



A member of Prudential plc (UK) 

# EASTSPRING INVESTMENTS EQUITY INCOME 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

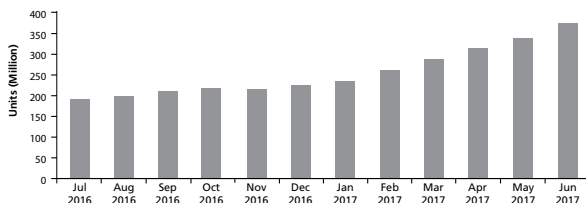
<b>Name of Fund</b>	Eastspring Investments Equity Income Fund (the "Fund")
<b>Fund Category/ Type</b>	Equity/income
<b>Fund Objective</b>	<p>The Fund seeks to provide a stable income* stream with medium to long-term capital growth.</p> <p><b>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</b></p> <p>* Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.</p>
<b>Performance Benchmark</b>	<p>The performance benchmark of the Fund is FBM100.</p> <p><b>Source:</b> <a href="http://www.bursamalaysia.com">www.bursamalaysia.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 Equity Income Fund stood at 371.741 million units.

#### Fund Size



#### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	1,857	24.45	5,014	1.35
5,001 to 10,000 units	1,538	20.25	11,117	2.99
10,001 to 50,000 units	3,330	43.84	74,280	19.98
50,001 to 500,000 units	843	11.10	82,409	22.17
500,001 units and above	27	0.36	198,918	53.51
<b>Total</b>	<b>7,595</b>	<b>100.00</b>	<b>371,738</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 securities</b>			
Construction	6.94	3.58	7.44
Consumer	1.66	2.88	1.24
Consumer Product	13.46	8.18	7.29
Finance	12.93	7.74	15.09
Health Care	6.53	2.28	-
Industrial Product	2.38	-	1.20
Infrastructure Project Company	4.93	6.42	7.63
Manufacturing	0.25	2.27	-
Plantation	1.22	2.57	4.62
Power / Utilities	0.74	4.75	2.68
Properties	2.30	2.41	5.16
REITS	4.78	8.84	6.38
Technology	0.96	3.82	3.26
Trading / Services	18.73	11.40	21.13
Transportation	-	1.08	0.32
	77.81	68.22	83.44
Cash and other assets	22.19	31.78	16.56
<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)	312,221	141,474	143,814
Units In Circulation (Units '000)	371,741	180,239	188,793
Net Asset Value Per Unit (RM)	0.8399	0.7849	0.7618
Highest Net Asset Value Per Unit (RM) <sup>#</sup>	0.8401	0.7860	0.7668
Lowest Net Asset Value Per Unit (RM) <sup>#</sup>	0.8377	0.7761	0.7613
Total Return (%)			
- Capital Growth	7.01	3.03	(13.06)
- Income Distribution	5.24	0.05	12.36
Total Return (%)	12.62	8.37	(2.31)
Gross Distribution Per Unit (RM)	0.0439	0.0402	0.0930
Net Distribution Per Unit (RM)	0.0436	0.0396	0.0914
Management Expense Ratio (MER) (%) <sup>*</sup>	1.68	1.68	1.61
Portfolio Turnover Ratio (PTR) (times) <sup>^</sup>	0.90	0.83	0.74

<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	12.62	6.03	11.32

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	12.62	8.37	(2.31)	17.62	21.93

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

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

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

Adjusted for unit split and distribution paid out for the period

n = Number of years

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

# MANAGER'S REPORT

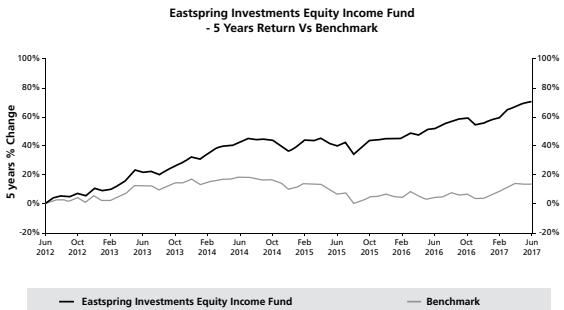
## Fund Performance

Over the 5-year period, the Fund recorded a return of 70.99%, outperforming the benchmark return of 13.89% by 57.10%.

During the period under review, the Fund registered a return of 12.62% outperforming the benchmark return of 8.87% by 3.75%.

The outperformance was due to superior stock selection and dividend received.

The Fund met its objective to provide a stable income stream with medium to long-term capital growth.



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

**Benchmark:** FBM100

**Source:** Lipper for Investment Management and [www.bursamalaysia.com](http://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 year ended 30 June 2017:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
5.24	7.01	12.62	8.87

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

### Distribution/ Unit Split

Ex-date	23-Jun-17
Distribution Per Unit	(RM)
Gross	0.0439
Net	0.0436

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	0.8813
Less: distribution	(0.0436)
Net Asset Value after distribution	0.8377

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

## MANAGER'S REPORT (CONTINUED)

**Investment  
Strategy During  
Period Under  
Review**

During the period under review, the Fund stayed invested in the consumer, REIT and technology sectors. The Fund looked out for and invested in stocks with attractive valuations but with healthy cash flow generation and high dividend yields. The Fund held a relatively high level of cash during the period under review. The Fund will continue to maintain a bottom-up approach in stock selection.

**Asset Allocation**

Asset Allocation	30-Jun 2017	30-Jun 2016	Changes
	(%)	(%)	(%)
Quoted securities	77.81	68.22	9.59
Cash and other assets	22.19	31.78	(9.59)

**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 asset allocation, security risk and minimum holdings of units have been revised as set out in (b) to (d) below:

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund (continued)

#### b. Asset allocation

Asset Class	% of the Fund's NAV
Equities and equity-related securities	Minimum of 70%
Fixed income securities	Maximum of 15%
Deposits or liquid assets	Minimum of 1%

#### c. 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.

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund (continued)

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.

#### **d. 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

In 3Q2016 global markets enjoyed a decent rally on the back of expected continued global efforts to ensure accommodative monetary policy is still on the agenda. European markets stabilised somewhat as there was a quick resolution to the United Kingdom ("UK") Prime Minister's position that was vacated by David Cameron due to the British Exit ("BREXIT") outcome. Towards the end of the 3Q2016, the launch of Apple's iPhone 7 was well received with stock of the new model all out within a couple of days post launch. Samsung Electronics were badly affected by the recall of their latest Galaxy Note 7 due to the incidences of exploding batteries. The United States ("US") Presidential debate was also in focus as the race between the two candidates remained tight with just five weeks before the elections. Crude oil prices rebounded as Organization of the Petroleum Exporting Countries ("OPEC")'s meeting in Algiers saw an agreement of sorts to freeze production. Malaysian equities corrected early 3Q16 on the back of negative news flow from the announcement by the US Department of Justice filing a civil suit to seize assets tied to 1Malaysia Development Berhad ("1MDB"), under the Kleptocracy Asset Recovery Initiative. Fitch Ratings downgraded Petronas' Long term Foreign and Local Currency Issuer Default Ratings (IDRs) to A- from A, but affirmed their short term foreign currency IDR at F1. The outlook on the Long Term IDRs is Stable. The 2Q 2016 results season delivered yet another round of lower than expected earnings, resulting in consensus downgrade of Malaysian earnings growth for 2016 to approximately -2% year-on-year ("yoy"), the third year of negative growth. The 3Q ended with more focus on the upcoming 2017 Budget, and concerns over whether Malaysia's fiscal deficit target of 3.1% for 2016 would be met.

4Q2016 was a volatile one for global markets. UK's parliament debated on their exit from the European Union ("EU"), as the Sterling fell to a low against the US dollar and Euro. In November, the surprise win by Mr. Trump in the US Presidential Elections gave rise to global uncertainties, which saw the Asia Pacific regional markets correct sharply, in anticipation potential negative trade policies to be enacted. The US equity market, after a brief but sharp decline post elections, rallied to all-time highs as investors are hopeful that talks of a corporate tax cut and increased fiscal spending will stimulate the economy. In December, the US Federal Reserve raised the target range for the Federal Funds Rate at 0.5-0.75% as expected, and the Federal Open Market Committee ("FOMC") gave indications of more interest rate hikes to come. Oil prices rallied as non-OPEC members agreed to reduce output, on top of the output cut agreed by OPEC members. Malaysian equities started 4Q 2016 off well with concerns over meeting fiscal deficit targets allayed somewhat leading up to the Budget 2017 announcement. Foreign investors' concerns were heightened when Bank Negara Malaysia ("BNM") reiterated that onshore banks are not to facilitate offshore banks with non-deliverable forwards ("NDF"s) which they attributed speculation on the ringgit and the highly volatile movements in the exchange rate of late. The Malaysian ringgit continued its downwards trend ending the 4Q 2016 at



RM4.4862/USD, prompting BNM to come out with measures early in the month to restrict exporters from apparent hoarding of US Dollars.

1Q2017 saw global markets start the year on a positive note, on the expectations that Trump's policies for the US will be reflationary in nature, focused on tax cuts and corporate tax overhaul, infrastructure spending in the US, and increased protectionism. US corporates reporting 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 U.K. Prime Minister Theresa May triggered Article 50 to exit the European Union. Malaysian equities rallied in tandem with global markets, supported by a firmer ringgit given BNM's efforts to clamp down on currency speculation. Announcements by Permodalan Nasional Berhad ("PNB") related companies to restructure the UMW Holdings and UMW Oil and Gas, and Sime Darby's intentions to spin-off various divisions brought some excitement to the market. M&A news dominated news in the 1Q as Saudi Aramco announced their JV with Petronas in RAPID during the Saudi Arabia King's visit to Malaysia, the media speculated the potential merger between Telekom Malaysia and Axiata, and Alibaba's Jack Ma's announcement of establishing an e-commerce hub in the new Digital Free Trade Zone in Sepang.

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% yoy, 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 year under review at 1,763.67 points, up 6.63%. The broader FBM Emas (FBMEmas) Index closed the period under review higher by 9.27%. The MSCI Asia Pacific ex-Japan Index gained by 21.87% in USD terms<sup>1</sup>.

## 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.

<sup>1</sup> **Source:** Bloomberg: World indices

# EASTSPRING INVESTMENTS EQUITY INCOME FUND

## FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

We have acted as Trustee for Eastspring Investments Equity Income 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 followings:

- 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

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Eastspring Investments Equity Income Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 30 June 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 63.

### 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 are 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</b>			
Gross dividend income		5,379,999	4,193,226
Interest income from deposits with licensed financial institutions		1,549,785	866,684
Net gain on financial assets at fair value through profit or loss	7	22,105,534	9,205,158
		<u>29,035,318</u>	<u>14,265,068</u>
<b>EXPENSES</b>			
Management fee	3	(3,033,951)	(2,105,092)
Trustee fee	4	(141,584)	(98,238)
Audit fee		(6,800)	(7,408)
Tax agent fee		(3,400)	(3,900)
Other expenses		(18,965)	(16,219)
Transaction cost		(1,089,522)	(742,092)
GST charges		(191,869)	(132,443)
		<u>(4,486,091)</u>	<u>(3,105,392)</u>
<b>PROFIT BEFORE TAXATION</b>		24,549,227	11,159,676
<b>TAXATION</b>	6	<u>(51,892)</u>	<u>(50,540)</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>24,497,335</u>	<u>11,109,136</u>
Profit after taxation is made up of the following:			
Realised amount		8,490,204	8,634,466
Unrealised amount		16,007,131	2,474,670
		<u>24,497,335</u>	<u>11,109,136</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	8	67,875,020	42,060,999
Amount due from Manager		2,833,902	1,597,335
Amount due from brokers		1,962,119	1,872,214
Dividends receivable		273,234	104,111
Financial assets at fair value through profit or loss	7	242,800,036	96,518,758
<b>TOTAL ASSETS</b>		<u>315,744,311</u>	<u>142,153,417</u>
<b>LIABILITIES</b>			
Amount due to Manager		384,616	298,325
Amount due to brokers		2,284,557	-
Accrued management fee		373,247	172,843
Amount due to Trustee		17,418	8,066
Distribution payable		414,636	157,680
GST charges payable		23,440	10,855
Tax payable		6,340	6,340
Other payables and accruals		19,412	25,398
<b>TOTAL LIABILITIES</b>		<u>3,523,666</u>	<u>679,507</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>312,220,645</u>	<u>141,473,910</u>
<b>EQUITY</b>			
Unit holders' capital		250,788,997	99,773,865
Retained earnings		61,431,648	41,700,045
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>312,220,645</u>	<u>141,473,910</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>371,741,108</u>	<u>180,239,325</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)</b>		<u>0.8399</u>	<u>0.7849</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		99,773,865	41,700,045	141,473,910
Movement in unit holders' contribution:				
Creation of units from applications		206,484,264	-	206,484,264
Creation of units from distribution		14,855,227	-	14,855,227
Cancellation of units		(59,820,228)	-	(59,820,228)
Distribution				
(Gross: 4.39 sen/Net: 4.36 sen)	5	(10,504,131)	(4,765,732)	(15,269,863)
Total comprehensive income for the financial year		-	24,497,335	24,497,335
Balance as at 30 June 2017		<u>250,788,997</u>	<u>61,431,648</u>	<u>312,220,645</u>
Balance as at 1 July 2015		109,123,955	34,690,133	143,814,088
Movement in unit holders' contribution:				
Creation of units from applications		28,328,260	-	28,328,260
Creation of units from distribution		6,621,759	-	6,621,759
Cancellation of units		(41,619,894)	-	(41,619,894)
Distribution				
(Gross: 4.02 sen/Net: 3.96 sen)	5	(2,680,215)	(4,099,224)	(6,779,439)
Total comprehensive income for the financial year		-	11,109,136	11,109,136
Balance as at 30 June 2016		<u>99,773,865</u>	<u>41,700,045</u>	<u>141,473,910</u>

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

# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		119,098,296	130,688,531
Purchase of investments		(242,047,186)	(101,750,536)
Dividends received		5,037,260	4,389,382
Interest received from deposits with licensed financial institutions		1,549,785	866,684
Management fee paid		(3,003,560)	(2,239,099)
Trustee fee paid		(140,166)	(104,491)
Payment for other fees and expenses		(36,488)	(34,940)
Tax refund		-	30,739
Net cash (used in)/generated from operating activities		<u>(119,542,059)</u>	<u>31,846,270</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		205,247,697	27,344,874
Payments for cancellation of units		(59,733,937)	(41,543,631)
Distributions paid		(157,680)	(150,046)
Net cash generated from/(used in) financial activities		<u>145,356,080</u>	<u>(14,348,803)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		25,814,021	17,497,467
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<u>42,060,999</u>	<u>24,563,532</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	<u>67,875,020</u>	<u>42,060,999</u>

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

### **A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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

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

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

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

- Amendments to MFRS 101 "Presentation of financial statements" – Disclosure initiative
- Annual improvements to MFRSs 2012 – 2014 Cycle

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

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

i. Financial year beginning on/after 1 July 2017

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

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

ii. Financial year beginning on/after 1 July 2018

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

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

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

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

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

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

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

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

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

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

Key provisions of the new standard are as follows:

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

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

## **B. INCOME RECOGNITION**

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

Dividend income is recognised on the ex-dividend date, when the right to receive the dividend has been established.

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

## **C. TAXATION**

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



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

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

## **E. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

### **i. Classification**

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

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

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

The Fund's loans and receivables comprise cash and cash equivalents, amount due from Manager, amount due from brokers and dividends receivable.

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, accrued management fee, amount due to Trustee, distribution payable, GST charges payable and other payables and accruals.

### **ii. Recognition and measurement**

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

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

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

Financial 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 securities in Malaysia are valued at the last done market price quoted on the Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the 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 securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

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

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

iii. Impairment for assets carried at amortised costs

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

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

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

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

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

## **F. CASH AND CASH EQUIVALENTS**

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

## **G. 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 financial year in which it is approved by Trustee.

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

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

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

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

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

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

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

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

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

## **J. SEGMENTAL INFORMATION**

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

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

Financial instruments comprise financial assets and financial liabilities. Fair value is 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 at the date of the statement of financial position.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

### 1. INFORMATION ON THE FUND

Eastspring Investments Equity Income Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 8 October 2004, Master Supplemental Deed dated 12 July 2007 and Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Berhad ("HSBC Trustee") and Eastspring Investments Berhad (the "Manager"). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between Eastspring Investments Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee") on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016 and an Eighth Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund was launched on 18 October 2004 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The Fund invests in equities and equity-related securities of companies that have consistent track record of dividend distributions and prospects for capital growth or increase in future dividend distributions. All investments will be subjected to the Securities Commission's (the "SC") Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

The main objective of the Fund seeks to provide a stable income stream with medium to long-term capital growth.

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 and interest rate risk), stock/issuer risk, fund management risk, liquidity risk, non-compliance risk, credit/default risk and capital risk.

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2017</u>				
Quoted securities	7	-	242,800,036	242,800,036
Amount due from Manager		2,833,902	-	2,833,902
Amount due from brokers		1,962,119	-	1,962,119
Dividends receivable		273,234	-	273,234
Cash and cash equivalent	8	67,875,020	-	67,875,020
		<u>72,944,275</u>	<u>242,800,036</u>	<u>315,744,311</u>
<u>2016</u>				
Quoted securities	7	-	96,518,758	96,518,758
Amount due from Manager		1,597,335	-	1,597,335
Amount due from brokers		1,872,214	-	1,872,214
Dividends receivable		104,111	-	104,111
Cash and cash equivalent	8	42,060,999	-	42,060,999
		<u>45,634,659</u>	<u>96,518,758</u>	<u>142,153,417</u>

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



## Market risk

### i. Price risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The very nature of a Unit Trust Fund, however, helps mitigate this risk because a fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one 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:

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Quoted securities designated at fair value through profit or loss	<u>242,800,036</u>	<u>96,518,758</u>

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

<b>% Change in price of financial assets at fair value through profit or loss</b>	<b>Market value</b>	<b>Impact on profit after tax/ net asset value</b>
	<b>RM</b>	<b>RM</b>
<u>2017</u>		
+5%	254,940,038	12,140,002
-5%	<u>230,660,034</u>	<u>(12,140,002)</u>

% Change in price of financial assets at fair value through profit or loss	Market value	Impact on profit after tax/ net asset value
	RM	RM
<u>2016</u>		
+5%	101,344,696	4,825,938
-5%	91,692,820	(4,825,938)

ii. Interest rate risk

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

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

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

As at the end of the financial year, the Fund does not hold any other financial instruments that expose it to interest rate risk.

**Stock/issuer risk**

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

**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.

**Liquidity risk**

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

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

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

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>			
Amount due to Manager	384,616	-	384,616
Amount due to brokers	2,284,557	-	2,284,557
Accrued management fee	373,247	-	373,247
Amount due to Trustee	17,418	-	17,418
Distribution payable	414,636	-	414,636
Other payables and accruals	-	19,412	19,412
GST charges payable	23,440	-	23,440
Contractual cash outflows	<u>3,497,914</u>	<u>19,412</u>	<u>3,517,326</u>
<u>2016</u>			
Amount due to Manager	298,325	-	298,325
Accrued management fee	172,843	-	172,843
Amount due to Trustee	8,066	-	8,066
Distribution payable	157,680	-	157,680
Other payables and accruals	-	25,398	25,398
GST charges payable	10,855	-	10,855
Contractual cash outflows	<u>647,769</u>	<u>25,398</u>	<u>673,167</u>

**Non-compliance risk**

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

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

**Credit/default risk**

Credit risk refers to the ability of an issuer or a counter party to make timely payments of interest, principals and proceeds from realisation of investments. In the case of the Fund, both the Manager and the External Fund Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the SC.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. For amount due from brokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC's Guidelines on Unit Trust Funds.

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

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

	<b>Amount due from brokers</b>	<b>Cash and cash equivalents</b>	<b>Dividends receivable</b>	<b>Amount due from Manager</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>					
Finance					
- AAA	-	67,740,532	-	-	67,740,532
- AA1	-	134,488	-	-	134,488
Construction					
- NR	-	-	90,000	-	90,000
Health Care					
- NR	-	-	50,019	-	50,019
Industrial Product					
- NR	-	-	80,712	-	80,712
Trading/Services					
- NR	-	-	48,664	-	48,664
Trust					
- NR	-	-	3,839	-	3,839
Other					
- NR	1,962,119	-	-	2,833,902	4,796,021
	<u>1,962,119</u>	<u>67,875,020</u>	<u>273,234</u>	<u>2,833,902</u>	<u>72,944,275</u>

	Amount due from brokers	Cash and cash equivalents	Dividends receivable	Amount due from Manager	Total
	RM	RM	RM	RM	RM
<u>2016</u>					
Finance					
- AAA	-	41,983,345	-	-	41,983,345
- AA1	-	77,654	-	-	77,654
Health Care					
- NR	-	-	56,300	-	56,300
Plantation					
- NR	-	-	17,500	-	17,500
Properties					
- NR	-	-	3	-	3
Trading/Services					
- NR	-	-	8,279	-	8,279
Trust					
- NR	-	-	3,837	-	3,837
Technology					
- NR	-	-	18,192	-	18,192
Other					
- NR	1,872,214	-	-	1,597,335	3,469,549
	<u>1,872,214</u>	<u>42,060,999</u>	<u>104,111</u>	<u>1,597,335</u>	<u>45,634,659</u>

None of these assets are past due or impaired.

## Capital risk

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

## Fair value estimation

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

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

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

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

## Fair value hierarchy

- i. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:
  - Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
  - Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).



- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>				
Financial assets at fair value through profit or loss:				
Quoted securities	242,800,036	-	-	242,800,036
<u>2016</u>				
Financial assets at fair value through profit or loss:				
Quoted securities	96,518,758	-	-	96,518,758

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active quoted securities. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note E 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 1.50% (2016: 1.50%) 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.

For the financial year ended 30 June 2017, the Trustee's fee is recognised at a rate of 0.07% (2016: 0.07%) 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. DISTRIBUTION

	2017	2016
	RM	RM
Distribution to unit holders is from the following sources:		
Dividend income	2,002,317	-
Interest income	389,253	-
Net realised gain on sale of investments	3,640,578	-
Distribution equalisation (Memorandum account)	10,504,131	2,680,215
Prior financial years' realised income	1,099	5,079,861
	<hr/>	<hr/>
Gross realised income	16,537,378	7,760,076
Less: Expenses	(1,176,640)	(881,219)
Less: Prior financial years' taxation	(90,875)	(99,418)
	<hr/>	<hr/>
	15,269,863	6,779,439
	<hr/>	<hr/>
Gross distribution per unit (RM)	0.0439	0.0402
	<hr/>	<hr/>
Net distribution per unit (RM)	0.0436	0.0396
	<hr/>	<hr/>
Ex-date	23 June 2017	27 June 2016

Gross distribution is derived using total income less total expenses. The distribution is made from current and prior financial years' realised income.

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

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

**6. TAXATION**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial year:		
Current taxation – local	<u>51,892</u>	<u>50,540</u>

The numerical reconciliation between profit 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 before taxation	<u>24,549,227</u>	<u>11,159,676</u>
Tax at Malaysian statutory rate of 24% (2016: 24%)	5,891,814	2,678,322
Tax effects of:		
Investment income exempt from tax	(6,843,935)	(3,299,521)
Expenses not deductible for tax purposes	346,882	236,374
Restriction on the tax deductible expenses for Unit Trust Funds	729,780	508,920
Income subject to different tax rate	<u>(72,649)</u>	<u>(73,555)</u>
Taxation	<u>51,892</u>	<u>50,540</u>

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

	2017	2016
	RM	RM
Designated at fair value through profit or loss:		
Quoted securities	242,800,036	96,518,758
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	6,098,403	6,730,488
Change in unrealised fair value gain	16,007,131	2,474,670
	<u>22,105,534</u>	<u>9,205,158</u>

### Quoted securities

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 30.6.2017	of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gamuda Berhad	800,000	3,968,000	4,400,000	1.41
IJM Corporation Berhad	2,000,000	6,707,300	6,920,000	2.22
Kerjaya Prospek Group Berhad	2,307,000	4,547,666	7,520,820	2.41
Sunway Construction Group Berhad	1,390,000	2,868,087	2,807,800	0.90
	<u>6,497,000</u>	<u>18,091,053</u>	<u>21,648,620</u>	<u>6.94</u>
<u>Consumer</u>				
Hong Leong Industries Berhad	375,600	3,449,894	3,808,584	1.22
Salutica Berhad	880,800	784,571	1,365,240	0.44
	<u>1,256,400</u>	<u>4,234,465</u>	<u>5,173,824</u>	<u>1.66</u>

Quoted securities (continued)

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 Product</u>				
British American Tobacco (Malaysia) Berhad	199,500	9,209,289	8,662,290	2.77
Carlsberg Brewery Malaysia Berhad	842,100	11,760,537	12,631,500	4.05
Heineken Malaysia Berhad (formerly Guinness Anchor Berhad)	580,200	9,535,359	10,733,700	3.44
Nestle (Malaysia) Berhad	117,600	8,432,442	9,996,000	3.20
	<b>1,739,400</b>	<b>38,937,627</b>	<b>42,023,490</b>	<b>13.46</b>
<u>Finance</u>				
Allianz Malaysia Berhad	280,700	2,829,605	3,621,030	1.16
Bursa Malaysia Berhad	595,900	4,744,217	6,316,540	2.02
CIMB Group Holdings Berhad	2,101,797	10,334,594	13,829,824	4.43
Hong Leong Bank Berhad	197,000	2,763,797	3,085,020	0.99
Hong Leong Financial Group Berhad	138,000	2,144,975	2,318,400	0.74
Public Bank Berhad	215,000	4,376,620	4,368,800	1.40
RHB Bank Berhad	1,350,900	7,160,293	6,835,554	2.19
	<b>4,879,297</b>	<b>34,354,101</b>	<b>40,375,168</b>	<b>12.93</b>
<u>Health Care</u>				
Hartalega Holdings Berhad	540,000	3,261,979	3,985,200	1.28
IHH Healthcare Berhad	1,767,300	10,518,780	10,161,975	3.25
Top Glove Corporation Berhad	1,084,100	5,222,700	6,233,575	2.00
	<b>3,391,400</b>	<b>19,003,459</b>	<b>20,380,750</b>	<b>6.53</b>

Quoted securities (continued)

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>Industrial Product</u>				
Scientex Berhad	632,000	4,929,600	5,561,600	1.78
Uchi Technologies Berhad	1,008,900	1,599,348	1,866,465	0.60
	<u>1,640,900</u>	<u>6,528,948</u>	<u>7,428,065</u>	<u>2.38</u>
<u>Infrastructure Project Company</u>				
Digi.Com Berhad	1,000,000	5,048,620	5,000,000	1.60
Lingkar Trans Kota Holdings	995,000	4,368,905	5,860,550	1.88
Time Dotcom Berhad	466,200	3,892,770	4,522,140	1.45
	<u>2,461,200</u>	<u>13,310,295</u>	<u>15,382,690</u>	<u>4.93</u>
<u>Manufacturing</u>				
Pecca Group Berhad	478,600	679,612	770,546	0.25
<u>Plantation</u>				
IOI Corporation Berhad	16,700	73,814	74,315	0.02
Kuala Lumpur Kepong Berhad	150,000	3,650,435	3,732,000	1.20
	<u>166,700</u>	<u>3,724,249</u>	<u>3,806,315</u>	<u>1.22</u>
<u>Power / Utilities</u>				
Malakoff Corporation Berhad	2,185,100	3,684,192	2,316,206	0.74

## Quoted securities (continued)

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>Properties</u>				
KSL Holdings Berhad	817,585	1,367,545	1,005,630	0.32
S P Setia Berhad (convertible preference shares)	304,316	304,316	340,834	0.11
S P Setia Berhad	797,676	2,640,063	2,783,889	0.89
Sunway Berhad	780,000	3,099,192	3,057,600	0.98
	<u>2,699,577</u>	<u>7,411,116</u>	<u>7,187,953</u>	<u>2.30</u>
<u>Technology</u>				
Globetronics Technology Berhad	167,400	1,004,920	1,019,466	0.33
Pentamaster Corporation Berhad	521,900	1,478,487	1,962,344	0.63
	<u>689,300</u>	<u>2,483,407</u>	<u>2,981,810</u>	<u>0.96</u>
<u>Trading/Services</u>				
Berjaya Food Berhad	1,052,800	1,979,200	1,684,480	0.54
Bermaz Auto Berhad (formerly Berjaya Auto Berhad)	931,400	1,967,764	1,872,114	0.60
Genting Berhad	1,465,000	12,188,013	13,785,650	4.42
Maxis Berhad	1,321,700	7,295,784	7,335,435	2.35
MMC Corporation Berhad	1,216,600	2,880,633	3,017,168	0.97
Oldtown Berhad	1,090,000	2,941,646	3,139,200	1.01
Scicom (MSC) Berhad	789,300	1,829,927	1,815,390	0.58
Telekom Malaysia Berhad	1,300,000	7,997,430	8,645,000	2.77
Tenaga Nasional Berhad	891,900	12,259,451	12,611,466	4.04
Westports Holdings Berhad	1,240,000	4,774,671	4,513,600	1.45
	<u>11,298,700</u>	<u>56,114,519</u>	<u>58,419,503</u>	<u>18.73</u>



## Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
REITS				
IGB Real Estate Investment Trust	3,873,800	5,716,833	6,817,888	2.18
KIP Real Estate Investment Trust	4,193,400	4,193,400	3,857,928	1.24
MRCB-Quill Reit	1,975,800	2,370,960	2,588,298	0.83
Sunway Real Estate Investment Trust	921,900	1,291,331	1,640,982	0.53
	<u>10,964,900</u>	<u>13,572,524</u>	<u>14,905,096</u>	<u>4.78</u>
<b>TOTAL QUOTED SECURITIES</b>	<u>50,348,474</u>	<u>222,129,747</u>	<u>242,800,036</u>	<u>77.81</u>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>20,670,289</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>242,800,036</u>		

Quoted securities

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>Construction</u>				
Gamuda Berhad	267,700	1,326,002	1,301,022	0.92
Kerjaya Prospek Group Berhad	1,852,300	3,056,295	3,760,169	2.66
	<u>2,120,000</u>	<u>4,382,297</u>	<u>5,061,191</u>	<u>3.58</u>
<u>Consumer</u>				
Hup Seng Industries Berhad	1,850,000	2,088,360	2,479,000	1.75
Salutica Berhad	1,564,100	1,241,658	1,595,382	1.13
	<u>3,414,100</u>	<u>3,330,018</u>	<u>4,074,382</u>	<u>2.88</u>
<u>Consumer Product</u>				
Carlsberg Brewery Malaysia Berhad	247,400	3,001,643	3,270,628	2.31
Guinness Anchor Berhad	380,200	5,480,593	5,756,228	4.07
Nestle (Malaysia) Berhad	33,300	1,891,093	2,548,116	1.80
	<u>660,900</u>	<u>10,373,329</u>	<u>11,574,972</u>	<u>8.18</u>
<u>Finance</u>				
Bursa Malaysia Berhad	895,900	7,132,647	7,668,904	5.42
RHB Capital Berhad	641,100	3,595,677	3,282,432	2.32
	<u>1,537,000</u>	<u>10,728,324</u>	<u>10,951,336</u>	<u>7.74</u>
<u>Health Care</u>				
Top Glove Corporation Berhad	700,000	3,898,720	3,220,000	2.28

Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at	Percentage of net asset value of the Fund
			30.6.2016	%
	Units	RM	RM	
<u>Infrastructure Project Company</u>				
Digi.Com Berhad	203,800	939,141	974,164	0.69
Lingkarans Trans Kota Holdings Berhad	1,425,500	5,423,271	8,111,095	5.73
	1,629,300	6,362,412	9,085,259	6.42
<u>Manufacturing</u>				
Evergreen Fibreboards Berhad	2,066,350	2,585,045	2,190,331	1.55
Pecca Group Berhad	639,500	908,090	1,023,200	0.72
	2,705,850	3,493,135	3,213,531	2.27
<u>Plantation</u>				
IOI Corporation Berhad	513,500	2,131,025	2,228,590	1.58
Sarawak Oil Palms Berhad	350,000	2,047,233	1,400,000	0.99
	863,500	4,178,258	3,628,590	2.57
<u>Power / Utilities</u>				
Malakoff Corporation Berhad	4,202,500	7,184,500	6,724,000	4.75
<u>Properties</u>				
A&M Realty Berhad	340,700	291,384	243,601	0.17
KSL Holdings Bhd	859,085	1,436,960	962,175	0.68
S P Setia Bhd	760,790	2,518,339	2,206,291	1.56
	1,960,575	4,246,683	3,412,067	2.41
<u>Technology</u>				
Inari Amertron Berhad	1,819,250	3,942,160	5,403,172	3.82

Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 30.6.2016	of net asset value of the Fund
	Units	RM	RM	%
<u>Trading/Services</u>				
Berjaya Auto Berhad	1,186,400	2,539,783	2,752,448	1.95
Berjaya Food Berhad	1,000,000	1,900,000	1,820,000	1.29
Berjaya Sports Toto Berhad	833,000	2,374,051	2,532,320	1.79
Cypark Resources Berhad	462,700	1,246,172	902,265	0.64
Media Prima Berhad	1,313,500	2,895,118	1,812,630	1.28
OldTown Berhad	1,995,300	3,020,107	3,830,976	2.71
Suria Capital Holdings Berhad	1,209,000	3,281,667	2,466,360	1.74
	<u>7,999,900</u>	<u>17,256,898</u>	<u>16,116,999</u>	<u>11.40</u>
<u>Transportation</u>				
Xin Hwa Holdings Berhad	1,530,800	1,302,760	1,530,800	1.08
<u>REITS</u>				
Capitamalls Malaysia Trust	3,180,000	4,554,214	4,929,000	3.48
IGB Real Estate Investment Trust	1,802,300	2,273,981	2,901,703	2.05
Pavillion Real Estate Investment Trust	1,827,400	3,056,580	3,161,402	2.23
Sunway Real Estate Investment Trust	921,900	1,291,331	1,530,354	1.08
	<u>7,731,600</u>	<u>11,176,106</u>	<u>12,522,459</u>	<u>8.84</u>

## Quoted securities (continued)

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>TOTAL QUOTED SECURITIES</b>	<u>38,875,275</u>	91,855,600	<u>96,518,758</u>	68.22
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>4,663,158</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>96,518,758</u>		

## 8. CASH AND CASH EQUIVALENTS

	2017	2016
	RM	RM
Bank balance with a licensed bank	134,488	77,654
Deposits with licensed financial institutions	67,740,532	41,983,345
	<u>67,875,020</u>	<u>42,060,999</u>

The effective weighted average interest rate of short term deposits with licensed financial institutions per annum as at the date of the financial position are as follow:

	<b>2017</b>	<b>2016</b>
	%	%
Deposits with licensed financial institutions	3.87	3.60

The deposits have an average maturity of 12 days (2016: 9 days).

## 9. 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	180,239,325	188,793,304
Creation of units during the financial year:		
Arising from applications	245,216,861	35,798,692
Arising from distribution	17,733,349	8,532,094
Cancellation of units during the financial year	(71,448,427)	(52,884,765)
At the end of the financial year	371,741,108	180,239,325

## 10. TRANSACTIONS WITH BROKERS

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

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2017</u>				
Maybank Investment Bank Berhad	55,294,520	15.23	164,882	15.13
UOB Kay Hian Securities (M) Sdn Bhd	50,434,368	13.90	150,953	13.85
CIMB Investment Bank Berhad	42,086,737	11.60	117,618	10.80
RHB Investment Bank Berhad	36,058,213	9.93	94,821	8.70
Affin Hwang Investment Bank Berhad	33,229,452	9.15	102,490	9.41
Credit Suisse Securities (Malaysia) Sdn. Bhd.	29,478,935	8.12	92,071	8.45
KAF Seagroatt & Campbell Securities Sdn Bhd	27,190,223	7.49	85,805	7.88
Hong Leong Investment Bank Berhad	19,262,548	5.31	59,479	5.46
Kenanga Investment Bank Berhad	18,084,850	4.98	53,854	4.94
Nomura Securities Malaysia Sdn Bhd	12,701,992	3.50	41,555	3.81
Others	39,164,500	10.79	125,994	11.57
	<b>362,986,338</b>	<b>100.00</b>	<b>1,089,522</b>	<b>100.00</b>

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<b>2016</b>				
Affin Hwang Investment Bank	28,922,308	12.42	87,814	11.83
RHB Investment Bank Berhad	28,162,693	12.10	91,018	12.27
Maybank Investment Bank Berhad	24,180,388	10.39	73,588	9.92
CIMB Investment Bank Berhad	19,952,053	8.57	83,614	11.27
Kenanga Investment Bank Berhad	18,830,084	8.09	58,086	7.83
Credit Suisse Securities (Malaysia) Sdn. Bhd.	17,732,314	7.62	54,051	7.28
Nomura Securities Malaysia Sdn Bhd	15,369,649	6.60	47,291	6.37
Public Investment Bank Berhad	13,048,894	5.60	40,144	5.41
Macquarie Capital Securities (Malaysia) Sdn. Bhd.	12,446,775	5.35	38,476	5.18
KAF Seagroatt & Campbell Securities Sdn Bhd	12,145,329	5.22	37,615	5.07
Others	42,008,992	18.04	130,395	17.57
	<b>232,799,479</b>	<b>100.00</b>	<b>742,092</b>	<b>100.00</b>

All brokers highlighted above are not related to the Manager.



## 11. 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	3,246	2,726	3,085	2,421

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.

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

	2017	2016
	%	%
MER	1.68	1.68

MER is derived from the following calculation:

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

A = Management Fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (inclusive GST charges)

F = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM202,254,146 (2016: RM140,333,068).

### 13. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR (times)	0.90	0.83

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM243,428,883 (2016: RM100,276,089)

total disposals for the financial year = RM119,557,455 (2016: RM132,560,746)

### 14. SEGMENTAL INFORMATION

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

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

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

### 15. APPROVAL OF FINANCIAL STATEMENTS

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

## CORPORATE DIRECTORY

### **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

16<sup>th</sup> Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur

BUSINESS OFFICE

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, 9<sup>th</sup> 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

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Eastspring Investments Berhad (531241-U)  
Level 12, Menara Prudential  
No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur  
T: (603) 2052 3388 F: (603) 2070 6129  
[eastspringinvestments.com.my](http://eastspringinvestments.com.my)

Client Services  
T: (603) 2332 1000 F: (603) 2052 3366  
[cs.my@eastspring.com](mailto:cs.my@eastspring.com)