

# EASTSPRING INVESTMENTS ISLAMIC INCOME FUND

## 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

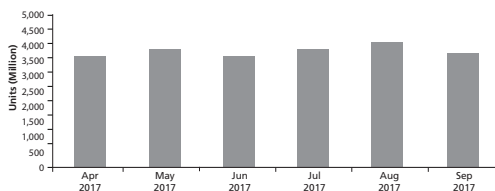
<b>Name of Fund</b>	Eastspring Investments Islamic Income Fund (the "Fund")
<b>Fund Category/ Type</b>	Islamic money market/income
<b>Fund Objective</b>	<p>The Fund seeks to provide liquidity and a steady income* stream by investing in Islamic money market instruments and/or Islamic Deposits.</p> <p><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 Maybank Islamic overnight deposit rate.</p> <p><b>Source:</b> <a href="http://www.maybank2u.com.my">www.maybank2u.com.my</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 month, 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 Islamic Income fund stood at 3,763.072 million units.

#### Fund Size



#### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	8	5.26	11	-
5,001 to 10,000 units	2	1.32	18	-
10,001 to 50,000 units	10	6.58	220	-
50,001 to 500,000 units	29	19.08	5,484	0.15
500,001 units and above	103	67.76	3,757,338	99.85
<b>Total</b>	<b>152</b>	<b>100.00</b>	<b>3,763,071</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
	(%)	(%)	(%)
Cash and other assets	100.00	100.00	100.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	1,957,610	1,020,789	1,207,455
Units In Circulation (Units '000)	3,763,072	1,961,977	2,320,221
Net Asset Value Per Unit (RM)	0.5202	0.5203	0.5204
Highest Net Asset Value Per Unit (RM)#	0.5202	0.5203	0.5204
Lowest Net Asset Value Per Unit (RM)#	0.5190	0.5196	0.5196
Total Return (%)			
- Capital Growth	(0.02)	(0.02)	(0.02)
- Income Distribution	1.78	1.90	1.86
Total Return (%)	1.77	1.88	1.84
Gross Distribution Per Unit (RM)	0.0092	0.0098	0.0096
Net Distribution Per Unit (RM)	0.0092	0.0098	0.0096
Management Expense Ratio (MER) (%)*	0.15	0.16	0.15
Portfolio Turnover Ratio (PTR) (times)^	2.94	3.29	3.09

# Figure shown as ex-distribution.

\* 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	3.58	3.72	3.48
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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	3.70	3.82	3.48	3.08	3.05
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**The unit prices of the Funds 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

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

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

## MANAGER'S REPORT

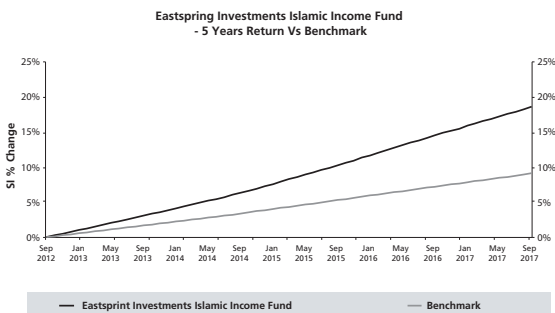
### Fund Performance

Over the 5-year period, the Fund recorded a positive return of 18.64%, outperforming its benchmark return of 9.10% by 9.54%.

For the period under review, the Fund registered a positive return of 1.77%, outperforming its benchmark return of 0.87% by 0.90%.

The outperformance of the Fund was contributed by investing in short-term Islamic deposits and Islamic money market placements of diversified maturities while maintaining its liquidity requirements.

The Fund met its investment objective of providing liquidity and a steady income stream by investing in a portfolio of short-term Islamic deposits and Islamic money market placements.



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

**Benchmark:** Maybank Islamic overnight deposit rate

**Source:** Lipper for Investment Management and [www.maybank2u.com.my](http://www.maybank2u.com.my), 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>
1.78	(0.02)	1.77	0.87

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

**Distribution/ Unit Split**

<b>Ex-date</b>	<b>17-Apr-17</b>	<b>15-May-17</b>	<b>15-Jun-17</b>
<b>Distribution Per Unit</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
Gross	0.0016	0.0014	0.0016
Net	0.0016	0.0014	0.0016

<b>Ex-date</b>	<b>6-Jul-17</b>	<b>7-Aug-17</b>	<b>6-Sep-17</b>
<b>Distribution Per Unit</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
Gross	0.0016	0.0015	0.0015
Net	0.0016	0.0015	0.0015

Impact on NAV arising from distribution for the financial period ended 30 September 2017.

<b>Ex-date</b>	<b>17-Apr-17</b>	<b>15-May-17</b>	<b>15-Jun-17</b>
	<b>(RM per Unit)</b>	<b>(RM per Unit)</b>	<b>(RM per Unit)</b>
Net Asset Value before distribution	0.5211	0.5209	0.5211
Less: distribution	(0.0016)	(0.0014)	(0.0016)
Net Asset Value after distribution	0.5195	0.5195	0.5195

## MANAGER'S REPORT (CONTINUED)

**Distribution/  
Unit Split  
(continued)**

<b>Ex-date</b>	<b>6-Jul-17</b>	<b>7-Aug-17</b>	<b>6-Sep-17</b>
	<b>(RM per Unit)</b>	<b>(RM per Unit)</b>	<b>(RM per Unit)</b>
Net Asset Value before distribution	0.5205	0.5205	0.5205
Less: distribution	(0.0016)	(0.0015)	(0.0015)
Net Asset Value after distribution	0.5189	0.5190	0.5190

No unit split were declared for the financial period ended 30 September 2017.

**Investment  
Strategy During  
The Period Under  
Review**

While seeking potential reasonable returns, the Fund also aims to ensure liquidity and preservation of capital.

For the period under review, the Fund invested in a portfolio of short-term Islamic money market and Islamic deposits placements with diversified maturities.

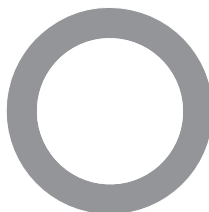
## MANAGER'S REPORT (CONTINUED)

### Asset Allocation

Asset Allocation	30-Sep 2017	31-Mar 2017	Changes
	(%)	(%)	(%)
Cash and other assets	100.00	100.00	0.00

### Asset Allocation as at 30 September 2017

Cash and other assets  
100%



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 Master Prospectus dated 15 July 2017, the information in relation to the 2<sup>nd</sup> paragraph of the investment strategy, asset allocation, 2<sup>nd</sup> paragraph of the interest rate risk and minimum holdings of units have been revised as set out in (a) to (d) below.

#### a. Investment Strategy (2<sup>nd</sup> paragraph)

The Fund shall invest in Islamic money market instruments issued by financial institutions or its parent company with minimum credit rating of A3 or P1 by RAM Rating Services Berhad, or its equivalent rating by any other domestic rating agencies. Should the credit rating of the Islamic money market instruments or the issuing financial institutions or its parent company be downgraded by the rating agencies to below the minimum credit rating, the Manager shall cease to place new monies with the financial institutions concerned.

#### b. Asset allocation

Asset Class	% of the Fund's NAV
Investments in permitted investments which have a remaining maturity period of not more than 365 days	Minimum of 90%
Investments in permitted investments which have a remaining maturity period of more than 365 days but fewer than 732 days	Maximum of 10%
Islamic Deposits or Islamic liquid assets	Minimum of 1%

## MANAGER'S REPORT (CONTINUED)

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

#### c. Interest rate risk (2<sup>nd</sup> paragraph)

Additionally, interest rate fluctuations will affect the Islamic deposit returns of the Fund. Interest rates offered by the financial institutions will fluctuate according to the overnight policy rate determined by Bank Negara Malaysia and this has direct impact on the Fund's future placement in Islamic deposit. The Fund will benefit from higher interest rate and in the event that the interest rate is low, the Fund's returns will also be low.

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 will invest in conventional financial instruments. All the investments carried out for the Fund are in accordance with Shariah requirements.

#### 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

For the period under review, Bank Negara Malaysia (“BNM”) kept its Overnight Policy Rate (“OPR”) unchanged at 3.0%, since July 2016. At the Monetary Policy Committee (“MPC”) meeting held in Sept 2017, BNM cited that global economy has continued to strengthen with more synchronized growth across countries. Global trade has picked up significantly. In the advanced economies, growth in consumption and investment has continued to improve, whilst in Asia, growth is driven by sustained domestic activity and strong external demand. However, BNM cautioned that the global outlook may be affected by political and policy developments in major economics and geopolitical risks.

Malaysian economy is projected to register a stronger growth in 2017 supported by firmer domestic activity and exports. Domestic growth is expected to be driven by higher wages and employment, and implementation of new and ongoing infrastructure projects, as well as capital investment in the manufacturing and services sectors. Headline inflation is projected to moderate on expectations of a smaller effect from global cost factors. The ringgit has strengthened to better reflect the economic fundamentals. The MPC viewed that at the current level of the OPR, the stance of monetary policy remained accommodative to ensure that the domestic economy continues on a steady growth path amid stable core inflation, supported by sustained healthy financial intermediation in the economy.

Reflecting the unchanged OPR, interbank short-term rates remained relatively stable. Liquidity surpluses kept the short-term rates within a tight trading range, with the overnight and 1-week rates traded at 2.98% to 3.05% respectively, while the 1-month rates dealt in the range of 3.15% to 3.17%.

In the short-term bills market, both 1-month and 1-year yields fell by 16bps to 26bps to close the period at 2.93% and 2.98% respectively.

## REBATES AND SOFT COMMISSIONS

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

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# EASTSPRING INVESTMENTS ISLAMIC INCOME FUND

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 17 to 44 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 ISLAMIC INCOME FUND

We have acted as Trustee for Eastspring Investments Islamic Income Fund (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.

We are of the view that the distributions made during this financial period ended 30 September 2017 by the Manager are 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: 15 November 2017

## SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS ISLAMIC INCOME FUND

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

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

In addition, we also confirm that the investment portfolio of Eastspring Investments Islamic Income Fund 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		38,413,831	26,827,408
<b>EXPENSES</b>			
Management fee	3	(2,511,455)	(1,663,739)
Trustee fee	4	(401,833)	(266,198)
Audit fee		(3,510)	(3,510)
Tax agent fee		(1,706)	(1,706)
GST charges		(174,822)	(116,237)
Other expenses		(8,155)	(13,412)
		<u>(3,101,481)</u>	<u>(2,064,802)</u>
<b>PROFIT BEFORE TAXATION</b>		35,312,350	24,762,606
<b>TAXATION</b>	6	-	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>35,312,350</u>	<u>24,762,606</u>
Profit after taxation is made up of the following:			
Realised amount		<u>35,312,350</u>	<u>24,762,606</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>			
Bank balance with a licensed bank		11,717,382	24,421
Financial assets at fair value through profit or loss	7	1,947,401,099	1,021,105,157
<b>TOTAL ASSETS</b>		<u>1,959,118,481</u>	<u>1,021,129,578</u>
<b>LIABILITIES</b>			
Amount due to Manager		950,000	-
Accrued management fee		428,904	256,334
Amount due to Trustee		68,624	41,013
GST charges payable		29,852	17,841
Other payables and accruals		31,170	25,841
<b>TOTAL LIABILITIES</b>		<u>1,508,550</u>	<u>341,029</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>1,957,609,931</u>	<u>1,020,788,549</u>
<b>EQUITY</b>			
Unit holders' capital		1,942,695,426	1,019,360,449
Retained earnings		14,914,505	1,428,100
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>1,957,609,931</u>	<u>1,020,788,549</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>3,763,071,821</u>	<u>1,961,976,681</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)</b>		<u>0.5202</u>	<u>0.5203</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

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 April 2017		1,779,994,571	6,647,212	1,786,641,783
Movement in unit holders' contribution:				
Creation of units from applications		1,162,585,478	-	1,162,585,478
Creation of units from distributions		32,701,109	-	32,701,109
Cancellation of units		(1,024,074,180)	-	(1,024,074,180)
Distributions (Gross/Net : 0.92 sen)	5	(8,511,552)	(27,045,057)	(35,556,609)
Total comprehensive income for the financial period		-	35,312,350	35,312,350
Balance as at 30 September 2017		<u>1,942,695,426</u>	<u>14,914,505</u>	<u>1,957,609,931</u>
Balance as at 1 April 2016		1,419,502,788	1,776,614	1,421,279,402
Movement in unit holders' contribution:				
Creation of units from applications		731,774,477	-	731,774,477
Creation of units from distributions		24,238,650	-	24,238,650
Cancellation of units		(1,156,155,466)	-	(1,156,155,466)
Distributions (Gross/Net : 0.98 sen)	5	-	(25,111,120)	(25,111,120)
Total comprehensive income for the financial period		-	24,762,606	24,762,606
Balance as at 30 September 2016		<u>1,019,360,449</u>	<u>1,428,100</u>	<u>1,020,788,549</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

	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 maturity of Islamic deposits with licensed financial institutions	5,824,665,000	4,570,416,615
Placement of Islamic deposits with licensed financial institutions	(5,972,845,000)	(4,169,964,000)
Profit income received from Islamic deposits with licensed financial institutions	29,178,314	26,827,408
Management fee paid	(2,454,392)	(1,708,612)
Trustee fee paid	(392,703)	(273,378)
Payment for other fees and expenses	(183,505)	(137,949)
Net cash (used in)/generated from operating activities	<u>(122,032,286)</u>	<u>425,160,084</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	1,195,286,587	756,013,127
Payments for cancellation of units	(1,026,345,458)	(1,156,155,466)
Distribution paid	(35,556,609)	(25,111,120)
Net cash generated from/(used in) financing activities	<u>133,384,520</u>	<u>(425,253,459)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,352,234	(93,375)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>365,148</u>	<u>117,796</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u>11,717,382</u>	<u>24,421</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 period. 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 J 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:

i. 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 is recognised on an accrual basis, using the effective profit method.

## **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 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**

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

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund’s receivables comprise cash and cash equivalents.

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.

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

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

## iii. Impairment for assets carried at amortised costs

For assets carried at amortised cost, the Fund assesses at the end of the reporting 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 asset's 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 is readily convertible to known amounts of cash and which is 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. DISTRIBUTIONS**

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

## **I. SEGMENTAL INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting used by the 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.

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

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

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

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

### 1. INFORMATION ON THE FUND

Eastspring Investments Islamic Income Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 10 January 2007 as modified by a Master Supplemental Deed dated 12 July 2007 and the Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Bhd ("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 ("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 8 February 2007 and will continue its operations until terminated by the Trustee and the Manager as provided under Part 12 of the Deed.

The Fund invests in a portfolio of Shariah-compliant money market instruments and short-term sukuk approved by relevant authorities from time to time. 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 Fund seeks to provide liquidity and a steady income stream by investing in Islamic money market instruments and / or Islamic deposits.

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

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include market risk (inclusive of 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>				
Bank balance with a licensed bank		11,717,382	-	11,717,382
Islamic deposits with licensed financial institutions	7	-	1,947,401,099	1,947,401,099
		<u>11,717,382</u>	<u>1,947,401,099</u>	<u>1,959,118,481</u>
<u>2016</u>				
Bank balance with a licensed bank		24,421	-	24,421
Islamic deposits with licensed financial institutions	7	-	1,021,105,157	1,021,105,157
		<u>24,421</u>	<u>1,021,105,157</u>	<u>1,021,129,578</u>

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



## **Market risk**

### Exposure to interest rate risk

Cash flow interest rate risks 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 risks is the risk that the value of financial instrument will fluctuate due to changes in market interest rates.

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 are carried out for the Fund are in accordance with Shariah requirements.

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

As at the date of the statement of financial position, all the financial assets and financial liabilities have no exposure to interest rate movement except for Islamic deposits with licensed financial institutions of RM1,947,401,099 (2016: RM1,021,105,157) which have maturities of less than one year.

## **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	950,000	-	950,000
Accrued management fee	428,904	-	428,904
Amount due to Trustee	68,624	-	68,624
GST charges payable	29,852	-	29,852
Other payables and accruals	-	31,170	31,170
Contractual cash outflows	1,477,380	31,170	1,508,550
<u>2016</u>			
Accrued management fee	256,334	-	256,334
Amount due to Trustee	41,013	-	41,013
GST charges payable	17,841	-	17,841
Other payables and accruals	-	25,841	25,841
Contractual cash outflows	315,188	25,841	341,029

### Credit/default risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of profit, principals and proceeds from realisation of Shariah-compliant investments. The 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 following table sets out the credit risk concentrations and counterparties of the Fund.

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
	RM	RM	RM
<u>2017</u>			
Finance			
-AAA	608,902,662	-	608,902,662
-AA1	397,277,129	11,717,382	408,994,511
-AA2	614,266,952	-	614,266,952
-AA3	326,954,356	-	326,954,356
	<u>1,947,401,099</u>	<u>11,717,382</u>	<u>1,959,118,481</u>
<u>2016</u>			
Finance			
-AAA	680,142,288	-	680,142,288
-AA1	144,476,460	24,421	144,500,881
-AA2	65,722,876	-	65,722,876
-AA3	130,763,533	-	130,763,533
	<u>1,021,105,157</u>	<u>24,421</u>	<u>1,021,129,578</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 trading Shariah-compliant securities) 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:				
Islamic deposits with licensed financial institutions	-	1,947,401,099	-	1,947,401,099
				<hr/>

2016

Financial assets at fair value through profit or loss:				
Islamic deposits with licensed financial institutions	-	1,021,105,157	-	1,021,105,157
				<hr/>

The financial assets are short term financial instruments for which the carrying amount approximates the fair values.

Financial instruments that trade in markets that are considered to be active but not valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2 these include deposits with licensed financial institutions. As Level 2 instruments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available markets 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 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 2.50% 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 0.25% (2016: 0.25%) per annum of the net asset value of the Fund, calculated at a 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 0.50% 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 rate of 0.04% (2016: 0.04%) per annum on the net asset value of the Fund, 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. DISTRIBUTIONS

	6-months financial period ended 30.9.2017	6-months financial period ended 30.9.2016
	RM	RM
Distributions to unit holders are from the following sources:		
Profit income earned from Islamic deposits	29,381,529	27,312,218
Distribution equalisation (Memorandum account)	8,511,552	(1,704,240)
Gross realised income	37,893,081	25,607,978
Less: Expenses	(2,336,472)	(496,858)
	<u>35,556,609</u>	<u>25,111,120</u>

During the financial period, distributions were made as follows:

	Gross/net distribution	
	2017	2016
	RM/unit	RM/unit
17 April / 15 April	0.0016	0.0017
15 May / 16 May	0.0014	0.0016
15 June	0.0016	0.0017
6 July / 15 July	0.0016	0.0016
7 August / 15 August	0.0015	0.0016
6 September / 15 September	0.0015	0.0016
	<u>0.0092</u>	<u>0.0098</u>



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

Included distributions for the current financial period is an amount of RM Nil (2016: RM484,809) made from previous year's realised income.

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 purpose of determining amount available for distribution, distribution equalisation is included in the computation of realised gains or income available for distribution.

## 6. TAXATION

	<b>6-months financial period ended 30.9.2017</b>	<b>6-months financial period ended 30.9.2016</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial period:		
Current taxation - local	-	-

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

	<b>6-months financial period ended 30.9.2017</b>	<b>6-months financial period ended 30.9.2016</b>
	<b>RM</b>	<b>RM</b>
Profit before taxation	35,312,350	24,762,606
Tax at Malaysian statutory rate of 24% (2016: 24%)	8,474,964	5,943,025
Tax effect of:		
Investment income exempt from tax	(9,219,320)	(6,438,578)
Expenses not deductible for tax purposes	98,806	67,516
Restriction on tax deductible expenses for Unit Trust Funds	645,550	428,037
Taxation	-	-

## 7. 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:		
Islamic deposits with licensed financial institutions*	1,947,401,099	1,021,105,157

\* Includes profit receivable of RM26,031,099 (2016: RM16,995,157)

The effective weighted average rate of return of Islamic deposits with 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 deposits with licensed financial institutions	3.87	3.92

The Islamic deposits have an average maturity of 81 days (2016: 97 days).

The Fund's investments in Islamic deposits with licensed financial institutions are short term in nature. Therefore, the fair value of Islamic deposits with licensed financial institutions is taken to approximate its carrying values.

## 8. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investments portfolio of the Fund is Shariah-compliant, which comprises 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	3,434,184,424	2,731,175,638
Creation of units during the financial period:		
Arising from applications	2,235,665,378	1,406,438,953
Arising from distributions	62,981,452	46,653,347
Cancellation of units during the financial period	<u>(1,969,759,433)</u>	<u>(2,222,291,257)</u>
At the end of the financial period	<u>3,763,071,821</u>	<u>1,961,976,681</u>

## 10. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions are as follows:

Name of financial institutions	Value of trades RM	Percentage of total trades %
<u>2017</u>		
(Transactions were effected with a total of 9 financial institutions only)		
Maybank Islamic Berhad	1,840,110,000	30.81
CIMB Islamic Bank Berhad	1,572,665,000	26.33
Hong Leong Islamic Bank Berhad	1,031,250,000	17.27
Malayan Banking Berhad	404,510,000	6.77
Amlslamic Bank Berhad	379,150,000	6.35
Bank Islam Malaysia Berhad	289,710,000	4.85
RHB Islamic Bank Berhad	259,220,000	4.34
Public Islamic Bank Berhad	134,580,000	2.25
OCBC Al-Amin Bank Bhd	61,650,000	1.03
	5,972,845,000	100.00
<u>2016</u>		
(Transactions were effected with a total of 9 financial institutions only)		
CIMB Islamic Bank Berhad	2,895,854,000	69.45
Bank Islam Malaysia Berhad	376,660,000	9.03
Hong Leong Islamic Bank Berhad	348,250,000	8.35
RHB Islamic Bank Berhad	187,750,000	4.50
Public Islamic Bank Berhad	115,920,000	2.78
Maybank Islamic Berhad	114,440,000	2.75
OCBC Al-Amin Bank Bhd	73,090,000	1.75
Amlslamic Bank Berhad	40,000,000	0.96
Malayan Banking Berhad	18,000,000	0.43
	4,169,964,000	100.00

All financial institutions highlighted above are not related to the Manager.

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

	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
MER	0.15	0.16

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 of 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 RM2,003,657,937 (2016: RM1,327,343,546).

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

	<b>2017</b>	<b>2016</b>
PTR (times)	2.94	3.29

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 = RM5,972,845,000 (2016: RM4,169,964,000)

total disposals for the financial period = RM5,815,429,483 (2016: RM4,570,416,615)

### 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	1,228	639	1,186	617

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 investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These return consist of profit income earned from cash and cash equivalents.

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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## **TRUSTEE**

NAME

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## **SHARIAH ADVISER**

NAME

IBFIM

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