

# EASTSPRING INVESTMENTS DANA WAFI

## INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD  
ENDED 30 SEPTEMBER 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 September 2017.**

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

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

Yours sincerely,

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

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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## FUND INFORMATION

**Name of Fund**

Eastspring Investments Dana Wafi (the "Fund")

**Fund Category/  
Type**

Sukuk/income

**Fund Objective**

The Fund seeks to generate stable income\*by investing in Shariah-compliant fixed income securities.

**ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE  
WOULD REQUIRE UNIT HOLDERS' APPROVAL.**

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

**Performance  
Benchmark**

The performance benchmark of the Fund is Quant Shop MGS Medium Index.

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

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

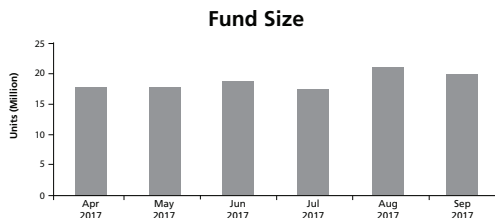
**Fund Income  
Distribution Policy**

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

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 30 September 2017, the size of Eastspring Investments Dana Wafi stood at 19.905 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	82	19.48	233	1.17
5,001 to 10,000 units	90	21.38	634	3.18
10,001 to 50,000 units	183	43.47	4,212	21.16
50,001 to 500,000 units	62	14.72	8,212	41.26
500,001 units and above	4	0.95	6,613	33.23
<b>Total</b>	<b>421</b>	<b>100.00</b>	<b>19,904</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	30.9.2017	30.9.2016	30.9.2015
	(%)	(%)	(%)
Sukuk	74.64	95.03	70.73
Cash and other assets	25.36	4.97	29.27
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	11,286	10,644	16,886
Units In Circulation (Units '000)	19,905	18,523	30,959
Net Asset Value Per Unit (RM)	0.5669	0.5746	0.5454
Highest Net Asset Value Per Unit (RM)	0.5669	0.5746	0.5478
Lowest Net Asset Value Per Unit (RM)	0.5564	0.5587	0.5401
Total Return (%)			
- Capital Growth	1.92	2.85	1.00
- Income Distribution	-	-	-
Total Return (%)	1.92	2.85	1.00
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.72	0.75	0.71
Portfolio Turnover Ratio (PTR) (times)^	0.25	0.16	0.17

\* 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 1.10.2016 to 30.9.2017	3 years 1.10.2014 to 30.9.2017	5 years 1.10.2012 to 30.9.2017
	(%)	(%)	(%)
Average total return	2.74	3.65	3.34

Year ended	1.4.2016 to 31.3.2017	1.4.2015 to 31.3.2016	1.4.2014 to 31.3.2015	1.4.2013 to 31.3.2014	1.4.2012 to 31.3.2013
	(%)	(%)	(%)	(%)	(%)
Annual total return	3.67	3.46	4.35	1.41	3.81

**The unit prices of the Fund may go down as well as up and the past performance figures shown are not indicative of future performance.**

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

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

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

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

$\text{NAV}_0$  = NAV at the beginning of the period

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

Adjusted for unit split and distribution paid out for the period

n = Number of years

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

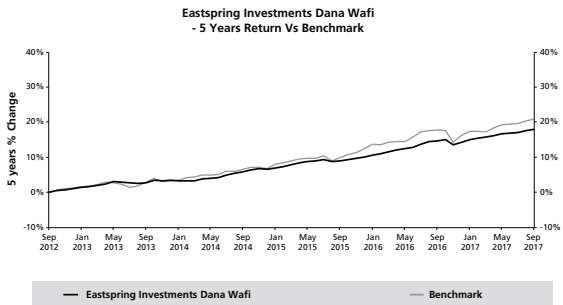
# MANAGER'S REPORT

## Fund Performance

Over the 5-year period, the Fund recorded a return of 17.87%, underperforming the benchmark return of 20.84% by 2.97%.

For the period under review, the Fund registered a return of 1.92%, underperforming the benchmark return of 3.08% by 1.16%.

The Fund's underperformance was attributable to the Fund's overweight position in selected corporate sukuk which underperformed the medium term government sukuk.



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

**Benchmark:** Quant Shop MGS Medium Index

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

<b>Income Return</b>	<b>Capital Return*</b>	<b>Total Return</b>	<b>Total Return of Benchmark</b>
<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
0.00	1.92	1.92	3.08

\* 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 September 2017.

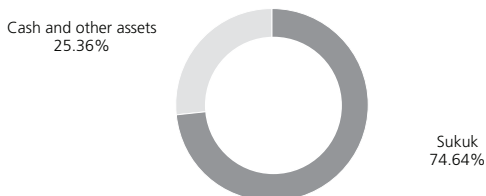
### Investment Strategy During The Period Under Review

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

## MANAGER'S REPORT (CONTINUED)

**Asset Allocation**

<b>Asset Allocation</b>	<b>30-Sep 2017</b>	<b>31-Mar 2017</b>	<b>Changes</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Sukuk	74.64	93.26	(18.62)
Cash and other assets	25.36	6.74	18.62

**Asset Allocation as at 30 September 2017**

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

**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.

**Cross-Trade Transaction**

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

## MARKET REVIEW

During the period under review, Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate (“OPR”) at 3.00%. BNM believes that the current Overnight Policy Rate provides a degree of monetary accommodativeness which will ensure that the domestic economy continues on a steady growth path amid stable core inflation, supported by sustained financial intermediation in the economy. In the recent MPC meeting in September’17, Bank Negara commented that the global economy continues to strengthen with growth becoming more entrenched and synchronised across countries. Bank Negara also expects the domestic economic growth in 2017 will be stronger than earlier expected. However, BNM cautioned that the global outlook may be affected by political and policy developments in major economics and geopolitical risks.

Headline inflation increased to 3.7% year on year (“y-o-y”) in August 2017 from 3.2% y-o-y registered in July 2017 while core inflation decreased slightly to +2.4% y-o-y during the month from +2.6% y-o-y in the previous month. The increase in headline inflation was led price-related expansion in transport CPI (Aug: +11.7% y-o-y, Jul: +7.7% y-o-y) and slightly higher food and non-alcoholic beverages prices (Aug: +4.3% y-o-y, Jul: +4.2% y-o-y).

The US Federal Reserve (“Fed”) raised its key interest rates by 25bps to between 1.00%-1.25% during the Federal Open Market Committee (“FOMC”) meeting on 13-14 June. This is the third time that the Fed has raised its benchmark interest rate in the last nine months. The Fed believes that the current monetary policy remains accommodative to further support the labour market while sustaining inflation at 2%. The Fed also indicated that one more rate hike was on the table for the current fiscal year as the Fed remains optimistic on the economy.

Separately, the Fed confirmed that it will wind down its balance sheet as the central bank is expected to start reducing its balance sheet in October’17. The gradual unwinding of its massive USD4.5trillion balance sheet will be the first policy shift since the central bank started its stimulus program after the economy entered a severe recession nearly a decade ago. The Fed indicated that it will start reducing its balance sheet by trimming reinvestments by USD10billion in October and raising that amount gradually to USD50billion in the months to come.

For the period under review, the 3-, 5-, 10- and 15-year sovereign bond yields fell by 14bps, 24bps, 21bps and 13bps to close at 3.39%, 3.57%, 3.92% and 4.38% respectively<sup>1</sup>. Sovereign yields decreased in the second quarter after Bank Negara expanded short-selling of Malaysian Government Securities and allowing registered non-bank entities to have a net forward hedge position which helped to improve liquidity of the domestic bond market and onshore foreign exchange. Furthermore, sovereign bond yields also decreased due to strong buying interest from local investors.

Corporate bond yields generally moved in tandem with sovereign bond yields, albeit at a lag. Activities in the corporate bond market were supported by ample liquidity and a stable credit environment.

On the supply front, total new Malaysian Ringgit (MYR) Corporate Bond issuances as at end September 2017 stood around RM69billion of which approximately 30% was conventional and 70% was Islamic. Major primary issuances during the year were mainly government guaranteed bonds, corporates bonds and bank debts. Major issuances include RM7.1billion from Danainfra, RM6.75billion from LPPSA, RM4.2billion from Cagamas, RM4.0billion from Prasarana, RM4.0billion from PTPTN, RM4.2billion from GovCo Holdings Berhad, RM3.0billion from CIMB Bank Berhad and RM2.6billion from Genting Malaysia Berhad.

## REBATES AND SOFT COMMISSIONS

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

<sup>1</sup> Source: Bloomberg

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# EASTSPRING INVESTMENTS DANA WAFI

## UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 15 to 49 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 30 September 2017 and of its financial performance, changes in equity and cash flows for the six months financial period ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,  
**EASTSPRING INVESTMENTS BERHAD**

**TANG CHEE KIN**  
Executive Director / Chief Executive Officer

**KHOO CHUAN KEAT**  
Director

Kuala Lumpur  
Date: 15 November 2017

## TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DANA WAFI

We have acted as Trustee for Eastspring Investments Dana Wafi (the "Fund") for the financial period ended 30 September 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: 15 November 2017



## SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DANA WAFI

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

In our opinion, Eastspring Investments Berhad has managed and administered Eastspring Investments Dana Wafi in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial period ended 30 September 2017.

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

For and on behalf of the Shariah Adviser

**IBFIM**

**DR. AHMAD ZAKIRULLAH BIN MOHAMED SHAARANI**

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

Kuala Lumpur

Date: 15 November 2017

# UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	Note	6-months financial period ended 30.9.2017	6-months financial period ended 30.9.2016
		RM	RM
<b>INVESTMENT INCOME</b>			
Profit income from Islamic deposits with licensed financial institutions		16,083	9,861
Profit income from sukuk		218,448	242,772
Net gain on financial assets at fair value through profit or loss	6	36,844	126,441
		<u>271,375</u>	<u>379,074</u>
<b>EXPENSES</b>			
Management fee	3	(51,802)	(53,349)
Trustee fee	4	(9,026)	(9,026)
Audit fee		(2,908)	(2,908)
Tax agent fee		(1,706)	(1,706)
GST charges		(3,657)	(4,108)
Other expenses		(5,279)	(8,811)
		<u>(74,378)</u>	<u>(79,908)</u>
<b>PROFIT BEFORE TAXATION</b>		196,997	299,166
<b>TAXATION</b>	5	-	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>196,997</u>	<u>299,166</u>
Profit after taxation is made up of the following:			
Realised amount		188,547	211,853
Unrealised amount		8,450	87,313
		<u>196,997</u>	<u>299,166</u>

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

# UNAUDITED STATEMENT OF FINANCIAL POSITION

## AS AT 30 SEPTEMBER 2017

	Note	2017	2016
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	7	1,694,382	570,604
Amount due from brokers		1,209,788	-
Amount due from Manager		16,485	2,626
Financial assets at fair value through profit or loss	6	8,423,523	10,115,606
<b>TOTAL ASSETS</b>		<u>11,344,178</u>	<u>10,688,836</u>
<b>LIABILITIES</b>			
Amount due to Manager		20,000	8,132
Accrued management fee		9,574	8,700
Amount due to Trustee		1,480	1,480
GST charges payable		663	611
Other payables and accruals		26,178	25,806
<b>TOTAL LIABILITIES</b>		<u>57,895</u>	<u>44,729</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>11,286,283</u>	<u>10,644,107</u>
<b>EQUITY</b>			
Unit holders' capital		11,055,568	10,273,312
Retained earnings		230,715	370,795
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>11,286,283</u>	<u>10,644,107</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>19,904,926</u>	<u>18,523,177</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.5669</u>	<u>0.5746</u>

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

## UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	<b>Unit holders' capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance as at 1 April 2017	10,092,991	33,718	10,126,709
Movement in unit holders' contribution:			
Creation of units from applications	6,586,751	-	6,586,751
Cancellation of units	(5,624,174)	-	(5,624,174)
Total comprehensive income for the financial period	-	196,997	196,997
Balance as at 30 September 2017	<u>11,055,568</u>	<u>230,715</u>	<u>11,286,283</u>
Balance as at 1 April 2016	11,337,821	71,629	11,409,450
Movement in unit holders' contribution:			
Creation of units from applications	303,940	-	303,940
Cancellation of units	(1,368,449)	-	(1,368,449)
Total comprehensive income for the financial period	-	299,166	299,166
Balance as at 30 September 2016	<u>10,273,312</u>	<u>370,795</u>	<u>10,644,107</u>

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

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

Note	6-months financial period ended 30.9.2017	6-months financial period ended 30.9.2016
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of sukuk	1,924,692	2,342,300
Purchase of sukuk	(2,105,330)	(1,015,240)
Profit income received from Islamic deposits with licensed financial institutions	16,083	9,861
Profit income received from sukuk	246,798	314,533
Management fee paid	(50,935)	(54,551)
Trustee fee paid	(9,075)	(9,062)
Payment for other fees and expenses	(14,610)	(18,380)
Net cash generated from operating activities	<u>7,623</u>	<u>1,569,461</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	6,616,564	301,914
Payments for cancellation of units	(5,605,216)	(1,384,842)
Distribution paid	(4,861)	-
Net cash generated from/(used in) financing activities	<u>1,006,487</u>	<u>(1,082,928)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,014,110	486,533
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>680,272</u>	<u>84,071</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	7 <u>1,694,382</u>	<u>570,604</u>

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

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

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

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

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

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

The Fund has applied the following amendments for the first time for the financial year beginning 1 April 2017:

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

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

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:

- a. Financial year beginning on/after 1 April 2018
  - MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

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

The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments<sup>1</sup> are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument<sup>2</sup> is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest<sup>3</sup>.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives<sup>1</sup>. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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

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

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

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

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

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

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

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

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

Key provisions of the new standard are as follows:

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

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



## **B. INCOME RECOGNITION**

Profit income earned from Islamic deposits with licensed financial institutions and sukuk are recognised on the accrual basis, using the effective profit method.

Realised gain or loss on disposal of unquoted sukuk is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted sukuk, which is determined on cost adjusted for accretion of discount and amortisation of premium on investments for unquoted sukuk.

## **C. TAXATION**

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

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

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

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

### **i. Classification**

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

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

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

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

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

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

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Shariah-compliant investments are initially recognised at fair value.

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

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

Financial liability is derecognised when the obligation under the liability is extinguished; i.e when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' 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.

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

Sukuk are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis using the net present value method based on fair value prices quoted by a bond pricing agency ('BPA')

registered with the Securities Commission. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific sukuk differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- i. records its basis for using a non-BPA price;
- ii. obtains necessary internal approvals to use the non-BPA price; and
- iii. keeps an audit trail of all decisions and basis for adopting the market price.

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

iii. Impairment for assets carried at amortised costs

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

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

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

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

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

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balance and Islamic 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. 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.

## **H. SEGMENTAL INFORMATION**

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

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

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

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

### **a. Estimate of fair value of sukuk**

The Fund uses significant judgment in determining whether an investment is impaired. The Fund evaluates, among other factors, the duration and extent to which the fair value of the investment is less than cost, and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, macroeconomic factors and speculation.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value.

Sukuk are valued using fair value prices quoted by a bond pricing agency (BPA). Where the Manager is of the view that the price quoted by BPA for a specific sukuk differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

# NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

### 1. INFORMATION ON THE FUND

Eastspring Investments Dana Wafi (the "Fund") was constituted pursuant to the execution of a Master Deed dated 25 July 2002 as amended by a Supplemental Master Deed dated 22 June 2004 and a Second Supplemental Master Deed dated 25 January 2005, followed by Master Supplemental Deed dated 12 July 2007 and Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Berhad ("HSBC Trustee") and Eastspring Investments Berhad (the "Manager"). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between the Manager and the Trustee on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016 and Eighth Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund was launched on 21 February 2005 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The Fund may invest in sukuk with a minimum credit rating of BBB3 or P2 by RAM, or its equivalent rating by any other domestic rating agencies. The Fund seeks to generate stable income by investing in Shariah-compliant fixed income securities. All Shariah-compliant investments will be subjected to the Securities Commission (the "SC") Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

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

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Financial instruments of the Fund are as follows:

	Note	Receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2017</u>				
Sukuk	6	-	8,423,523	8,423,523
Cash and cash equivalents	7	1,694,382	-	1,694,382
Amount due from brokers		1,209,788	-	1,209,788
Amount due from Manager		16,485	-	16,485
		<u>2,920,655</u>	<u>8,423,523</u>	<u>11,344,178</u>
<u>2016</u>				
Sukuk	6	-	10,115,606	10,115,606
Cash and cash equivalents	7	570,604	-	570,604
Amount due from Manager		2,626	-	2,626
		<u>573,230</u>	<u>10,115,606</u>	<u>10,688,836</u>

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

## Market risk

### i. Price risk

Price risk is the risk that the fair value of the Shariah-compliant investment in sukuk will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's net asset value and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and asset allocation whereby the sukuk exposure will be reduced in the event of anticipated market weakness.

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

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Sukuk designated at fair value through profit or loss	8,423,523	10,115,606

Includes profit receivables of RM116,737 (2016: RM100,625).

The table below summarises the sensitivity of the Fund's net asset value and profit after tax to movements in valuation of sukuk at the end of each reporting period. The analysis is based on the assumptions that the valuation of the sukuk increased by 5% and decrease by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the sukuk, 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>Increase/(decrease) in profit after tax and net asset value</b>
	<b>RM</b>	<b>RM</b>
<u>2017</u>		
+5%	8,722,125	415,339
-5%	7,891,447	(415,339)
<u>2016</u>		
+5%	10,515,730	500,749
-5%	9,514,232	(500,749)



ii. Exposure to interest rate risk

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

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

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

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

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

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

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

The table below summarises the sensitivity of the Fund's net asset value and profit after tax to movements in interest rate for investments at the end of each reporting period as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increased by 1% (2016:1%) and decreased by 1% (2016:-1%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Movement in interest rate	2017	2016
	Impact on profit after tax/ net asset value	Impact on profit after tax/ net asset value
	RM	RM
<u>Sukuk</u>		
+1% (2016:+1%)	(14,299)	(16,614)
-1% (2016:-1%)	14,338	16,657

### Liquidity risk

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

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

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

	<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	20,000	-	20,000
Accrued management fee	9,574	-	9,574
Amount due to Trustee	1,480	-	1,480
GST charges payable	663	-	663
Other payables and accruals	-	26,178	26,178
Contractual cash outflows	<u>31,717</u>	<u>26,178</u>	<u>57,895</u>
<u>2016</u>			
Amount due to Manager	8,132	-	8,132
Accrued management fee	8,700	-	8,700
Amount due to Trustee	1,480	-	1,480
GST charges payable	611	-	611
Other payables and accruals	-	25,806	25,806
Contractual cash outflows	<u>18,923</u>	<u>25,806</u>	<u>44,729</u>

### **Credit/default risk**

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

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

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

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

	Sukuk RM	Cash and cash equivalents RM	Amount due from brokers RM	Amount due from Manager RM	Total RM
<b>2017</b>					
Finance					
-AAA	-	1,670,270	-	-	1,670,270
-AA1	-	24,112	-	-	24,112
Sukuk					
-AAA	1,209,058	-	-	-	1,209,058
-AA2	1,529,303	-	-	-	1,529,303
-AA2(s)	1,541,262	-	-	-	1,541,262
-AA3	3,311,685	-	-	-	3,311,685
-AA-IS	832,215	-	-	-	832,215
Other					
-NR	-	-	1,209,788	16,485	1,226,273
	<u>8,423,523</u>	<u>1,694,382</u>	<u>1,209,788</u>	<u>16,485</u>	<u>11,344,178</u>
<b>2016</b>					
Finance					
-AAA	-	550,045	-	-	550,045
-AA1	-	20,559	-	-	20,559
Sukuk					
-AAA	1,016,507	-	-	-	1,016,507
-AA2(s)	1,930,959	-	-	-	1,930,959
-AA3	6,322,413	-	-	-	6,322,413
-AA-IS	845,727	-	-	-	845,727
Other					
-NR	-	-	-	2,626	2,626
	<u>10,115,606</u>	<u>570,604</u>	<u>-</u>	<u>2,626</u>	<u>10,688,836</u>

None of these assets are past due or impaired.

### **Fund management risk**

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

### **Non-compliance risk**

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

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

### **Capital risk**

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the Shariah-compliant 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 sukuk) are based on quoted market prices at the close of trading on the period end date. The Fund utilises

the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Fund Manager will determine the point within the bid-ask spread that is representative of the fair value.

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

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

### **Fair value hierarchy**

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2017</u>				
Financial assets at fair value through profit or loss:				
Sukuk	-	8,423,523	-	8,423,523
<u>2016</u>				
Financial assets at fair value through profit or loss:				
Sukuk	-	10,115,606	-	10,115,606

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2 these include sukuk. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note E to the financial statements.

- ii. The carrying value of cash and cash equivalents, amount due from brokers, amount due from Manager 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 on the net asset value of the Fund calculated on daily basis.

For the financial period ended 30 September 2017, the management fee is recognised at a rate of 1.00% (2016: 1.00%) per annum on the net asset value of the Fund, calculated on daily basis.

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee, at a rate not exceeding 0.20% per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum.

For the financial period ended 30 September 2017, the Trustee fee is recognised at a minimum fee of RM18,000 per annum instead of at a rate of 0.07% (2016: 0.07%) per annum on the net asset value of the Fund, inclusive of local custodian fee, calculated on daily basis.

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



## 5. TAXATION

	6-months financial period ended 30.9.2017	6-months financial period ended 30.9.2016
	RM	RM

Tax charged for the financial period:

Current taxation – local

-

-

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

	6-months financial period ended 30.9.2017	6-months financial period ended 30.9.2016
	RM	RM
Profit before taxation	196,997	299,166
Tax at Malaysian statutory rate of 24% (2016 : 24%)	47,280	71,800
Tax effect of:		
Investment income exempt from tax	(65,130)	(90,978)
Expenses not deductible for tax purposes	3,842	4,690
Restriction on tax deductible expenses for Unit Trust Funds	14,008	14,488
Taxation	-	-

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

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Designated at fair value through profit or loss:		
Sukuk	8,423,523	10,115,606
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	28,394	39,128
Change in unrealised fair value gain	8,450	87,313
	<u>36,844</u>	<u>126,441</u>

Sukuk

Name of counter	Quantity	Carrying cost	Fair value	Percentage of net asset value of the Fund
			as at 30.9.2017	
	Units	RM	RM	%
4.45% Perbadanan Kemajuan Negeri Selangor 26.10.2018 (AA3)	300,000	305,971	306,283	2.71
9.05% Jimah Energy Ventures Sdn Bhd 10.05.2019 (AA3)	300,000	330,821	333,034	2.95
4.95% RHB Islamic Bank Berhad 15.05.2019 (AA3)	200,000	204,858	205,400	1.82
4.80% Hong Leong Islamic Bank Berhad 17.06.2019 (AA2)	500,000	509,031	509,128	4.51
8.20% Mukah Power Generation Sdn Bhd 27.12.2019 (AA2 (S))	1,400,000	1,530,321	1,541,262	13.66
4.85% Perbadanan Kemajuan Negeri Selangor 29.05.2020 (AA3)	200,000	203,772	204,058	1.81
5.25% BGSM Management Sdn Bhd 24.12.2020 (AA3)	200,000	205,033	207,177	1.84
5.10% Gulf Investment Corporation G.S.C 16.03.2021 (AAA)	1,000,000	1,005,043	1,006,656	8.92
9.30% Jimah Energy Ventures Sdn Bhd 12.11.2021 (AA3)	630,000	751,864	766,609	6.79
4.83% UMW Holdings Berhad 22.06.2022 (AA2)	1,000,000	1,014,654	1,020,175	9.04

## Sukuk (continued)

Name of counter	Quantity	Carrying cost	Fair value as at	Percentage of net asset value of the Fund
			30.9.2017	value of the Fund
	Units	RM	RM	%
7.10% BGSM Management Sdn Bhd 28.12.2022 (AA3)	500,000	561,168	564,915	5.01
5.40% Tanjung Bin Energy Issuer Berhad 15.03.2024 (AA3)	500,000	516,919	522,157	4.63
4.92% BGSM Management Sdn Bhd 29.08.2025 (AA3)	200,000	201,244	202,052	1.79
5.24% Lebuhraya Duke Fasa 3 Sdn Bhd 23.08.2027 (AA- IS)	800,000	816,863	832,215	7.37
4.58% Telekom Malaysia Berhad 03.09.2027 (AAA)	200,000	201,773	202,402	1.79
<b>TOTAL SUKUK</b>	<b>7,930,000</b>	<b>8,359,335</b>	<b>8,423,523</b>	<b>74.64</b>

**ACCUMULATED  
UNREALISED GAIN ON  
FINANCIAL ASSETS  
AT FAIR VALUE  
THROUGH PROFIT  
OR LOSS**

64,188

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

8,423,523

Sukuk

Name of counter	Quantity	Carrying cost	Fair value	Percentage of net asset value of the Fund
			as at 30.9.2016	
	Units	RM	RM	%
5.25% Bumitama Agri Ltd 18.03.2019 (AA3)	1,600,000	1,605,710	1,638,330	15.39
5.05% Amlslamic Bank Berhad 25.03.2024 (AA3)	1,700,000	1,702,572	1,720,930	16.17
9.05% Jimah Energy Ventures Sdn Berhad 10.05.2019 (AA3)	300,000	342,613	345,336	3.24
4.95% RHB Islamic Bank Berhad 15.05.2024 (AA3)	200,000	205,469	206,981	1.94
8.20% Mukah Power Generation Sdn Berhad 27.12.2019 (AA2 (S))	1,700,000	1,908,781	1,930,959	18.14
5.25% BGSM Management Sdn Berhad 24.12.2020 (AA3)	500,000	514,198	520,132	4.89
5.10% Gulf Investment Corporation G.S.C 16.03.2021 (AAA)	1,000,000	1,005,745	1,016,507	9.55
9.30% Jimah Energy Ventures Sdn Berhad 12.11.2021 (AA3)	630,000	772,969	789,586	7.42
7.10% BGSM Management Sdn Berhad 28.12.2022 (AA3)	500,000	569,682	572,875	5.38

## Sukuk (continued)

Name of counter	Quantity	Carrying cost	Fair value as at 30.9.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
5.40% Tanjung Bin Energy Issuer Berhad 15.03.2024 (AA3)	500,000	518,908	528,243	4.96
5.24% Lebuhraya Duke Fasa 3 Sdn Berhad 23.08.2027 (AA-IS)	800,000	817,811	845,727	7.95
<b>TOTAL SUKUK</b>	<u>9,430,000</u>	9,964,458	<u>10,115,606</u>	95.03

**ACCUMULATED  
UNREALISED GAIN ON  
FINANCIAL ASSETS  
AT FAIR VALUE  
THROUGH PROFIT  
OR LOSS**

151,148

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

10,115,606

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

	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Sukuk	4.66	4.53

## 7. CASH AND CASH EQUIVALENTS

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Bank balance with a licensed bank	24,112	20,559
Islamic deposit with a licensed financial institution	1,670,270	550,045
	<u>1,694,382</u>	<u>570,604</u>

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

	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Islamic deposit with a licensed financial institution	2.95	3.00

The Islamic deposit has an average maturity of 2 days (2016: 4 days).

## 8. SHARIAH INFORMATION OF THE FUND

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

- i. Sukuk are in order and as per the list of sukuk available at Bond Info Hub and Fully Automated System For Issuing/Tendering of Bank Negara Malaysia; and
- ii. Liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

## 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 period	18,205,330	20,422,591
Creation of units arising from applications during the financial period	11,710,161	533,687
Cancellation of units during the financial period	(10,010,565)	(2,433,101)
At the end of the financial period	<u>19,904,926</u>	<u>18,523,177</u>



## 10. TRANSACTIONS WITH DEALERS

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

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2017</u>				
RHB Investment Bank Berhad	2,121,882	40.49	-	-
Hong Leong Bank Berhad	1,208,460	23.06	-	-
Malayan Banking Berhad	1,201,560	22.93	-	-
AmBank (M) Berhad	708,240	13.52	-	-
	<u>5,240,142</u>	<u>100.00</u>	-	-
<u>2016</u>				
Alliance Bank Malaysia Berhad	1,229,080	36.61	-	-
CIMB Bank Berhad	813,360	24.23	-	-
Hong Leong Bank Berhad	803,600	23.93	-	-
RHB Investment Bank Berhad	511,500	15.23	-	-
	<u>3,357,540</u>	<u>100.00</u>	-	-

All dealers highlighted above are not related to the Manager. There are no brokerage fees charged by the dealers for the financial period ended 30 September 2017 and 30 September 2016.

There are only 4 dealers for the financial period ended 30 September 2017 (30 September 2016: 4 dealers).

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

	<b>2017</b>	<b>2016</b>
	%	%
MER	0.72	0.75

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 period calculated on a daily basis is RM10,331,764 (2016: RM10,640,334).

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

	2017	2016
PTR (times)	0.25	0.16

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM2,105,330 (2016: RM1,015,240)

total disposals for the financial period = RM3,134,812 (2016: RM2,342,300)

## 13. UNITS HELD BY THE MANAGER

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

Related party	Relationship			
Eastspring Investments Berhad	The Manager			

	2017		2016	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,185	672	1,138	654

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.

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

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

#### **15. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 15 November 2017.

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

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603-2070 6129

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## **TRUSTEE**

NAME

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603-2053 7526

## **SHARIAH ADVISER**

NAME

IBFIM

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FAX NO.

603-2052 3366

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**Kota Kinabalu**

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TELEPHONE NO.

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**ENQUIRIES**

CLIENT SERVICES

603-2332 1000

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