evaluation on the counterparty to ascertain the creditworthiness of the counterparty.



## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

#### **h. Reclassification of Shariah Status Risk**

This is the risk that Shariah-compliant equities in the Fund may be reclassified to be Shariah non-compliant upon periodic review of the equities by the Shariah Advisory Council of the Securities Commission Malaysia, the Shariah adviser or the Shariah boards of the relevant Islamic indices. If this occurs, the Manager will adopt the necessary steps to dispose such equities. 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 equities. The value of the Fund may also be adversely affected in the event of a disposal of Shariah non-compliant equities at a price lower than the investment cost.

#### **i. 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

For the period under review, emerging markets outperformed its developed market counterparts. This was despite a stronger United States (“US”) Dollar and higher interest rates in the United States. Emerging market investors were reassured that the pace of interest rate hikes in the US would be moderate and hence the relative attractiveness of emerging markets would remain for the medium term. Within emerging markets, the Greater China markets of Taiwan, Hong Kong/China outperformed the rest led by a resilient technology sector, solid corporate earnings, improved macroeconomic indicators and attractive stock valuations.

The technology sector was the best performing sector during the period under review. Chip sales have started to recover since the third quarter of last year and the recovery is expected to gain further momentum. The World Semiconductor Trade Statistic has estimated semiconductor sales growth to be 11.5% by end-2017. The technology sector was buoyed by mass market adoption of technologies such as wider use of electric vehicles, artificial intelligence in our daily lives, robots in manufacturing, data usage in networks and others.

Corporate earnings also turned positive, supporting the rally. The uptick in producer prices continued during the period, leading to better pricing power and margins for manufacturers. Consumption demand remained strong in the Greater China markets, as a rising middle class in China showed increased needs for goods and services, pushing China towards a consumption driven economy. On the back of this, e-commerce saw tremendous growth while luxury goods markets also saw a recovery.

Macroeconomic indicators continued to show improving signs, with the earlier weakness in the Renminbi (“RMB”) currency stabilizing as the People’s Bank of China stepped in to provide liquidity in the system. Asset quality in the banking sector also improved on the back of a recovery in commodity prices, while the property sector showed little signs of slowing despite macro-prudential measures undertaken by both Hong Kong/China governments to slow the pace of price hikes.

Lastly, stock valuations for the Greater China markets were attractive due to earlier investor concerns from the RMB devaluation, property market bubble, rising non-performing loans in the banking system as well as high debt levels. However, most of these concerns have been systematically addressed by the Chinese government such as stabilizing the currency through more liquidity support, and reducing debt levels via debt-equity swaps. Other concerns also subsided after economic growth surpassed expectations, with China’s real GDP in Q1 and Q2 of 2017 growing 6.9% each.

Going forward, we continue to expect GDP growth in China to remain healthy for the remainder of 2017. The key event to watch for is the 19th National Congress in Beijing, where leadership changes in China's communist party system is expected to take place. Equity valuations continue to appear attractive, although the valuation discount vs peers have now tightened post the strong rally. The Fund Manager would be more selective in picking Shariah-compliant stocks and would continue to favor Shariah-compliant stocks that would benefit from secular growth trends with wide economic moats trading at attractive valuations. These are the Shariah-compliant stocks that will/continue to demand a valuation premium from investors.

## REBATES AND SOFT COMMISSIONS

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

# EASTSPRING INVESTMENTS DINASTI EQUITY FUND

## FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

We have acted as Trustee for Eastspring Investments Dinasti Equity 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.

We are of the view that the distribution made during this financial year ended 30 June 2017 by the Manager is not inconsistent with the objectives of the Fund.

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

## SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DINASTI EQUITY FUND

We have acted as the Shariah Adviser of Eastspring Investments Dinasti Equity Fund. 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 Dinasti Equity Fund 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 30 June 2017.

In addition, we also confirm that the investment portfolio of Eastspring Investments Dinasti Equity Fund comprises securities which have been classified as Shariah-compliant by the Shariah Supervisory Board of Dow Jones Islamic Market Greater China Index. As for the securities which are not certified by the Shariah Advisory Board of Dow Jones Islamic Market Greater China Index, 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 21 August 2017

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DINASTI EQUITY FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Eastspring Investments Dinasti Equity 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 24 to 78.

### 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>			
Gross dividend income		1,104,890	1,116,705
Interest income from deposits with licensed financial institutions		91,440	138,248
Other income		1,155	-
Net gain/(loss) on financial assets at fair value through profit or loss	6	18,960,992	(977,123)
Net foreign currency exchange gain/(loss)		755,738	(407,583)
		<u>20,914,215</u>	<u>(129,753)</u>
<b>EXPENSES</b>			
Management fee	3	(1,106,633)	(1,051,040)
Custodian fee		(18,365)	(13,218)
Trustee fee	4	(49,184)	(46,713)
Audit fee		(7,500)	(7,902)
Tax agent fee		(3,400)	(14,144)
GST charges		(70,501)	(68,789)
Other expenses		(38,492)	(29,676)
Payment to baitulmal		-	(3,378)
Transaction cost		(216,492)	(225,877)
		<u>(1,510,567)</u>	<u>(1,460,737)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		19,403,648	(1,590,490)
<b>TAXATION</b>	5	<u>(93,150)</u>	<u>(100,240)</u>
<b>PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<u>19,310,498</u>	<u>(1,690,730)</u>
Profit/(loss) after taxation is made up of the following:			
Realised amount		5,349,657	3,025,640
Unrealised amount		13,960,841	(4,716,370)
		<u>19,310,498</u>	<u>(1,690,730)</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	9	3,901,566	11,665,911
Amount due from brokers		1,298,661	676,091
Amount due from Manager		922,652	373,417
Dividends receivable		323,713	405,728
Financial assets at fair value through profit or loss	6	75,897,635	45,682,466
<b>TOTAL ASSETS</b>		<u>82,344,227</u>	<u>58,803,613</u>
<b>LIABILITIES</b>			
Amount due to Manager		383,143	1,940
Amount due to brokers		854,202	2,405,829
Amount due to custodian		3,721	-
Accrued management fee		116,279	82,692
Amount due to Trustee		5,168	3,675
Distribution payable		1,573,787	977,496
GST charges payable		7,287	5,853
Other payables and accruals		33,203	27,561
<b>TOTAL LIABILITIES</b>		<u>2,976,790</u>	<u>3,505,046</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>79,367,437</u>	<u>55,298,567</u>
<b>EQUITY</b>			
Unit holders' capital		51,886,498	43,948,226
Retained earnings		27,480,939	11,350,341
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>79,367,437</u>	<u>55,298,567</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	10	<u>46,823,200</u>	<u>42,887,597</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)</b>		<u>1.6950</u>	<u>1.2894</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

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 July 2016		43,948,226	11,350,341	55,298,567
Movement in unit holders' contribution:				
Creation of units from applications		41,001,864	-	41,001,864
Creation of units from distribution		1,606,113	-	1,606,113
Cancellation of units		(34,669,705)	-	(34,669,705)
Distribution (Gross: 6.92 sen/Net: 6.92 sen)	7	-	(3,179,900)	(3,179,900)
Total comprehensive income for the financial year		-	19,310,498	19,310,498
Balance as at 30 June 2017		51,886,498	27,480,939	79,367,437
Balance as at 1 July 2015		46,882,731	15,184,497	62,067,228
Movement in unit holders' contribution:				
Creation of units from applications		27,067,507	-	27,067,507
Creation of units from distribution		1,165,930	-	1,165,930
Cancellation of units		(31,167,942)	-	(31,167,942)
Distribution (Gross: 5.14 sen/Net: 5.14 sen)	7	-	(2,143,426)	(2,143,426)
Total comprehensive loss for the financial year		-	(1,690,730)	(1,690,730)
Balance as at 30 June 2016		43,948,226	11,350,341	55,298,567

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 Shariah-compliant investments		43,992,528	53,492,458
Purchase of Shariah-compliant investments		(57,637,394)	(46,882,574)
Dividends received		1,093,754	951,362
Other income received		1,155	-
Profit income received from Islamic deposits		91,440	138,248
Management fee paid		(1,073,046)	(1,119,429)
Trustee and custodian fee paid		(60,686)	(67,496)
Payment for other fees and expenses		(114,466)	(62,832)
Payment to baitulmal		-	(3,378)
Net foreign currency exchange gain/(loss)		755,738	(407,583)
Net cash (used in)/ generated from operating activities		<u>(12,950,977)</u>	<u>6,038,776</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		40,452,630	28,904,252
Payments for cancellation of units		(34,288,502)	(32,019,123)
Distribution paid		(977,496)	-
Net cash generated from/(used in) financing activities		<u>5,186,632</u>	<u>(3,114,871)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(7,764,345)</b>	<b>2,923,905</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<u>11,665,911</u>	<u>8,742,006</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	9	<u>3,901,566</u>	<u>11,665,911</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 M 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<sup>1</sup> 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<sup>2</sup> 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<sup>3</sup>.

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

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

<sup>3</sup> 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 derivatives<sup>1</sup>. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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

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

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

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

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.

- 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.

**B. INCOME RECOGNITION**

Profit income from short-term Islamic deposits is 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 sale of Shariah-compliant investments are accounted for as the difference between the net disposal proceeds and the carrying amount of the Shariah-compliant investments, determined on a weighted average cost basis.

**C. TAXATION**

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

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

**D. PRESENTATION AND FUNCTIONAL CURRENCY**

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

**E. FOREIGN CURRENCY TRANSLATION**

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

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

### **i. Classification**

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

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

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's receivables comprise amount due from brokers, amount due from Manager, dividends receivable and cash and cash equivalents, which are all due within 12 months.

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

The Fund's financial liabilities include amount due to Manager, amount due to brokers, amount due to custodian, accrued management fee, amount due to Trustee, distribution payable, 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 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.

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 outside Malaysia are valued at the last traded market price quoted on the respective foreign stock exchanges at the close of the business day.

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 method over the period from the date of placement to the date of maturity of the respective Islamic deposits.

Receivables and other financial liabilities are subsequently carried at amortised cost using the effective profit method.

iii. Impairment for assets carried at amortised costs

For assets carried at amortised cost, the Fund assesses at the end of the reporting year 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' 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.

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise Islamic deposits with licensed financial institutions and bank balances 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 profit 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, profit income is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective profit method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit 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 profit 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 profit 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. DISTRIBUTION**

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

**L. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Islamic 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.

**M. 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

The Unit Trust Fund (the "Fund") was constituted under the name Eastspring Investments Dinasti Equity Fund pursuant to the execution of a Deed dated 28 August 2009 (the "Deed") entered into between Eastspring Investments Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee"), followed by Supplemental Deed dated 20 January 2012, Second Supplemental Deed dated 26 March 2014 and Third Supplemental Deed dated 2 January 2015 (collectively referred to as the "Deed").

The Fund was launched on 26 October 2009 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The Fund invests primarily in Shariah-compliant equities and equity-related securities of companies based in the Greater China region which potentially offer attractive long-term value. These include Shariah-compliant securities of Greater China-based companies listed or to be listed on recognised exchanges of the People's Republic of China, Hong Kong and Taiwan as well as other recognised exchanges such as in Malaysia, Singapore and United States of America where the regulatory authority is a member of the International Organization of Securities Commissions ("IOSCO"). All investments will be subjected to the Securities Commission's ("SC") Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

The main objective of the Fund is to provide investors with long-term capital appreciation by investing in Shariah-compliant investments with exposure to the Greater China Region.

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, exposure to interest rate risk and foreign exchange/currency risk), fund management risk, capital risk, credit/default risk, liquidity 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:

	<b>Note</b>	<b>Receivables</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>				
Quoted Shariah -compliant securities	6	-	75,897,635	75,897,635
Amount due from Manager		922,652	-	922,652
Amount due from brokers		1,298,661	-	1,298,661
Dividends receivable		323,713	-	323,713
Cash and cash equivalents	9	3,901,566	-	3,901,566
		<u>6,446,592</u>	<u>75,897,635</u>	<u>82,344,227</u>
<u>2016</u>				
Quoted Shariah -compliant securities	6	-	45,682,466	45,682,466
Amount due from Manager		373,417	-	373,417
Amount due from brokers		676,091	-	676,091
Dividends receivable		405,728	-	405,728
Cash and cash equivalents	9	11,665,911	-	11,665,911
		<u>13,121,147</u>	<u>45,682,466</u>	<u>58,803,613</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 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 30 June which are exposed to price risk:

	2017	2016
	RM	RM
Quoted Shariah-compliant securities designated at fair value through profit or loss	75,897,635	45,682,466

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

% Change in price of financial assets at fair value through profit or loss	Market value	Impact on profit after tax and net asset value
	RM	RM
<u>2017</u>		
+5%	79,692,517	3,794,882
-5%	72,102,753	(3,794,882)

% Change in price of financial assets at fair value through profit or loss	Market value	Impact on loss after tax and net asset value
	RM	RM
<u>2016</u>		
+5%	47,966,589	2,284,123
-5%	43,398,343	(2,284,123)

ii. Exposure to interest rate risk

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

Interest rate is a general economic indicator that will have an impact on the management of the Fund 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 are carried out for the Fund are in accordance with Shariah requirements.

As at the date of the statement of financial position, all the financial assets and financial liabilities have no exposure to interest rate movement except for Islamic deposits with licensed financial institutions of RM2,347,704 (2016: RM2,530,222) which have maturities of less than one year.

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

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

iii. Foreign exchange/currency risk

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

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

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

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Dividends receivable	Amount due from brokers	Total
	RM	RM	RM	RM	RM
<b>Financial asset</b>					
<u>2017</u>					
HKD	38,840,943	-	104,165	1,298,661	40,243,769
USD	16,352,040	657,839	-	-	17,009,879
TWD	20,704,652	855,614	219,548	-	21,779,814
	<u>75,897,635</u>	<u>1,513,453</u>	<u>323,713</u>	<u>1,298,661</u>	<u>79,033,462</u>
<u>2016</u>					
HKD	26,428,092	1,759,251	208,740	676,091	29,072,173
USD	7,033,124	6,236,219	-	-	13,269,343
TWD	12,221,250	1,127,035	196,988	-	13,545,273
	<u>45,682,466</u>	<u>9,122,505</u>	<u>405,728</u>	<u>676,091</u>	<u>55,886,789</u>



	<b>Amount due to brokers</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>
<b>Financial liability</b>		
<u>2017</u>		
TWD	854,202	854,202
	<u>854,202</u>	<u>854,202</u>
<u>2016</u>		
HKD	1,278,806	1,278,806
TWD	1,127,023	1,127,023
	<u>2,405,829</u>	<u>2,405,829</u>

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

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

	<b>Change in foreign exchange rate</b>	<b>Impact on profit/(loss) after tax</b>	<b>Impact on net asset value</b>
	<b>%</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>			
HKD	5	2,012,188	2,012,188
USD	5	850,494	850,494
TWD	5	1,046,281	1,046,281
		<u>3,908,963</u>	<u>3,908,963</u>
<u>2016</u>			
HKD	5	1,389,668	1,389,668
USD	5	663,467	663,467
TWD	5	620,913	620,913
		<u>2,674,048</u>	<u>2,674,048</u>

### **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.

### **Capital risk**

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

### **Credit/default risk**

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

For amount due from brokers, the settlement terms are governed by the relevant rules and regulations as prescribed by respective stock exchange.

The credit/default risk is minimal as all transactions in quoted Shariah-compliant securities are settled/paid upon delivery using approved brokers. The credit risk arising from placements of Islamic deposits in licensed financial institutions is managed by ensuring that the Fund will only place Islamic deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

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

	Cash and cash equivalents	Dividends receivable	Amount due from brokers	Amount due from Manager	Total
	RM	RM	RM	RM	RM
<u>2017</u>					
Consumer Services					
-NR	-	42,424	-	-	42,424
Financial					
-NR	-	35,888	-	-	35,888
Finance					
-AAA	340,033	-	-	-	340,033
-AA1	1,553,862	-	-	-	1,553,862
-AA3	2,007,671	-	-	-	2,007,671
Industrial					
-NR	-	32,599	-	-	32,599
Technology					
-NR	-	212,802	-	-	212,802
Other					
-NR	-	-	1,298,661	922,652	2,221,313
	<u>3,901,566</u>	<u>323,713</u>	<u>1,298,661</u>	<u>922,652</u>	<u>6,446,592</u>

	Cash and cash equivalents	Dividends receivable	Amount due from brokers	Amount due from Manager	Total
	RM	RM	RM	RM	RM
<b>2016</b>					
Consumer					
Services					
-NR	-	161,428	-	-	161,428
Finance					
-AAA	2,530,222	-	-	-	2,530,222
-AA1	9,135,689	-	-	-	9,135,689
Financial					
-NR	-	24,807	-	-	24,807
Health Care					
-NR	-	16,128	-	-	16,128
Industrial					
-NR	-	6,377	-	-	6,377
Technology					
-NR	-	152,784	-	-	152,784
Telecommunication					
-NR	-	44,204	-	-	44,204
Other					
-NR	-	-	676,091	373,417	1,049,508
	<u>11,665,911</u>	<u>405,728</u>	<u>676,091</u>	<u>373,417</u>	<u>13,121,147</u>

None of these assets are past due or impaired.

### 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 unit holders. Islamic liquid assets comprise cash balances, Islamic deposit with a licensed financial institution and other instruments which are capable of being converted into cash within 7 days.

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

	<b>Less than 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 Manager	383,143	-	383,143
Accrued management fee	116,279	-	116,279
Amount due to custodian	3,721	-	3,721
Amount due to brokers	854,202	-	854,202
Amount due to Trustee	5,168	-	5,168
Distribution payable	1,573,787	-	1,573,787
Other payables and accruals	-	33,203	33,203
GST charges payable	7,287	-	7,287
Contractual cash outflows	<u>2,943,587</u>	<u>33,203</u>	<u>2,976,790</u>
<u>2016</u>			
Amount due to Manager	1,940	-	1,940
Accrued management fee	82,692	-	82,692
Amount due to brokers	2,405,829	-	2,405,829
Amount due to Trustee	3,675	-	3,675
Distribution payable	977,496	-	977,496
Other payables and accruals	-	27,561	27,561
GST charges payable	5,853	-	5,853
Contractual cash outflows	<u>3,477,485</u>	<u>27,561</u>	<u>3,505,046</u>

### **Reclassification of Shariah status risk**

This risk refers to the risk that the currently held Shariah-compliant securities in the portfolio of Shariah-compliant fund may be reclassified to be Shariah non-compliant in the periodic review of the securities by the Shariah Adviser or the Shariah Boards of the relevant Islamic indices. If this occurs, the Manager will take the necessary steps to dispose of such securities.

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 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 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 judgement, 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
<u>2017</u>				
Financial assets at fair value through profit or loss:				
Quoted Shariah -compliant securities	75,897,635	-	-	75,897,635
<u>2016</u>				
Financial assets at fair value through profit or loss:				
Quoted Shariah -compliant securities	45,682,466	-	-	45,682,466

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active quoted 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 F to the financial statements.

- ii. The carrying value of amount due from Manager, amount due from brokers, dividends receivable, 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 daily basis.

For the financial year ended 30 June 2017, the management fee is recognised at a rate of 1.80% (2016: 1.80%) per annum of the net asset value of the Fund, calculated on daily basis.

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee, inclusive of local custodian 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 (excluding foreign custodian fees and charges).

For the financial year ended 30 June 2017, the Trustee fee is recognised at a rate of 0.08% (2016: 0.08%) per annum of 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**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial year:		
Current taxation – foreign	<u>93,150</u>	<u>100,240</u>

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	<u>19,403,648</u>	<u>(1,590,490)</u>
Tax at Malaysian statutory rate of 24% (2016: 24%)	4,656,876	(381,718)
Tax effects of:		
Investment income exempt from tax	(5,019,412)	31,141
Expenses not deductible for tax purposes	95,144	96,431
Restriction on the tax deductible expenses for Unit Trust Funds	267,392	254,146
Foreign income subject to different tax rate	<u>93,150</u>	<u>100,240</u>
Taxation	<u>93,150</u>	<u>100,240</u>

## 6. 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	75,897,635	45,682,466
Net gain/(loss) on financial assets at fair value through profit or loss:		
Realised gain on disposals	5,952,022	3,737,104
Change in unrealised fair value gain/(loss)	13,008,970	(4,714,227)
	<u>18,960,992</u>	<u>(977,123)</u>

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

### China Equities (Listed in Hong Kong)

#### Basic Material

Real Gold Mining Ltd [Note 8 (a)]	210,000	984,690	-	-
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#### Consumer Goods

Mint Group Limited	52,000	720,187	946,807	1.19
Shenzhou International Group Holdings Limited	11,000	300,176	310,413	0.39
	<u>63,000</u>	<u>1,020,363</u>	<u>1,257,220</u>	<u>1.58</u>

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Consumer Staples</u>				
Hengan International Group Company Limited	18,000	635,558	570,328	0.72
<u>Health Care</u>				
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	125,500	1,661,500	2,088,330	2.63
<u>Industrial</u>				
Sunny Optical Technology (Group) Company Limited	76,000	2,219,939	2,926,454	3.69
Zhuzhou CSR Times Electric Company Limited	35,700	781,408	752,137	0.95
	111,700	3,001,347	3,678,591	4.64
<u>Technology</u>				
Tencent Holdings Limited	49,900	2,891,626	7,663,832	9.66
Travelsky Technology Limited	156,000	1,544,113	1,973,706	2.49
	205,900	4,435,739	9,637,538	12.15
<b>Total China Equities (Listed in Hong Kong)</b>	<b>734,100</b>	<b>11,739,197</b>	<b>17,232,007</b>	<b>21.72</b>

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>China Equities</b>				
<b>(Listed in United States)</b>				
<u>Consumer Services</u>				
JD.Com Inc	25,600	3,358,878	4,308,301	5.43
<u>Technology</u>				
Alibaba Group Holding Ltd	13,700	4,461,275	8,283,046	10.44
Baidu.Com	4,900	3,736,073	3,760,693	4.74
	18,600	8,197,348	12,043,739	15.18
<b>Total China Equities</b>	<b>44,200</b>	<b>11,556,226</b>	<b>16,352,040</b>	<b>20.61</b>
<b>(Listed in United States)</b>				
<b>Hong Kong Equities</b>				
<u>Consumer Goods</u>				
Brilliance China Automotive Holdings Limited	246,000	1,876,039	1,924,264	2.42
Techtronic Industries Company Limited	21,000	349,575	414,709	0.52
	267,000	2,225,614	2,338,973	2.94
<u>Consumer Services</u>				
MTR Corporation Ltd	25,290	351,491	611,417	0.77
<u>Energy</u>				
China Petroleum & Chemical Corporation	462,000	1,570,764	1,547,709	1.95

Name of counter	Quantity	Aggregate cost	Fair value as at	Percentage of net asset
			30.6.2017	value of the Fund
	Units	RM	RM	%
<u>Financial</u>				
Cheung Kong Property Holdings Limited	71,500	2,272,316	2,405,097	3.03
The Link Real Estate Investment Trust	56,000	1,421,816	1,829,804	2.30
	127,500	3,694,132	4,234,901	5.33
<u>Health Care</u>				
CSPC Pharmaceutical Group Limited	278,000	1,532,413	1,743,330	2.20
<u>Technology</u>				
ASM Pacific Technology Limited	53,700	3,305,036	3,116,426	3.93
<u>Telecommunication</u>				
China Mobile Limited	131,500	5,172,145	5,993,055	7.55
<u>Utilities</u>				
Cheung Kong Infrastructure Holdings Limited	21,000	770,211	757,797	0.95
China Resources Gas Group Ltd	56,000	802,665	820,947	1.03
	77,000	1,572,876	1,578,744	1.98
<b>Total Hong Kong Equities</b>	<b>1,421,990</b>	<b>19,424,471</b>	<b>21,164,555</b>	<b>26.65</b>

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>Taiwan Equities</b>				
<u>Basic Material</u>				
Formosa Plastics Corporation Ltd	140,280	1,355,988	1,835,404	2.31
<u>Consumer Discretionary</u>				
Eclat Textile Co Limited	6,000	263,310	314,182	0.40
<u>Health Care</u>				
Ginko International Co., Ltd	27,000	1,249,288	886,019	1.12
<u>Industrial</u>				
Airtac International Group	35,000	1,587,496	1,775,919	2.24
<u>Technology</u>				
Chipbond Technology Corporation	253,000	1,640,310	1,671,178	2.10
Delta Electronics, Inc.	52,000	1,173,085	1,222,007	1.54
Largan Precision Co., Ltd	3,000	1,786,352	2,053,616	2.59
Taiwan Semiconductor Manufacturing Company Limited	262,000	3,491,619	7,710,164	9.71
Win Semiconductors Corporation	98,248	1,380,322	2,315,776	2.92
	668,248	9,471,688	14,972,741	18.86



<b>Name of counter</b>	<b>Quantity</b>	<b>Aggregate cost</b>	<b>Fair value as at 30.6.2017</b>	<b>Percentage of net asset value of the Fund</b>
	<b>Units</b>	<b>RM</b>	<b>RM</b>	<b>%</b>
<u>Telecommunication</u>				
Far Eastone Telecommunications Company Limited	28,000	182,957	306,278	0.39
Taiwan Mobile Company Limited	38,000	540,680	614,109	0.77
	<u>66,000</u>	<u>723,637</u>	<u>920,387</u>	<u>1.16</u>
<b>Total Taiwan Equities</b>	<b><u>942,528</u></b>	<b><u>14,651,407</u></b>	<b><u>20,704,652</u></b>	<b><u>26.09</u></b>

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>United States Equities (Listed in Hong Kong)</b>				
<u>Consumer Goods</u>				
Nexteer Automotive Group Limited	66,000	423,344	444,381	0.56
<b>Total United States Equities</b>	<b>66,000</b>	<b>423,344</b>	<b>444,381</b>	<b>0.56</b>
<b>TOTAL QUOTED SHARIAH -COMPLIANT SECURITIES</b>				
	<u>3,208,818</u>	57,794,645	<u>75,897,635</u>	95.63
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>18,102,990</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>75,897,635</u>		

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>China Equities</b>				
<b>(Listed in Hong Kong)</b>				
<u>Basic Material</u>				
Real Gold Mining Ltd [Note 8 (a)]	210,000	984,690	-	-
<u>Consumer Goods</u>				
Minth Group Limited	46,000	387,989	598,597	1.08
<u>Health Care</u>				
China Medical System Holdings Limited	101,000	528,692	619,117	1.12
Shanghai Fosun Pharmaceutical Group Company Limited	55,000	566,442	540,000	0.98
	156,000	1,095,134	1,159,117	2.10
<u>Industrial</u>				
AAC Technologies Holdings Inc	49,000	1,024,079	1,676,182	3.03
China Lesso Group Holdings Limited	645,000	1,438,837	1,373,766	2.48
Sunny Optical Technology (Group) Company Limited	40,000	430,340	564,156	1.02
Zhuzhou CSR Times Electric Company Limited	25,500	572,344	564,312	1.02
	759,500	3,465,600	4,178,416	7.55

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Technology</u>				
Tencent Holdings Limited	53,700	2,753,538	4,912,504	8.88
<u>Utilities</u>				
CT Environmental Group Limited	938,000	1,114,798	1,091,491	1.97
<b>Total China Equities (Listed in Hong Kong)</b>	<b>2,163,200</b>	<b>9,801,749</b>	<b>11,940,125</b>	<b>21.58</b>
<b>China Equities (Listed in United States)</b>				
<u>Consumer Services</u>				
JD.Com Inc	8,600	1,193,273	734,876	1.33
<u>Technology</u>				
Alibaba Group Holding Ltd	14,400	4,494,882	4,609,559	8.34
Baidu.Com	1,700	1,077,757	1,130,039	2.04
Qihoo 360 Technology Co Ltd	1,900	509,692	558,650	1.01
	18,000	6,082,331	6,298,248	11.39
<b>Total China Equities (Listed in United States)</b>	<b>26,600</b>	<b>7,275,604</b>	<b>7,033,124</b>	<b>12.72</b>

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>Hong Kong Equities</b>				
<u>Basic Material</u>				
Sinopec Shanghai Petrochemical Company Limited	292,000	564,145	536,977	0.97
<u>Consumer Goods</u>				
Techtronic Industries Company Limited	72,000	1,216,866	1,206,234	2.18
Vitasoy International Holdings Limited	70,000	610,450	512,000	0.93
	142,000	1,827,316	1,718,234	3.11
<u>Consumer Services</u>				
MTR Corporation Ltd	102,000	1,407,275	2,077,091	3.76
<u>Financial</u>				
The Link Real Estate Investment Trust	44,500	1,083,120	1,220,571	2.21
<u>Industrial</u>				
Kerry Logistics Network Limited	211,500	1,164,936	1,097,603	1.98
<u>Telecommunication</u>				
China Mobile Limited	113,000	5,055,585	5,203,870	9.41

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Utilities</u>				
China Resources Gas Group Ltd	122,000	1,299,748	1,489,351	2.69
<b>Total Hong Kong Equities</b>	<b>1,027,000</b>	<b>12,402,125</b>	<b>13,343,697</b>	<b>24.13</b>
<b>Taiwan Equities</b>				
<u>Basic Material</u>				
Formosa Plastics Corporation Limited	140,280	1,355,988	1,363,132	2.47
<u>Consumer Goods</u>				
Eclat Textile Company Limited	6,000	261,463	232,689	0.42
<u>Health Care</u>				
Ginko International Company Limited	11,000	615,977	460,256	0.83
<u>Industrial</u>				
King Slide Works Company Limited	31,000	1,505,116	1,459,706	2.64

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Technology</u>				
Landmark Optoelectronics Corp	9,000	566,972	509,779	0.92
Taiwan Semiconductor Manufacturing	253,000	2,781,149	5,134,951	9.29
Win Semiconductors Corporation	133,000	1,089,590	1,084,744	1.96
	<u>395,000</u>	<u>4,437,711</u>	<u>6,729,474</u>	<u>12.17</u>
<u>Telecommunication</u>				
Far Eastone Telecommunication Company Limited	89,000	581,542	865,944	1.57
Taiwan Mobile Company Limited	79,000	1,124,045	1,110,049	2.01
	<u>168,000</u>	<u>1,705,587</u>	<u>1,975,993</u>	<u>3.58</u>
<b>Total Taiwan Equities</b>	<b>751,280</b>	<b>9,881,842</b>	<b>12,221,250</b>	<b>22.11</b>

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>United States Equities (Listed in Hong Kong)</b>				
<u>Consumer Goods</u>				
Nexteer Automotive Group Limited	312,000	1,227,126	1,144,270	2.07
<b>Total United States Equities (Listed in Hong Kong)</b>	<b>312,000</b>	<b>1,227,126</b>	<b>1,144,270</b>	<b>2.07</b>
<b>TOTAL QUOTED SHARIAH -COMPLIANT SECURITIES</b>				
	<u>4,280,080</u>	40,588,446	<u>45,682,466</u>	82.61
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>5,094,020</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>45,682,466</u>		

\*Real Gold Mining Limited has been suspended from trading on the stock exchange of Hong Kong Limited since 27 May 2011.



**7. DISTRIBUTION**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Distribution to unit holders is from the following sources:		
Dividend income	772,046	977,300
Profit income	88,159	104,534
Net realised gain on sale of investments	3,412,342	2,335,645
Prior financial year's realised income	151,083	186,684
Gross realised income	<u>4,423,630</u>	<u>3,604,163</u>
Less: Expenses	<u>(1,243,730)</u>	<u>(1,460,737)</u>
	<u>3,179,900</u>	<u>2,143,426</u>
Gross distribution per unit (RM)	<u>0.0692</u>	<u>0.0514</u>
Net distribution per unit (RM)	<u>0.0692</u>	<u>0.0514</u>
Ex-date	<u>23 June 2017</u>	<u>27 June 2016</u>

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

During the financial year ended 30 June 2016, the Fund incurred unrealised losses of RM4,716,370.

## 8 SHARIAH INFORMATION OF THE FUND

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

- a. Equity securities in foreign markets which have been classified as Shariah-compliant either by the Shariah Supervisory Board of Dow Jones Islamic Market Greater China Index and duly verified by the Shariah Adviser and/or those securities which have been reviewed and classified as Shariah-compliant by the Shariah Adviser; EXCEPT for:
  - (i) Real Gold Mining Ltd was removed from Dow Jones Islamic Market Greater China Index on 31 July 2011. As advised by the Shariah Adviser, this security will be disposed soonest practical, once the total amount of dividends received and the market value held equal the original investment costs.
- b. Liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

## 9. CASH AND CASH EQUIVALENTS

	2017	2016
	RM	RM
Bank balances with a licensed bank	1,553,862	9,135,689
Islamic deposits with licensed financial institutions	2,347,704	2,530,222
	<u>3,901,566</u>	<u>11,665,911</u>

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

	2017	2016
	RM	RM
MYR	2,388,113	2,543,406
HKD	-	1,759,251
TWD	855,614	1,127,035
USD	657,839	6,236,219
	<u>3,901,566</u>	<u>11,665,911</u>

The effective weighted average rate of return of Islamic deposits placement with licensed financial institutions per annum as at the date of the statement of financial position are as follows:

	2017	2016
	%	%
Islamic deposits with licensed financial institutions	<u>3.50</u>	<u>3.20</u>

The Islamic deposits have average maturity of 21 days (2016: 1 day).

**10. UNITS IN CIRCULATION**

	<b>2017</b>	<b>2016</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	42,887,597	44,615,323
Creation of units during the financial year:		
Arising from applications	25,358,706	19,829,117
Arising from distribution	936,618	916,396
Cancellation of units during the financial year	(22,359,721)	(22,473,239)
At the end of the financial year	<u>46,823,200</u>	<u>42,887,597</u>

## 11. TRANSACTIONS WITH BROKERS

Details of transactions with the top 10 brokers for the financial year ended 30 June are as follows:

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2017</u>				
Morgan Stanley & Co Inc	22,750,939	22.59	39,721	18.35
Merrill Lynch International Limited	16,641,769	16.53	30,728	14.19
Macquarie Bank Limited	13,273,402	13.18	23,280	10.75
UBS Securities Pte Ltd	10,177,472	10.11	21,168	9.78
Credit Lyonnais Securities Asia Ltd	8,768,523	8.70	32,704	15.11
CLSA Ltd (Hong Kong)	8,273,161	8.21	23,199	10.72
Credit Suisse Securities (Hong Kong) Limited	7,462,242	7.41	14,989	6.92
Citigroup Global Market Limited	5,924,902	5.88	13,251	6.12
JP Morgan Securities (Asia Pacific) Limited	2,800,088	2.78	10,670	4.93
Deutsche Securities Asia Ltd	2,034,093	2.02	4,499	2.08
Others	2,608,708	2.59	2,283	1.05
	<u>100,715,299</u>	<u>100.00</u>	<u>216,492</u>	<u>100.00</u>

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2016</u>				
CIMB Islamic Bank Berhad	985,340,000	90.76	-	-
Merrill Lynch International Limited	28,065,084	2.59	29,202	25.62
Morgan Stanley & Co Inc	20,080,876	1.85	14,716	12.91
Macquarie Securities Ltd	16,550,275	1.52	11,111	9.75
Credit Suisse Securities (Hong Kong Limited)	14,505,769	1.34	31,712	27.83
JP Morgan Securities (Asia Pacific) Limited	5,059,198	0.47	6,113	5.36
Deutsche Securities Asia Ltd	4,682,935	0.43	2,341	2.05
CLSA Ltd (Hong Kong)	4,442,636	0.41	8,885	7.80
Citigroup Global Market Limited	2,281,336	0.21	5,703	5.00
UBS Securities Pte Ltd	1,828,950	0.17	2,347	2.06
Goldman Sachs & Co	1,773,448	0.16	1,353	1.19
Others	966,628	0.09	479	0.43
	<u>1,085,577,135</u>	<u>100.00</u>	<u>113,962</u>	<u>100.00</u>

All brokers as disclosed per above are not related to the Manager.

## 12. 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	1,082	1,834	1,040	1,341

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.

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

	<b>2017</b>	<b>2016</b>
	%	%
MER	2.11	2.11

MER is derived from the following calculation:

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

- A = Management Fees
- B = Trustee fee and custodian fees
- 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 RM61,476,244 (2016: RM58,387,942).



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

	2017	2016
PTR (times)	0.82	0.86

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 = RM55,987,412 (2016: RM48,589,476)

total disposals for the financial year = RM44,727,887 (2016: RM51,575,351)

**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 their income by seeking investments to achieve targeted returns with an acceptable level of risk within each portfolio. These returns consist of profit income, dividend income, foreign exchange gains/losses 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 21 August 2017.

# CORPORATE DIRECTORY

## **THE MANAGER**

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## **SHARIAH ADVISER**

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