

EASTSPRING INVESTMENTS INSTITUTIONAL INCOME FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR 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

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

Yours sincerely,

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

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

TABLE OF CONTENTS

Fund Information	1
Key Performance Data	3
Manager's Report	5
Market Review	12
Rebates and Soft Commissions	12
Trustee's Report to the Unit Holders of Eastspring Investments Institutional Income Fund	14
Independent Auditors' Report to the Unit Holders of Eastspring Investments Institutional Income Fund	15
Statement of Comprehensive Income	19
Statement of Financial Position	20
Statement of Changes in Equity	21
Statement of Cash Flows	22
Summary of Significant Accounting Policies	23
Notes to the Financial Statements	30
Corporate Directory	47

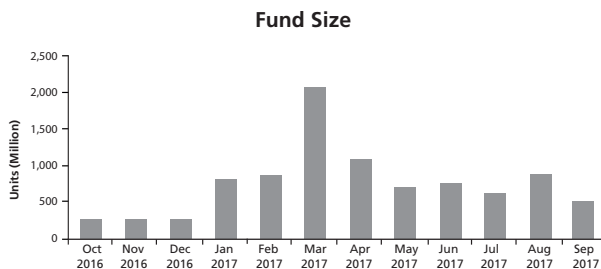
FUND INFORMATION

Name of Fund	Eastspring Investments Institutional Income Fund (the "Fund")
Fund Category/ Type	Money market/income
Fund Objective	<p>The Fund seeks to provide liquidity and a steady income* stream by investing in money market instruments and/or Deposits.</p> <p>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</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>
Performance Benchmark	<p>The performance benchmark of the Fund is Maybank overnight rate.</p> <p>Source: www.maybank2u.com.my</p> <p>Note: The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	At least twice 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 Institutional Income Fund stood at 470.464 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	-	-	-	-
5,001 to 10,000 units	-	-	-	-
10,001 to 50,000 units	-	-	-	-
50,001 to 500,000 units	-	-	-	-
500,001 units and above	4	100.00	470,463	100.00
Total	4	100.00	470,463	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	30.9.2017	30.9.2016	30.9.2015
	(%)	(%)	(%)
Cash and other assets	100.00	100.00	100.00
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	484,078	274,106	183,944
Units In Circulation (Units '000)	470,464	266,847	178,939
Net Asset Value Per Unit (RM)	1.0289	1.0272	1.0280
Highest Net Asset Value Per Unit (RM) [#]	1.0289	1.0272	1.0280
Lowest Net Asset Value Per Unit (RM) [#]	1.0270	1.0260	1.0267
Total Return (%)			
- Capital Growth	0.17	(0.08)	(0.01)
- Income Distribution	2.81	3.44	3.28
Total Return (%)	2.98	3.36	3.27
Gross Distribution Per Unit (RM)	0.0285	0.0348	0.0332
Net Distribution Per Unit (RM)	0.0285	0.0348	0.0332
Management Expense Ratio (MER) (%) [*]	0.67	0.67	0.63
Portfolio Turnover Ratio (PTR) (times) [^]	39.38	34.27	33.61

[#] 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	2.98	3.20	3.01

Year ended	1.10.2016 to 30.9.2017 (%)	1.10.2015 to 30.9.2016 (%)	1.10.2014 to 30.9.2015 (%)	1.10.2013 to 30.9.2014 (%)	1.10.2012 to 30.9.2013 (%)
Annual total return	2.98	3.36	3.27	2.83	2.62

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:

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

NAV_t = NAV at the end of the period
 NAV_0 = NAV at the beginning of the period
 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

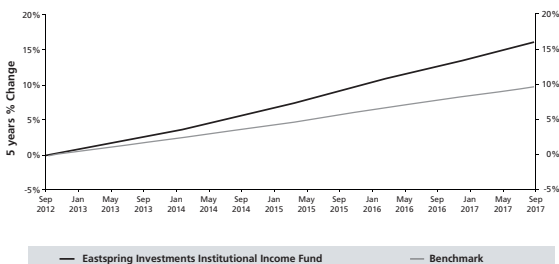
Over the 5-year period, the Fund recorded a positive return of 16.00%, outperforming its benchmark return of 9.65% by 6.35%.

During the period under review, the Fund registered a positive return of 2.98%, outperforming its benchmark return of 1.75% by 1.23%.

The outperformance of the Fund was contributed by investing in short-term deposits and 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 short-term deposits and money market placements.

Eastspring Investments Institutional Income Fund
- 5 Years Return Vs Benchmark



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

Benchmark: Maybank overnight deposit rate

Source: Lipper for Investment Management and 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 year ended 30 September 2017:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
2.81	0.17	2.98	1.75

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

Distribution/
Unit Split

Ex-date	17-Oct-16	15-Nov-16	15-Dec-16
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0029	0.0017	0.0012
Net	0.0029	0.0017	0.0012

Ex-date	16-Jan-17	15-Feb-17	15-Mar-17
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0018	0.0031	0.0042
Net	0.0018	0.0031	0.0042

Ex-date	17-Apr-17	15-May-17	15-Jun-17
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0034	0.0019	0.0009
Net	0.0034	0.0019	0.0009

Ex-date	06-Jul-17	07-Aug-17	06-Sep-17
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0007	0.0025	0.0042
Net	0.0007	0.0025	0.0042

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

MANAGER'S REPORT (CONTINUED)

Distribution/
Unit Split
(continued)

Ex-date	17-Oct-16	15-Nov-16	15-Dec-16
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	1.0285	1.0278	1.0285
Less:distribution	(0.0029)	(0.0017)	(0.0012)
Net Asset			
Value after distribution	1.0256	1.0261	1.0273
Ex-date	16-Jan-17	15-Feb-17	15-Mar-17
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	1.0302	1.0309	1.0302
Less:distribution	(0.0018)	(0.0031)	(0.0042)
Net Asset			
Value after distribution	1.0284	1.0278	1.0260
Ex-date	17-Apr-17	15-May-17	15-Jun-17
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	1.0289	1.0278	1.0284
Less:distribution	(0.0034)	(0.0019)	(0.0009)
Net Asset			
Value after distribution	1.0255	1.0259	1.0275

MANAGER'S REPORT (CONTINUED)

**Distribution/
Unit Splitw
(continued)**

Ex-date	06-Jul-17	07-Aug-17	06-Sep-17
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	1.0293	1.0313	1.0312
Less:distribution	(0.0007)	(0.0025)	(0.0042)
Net Asset			
Value after distribution	1.0286	1.0288	1.0270

No unit split were declared for the financial year 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 deposits and money market placements that would meet the investors' short-term liquidity management requirements.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	30-Sep 2017	30-Sep 2016	Changes
	(%)	(%)	(%)
Cash and other assets	100.00	100.00	0.00

Asset Allocation as at 30 September 2017



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

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund

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

While in the Eastspring Investments Master Prospectus dated 15 July 2017, the information in relation to the 2nd paragraph of the investment strategy, asset allocation, 2nd paragraph of the interest rate risk, annual trustee fee and minimum holdings of units have been revised as set out in (a) to (e) below.

a. Investment strategy (2nd paragraph)

The Fund shall invest in 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 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%
Deposits or liquid assets	Minimum of 1%

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

c. Interest rate risk (2nd paragraph)

Additionally, interest rate fluctuations will affect the fixed deposit or 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 fixed deposit or 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.

d. Annual trustee fee

Up to 0.03%* subject to a minimum of RM18,000 per annum and a maximum of RM350,000 per annum.

* *Effective 28 September 2010, the annual trustee fee for Eastspring Institutional Income has been reduced from 0.05% subject to a minimum of RM18,000 per annum and a maximum of RM350,000 per annum to 0.03% subject to a minimum of RM18,000 per annum and a maximum of RM350,000 per annum. However, the reduction of this annual trustee fee was only disclosed in the Eastspring Investments Master Prospectus dated 15 July 2017.*

e. Minimum Holdings of Units

There is no limit on the frequency of redemption. In the case of a partial redemption, instructions will be carried out only if the minimum holding of Units (being 1,000 Units* or such other number of Units as the Manager may determine from time to time) remains in the Fund after the redemption. If the Units in a Unit Holder's account are less than the minimum holding of Units for the Fund after a redemption application is made, all Units that the Unit Holders holds in the Fund will be redeemed automatically. The same applies for partial switching out.

* *should we increase the minimum holdings of Units in future, Unit Holder will be informed via post mail at least 14 days prior to the implementation been made effective.*

MARKET REVIEW

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 rose by 5 - 40bps 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.

EASTSPRING INVESTMENTS INSTITUTIONAL INCOME FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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

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

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

We are of the view that the distributions made during this financial year 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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 September 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 46.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors’ report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager’s Report, but does not include the financial statements of the Fund and our auditors’ report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Fund or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- d. Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur

Date: 15 November 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	2017	2016
		RM	RM
INVESTMENT INCOME			
Interest income from deposits with licensed financial institutions		24,920,063	11,219,731
		<u>24,920,063</u>	<u>11,219,731</u>
EXPENSES			
Management fee	3	(4,112,623)	(1,698,199)
Trustee fee	4	(205,631)	(84,910)
GST charges		(259,095)	(106,987)
Other expenses		(2,822)	(4,329)
		<u>(4,580,171)</u>	<u>(1,894,425)</u>
PROFIT BEFORE TAXATION		20,339,892	9,325,306
TAXATION	6	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>20,339,892</u>	<u>9,325,306</u>
Profit after taxation is made up of the following:			
Realised amount		<u>20,339,892</u>	<u>9,325,306</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Note	2017	2016
		RM	RM
ASSETS			
Bank balance with a licensed bank		41,328	43,272
Financial assets at fair value through profit or loss	7	484,378,539	274,246,644
TOTAL ASSETS		<u>484,419,867</u>	<u>274,289,916</u>
LIABILITIES			
Accrued management fee		306,720	164,935
Amount due to Trustee		15,336	8,247
GST charges payable		19,323	10,391
TOTAL LIABILITIES		<u>341,379</u>	<u>183,573</u>
NET ASSET VALUE OF THE FUND		<u>484,078,488</u>	<u>274,106,343</u>
EQUITY			
Unit holders' capital		452,348,020	252,538,155
Retained earnings		31,730,468	21,568,188
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>484,078,488</u>	<u>274,106,343</u>
NUMBER OF UNITS IN CIRCULATION	8	<u>470,463,748</u>	<u>266,847,116</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>1.0289</u>	<u>1.0272</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 October 2016		252,538,155	21,568,188	274,106,343
Movement in unit holders' contribution:				
Creation of units from applications		4,523,223,642	-	4,523,223,642
Creation of units from distributions		19,293,723	-	19,293,723
Cancellation of units		(4,332,929,376)	-	(4,332,929,376)
Total comprehensive income for the financial year		-	20,339,892	20,339,892
Distributions (Gross/Net: 2.85 sen)	5	(9,778,124)	(10,177,612)	(19,955,736)
Balance as at 30 September 2017		<u>452,348,020</u>	<u>31,730,468</u>	<u>484,078,488</u>
Balance as at 1 October 2015		163,213,508	20,730,878	183,944,386
Movement in unit holders' contribution:				
Creation of units from applications		712,236,651	-	712,236,651
Creation of units from distributions		9,776,715	-	9,776,715
Cancellation of units		(631,400,000)	-	(631,400,000)
Total comprehensive income for the financial year		-	9,325,306	9,325,306
Distributions (Gross/Net: 3.48 sen)	5	(1,288,719)	(8,487,996)	(9,776,715)
Balance as at 30 September 2016		<u>252,538,155</u>	<u>21,568,188</u>	<u>274,106,343</u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	2017	2016
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from maturity of deposits with licensed financial institutions		26,888,052,106	9,654,311,311
Placement of deposits with licensed financial institutions		(27,098,184,000)	(9,744,510,000)
Interest received from deposits with licensed financial institutions		24,920,063	11,219,731
Management fee paid		(3,970,838)	(1,635,452)
Trustee fee paid		(198,542)	(81,772)
Payment for other fees and expenses		(252,985)	(107,774)
		<u>(189,634,196)</u>	<u>(80,803,956)</u>
Net cash used in operating activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from units created		4,542,517,365	722,013,366
Payments for cancellation of units		(4,332,929,377)	(631,400,000)
Distributions paid		(19,955,736)	(9,776,715)
		<u>189,632,252</u>	<u>80,836,651</u>
Net cash generated from financing activities			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,944)	32,695
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>43,272</u>	<u>10,577</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		<u>41,328</u>	<u>43,272</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 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 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”), under the historical cost convention, as modified by financial assets at fair value through profit or loss.

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

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

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

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

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

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

i. Financial year beginning on/after 1 October 2017

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

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

ii. Financial year beginning on/after 1 October 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 contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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

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

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

B. INCOME RECOGNITION

Interest income from short term deposits is recognised on an accrual basis using the effective Interest 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 year.

D. PRESENTATION AND FUNCTIONAL CURRENCY

Items included in the financial statements of the Fund are measured using the currency as 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 deposits with licensed financial institutions as financial assets at fair value through profit or loss at inception.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise bank balance with a licensed bank.

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 accrued management fee, amount due to Trustee, and GST charges payable.

ii. Recognition and measurement

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

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

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

Financial liability is derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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

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

iii. Impairment for assets carried at amortised costs

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

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

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

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

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

F. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balance with a licensed bank which 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 a deduction from realised reserves. A proposed distribution is recognised as a liability in the financial year in which it is approved by Trustee.

I. 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.

J. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

K. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results could differ from those estimates.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

1. INFORMATION ON THE FUND

Eastspring Investments Institutional Income Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 16 March 2005, a Master Supplemental Deed dated 12 July 2007, a 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 a Second Supplemental Master Deed dated 28 January 2011, a Third Supplemental Master Deed dated 9 March 2011, a Fourth Supplemental Master Deed dated 20 January 2012, a Fifth Supplemental Master Deed dated 26 March 2014, a Sixth Supplemental Master Deed dated 2 January 2015 and a Seventh Supplemental Master Deed dated 11 July 2016 and an Eighth Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund was launched on 7 April 2005 and will continue its operations until terminated by the Manager or the Trustee as provided under Part 12 of the Deed.

The Fund shall invest in short-term money market deposits and/or fixed deposits that would meet the investors' short-term money management requirements. All investments will be subjected to the Securities Commission's (the "SC") Guidelines on Unit Trust Funds, the Deed and the objective of the Fund where applicable.

The Fund seeks to provide liquidity and a steady income stream by investing in money market instruments and/or deposits.

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2017</u>				
Bank balance with a licensed bank		41,328	-	41,328
Financial assets at fair value through profit or loss	7	-	484,378,539	484,378,539
		<u>41,328</u>	<u>484,378,539</u>	<u>484,419,867</u>

2016

Bank balance with a licensed bank		43,272	-	43,272
Financial assets at fair value through profit or loss	7	-	274,246,644	274,246,644
		<u>43,272</u>	<u>274,246,644</u>	<u>274,289,916</u>

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

Market risk

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.

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 deposits with a licensed financial institution of RM484,378,539 (2016: RM274,246,644) which have maturities of less than one year.

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

Liquidity risk

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

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise bank balance and deposits with licensed financial institutions 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.

	Less than 1 month
	RM
<u>2017</u>	
Accrued management fee	306,720
Amount due to Trustee	15,336
GST charges payable	19,323
Contractual cash outflows	<u>341,379</u>
<u>2016</u>	
Accrued management fee	164,935
Amount due to Trustee	8,247
GST charges payable	10,391
Contractual cash outflows	<u>183,573</u>

Fund management risk

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

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM452,348,020 (2016:RM252,538,155) and retained earnings of RM31,730,468 (2016: RM21,568,188). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscription and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Credit/default risk

Credit/default risk refers to the ability of an issuer or a counterparty to make timely payments of interest, principals and proceeds from realisation of investments. This risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

The following table sets out the credit risk concentration 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			
-AA1	72,924,947	41,328	72,966,275
-AA2	186,803,239	-	186,803,239
-AAA	224,650,353	-	224,650,353
	<u>484,378,539</u>	<u>41,328</u>	<u>484,419,867</u>
<u>2016</u>			
Finance			
-A1	50,108,699	-	50,108,699
-AA1	7,725,062	43,272	7,768,334
-AA2	50,942,274	-	50,942,274
-AAA	165,470,609	-	165,470,609
	<u>274,246,644</u>	<u>43,272</u>	<u>274,289,916</u>

None of these assets are past due or impaired.

Fair value estimation

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

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

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

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

Fair value hierarchy

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM

2017

Financial assets at fair value through profit or loss:

- deposits with licensed financial institutions	-	484,378,539	-	484,378,539
---	---	-------------	---	-------------

2016

Financial assets at fair value through profit or loss:

- deposits with licensed financial institutions	-	274,246,644	-	274,246,644
---	---	-------------	---	-------------

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 are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2, include deposits with licensed financial institutions. 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 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 year ended 30 September 2017, the management fee is recognised at a rate of 0.60% (2016: 0.60%) per annum on the net asset value of the Fund, calculated on 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 0.20% per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum and a maximum fee of RM350,000 per annum.

For the financial year ended 30 September 2017, the Trustee fee is recognised at a rate of 0.03% (2016: 0.03%) per annum on the net asset value of the Fund, calculated on a daily basis.

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

5. DISTRIBUTION

	2017	2016
	RM	RM
Distribution to unit holders is from the following sources:		
Interest income	5,930,994	3,339,466
Prior year's realised income	5,333,112	5,696,746
Distribution equalisation (Memorandum account)	9,778,124	1,288,719
Gross realised income	21,042,230	10,324,931
Less: Expenses	(1,086,494)	(548,216)
	<u>19,955,736</u>	<u>9,776,715</u>

During the financial year, distributions were made as follows:

Ex-date	Gross/net distribution	
	2017	2016
	RM/unit	RM/unit
17 October/15 October	0.0029	0.0028
15 November/17 November	0.0017	0.0025
15 December	0.0012	0.0023
16 January/15 January	0.0018	0.0027
15 February	0.0031	0.0037
15 March	0.0042	0.0040
17 April/15 April	0.0034	0.0034
15 May/16 May	0.0019	0.0023
15 June	0.0009	0.0017
6 July/15 July	0.0007	0.0023
7 August/15 August	0.0025	0.0034
6 September/15 September	0.0042	0.0037
	<u>0.0285</u>	<u>0.0348</u>

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

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

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

6. TAXATION

	2017	2016
	RM	RM
Tax charged for the financial year:		
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:

	2017	2016
	RM	RM
Profit before taxation	20,339,892	9,325,306
Tax at Malaysian statutory rate of 24% (2016: 24%)	4,881,574	2,238,074
Tax effects of:		
Investment income exempt from tax	(5,980,815)	(2,692,735)
Expenses not deductible for tax purposes	112,212	47,094
Restriction on the tax deductible expenses for Unit Trust Funds	987,029	407,567
Taxation	-	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RM	RM
Deposits with licensed financial institutions*	<u>484,378,539</u>	<u>274,246,644</u>

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

	2017	2016
	%	%
Deposits with licensed financial institutions	<u>3.55</u>	<u>3.48</u>

* Includes interest receivable of RM638,539 (2016: RM906,644)

The deposits have an average maturity of 10 days (2016: 9 days).

8. UNITS IN CIRCULATION

	2017	2016
	No. of units	No. of units
At the beginning of the financial year	266,847,116	178,938,957
Creation of units during the financial year:		
Arising from applications	4,399,891,821	692,458,032
Arising from distributions	18,792,299	9,520,284
Cancellation of units during the financial year	(4,215,067,488)	(614,070,157)
At the end of the financial year	<u>470,463,748</u>	<u>266,847,116</u>

9. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the top 10 financial institutions are as follows:

Name of financial institutions	Value of trades	Percentage of total trades
	RM	%
<u>2017</u>		
Malayan Banking Berhad	8,387,730,000	30.95
CIMB Bank Berhad	8,020,220,000	29.60
Hong Leong Bank Berhad	3,188,890,000	11.77
RHB Bank Berhad	2,956,090,000	10.91
Public Bank Berhad	1,910,450,000	7.05
AmBank (M) Berhad	1,302,030,000	4.81
United Overseas Bank (Malaysia) Berhad	732,230,000	2.70
Alliance Bank Malaysia Berhad	250,000,000	0.92
Deutsche Bank Malaysia Berhad	139,254,000	0.51
RHB Islamic Bank Berhad	127,140,000	0.47
Others	84,150,000	0.31
	<u>27,098,184,000</u>	<u>100.00</u>

Name of financial institutions	Value of trades	Percentage of total trades
	RM	%
<u>2016</u>		
CIMB Bank Berhad	4,323,896,000	44.37
Public Bank Berhad	1,222,440,000	12.54
RHB Bank Berhad	1,220,010,000	12.52
Malayan Banking Berhad	1,215,240,000	12.47
Hong Leong Bank Berhad	373,400,000	3.83
Alliance Bank Malaysia Berhad	335,850,000	3.45
Maybank Islamic Berhad	205,750,000	2.11
Bank Islam Malaysia Berhad	172,110,000	1.77
KAF Investment Bank Berhad	152,170,000	1.56
United Overseas Bank (Malaysia) Berhad	147,680,000	1.52
Others	375,964,000	3.86
	<u>9,744,510,000</u>	<u>100.00</u>

The above mentioned financial institutions are not related to the Manager.

10. MANAGEMENT EXPENSE RATIO ("MER")

	2017	2016
	%	%
MER	0.67	0.67

MER is derived from the following calculation:

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

A = Management fees

B = Trustee fee

C = Other expenses (inclusive GST charges)

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

The average net asset value of the Fund for the financial year calculated on a daily basis is RM685,424,572 (2016: RM283,027,959).

The following expenses of the Fund are borne by the Manager (effective from 1 October 2009):

	2017	2016
	RM	RM
Audit fee	7,000	7,000
Tax agent fee	3,400	3,400
	10,400	10,400

11. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR (times)	39.38	34.27

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM27,098,184,000 (2016: RM9,744,510,000)

total disposals for the financial year = RM26,888,052,106 (2016: RM9,654,311,311)

12. UNITS HELD BY THE MANAGER

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

Related party	Relationship
Eastspring Investments Berhad	The Manager

	2017		2016	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,194	1,229	1,161	1,193

The above units were transacted at the prevailing market price.

The units are held legally by the Manager and are within the prescribed limit allowed by SC's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the Directors or parties related to the Manager.

13. 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 commensurate with an acceptable level of risk within the portfolio. These returns consist of interest income earned from investments, and is derived from Malaysian money market instruments.

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

14. 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

16th Floor, Wisma Sime Darby

Jalan Raja Laut

50350 Kuala Lumpur

BUSINESS OFFICE

Level 12, Menara Prudential

No. 10, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2052 3388

FAX NO.

603-2070 6129

EMAIL

cs.my@eastspring.com

WEBSITE

www.eastspringinvestments.com.my

TRUSTEE

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE &

BUSINESS OFFICE

Level 20, Menara IMC

No. 8, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2053 7522

FAX NO.

603-2053 7526

SALE & PURCHASE OF UNITS

Eastspring Investments Berhad

Level 12, Menara Prudential

No. 10, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2332 1000

FAX NO.

603-2052 3366

BRANCHES

Petaling Jaya

Eastspring Investments Berhad

A-17-P1 & M

Block A, Jaya One

72A, Jalan Universiti

46200 Petaling Jaya, Selangor

TELEPHONE NO.

603-7948 1288

Kota Kinabalu

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

TELEPHONE NO.

6088-238 613

ENQUIRIES

CLIENT SERVICES

603-2332 1000

This page is intentionally left blank.

This page is intentionally left blank.

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

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