

EASTSPRING INVESTMENTS SMALL-CAP FUND

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD
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

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

TABLE OF CONTENTS

Fund Information	1
Key Performance Data	3
Manager's Report	6
Market Review	12
Rebates and Soft Commissions	13
Statement by Manager	16
Trustee's Report to the Unit Holders of Eastspring Investments Small-cap Fund	17
Unaudited Statement of Financial Position	18
Unaudited Statement of Profit or Loss and Other Comprehensive Income	19
Unaudited Statement of Changes in Net Assets Value	20
Unaudited Statement of Cash Flows	21
Notes to the Unaudited Financial Statements	22
Corporate Directory	59

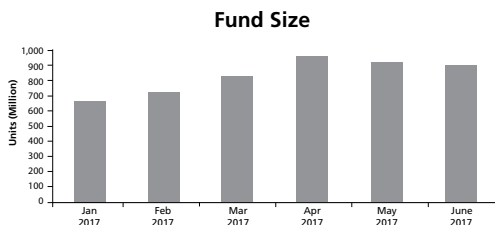
FUND INFORMATION

Name of Fund	Eastspring Investments Small-cap Fund (the "Fund")
Fund Category/ Type	Equity (small-cap)/growth
Fund Objective	<p>The Fund seeks to provide investors with maximum capital appreciation by investing principally in small market capitalisation companies which will appreciate in value.</p> <p>Note: The Fund will invest in small market capitalisation companies at the point of acquisition.</p> <p>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</p>
Performance Benchmark	<p>The performance benchmark of the Fund is FBMSC.</p> <p>Source: www.bursamalaysia.com</p> <p>Note: The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	At least once a year, subject to the availability of income.

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 30 June 2017, the size of Eastspring Investments Small-cap Fund stood at 901.200 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	4,074	23.89	10,224	1.13
5,001 to 10,000 units	2,944	17.27	21,621	2.40
10,001 to 50,000 units	7,048	41.33	165,892	18.41
50,001 to 500,000 units	2,888	16.94	336,350	37.32
500,001 units and above	97	0.57	367,108	40.74
Total	17,051	100.00	901,195	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	30.6.2017	30.6.2016	30.6.2015
	(%)	(%)	(%)
Quoted Securities			
Construction	9.73	7.01	4.18
Consumer	9.80	6.00	3.64
Consumer Product	3.27	1.67	5.01
Finance	4.64	4.51	3.04
Hotel	-	-	0.91
Industrial Product	15.72	17.00	19.48
Infrastructure Project Company	0.80	2.25	2.52
Manufacturing	2.40	3.86	2.07
Plantation	-	2.13	3.73
Power / Utilities	-	0.70	-
Properties	6.77	8.44	13.36
REITS	2.23	0.71	2.47
Technology	9.61	5.70	10.42
Trading / Services	8.28	14.51	13.73
Transportation	1.58	0.69	0.31
	<hr/>	<hr/>	<hr/>
	74.83	75.18	84.87
Cash and other assets	25.17	24.82	15.13
Total	<hr/> 100.00	<hr/> 100.00	<hr/> 100.00

KEY PERFORMANCE DATA (CONTINUED)

Category	30.6.2017	30.6.2016	30.6.2015
Net Asset Value (NAV) (RM'000)	672,351	328,665	219,173
Units In Circulation (Units '000)	901,200	481,299	335,126
Net Asset Value Per Unit (RM)	0.7461	0.6829	0.6540
Highest Net Asset Value Per Unit (RM)	0.7598	0.6847	0.6633
Lowest Net Asset Value Per Unit (RM)	0.6396	0.6416	0.5512
Total Return (%)			
- Capital Growth	17.11	2.06	15.92
- Income Distribution	-	-	-
Total Return (%)	17.11	2.06	15.92
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%) [*]	0.84	0.84	0.83
Portfolio Turnover Ratio (PTR) (times) [^]	0.18	0.28	0.45

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

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

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.7.2016 to 30.6.2017	3 years 1.7.2014 to 30.6.2017	5 years 1.7.2012 to 30.6.2017
	(%)	(%)	(%)
Average total return	15.06	11.16	24.23

Year ended	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
	(%)	(%)	(%)	(%)	(%)
Annual total return	0.28	26.03	16.59	64.02	11.07

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:

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

NAV_t = NAV at the end of the period

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

$$n = \text{Number of years}$$

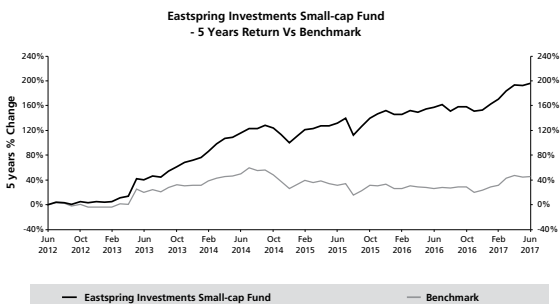
Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

MANAGER'S REPORT

Fund Performance

Over the 5-year period, the Fund recorded a return of 196.02%, outperforming the benchmark return of 45.78% by 150.24%.

During the period under review, the Fund registered a return of 17.11%, underperforming the benchmark return of 18.54% by -1.43%. The underperformance was mainly due to high cash inflows during the period under review. Although the Fund underperformed its benchmark, it achieved its objective to provide investors with capital appreciation by investing in small capitalization companies.



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

Benchmark: FTSE Bursa Malaysia Small Cap Index (FBMSC)

Source: Lipper for Investment Management and www.bursamalaysia.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 period ended 30 June 2017:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	17.11	17.11	18.54

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

Distribution/ Unit Split

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

Investment Strategy During The Period Under Review

The Fund continues to maintain a bottoms-up approach in stock selection. The Fund increased exposure into technology and construction related stocks during the period. Cash holding was relatively high during the period due to strong inflows. Over the longer term, the Fund Manager remains confident that good quality small cap stocks should continue to outperform the broad market over the longer term. The Fund stays invested in companies with presence in ASEAN region with strong growth outlook.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	30-Jun 2017 (%)	31-Dec 2016 (%)	Changes (%)
Quoted securities	74.83	80.24	(5.41)
Cash and other assets	25.17	19.76	5.41

Asset Allocation as at 30 June 2017



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

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund

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

However, in the Eastspring Investments Second Supplementary Master Prospectus dated 15 March 2017, the information in relation to the income reinvestment policy has been revised as set out in (a) below:

a. Income Reinvestment Policy

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

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

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

While in the Eastspring Investments Master Prospectus dated 15 July 2017, the information in relation to the 1st paragraph of the investment strategy, asset allocation, security risk and minimum holdings of units have been revised as set out in (b) to (e) below.

b. Investment Strategy – 1st paragraph

The Fund seeks to achieve its objective by investing in equities and equity-related securities of companies with market capitalisation of up to RM5 billion at the point of acquisition.

MANAGER'S REPORT (CONTINUED)

**State of Affairs of
the Fund
(continued)**
c. Asset Allocation

Asset Class	% of the Fund's NAV
Securities of small market capitalisation companies	Minimum of 70%
Deposits or liquid assets	Minimum of 1%

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.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

e. 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

1Q2017 saw global markets start the year on a positive note, on the expectations that Trump's policies for the United States ("US") will be reflationary in nature, focused on tax cuts and corporate tax overhaul, infrastructure spending in the US, and increased protectionism. US corporates reporting 4Q 2016 results in February generally surprised the market with a higher percentage of companies beating consensus earnings expectations for their 4Q results, in particular the Technology related companies and Health care. China surprised the market by raising their Medium-term Lending Facility 6-month and 1-year rates by 10bps, the first in nearly 6 years. This was followed by China's raising of its overnight rates for the standing lending facility loans to 3.1% post the Lunar New Year break, which saw the Chinese Yuan firmer against the US Dollar. The US markets took a breather towards the end of the quarter, as oil prices corrected with rising inventory levels and higher rig counts in the US. US President Trump failed to push through his election promise of getting rid of Obama-care, and in the United Kingdom ("UK") Prime Minister Theresa May triggered Article 50 to exit the European Union. Malaysian equities rallied in tandem with global markets, supported by a firmer ringgit given Bank Negara Malaysia ("BNM")'s efforts to clamp down on currency speculation. Announcements by Permodalan Nasional Berhad ("PNB") related companies to restructure the UMW Holdings and UMW Oil and Gas, and Sime Darby's intentions to spin-off various divisions brought some excitement to the market. M&A news dominated news in the 1Q as Saudi Aramco announced their JV with Petronas in RAPID during the Saudi Arabia King's visit to Malaysia, the media speculated the potential merger between Telekom Malaysia and Axiata, and Alibaba's Jack Ma's announcement of establishing an e-commerce hub in the new Digital Free Trade Zone in Sepang.

Global markets continued their upward trend in the 2Q2017, despite uncertainty regarding US President Trump and potential trade protectionist policy, French elections, UK elections, tensions with North Korea, and crude oil supply concerns. The French elections ended well with the winner, independent candidate Macron, who has never held elected office, but is more market friendly preferring closer European cooperation and maintain an open economy. U.K. Prime Minister Theresa May overestimated her support at the snap elections held on 8 June, and ended up with a minority government. North Korea has been busy testing the patience of the UN Security Council members, with 6 missile test launches in 2Q alone, seemingly making rapid progress in the development of their missile technology; unnerving the US, South Korea and Japan. Crude oil ended the quarter lower at about US\$46 per barrel, down almost 5% year-on-year, on supply concerns, despite the calls by Saudi Arabia and three other Gulf countries to boycott Qatar. Malaysian

equities continued its uptrend in the early part of 2Q, supported continued foreign fund flows and an appreciating ringgit. However the positive momentum hit a speed bump mid 2Q when TRX City announced that they were terminating the 60% stake sale of Bandar Malaysia to IWH-CREC joint venture, which brought up concerns of whether this could potentially jeopardise Malaysia's relationship with China ahead of China's One-Belt-One-Road Summit. Towards the end of the 2Q, profit taking activities set in ahead of the Hari Raya holidays, which also coincided with a flurry of M&A related news such as DRB Hicom and Zhejiang Geely signing the agreement for 49.9% stake in Proton, RHB Bank and AMMB Holdings announcing their commencement of merger discussions, and CIMB Group looking to dispose a stake of their Malaysian stockbroking business to China Galaxy Securities, after selling the international stockbroking arm. The FBM KLCI closed the period under review at 1,763.67 points, gaining 7.43%. In tandem with the FBM KLCI, the FBM Emas (FBMEmas) Index closed the period under review higher by 9.88% while the MSCI Asia Pacific ex-Japan Index rose by 18.35% in USD terms. ¹

REBATES AND SOFT COMMISSIONS

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

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

¹ Source: Bloomberg: World indices

This page is intentionally left blank

EASTSPRING INVESTMENTS SMALL-CAP FUND

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

STATEMENT BY THE MANAGER

We, Tang Chee Kin and Khoo Chuan Keat, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 18 to 58, are drawn up in accordance with the provisions of the Master Deed and give a true and fair view of the state of affairs of Eastspring Investments Small-cap Fund as at 30 June 2017 and of its results, changes in net assets value and cash flows for the six months financial period ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds in Malaysia.

For and on behalf of the Manager,

Eastspring Investments Berhad

Tang Chee Kin

Executive Director / Chief Executive Director

Khoo Chuan Keat

Director

Kuala Lumpur

Date: 21 August 2017

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS SMALL-CAP FUND

(Established in Malaysia)

We have acted as Trustee for Eastspring Investments Small-cap Fund (the "Fund") for the financial period ended 30 June 2017. To the best of our knowledge, for the financial period under review, Eastspring Investments Berhad (the "Manager"), has operated and managed the Fund in accordance with the following:-

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

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching

Senior Manager, Trustee Operations

Richard Lim Hock Seng

Chief Executive Officer

Kuala Lumpur

Date: 21 August 2017

UNAUDITED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Note	2017	2016
		RM	RM
INVESTMENTS			
Quoted equities	4	503,115,624	247,088,401
Deposits with licensed financial institutions	5	168,160,000	69,750,000
		<u>671,275,624</u>	<u>316,838,401</u>
OTHER ASSETS			
Amount due from stockbrokers		-	2,250,227
Amount due from Manager		772,624	7,633,180
Other receivables	6	1,821,371	939,406
Tax recoverable		528	528
Bank balance with a licensed bank		368,085	2,125,409
		<u>2,962,608</u>	<u>12,948,750</u>
TOTAL ASSETS		<u>674,238,232</u>	<u>329,787,151</u>
LIABILITIES			
Amount due to Manager		909,514	661,803
Accrued management fee		833,460	393,827
Amount due to Trustee		44,451	21,004
Other payables and accrued expenses		99,664	45,808
		<u>1,887,089</u>	<u>1,122,442</u>
TOTAL LIABILITIES		<u>1,887,089</u>	<u>1,122,442</u>
NET ASSETS VALUE		<u>672,351,143</u>	<u>328,664,709</u>
REPRESENTED BY:			
Unit holders' capital		514,719,246	237,912,054
Undistributed income		157,631,897	90,752,655
		<u>672,351,143</u>	<u>328,664,709</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS		<u>672,351,143</u>	<u>328,664,709</u>
NUMBER OF UNITS IN CIRCULATION	7	<u>901,200,467</u>	<u>481,299,082</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT		<u>0.7461</u>	<u>0.6829</u>

The notes on pages 22 to 58 are an integral part of these unaudited financial statements.

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

	Note	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
		RM	RM
Dividend income		5,394,782	3,013,174
Interest income		2,431,981	1,071,006
Net realised gain on sale of investments		2,360,357	9,029,485
Net unrealised gain/(loss) from financial instruments at fair value through profit or loss		78,221,675	(3,835,456)
TOTAL INCOME		<u>88,408,795</u>	<u>9,278,209</u>
Management fee	9	(4,311,044)	(2,122,806)
Trustee's fee	10	(229,922)	(113,216)
Auditors' remuneration		(2,976)	(2,983)
Tax agent's fee		(1,687)	(1,691)
Administrative expenses		(316,303)	(155,562)
Transaction cost		(626,711)	-
TOTAL OPERATING EXPENSES		<u>(5,488,643)</u>	<u>(2,396,258)</u>
NET INCOME BEFORE TAX EXPENSE		82,920,152	6,881,951
Tax expense	11	(9,670)	(8,620)
NET INCOME/TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>82,910,482</u>	<u>6,873,331</u>
Net income is made up as follows:			
Realised amount		4,688,807	3,037,875
Unrealised amount		78,221,675	3,835,456
		<u>82,910,482</u>	<u>6,873,331</u>

The notes on pages 22 to 58 are an integral part of these unaudited financial statements.

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

	Unit holders' capital	Undistributed income	Total
	RM	RM	RM
AT 1 JANUARY 2017	329,074,622	74,721,415	403,796,037
Movement in unit holders' contribution			
Creation of units from applications	296,556,028	-	296,556,028
Cancellation of units	(110,911,404)	-	(110,911,404)
Total comprehensive income for the period	-	82,910,482	82,910,482
AT 30 JUNE 2017	<u>514,719,246</u>	<u>157,631,897</u>	<u>672,351,143</u>
AT 1 JANUARY 2016	170,770,216	83,879,324	254,649,540
Movement in unit holders' contribution			
Creation of units from applications	120,495,865	-	120,495,865
Cancellation of units	(53,354,027)	-	(53,354,027)
Total comprehensive income for the period	-	6,873,331	6,873,331
AT 30 JUNE 2016	<u>237,912,054</u>	<u>90,752,655</u>	<u>328,664,709</u>

The notes on pages 22 to 58 are an integral part of these unaudited financial statements.

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

	Note	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		55,681,164	57,730,088
Purchase of investments		(156,003,336)	(102,884,419)
Movement in deposits with licensed financial institutions		(88,320,000)	(27,060,000)
Dividends received		5,763,191	2,760,036
Interest received from deposits with licensed financial institutions		1,641,254	1,115,620
Payments for other fees and expenses		(5,109,986)	(2,313,650)
NET CASH USED IN OPERATING ACTIVITIES		<u>(186,347,713)</u>	<u>(70,652,325)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		297,605,952	125,491,627
Payments for cancellation of units		(110,398,229)	(53,554,402)
Distribution paid		(1,177,008)	(73,299)
NET CASH GENERATED FROM FINANCING ACTIVITIES		<u>186,030,715</u>	<u>71,863,926</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(316,998)	1,211,601
CASH AND CASH EQUIVALENTS AT 1 JANUARY		<u>685,083</u>	<u>913,808</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE		<u>368,085</u>	<u>2,125,409</u>
CASH AND CASH EQUIVALENTS COMPRISE:			
Bank balance with a licensed bank		<u>368,085</u>	<u>2,125,409</u>

The notes on pages 22 to 58 are an integral part of these unaudited financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

1. INFORMATION ON THE FUND AND THE MANAGER

Eastspring Investments Small-cap Fund (the "Fund") was constituted pursuant to the execution of a Master Deed dated 4 May 2001, a Supplemental Master Deed dated 26 May 2003, a Supplemental Master Deed dated 15 February 2006, a Master Supplemental Deed dated 25 July 2007, and a Second Supplemental Master Deed dated 30 November 2009 between BHLB Trustee Berhad ("BHLB Trustee") and Eastspring Investments Berhad. The Fund replaced BHLB Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between the Manager and the Trustee on 30 July 2010 to effect the change of trustee from BHLB Trustee to the Trustee, followed by the Second Supplemental Master Deed dated 28 January 2011, a Third Supplemental Master Deed dated 9 March 2011, a Fourth Supplemental Master Deed dated 20 January 2012, a Fifth Supplemental Master Deed dated 26 March 2014, a Sixth Supplemental Master Deed dated 2 January 2015, a Seventh Supplemental Master Deed dated 11 July 2016 and an Eight Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund will invest principally in small market capitalisation companies. All investments will be subject to the Securities Commission's ("SC") Guidelines, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The Fund commenced operations on 29 May 2001 and will continue its operations until terminated according to the conditions stated in Part 12 of the Deed.

The main objective of the Fund seeks to provide investors with maximum capital appreciation by investing principally in small market capitalisation companies which will appreciate in value.

The Manager, a company incorporated in Malaysia, 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 business.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Fund:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Fund plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128, Amendments to MFRS 140 and IC Interpretation 22, which are not applicable to the Fund.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019, except for MFRS 16, *Leases*, which is not applicable to the Fund.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Fund, except as mention below:

i. MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Fund is currently assessing the financial impact that may arise from the adoption of MFRS 15.

ii. MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Fund is currently assessing the financial impact that may arise from the adoption of MFRS 9.

b. Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 (a) (ii).

c. Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Fund's functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

a. Financial instruments

i. Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii. Financial instrument categories and subsequent measurement

The Fund categorises financial instruments as follows:

Financial assets

a. Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b. Loans and receivables

Loans and receivables category are debt instruments that are not quoted in an active market that comprises deposits, bank balances and receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(c)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii. Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- a. the recognition of an asset to be received and the liability to pay for it on the trade date, and
- b. derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

iv. Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

b. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Fund in the management of their short term commitments.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 3 (a) (ii) (b).

c. ImpairmentFinancial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

d. Income recognition

Interest income is recognised as it accrues using the effective interest method in profit or loss.

Dividend income is recognised in profit or loss on the date that the Fund's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

The realised gain/(loss) on sale of investments is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The carrying amount for determining the realised gain/(loss) on sale of investments is based on the weighted average cost method and where applicable, adjusted for accretion for discount and amortisation of premium.

e. Income tax

Income tax expense comprises current tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted by the end of reporting period, and any adjustment to tax payable in respect of previous financial periods.

f. Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the holder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the financial position date if the holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the holder's option at prices based on the Fund's net assets value per unit at the time of creation or cancellation. The Fund's net assets value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units. In accordance with the Securities Commission's Guidelines on Unit Trust Funds in Malaysia, investment positions are valued based on the last traded market price for the purpose of determining the net assets value per unit for creations and cancellations.

g. Proceeds and payments on creation and cancellation of units

The net assets value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as equity in the statement of financial position and are stated at fair value representing the price at which unit holders can redeem the units from the Fund.

h. Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Fund recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. QUOTED EQUITIES

Name of counter	Quantity	Cost	Market value at 30.6.2017	Percentage of net asset value
	Units	RM	RM	%
2017				
Main Market				
<u>Construction</u>				
Kerjaya Prospek Group Berhad	7,842,100	14,599,280	25,565,246	3.80
Muhibbah Engineering (M) Bhd	3,776,200	9,257,561	10,271,264	1.53
Pintaras Jaya Bhd	1,311,100	4,247,123	5,375,510	0.80
Sunway Construction Group Berhad	11,766,200	21,107,480	23,767,724	3.54
WCT Holdings Berhad	205,739	361,965	423,822	0.06
	24,901,339	49,573,409	65,403,566	9.73
<u>Consumer</u>				
Cocoaland Holdings Berhad	5,121,400	10,892,167	15,620,270	2.32
Hup Seng Industries Berhad	7,119,600	7,967,322	8,614,716	1.28
IQ Group Holdings Berhad	669,900	1,950,757	2,847,075	0.42
Magni-Tech Industries Berhad	1,969,400	8,601,691	14,868,970	2.21
Oriental Food Industries Holdings Berhad	4,496,500	7,014,900	7,239,365	1.08
Salutica Berhad	8,235,600	7,796,768	12,765,180	1.90
Yoong Onn Corporation Berhad	2,935,700	3,960,897	3,963,195	0.59
	30,548,100	48,184,502	65,918,771	9.80

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net asset
	Units	RM	30.6.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Consumer Product</u>				
Asia File Corporation				
Bhd	2,874,720	11,141,198	9,199,104	1.37
NTPM Holdings Berhad	7,429,600	6,166,745	5,943,680	0.88
Power Root Berhad	22,100	45,805	52,819	0.01
Tan Chong Motor				
Holdings Berhad	3,723,500	6,931,604	6,776,770	1.01
	<u>14,049,920</u>	<u>24,285,352</u>	<u>21,972,373</u>	<u>3.27</u>
<u>Finance</u>				
Allianz Malaysia Berhad	1,350,000	13,882,981	17,415,000	2.59
OSK Holdings Berhad	5,191,100	8,164,211	8,409,582	1.25
Tune Protect Group				
Berhad	4,360,600	7,317,524	5,407,144	0.80
	<u>10,901,700</u>	<u>29,364,716</u>	<u>31,231,726</u>	<u>4.64</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net asset
	Units	RM	30.6.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<i>Industrial Product</i>				
Chin Well Holdings Berhad	5,916,600	9,749,734	10,590,714	1.58
Daibochi Plastic and Packaging Industry Berhad	2,496,600	4,923,540	5,767,146	0.86
Daibochi Plastic and Packaging Industry Berhad – Warrant	208,050	-	125,870	0.02
Favelle Favco Berhad	1,109,400	3,397,103	3,150,696	0.47
Kian Joo Can Factory Bhd	1,376,400	4,013,919	4,046,616	0.60
Rohas Tecnic Bhd	12,170,800	11,800,672	13,266,172	1.97
Scientex Berhad	1,698,200	10,051,109	14,944,160	2.22
SKP Resources Bhd	3,360,600	4,577,202	4,402,386	0.65
SLP Resources Bhd	1,160,800	2,649,962	2,797,528	0.42
TA Ann Holdings Berhad	441,600	1,641,790	1,563,264	0.23
Three-A Resources Berhad	16,915,875	18,560,750	22,159,796	3.30
Uchi Technologies Berhad	3,581,900	6,025,696	6,626,515	0.99
United U-Li Corporation Berhad	3,917,200	6,457,788	16,217,208	2.41
	54,354,025	83,849,265	105,658,071	15.72

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net asset
	Units	RM	30.6.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Infrastructure Project</u>				
<u>Company</u>				
Lingkarans Trans Kota Holdings Berhad	915,300	3,812,423	5,391,117	0.80
<u>Manufacturing</u>				
Evergreen Fibreboard Berhad	6,082,750	7,375,390	5,109,510	0.76
Pecca Group Berhad	1,999,700	3,005,775	3,219,517	0.48
Success Transformer Corporation Berhad	2,157,300	3,339,054	7,787,853	1.16
	10,239,750	13,720,219	16,116,880	2.40
<u>Properties</u>				
Eastern & Oriental Berhad	6,711,412	12,818,097	11,409,401	1.70
KSL Holdings Bhd	4,731,601	7,277,715	5,819,869	0.87
Malton Berhad	2,068,200	1,740,744	2,854,116	0.42
Matrix Concepts Holdings Berhad	2,870,217	5,948,354	7,864,395	1.17
MKH Berhad	6,141,200	14,585,417	14,493,232	2.16
Sentoria Group Berhad	3,500,000	3,510,535	3,045,000	0.45
	26,022,630	45,880,862	45,486,013	6.77

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2017	Percentage of net asset value
	Units	RM	RM	%
2017 (continued)				
Main Market (continued)				
<u>REITS</u>				
KIP Real Estate Investment Trust				
	9,669,900	9,669,900	8,896,308	1.32
MRCB-Quill Reit				
	4,648,800	5,593,343	6,089,928	0.91
	14,318,700	15,263,243	14,986,236	2.23
<u>Technology</u>				
Elsoft Research Berhad				
	2,684,600	2,972,627	6,711,500	1.00
Globetronics Technology Bhd				
	81,100	476,852	493,899	0.07
Inari Amertron Berhad				
	9,464,342	8,495,666	19,969,762	2.97
Notion VTec Berhad				
	10,166,600	11,442,865	11,589,924	1.72
Pentamaster Corporation Berhad				
	3,029,900	7,636,874	11,392,424	1.70
Unisem (M) Berhad				
	1,813,700	4,312,022	6,493,046	0.97
Vitrox Corporation Berhad				
	986,700	3,741,599	7,952,802	1.18
	28,226,942	39,078,505	64,603,357	9.61

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net asset
	Units	RM	30.6.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Trading/Services</u>				
Berjaya Food Berhad	3,290,000	6,476,965	5,264,000	0.78
Bermaz Auto Berhad	6,430,340	11,732,153	12,924,983	1.92
Chin Hin Group Berhad	2,887,900	2,357,290	3,754,270	0.56
Cypark Resources Berhad	1,215,200	2,907,021	3,268,888	0.49
HSS Engineers Berhad	230,000	188,600	212,750	0.03
Malaysia Marine And Heavy Engineering Holdings Berhad	1,519,600	1,557,947	1,223,278	0.18
Media Prima Berhad	4,735,800	5,401,880	4,451,652	0.66
Oldtown Berhad	7,152,700	11,447,046	20,599,776	3.06
Pantech Group Holdings Berhad	2,334,454	1,396,086	1,353,983	0.20
Pantech Group Holdings Berhad - Warrant	267,796	-	61,593	0.01
Suria Capital Holdings Berhad	1,277,100	3,605,046	2,618,055	0.39
	<u>31,340,890</u>	<u>47,070,034</u>	<u>55,733,228</u>	<u>8.28</u>
<u>Transportation</u>				
Tiong Nam Logistics Holdings Berhad	4,122,600	6,617,581	7,338,228	1.09
Xin Hwa Holdings Berhad	2,776,320	1,921,515	3,276,058	0.49
	<u>6,898,920</u>	<u>8,539,096</u>	<u>10,614,286</u>	<u>1.58</u>
TOTAL QUOTED EQUITIES	<u>252,718,216</u>	<u>408,621,626</u>	<u>503,115,624</u>	<u>74.83</u>

4. QUOTED EQUITIES

Name of counter	Quantity	Cost	Market value at 30.6.2016	Percentage of net asset value
	Units	RM	RM	%
2016				
Main Market				
<u>Construction</u>				
Kerjaya Prospek	5,818,100	9,983,715	11,810,743	3.59
Muhibbah Engineering (M) Bhd	1,176,200	2,748,961	2,587,640	0.79
Pintaras Jaya Bhd	1,113,500	3,514,791	3,852,710	1.17
WCT Holdings Berhad	3,210,689	4,874,183	4,816,033	1.46
	11,318,489	21,121,650	23,067,126	7.01
<u>Consumer Product</u>				
Asia File Corporation Bhd	1,288,320	5,757,433	5,475,360	1.67
<u>Consumer</u>				
Hup Seng Industries Berhad	7,119,600	7,967,322	9,540,264	2.90
Magni-Tech Industries Berhad	1,200,000	5,054,616	4,848,000	1.48
Salutica Berhad	5,235,600	4,166,828	5,340,312	1.62
	13,555,200	17,188,766	19,728,576	6.00
<u>Finance</u>				
AEON Credit Service (M) Berhad	453,000	5,051,772	5,861,820	1.78
OSK Holdings Berhad	892,700	1,430,213	1,419,393	0.43
Tune Protect Group Berhad	5,132,600	8,816,947	7,544,922	2.30
	6,478,300	15,298,932	14,826,135	4.51

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net asset
	Units	RM	30.6.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Industrial Product</u>				
Ann Joo Resources Berhad	743,100	857,952	847,134	0.26
Chin Well Holdings Berhad	3,773,300	6,114,950	5,471,285	1.66
Coastal Contracts Bhd	2,381,900	8,467,001	3,691,945	1.12
Favelle Favco Berhad	1,109,400	3,397,103	2,928,816	0.89
Kian Joo Can Factory Berhad	1,244,700	3,618,840	3,758,994	1.14
KNM Group Berhad	6,868,000	3,470,400	2,815,880	0.86
Scientex Berhad	438,200	4,926,278	5,451,208	1.66
SKP Resources Bhd	4,360,600	5,939,221	5,058,296	1.54
United U-Li Corporation Berhad	3,917,200	6,457,788	25,853,520	7.87
	<u>24,836,400</u>	<u>43,249,533</u>	<u>55,877,078</u>	<u>17.00</u>
<u>Infrastructure Project</u>				
<u>Company</u>				
Lingkar Trans Kota Holdings Berhad	1,299,600	5,120,927	7,394,724	2.25

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net asset
	Units	RM	30.6.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Manufacturing</u>				
Evergreen Fibreboards				
Berhad	5,691,750	7,012,352	6,033,255	1.84
Pecca Group Berhad	1,177,700	1,672,334	1,884,320	0.57
Success Transformers Corporation Berhad	2,102,300	3,213,549	4,751,198	1.45
	<u>8,971,750</u>	<u>11,898,235</u>	<u>12,668,773</u>	<u>3.86</u>
<u>Plantation</u>				
Sarawak Oil Palms				
Berhad	592,900	3,389,179	2,371,600	0.72
Tanah Makmur Berhad	2,770,800	4,838,558	4,627,236	1.41
	<u>3,363,700</u>	<u>8,227,737</u>	<u>6,998,836</u>	<u>2.13</u>
<u>Power/Utilities</u>				
Ranhill Holdings Berhad	2,544,500	2,619,042	2,290,050	0.70

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net asset
	Units	RM	30.6.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Properties</u>				
Eastern & Oriental Berhad	3,040,212	5,889,992	5,046,752	1.54
KSL Holdings Bhd	4,731,601	7,277,715	5,299,393	1.61
Malton Berhad	3,855,200	3,400,463	2,486,604	0.76
Matrix Concepts Holdings Berhad	2,741,217	5,620,694	6,798,218	2.07
MKH Berhad	1,200,000	2,998,152	3,060,000	0.93
Sentoria Group Berhad	3,500,000	3,510,535	2,975,000	0.90
TA Global Bhd	8,995,000	3,193,627	2,068,850	0.63
	<u>28,063,230</u>	<u>31,891,178</u>	<u>27,734,817</u>	<u>8.44</u>
<u>REITS</u>				
MRCB-Quill Reit	<u>2,000,000</u>	<u>2,323,397</u>	<u>2,320,000</u>	<u>0.71</u>
<u>Technology</u>				
Elsoft Research Berhad	1,876,200	3,081,430	2,739,252	0.83
Inari Amertron Berhad	4,732,171	8,495,666	14,054,548	4.28
Vitrox Corporation Berhad	512,000	1,848,312	1,930,240	0.59
	<u>7,120,371</u>	<u>13,425,408</u>	<u>18,724,040</u>	<u>5.70</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net asset
	Units	RM	30.6.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Trading/Services</u>				
Berjaya Auto Berhad	6,430,340	11,732,153	14,918,389	4.54
Berjaya Food Berhad	3,290,000	6,476,965	5,987,800	1.82
Chin Hin Group Berhad	5,069,300	4,137,890	4,207,519	1.28
Cypark Resources Berhad	1,186,900	2,845,329	2,314,455	0.70
Oldtown Berhad	5,333,400	8,026,520	10,240,128	3.12
Pantech Group Holdings Berhad	2,529,848	1,851,011	1,416,715	0.43
Pestech International Berhad	594,300	1,580,931	3,981,810	1.21
Salcon Bhd	3,491,700	2,590,013	2,025,186	0.62
Suria Capital Holdings Berhad	1,277,100	3,605,046	2,605,284	0.79
	<u>29,202,888</u>	<u>42,845,858</u>	<u>47,697,286</u>	<u>14.51</u>
<u>Transportation</u>				
Xin Hwa Holdings Berhad	2,285,600	1,886,938	2,285,600	0.69
TOTAL QUOTED EQUITIES	<u>142,328,348</u>	<u>222,855,034</u>	<u>247,088,401</u>	<u>75.18</u>

5. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2017	2016
	RM	RM
Deposits with licensed financial institutions	168,160,000	69,750,000

6. OTHER RECEIVABLES

	2017	2016
	RM	RM
Dividend receivables	961,074	911,341
Interest receivables	860,297	28,065
	<u>1,821,371</u>	<u>939,406</u>

7. NUMBER OF UNITS IN CIRCULATION

	2017	2016
	No. of units	No. of units
At 1 January	633,802,722	380,597,579
Add: Creation of units	421,733,764	181,155,240
Less: Cancellation of units	(154,336,019)	(80,453,737)
At 30 June	<u>901,200,467</u>	<u>481,299,082</u>

8. FINANCIAL INSTRUMENTS

8.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- Loans and receivables (“L&R”);
- Fair value through profit or loss (“FVTPL”):
 - Held for trading (“HFT”); and
- Financial liabilities measured at amortised cost (“FL”).

	Carrying amount	L&R/ (FL)	FVTPL/ HFT
	RM	RM	RM
2017			
Financial assets			
Investments	671,275,624	168,160,000	503,115,624
Amount due from Manager	772,624	772,624	-
Other receivables	1,821,371	1,821,371	-
Bank balance with a licensed bank	368,085	368,085	-
	674,237,704	171,122,080	503,115,624
Financial liabilities			
Amount due to Manager	(909,514)	(909,514)	-
Accrued management fee	(833,460)	(833,460)	-
Amount due to Trustee	(44,451)	(44,451)	-
Other payables and accrued expenses	(99,664)	(99,664)	-
	(1,887,089)	(1,887,089)	-

	Carrying amount	L&R/ (FL)	FVTPL/ HFT
	RM	RM	RM
2016			
Financial assets			
Investments	316,838,401	69,750,000	247,088,401
Amount due from Manager	7,633,180	7,633,180	-
Amount due from stockbrokers	2,250,227	2,250,227	-
Other receivables	939,406	939,406	-
Bank balance with a licensed bank	2,125,409	2,125,409	-
	<u>329,786,623</u>	<u>82,698,222</u>	<u>247,088,401</u>
Financial liabilities			
Amount due to Manager	(661,803)	(661,803)	-
Accrued management fee	(393,827)	(393,827)	-
Amount due to Trustee	(21,004)	(21,004)	-
Other payables and accrued expenses	(45,808)	(45,808)	-
	<u>(1,122,442)</u>	<u>(1,122,442)</u>	<u>-</u>

8.2 Net gains and losses arising from financial instruments

	2017	2016
	RM	RM
Net gains arising on:		
Fair value through profit or loss:		
Held for trading - unrealised	78,221,675	(3,835,456)
- realised	7,755,139	12,042,659
Loans and receivables	2,431,981	1,071,006
	<u>88,408,795</u>	<u>9,278,209</u>

8.3 Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Investment risk
- Credit risk
- Liquidity risk
- Market risk
- Management company risk

8.4 Investment risk

Investments are bound by the provisions of the Master Deeds and prospectuses that govern the maximum securities holdings and maximum liquid assets holdings.

Investment risks for equity funds consist primarily of market risk, specific stock risk and liquidity risk. The mechanism employed to control investment risk for equity funds is by placing acceptable stock and sector bet limits.

Risk management objectives, policies and processes for managing the risk

The Manager has written policies and guidelines on risk management, which set out the overall investment risks strategies and general risk management philosophies. These processes monitor, measure and control risks associated with the business. Matters relating to investment risks in respect of funds portfolio are discussed during the monthly Investment Committee meetings of the Manager.

8.5 Credit risk

Credit risk is the risk of a financial loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund's exposure to credit risk arises principally from amount due from stockbrokers, amount due from Manager, other receivables and bank balances/deposits.

The Fund's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

No financial assets carried at amortised cost were past due or impaired as at date of statement of financial position.

8.6 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. This may come about when realisation of units is in excess of normal amounts.

The Fund's exposure to liquidity risk arises principally from its amount due to Manager, amount due to Trustee, accrued management fee and, other payables and accrued expenses.

The extent of exposure to this risk is contained in provisions set out in the prospectus, which allows the Manager to extend the payment period in the event of excessive redemptions. The Fund maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

8.7 Market risk

Market risk is the risk that changes in market prices, such as interest rates and other prices will affect the Fund's financial position or cash flows.

Risk management objectives, policies and processes for managing the risk

In order to mitigate risks related to changes and developments in regulations, politics, technology and the economy of the country, the Fund would generally hold a diversified portfolio of securities from different market sectors as well as placement in short term deposits with various financial institutions to offset negative events affecting any market sector or financial institution.

8.7.1 Interest rate risk

The Fund's placement in fixed rate deposits are exposed to a risk of change in their fair value due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Fund's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2017	2016
	RM	RM
<u>Fixed rate instruments</u>		
Deposits with licensed financial institutions	<u>168,160,000</u>	<u>69,750,000</u>

Interest rate risk sensitivity analysisFair value sensitivity analysis for fixed rate instruments

The Fund accounts for the deposits with licensed financial institutions at amortised cost. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

The effective interest rates for the fixed rate instruments are as follow:

	2017	2016
	%	%
Deposits with licensed financial institutions*	3.94	3.68

* Deposits with licensed financial institutions will mature within one year from the date of the statement of financial position.

8.7.2 Other price risk

Equity price risk arises from the Fund's investments in equity securities.

Equity price risk sensitivity analysis

A 10% (2016: 10%) strengthening in the quoted equity's market prices of the Fund's portfolio at the end of the reporting period would have increased equity and profit or loss by RM50,311,562 (2016: RM24,708,840). A weakening in the quoted equity's market prices would have had equal but opposite effect on equity and profit or loss respectively.

8.8 Effective interest rates and maturity dates

The effective interest rates and the maturity dates of the financial instruments of the Fund are disclosed in Note 8.7.1.

8.9 Management company risk

The Fund's Trustee ensures that the Manager operates and administers the Fund in accordance with the provisions of the Master Deeds, prospectuses, the Securities Commission Guidelines and Regulations and within acceptable business practices. The Manager's internal Compliance unit plays a complementary role to the Trustee to ensure compliance within the organisation with all relevant legislations and to supervise the monitoring of all prescribed limits to ensure compliance with securities related legislation.

8.10 Fair value information

The carrying amounts of cash and cash equivalents, demand deposits, receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

The fair values of quoted equities, together with the carrying amounts shown in the statement of financial position, are already disclosed in Note 4.

The following summarises the methods used in determining the fair value of financial instruments:

Quoted equities

Quoted equities in Malaysia are valued at the last bid price quoted on the Bursa Malaysia at the date of the statement of financial position, in accordance with the Master Deed. Unrealised gain or loss is taken to the statement of profit or loss and other comprehensive income.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM		
2017										
Financial assets										
Quoted equities	503,115,624	-	-	503,115,624	-	-	-	-	503,115,624	503,115,624
	503,115,624	-	-	503,115,624	-	-	-	-	503,115,624	503,115,624
2016										
Financial assets										
Quoted equities	247,088,401	-	-	247,088,401	-	-	-	-	247,088,401	247,088,401
	247,088,401	-	-	247,088,401	-	-	-	-	247,088,401	247,088,401

8.10.1 Fair value hierarchy

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial period. (2016: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

9. MANAGEMENT FEE

The Deed provides that the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum of the Net Assets Value of the Fund, calculated on a daily basis.

The Manager is currently entitled to a management fee at a rate of 1.50% per annum (2016: 1.50% per annum) of the Net Assets Value of the Fund, calculated on a daily basis.

10. TRUSTEE'S FEE

The Deed provides that the Trustee is entitled to a fee at a rate not exceeding 0.20% per annum of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM35,000 per annum.

Effective 16 March 2015, the Trustee Fee has been revised to 0.08% of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM35,000 per annum.

The Trustee is currently entitled to a fee at a rate of 0.08% per annum (2016: 0.08% per annum) of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM35,000 per annum.

11. TAX EXPENSE

	Note	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
		RM	RM
Current tax expense		9,670	8,620
Reconciliation of tax expense			
Net income before tax		82,920,152	6,881,951
Income tax using Malaysian tax rate of 24%		19,900,836	1,651,668
Non-assessable income	11.1	(21,194,903)	(2,206,082)
Non-deductible expenses		281,910	64,913
Restriction on the tax deductible expenses for unit trust funds		1,035,365	510,189
Income subject to different tax rate		(13,538)	(12,068)
Tax expense		9,670	8,620

11.1 Non-assessable income

Income from deposits placement is exempted from tax in accordance with Schedule 6, Para 35A of the Income Tax Act (ITA), 1967. Pursuant to Section 61(1)(b) of the ITA, 1967, gains from realisation of investments will not be treated as income of the Fund and hence are not subject to income tax. In accordance with Sections 61 and 63B of the ITA, 1967, interest income and gains on sale of investments are exempted from tax.

12. UNITS HELD BY THE MANAGER

Units held at the end of the financial period

	2017	2016
	No. of units	No. of units
Manager		
Eastspring Investments Berhad	5,375	5,105

The above units were transacted at the prevailing market prices on the transaction dates. The units are held beneficially by the Manager for bookings purpose. Other than the above, there were no units held by the Directors or parties related to the Manager.

13. STOCKBROKERS' TRANSACTIONS

The details of transactions with the top 10 brokers by value of trades are as follows:

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>Financial period ended</u>				
<u>30 June 2017</u>				
Maybank Investment Bank Berhad	34,078,473	16.33	103,465	16.51
CIMB Investment Bank Berhad	25,672,738	12.30	71,871	11.47
Kenanga Investment Bank Berhad	22,281,623	10.68	45,788	7.31
UOB Kay Hian Securities (M) Sdn Bhd	20,098,806	9.63	63,343	10.11
KAF Seagroatt & Campbell Securities Sdn Bhd	15,836,093	7.59	47,833	7.63
RHB Investment Bank Berhad	14,518,221	6.96	44,205	7.05
Affin Hwang Investment Bank Berhad	11,885,668	5.69	37,587	6.00
Nomura Securities Malaysia Sdn Bhd	10,571,462	5.06	34,212	5.46
Hong Leong Investment Bank Berhad	8,326,897	3.99	25,936	4.14
Credit Suisse Securities (Malaysia) Sdn Bhd	8,083,938	3.87	25,817	4.12
Others	37,349,223	17.90	126,654	20.20
	<u>208,703,142</u>	<u>100.00</u>	<u>626,711</u>	<u>100.00</u>

13. STOCKBROKERS' TRANSACTIONS (CONTINUED)

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>Financial period ended</u>				
<u>30 June 2016</u>				
Kenanga Investment Bank Berhad	19,326,900	12.01	61,218	11.96
Inter-Pacific Securities Sdn Berhad	15,176,861	9.43	45,416	8.87
KAF Seagroatt & Campbell Securities Sdn Bhd	15,014,246	9.33	47,297	9.24
CIMB Investment Bank Berhad	13,266,270	8.24	55,997	10.94
Credit Suisse Securities (Malaysia) Sdn Bhd	13,028,354	8.09	41,004	8.01
RHB Investment Bank Berhad	12,900,959	8.01	52,660	10.29
Affin Hwang Investment Bank Berhad	11,595,479	7.20	36,715	7.17
Maybank Investment Bank Berhad	11,364,543	7.06	28,976	5.66
Public Investment Bank Berhad	11,149,297	6.93	35,829	7.00
J.P. Morgan Securities (Malaysia) Sdn Bhd	9,144,585	5.68	29,390	5.74
Others	28,997,535	18.02	77,394	15.12
	160,965,029	100.00	511,896	100.00

All brokers highlighted above are not related to the Manager.

14. MANAGEMENT EXPENSE RATIO ("MER")

	2017	2016
	%	%
MER	0.84	0.84

MER includes management fee, trustee's fee, auditor's remuneration, tax agent's fees and administrative expenses which is calculated as follows:

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

A = Management fee

B = Trustee's fee

C = Auditor's remuneration

D = Tax agent's fees

E = Administrative expenses

F = Average Net Assets Value of the Fund calculated on a daily basis

The average Net Assets Value of the Fund for the financial period is RM579,542,844 (2016: RM284,582,912).

15. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR (times)	0.18	0.28

PTR is derived from the following calculation:

$$\frac{\text{(Total acquisitions + total disposals for the financial period)}/2}{\text{Average Net Assets Value of the Fund for the financial period calculated on a daily basis}}$$

	2017	2016
	RM	RM

Where:

Total acquisitions for the financial period	153,162,941	102,175,011
Total disposals for the financial period	55,540,201	58,600,980

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

16th Floor, Wisma Sime Darby

Jalan Raja Laut

50350 Kuala Lumpur

BUSINESS OFFICE

Level 12, Menara Prudential

No. 10, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2052 3388

FAX NO.

603-2070 6129

EMAIL

cs.my@eastspring.com

WEBSITE

www.eastspringinvestments.com.my

TRUSTEE

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE & BUSINESS OFFICE

Level 20, Menara IMC

No. 8, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2053 7522

FAX NO.

603-2053 7526

SALE & PURCHASE OF UNITS

Eastspring Investments Berhad

Level 12, Menara Prudential

No. 10, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2332 1000

FAX NO.

603-2052 3366

BRANCHES

Petaling Jaya

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

TELEPHONE NO.

603-7948 1288

Kota Kinabalu

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

TELEPHONE NO.

6088-238 613

ENQUIRIES

CLIENT SERVICES

603-2332 1000

This page is intentionally left blank

This page is intentionally left blank

