



A member of Prudential plc (UK) 

EASTSPRING INVESTMENTS BALANCED FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 31 December 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	4
Manager's Report	7
Market Review	13
Rebates and Soft Commissions	16
Statement by the Manager	18
Trustee's Report to the Unit Holders of Eastspring Investments Balanced Fund	19
Independent Auditors' Report to the Unit Holders of Eastspring Investments Balanced Fund	20
Statement of Financial Position	24
Statement of Profit or Loss and Other Comprehensive Income	25
Statement of Changes in Net Assets Value	26
Statement of Cash Flows	27
Notes to the Financial Statements	29
Corporate Directory	67

FUND INFORMATION

Name of Fund

Eastspring Investments Balanced Fund (the "Fund")

**Fund Category/
Type**

Balanced/growth and income

Fund Objective

The Fund seeks to provide investors with capital appreciation and a reasonable level of current income* by investing in a mixed portfolio of companies with good** dividend yield and low*** price volatility and a portfolio of investment grade fixed income securities.

Note: The Fund's focus is on growth.

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

- * Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.
- ** good generally refers to potentially higher dividend yield than the market average.
- *** low generally refers to potentially lower price volatility than the market average.

FUND INFORMATION (CONTINUED)

Performance Benchmark

The performance benchmark of the Fund is 50% FBM100 + 50% Maybank 12-month fixed deposit rate.

The composite benchmark index is a reflection of the Fund's average asset allocation over the long-term of 50% of the Fund's NAV in equities and equity-related securities, and 50% of the Fund's NAV in fixed income securities and Deposits or liquid assets.

Source:

FBM100 (www.bursamalaysia.com)

Maybank 12-month fixed deposit rate (www.maybank2u.com.my)

The performance of the Fund against the benchmark is published in the Manager's monthly factsheet and is available from the Manager's website at www.eastspringinvestments.com.my.

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

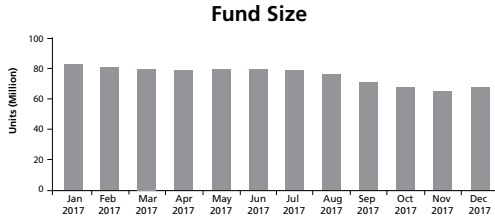
Fund Income Distribution Policy

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

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 December 2017, the size of Eastspring Investments Balanced Fund stood at 67.558 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	876	30.99	2,367	3.50
5,001 to 10,000 units	657	23.24	4,804	7.11
10,001 to 50,000 units	1,078	38.13	23,027	34.08
50,001 to 500,000 units	209	7.39	19,548	28.95
500,001 units and above	7	0.25	17,811	26.36
Total	2,827	100.00	67,557	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Category	2017	2016	2015
	(%)	(%)	(%)
Quoted securities			
Construction	5.20	4.00	6.01
Consumer	-	7.11	4.56
Consumer Product	-	-	4.18
Finance	-	1.86	3.00
Health Care	12.80	-	-
Hotel	-	-	1.00
Industrial Product	3.51	14.27	9.21
Manufacturing	1.52	-	-
Properties	8.69	6.81	3.48
REITS	1.32	-	-
Technology	17.71	11.72	10.74
Trading/Services	14.71	19.77	25.85
	65.46	65.54	68.03
Unquoted fixed income securities	31.01	17.69	3.99
Cash and other assets	3.53	16.77	27.98
Total	100.00	100.00	100.00

KEY PERFORMANCE DATA (CONTINUED)

Category	2017	2016	2015
Net Asset Value (NAV) (RM'000)	72,101	78,934	81,275
Units In Circulation (Units '000)	67,558	82,966	81,103
Net Asset Value Per Unit (RM)	1.0672	0.9514	1.0021
Highest Net Asset Value Per Unit (RM)#	1.0672	0.9514	1.0031
Lowest Net Asset Value Per Unit (RM)#	1.0626	0.9450	0.9986
Total Return (%)			
- Capital Growth	12.17	(5.06)	7.35
- Income Distribution	4.67	4.70	4.00
Total Return (%)	17.41	(0.60)	11.64
Gross Distribution Per Unit (RM)	0.0496	0.0444	0.0399
Net Distribution Per Unit (RM)	0.0493	0.0441	0.0396
Management Expense Ratio (MER) (%)*	1.72	1.70	1.71
Portfolio Turnover Ratio (PTR) (times)^	0.39	0.59	0.83

Figures 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 1.1.2017 to 31.12.2017	3 years 1.1.2015 to 31.12.2017	5 years 1.1.2013 to 31.12.2017
	(%)	(%)	(%)

Average total return	17.41	9.21	10.21
----------------------	-------	------	-------

Year ended	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
	(%)	(%)	(%)	(%)	(%)

Annual total return	17.41	(0.60)	11.64	7.27	16.36
---------------------	-------	--------	-------	------	-------

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

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

Adjusted for unit split and distribution paid out for the period

n = Number of years

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

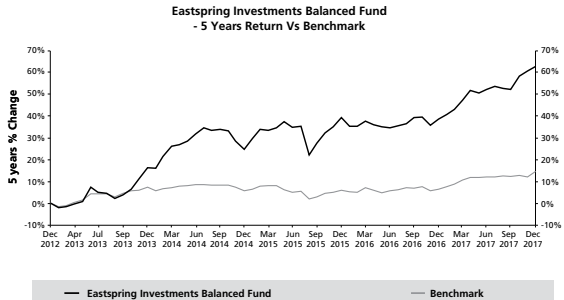
MANAGER'S REPORT

Fund Performance

Over the 5-year period, the Fund recorded a return of 62.62%, outperforming the benchmark return of 14.71% by 47.91%.

During the period under review, the Fund registered a return of 17.41%, outperforming the benchmark return of 7.86% by 9.55%.

The Fund outperformed the benchmark mainly due to good stock selections like investment in gloves and tech stocks. The Fund achieved its objective to provide investors with capital appreciation and a reasonable level of current income.



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

Benchmark: 50% FBM100 + 50% Maybank 12-month fixed deposit rate

Source: Lipper for Investment Management and www.bursamalaysia.com, as at 31 December 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 31 December 2017:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
4.67	12.17	17.41	7.86

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

Distribution/ Unit Split

Ex-date	27-Dec-17
Distribution Per Unit	(RM)
Gross	0.0496
Net	0.0493

Impact on NAV arising from distribution for the financial year ended 31 December 2017.

Ex-date	27-Dec-17
Distribution Per Unit	(RM per Unit)
Net Asset Value before distribution	1.1119
Less: distribution	<u>(0.0493)</u>
Net Asset Value after distribution	<u>1.0626</u>

No unit split were declared for the financial year ended 31 December 2017.

Investment Strategy During Period Under Review**Equity Strategy**

The Fund will continue to focus on stocks which can provide good capital appreciation potential and some dividend yield with strong fundamental.

Bond Strategy

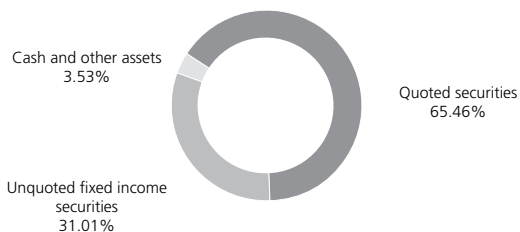
The Fund participated in selected quality issuances for yield pickup, and trade on market volatility, subject to liquidity constraints.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Dec 2017 (%)	31-Dec 2016 (%)	Changes (%)
Quoted securities	65.46	65.54	(0.08)
Unquoted fixed income securities	31.01	17.69	13.32
Cash and other assets	3.53	16.77	(13.24)

Asset Allocation as at 31 December 2017



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

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund

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

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

a. Income Reinvestment Policy

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

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

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

While in the Eastspring Investments Master Prospectus dated 15 July 2017, the information in relation to the fund objective, asset allocation, security risk and minimum holdings of units have been revised as set out in (b) to (e) below. The revision in the fund objective was due to addition of explanation to "good" and "low".

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

b. Fund Objective

The Fund seeks to provide investors with capital appreciation and a reasonable level of current income* by investing in a mixed portfolio of companies with good** dividend yield and low*** price volatility and a portfolio of investment grade fixed income securities.

- * Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out. Kindly refer to page 101 of the Master Prospectus dated 15 July 2017 for more information on the mode of distribution.
- ** good generally refers to potentially higher dividend yield than the market average.
- *** low generally refers to potentially lower price volatility than the market average.

c. Asset Allocation

Asset Class	% of the Fund's NAV
Equities and equity-related securities	Minimum of 30% to Maximum of 70%
Fixed income securities	Minimum of 30% to Maximum of 70%
Deposits or liquid assets	Minimum of 1%

d. Security Risk

Adverse price movements of a particular security or Shariah-compliant security invested by the Fund may adversely affect the Fund's NAV. The Manager strives to mitigate the impact of a particular security or Shariah-compliant security risk through portfolio diversification.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund

Meanwhile investing in equity-related securities or Shariah-compliant equity-related securities such as rights and warrants or Shariah-compliant warrants, where price movement is dependent on the price movement of the underlying of the equity-related securities or Shariah-compliant equity-related securities, the risk is generally higher than their equities or Shariah-compliant equities as these equity-related securities or Shariah-compliant equity-related securities are leveraged form of investment. The price of equity-related securities or Shariah-compliant equity-related securities generally fluctuates more than the equities or Shariah-compliant equities and consequently may affect the volatility of the Fund's NAV. To mitigate this risk, the Manager will conduct rigorous fundamental analysis of the equities and equity-related securities or Shariah-compliant equities and equity-related securities.

Warrants or Shariah-compliant warrants are financial instruments that give the buyer the right but not the obligation to purchase or sell equities or Shariah-compliant equities at a pre-determined price before the expiry date. Such investments may experience time decay, and the erosion of value accelerates as the instrument advances to its expiry date.

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.

Cross-Trade Transaction

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

MARKET REVIEW

Equity

1Q2017 saw global markets start the year on a positive note, on the expectations that Trump's policies for the United States ("US") will be reflationary in nature, focused on tax cuts and corporate tax overhaul, infrastructure spending in the US, and increased protectionism. The US markets took a breather towards the end of the quarter, as oil prices corrected with rising inventory levels and higher rig counts in the US. Malaysian equities rallied in tandem with global markets, supported by a firmer ringgit given Bank Negara Malaysia ("BNM")'s efforts to clamp down on currency speculation. Announcements by Permodalan Nasional Berhad ("PNB") related companies to restructure the UMW Holdings and UMW Oil and Gas, and Sime Darby's intentions to spin-off various divisions brought some excitement to the market. Mergers and Acquisitions ("M&A") news dominated in the 1Q as Saudi Aramco announced their Joint Venture ("JV") with Petronas in RAPID during the Saudi Arabia King's visit to Malaysia, the media speculated the potential merger between Telekom Malaysia and Axiata, and Alibaba's Jack Ma's announcement of establishing an e-commerce hub in the new Digital Free Trade Zone in Sepang.

Global markets continued to perform well in the 2Q2017, despite uncertainty regarding US President Trump and potential trade protectionist policy, French elections, United Kingdom ("UK") elections, tensions with North Korea, and crude oil over-supply concerns. Investors spent much of the 2Q2017 distracted by the US policy issues with China, on normalization, and on potential tax reform. U.K. Prime Minister Theresa May overestimated her support at the snap elections held on 8 June, and ended up with a minority government. North Korea has been busy testing the patience of the UN Security Council members, with 6 missile test launches in 2Q alone, seemingly making rapid progress in the development of their missile technology; unnerving the US, South Korea and Japan. Crude oil ended the quarter lower at about US\$46 per barrel ("/bbl"), down almost 5% y-o-y, on supply concerns, despite the calls by Saudi Arabia and three other Gulf countries to boycott Qatar. Malaysian equities continued its uptrend in the early part of 2Q, supported continued foreign fund flows and an appreciating ringgit. However the positive momentum hit a speed bump mid 2Q when TRX City announced that they were terminating the 60% stake sale of Bandar Malaysia to IWH-CREC joint venture, which brought up concerns of whether this could potentially jeopardise Malaysia's relationship with China ahead of China's One-Belt-One-Road Summit. Towards the end of the 2Q, profit taking activities set in ahead of the Hari Raya holidays, which also coincided with a flurry of M&A related news such as DRB Hicom and Zhejiang Geely signing the agreement for 49.9% stake in Proton, and RHB Bank and AMMB Holdings announcing their commencement of merger discussions.

The Malaysian equity market started the 3Q2017 on a volatile note, sparked by the lack luster response for the biggest Initial Public Offering (“IPO”) deal in Malaysia since 2012, as confidence in the IPO waned culminated by the disastrous results reported on the last day of the month. The annual Invest Malaysia conference did not provide much catalyst for the market, although the Prime Minister’s positive message on the state of economy and outlook provided investors with comfort. Malaysia’s lackluster 2Q2017 reported corporate earnings did nothing to help the direction of the market, in light of growing uncertainty regarding geopolitical tensions concerning North Korea, and the impact from US Hurricane Harvey which was the first major hurricane to make landfall in the United States since 2005. Malaysia’s GDP growth for 2Q of 5.8% y-o-y surprised on the upside but was not enough of a catalyst to drive investor interest. Equity markets in Malaysia ended the quarter lower, succumbing to selling pressure, when the Federal Reserve signaled one more rate hike towards the year end. The launch of Apple’s Iphone X and Iphone 8 in the US was a little disappointing given the minimal obvious differences between the Iphone 7 and Iphone 8, and the high price point of the Iphone X.

The Malaysian equity market started the 4Q2017 in a correction mode, as the big cap stocks succumbed to some sell down, despite the rising Brent crude oil prices and the tabling of Budget 2018. The Budget 2018 announcement on the 27th October was as expected, focused on implementing measures to increase households’ disposable income, in particular the bottom 40% (“B40”) income group, with special cash payments to be made to the 1.6 million civil servants and civil servant retirees. Equity markets in Malaysia remained weak despite the stronger than expected 3Q2017 Gross Domestic Product (“GDP”) growth data reported in November, and growing expectations of Bank Negara potentially hiking Overnight Policy Rate in 2018. OPEC also announced their decision to extend its production cutting deal for another nine-months, providing support for oil prices. By the end of the 4Q2017, Brent crude oil hit USD66.8/bbl, levels not seen since May 2015, on the back of extended production cuts by Organization of the Petroleum Exporting Countries (“OPEC”) and improving demand outlook as global growth recovery continues to be underway. Being one of the few net beneficiaries in the regions of higher oil prices, the Malaysian ringgit appreciated sharply towards the end of the 4Q to close at RM4.046/USD. The FBM KLCI saw some changes to its constituents with the addition of Nestle, Press Metal, Sime Darby Plantations, whilst Westport, Sime Darby Property, IJM and BAT were removed. KLCI ended the 4Q on a new high due to window dressing activities.

The FTSE Bursa Malaysia KLCI (“FBMKLCI”) closed the year under review at 1,796.81 points, higher by 9.45%. The broader FTSE Bursa Malaysia EMAS Index (“FBMEMAS”) closed the period under review higher by 12.87%. The MSCI Asia Pacific ex-Japan Index rose by 33.5% in USD terms.

Bond

During the period under review, Bank Negara Malaysia (“BNM”) adopted an accommodative monetary policy by keeping the Overnight Policy Rate (“OPR”) at 3.00%, to ensure that the domestic economy continues on a steady growth path amid stable core inflation. However, BNM’s tone turned more hawkish in the latest Monetary Policy Committee (“MPC”) meeting on 9 November, citing that they may consider reviewing the current degree of monetary policy accommodation given the strength of the global and domestic macroeconomic conditions.

On the economic front, Malaysia’s economy grew at a faster pace of 6.2% year-on-year (“y-o-y”) (consensus: 5.7%) in third quarter of 2017, is on track to beat government’s forecast of 5.2-5.7%. Meanwhile, headline inflation inched higher this year though is still within BNM’s expected range of 3-4%. Notably, the increase was mainly driven by rise in transportation costs and food and non-alcoholic beverages while core inflation (2.2% y-o-y in November) remained stable. For 2018, headline inflation is projected to moderate on expectations of a smaller effect from global cost factors. Nevertheless, the trend of headline inflation will be dependent on future global oil prices which remain highly uncertain.

On 27 October, the Federal Government unveiled its 2018 national budget with the theme “Prospering an Inclusive Economy, Balancing between Worldly and Hereafter, For The Wellbeing of Rakyat, Towards TN50 Aspirations”. Overall, fiscal consolidation remains on track as the Government remains committed to a budget deficit at 3.0% of GDP in 2017 and expects it to improve further to 2.8% of GDP in 2018. Meanwhile, the Federal Government’s debt to GDP has dropped to 50.9% as at end-June 2017 (2016: 53.2%) in line with continued efforts to embrace prudent debt management efforts.

Unlike 2015 and 2016, the US Federal Reserve (“Fed”) finally followed through on their own interest rate projections made at the beginning of the year. The key interest rates increased by 75bps to between 1.25-1.50% despite subdued inflation, on robust growth and a strong labor market. Meanwhile, the Fed raised their forecast for US economic growth in 2018 to 2.5% from 2.1%, as the Fed expects economic boost from potential tax cuts. Fed policymakers also maintained its forecast of three rate hikes in 2018.

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

reinvestments by USD10 billion in October and raising that amount gradually to USD50 billion in the months to come.

For the period under review, the 3-, 5-, 10- and 15-year Malaysian Government Securities ("MGS") yields decreased by 25bps, 19bps, 31bps and 26bps to close at 3.32%, 3.53%, 3.91% and 4.39% respectively¹. MGS started off with positive note but the yields started to creep higher in the 1Q2017 mainly attributable to a 25bps hike in the Fed's rate in March. That said, sovereign yields corrected in 2Q2017 after BNM expanded short-selling of MGS and allowing registered non-bank entities to have a net forward hedge position which helped to improve liquidity of the domestic bond market and onshore foreign exchange. In 2H2017, MGS managed to withstand the higher US interest rate environment on the back of improving investor sentiment as Ringgit recovered towards the end of the year.

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

On the supply front, total corporate bond issuances as at end December 2017 stood around RM102 billion of which approximately 30% was conventional and 70% was Islamic. Major primary issuances during the year were mainly government guaranteed bonds, corporates bonds and bank debts. Notable issuances include RM10.1 billion from Danainfra, RM6.75 billion from LPPSA, RM8.7 billion from Cagamas, RM6.0 billion from Prasarana, RM4.0 billion from PTPTN, RM4.2 billion from GovCo Holdings Berhad, RM4.5 billion from CIMB Bank Berhad and RM3.7 billion from Southern Power Generation.

REBATES AND SOFT COMMISSIONS

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

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

¹ Source: Bloomberg

EASTSPRING INVESTMENTS BALANCED FUND

(Established in Malaysia)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT BY THE MANAGER

(Established in Malaysia)

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 financial statements set out on pages 24 to 66, are drawn up in accordance with the provisions of the Master Deed and give a true and fair view of the state of affairs of Eastspring Investments Balanced Fund as at 31 December 2017 and of its results, changes in net assets value and cash flows for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds in Malaysia.

For and on behalf of the Manager,

EASTSPRING INVESTMENTS BERHAD

TANG CHEE KIN

Executive Director/Chief Executive Officer

KHOO CHUAN KEAT

Director

Kuala Lumpur

Date: 14 February 2018

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

(Established in Malaysia)

We have acted as Trustee for Eastspring Investments Balanced Fund (the "Fund") for the financial year ended 31 December 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 view that the distribution made during the financial year ended 31 December 2017 by the Manager is not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching

Senior Manager, Trustee Operations

Richard Lim Hock Seng

Chief Executive Officer

Kuala Lumpur

Date: 14 February 2018

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

(Established in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of Eastspring Investments Balanced Fund, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 66.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission's Guidelines on Unit Trust Funds in Malaysia.

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 the information included in the annual 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 annual report 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 annual report and, in doing so, consider whether annual report 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 the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Trustee for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission's Guidelines on Unit Trust Funds in Malaysia. 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 ability of the Fund 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 to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as necessary to enable true and fair presentations of these financial statement.

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 conducted 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:

- Identify and assess the risk 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- 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 ability of the Fund 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.

- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represents the underlying transactions and events in a manner that gives a true and fair view.

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 MATTER

This report is made solely to the unit holders of the Fund, as a body, in accordance with Securities Commission's Guidelines on Unit Trust Funds in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants

Mok Wan Kong

Approval Number: 02877/12/2018 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 14 February 2018

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
INVESTMENTS			
Quoted equities	4	47,205,490	51,735,428
Unquoted fixed income securities	5	22,359,839	13,978,346
Deposits with licensed financial institutions		2,480,000	12,940,000
		<u>72,045,329</u>	<u>78,653,774</u>
OTHER ASSETS			
Amount due from Manager		36,239	114,177
Other receivables	6	341,835	280,553
Tax recoverable		27,858	27,858
Bank balance with a licensed bank		61,183	24,431
		<u>467,115</u>	<u>447,019</u>
TOTAL ASSETS		<u>72,512,444</u>	<u>79,100,793</u>
LIABILITIES			
Amount due to Manager		256,871	1,000
Accrued management fee		95,989	105,352
Amount due to Trustee		5,119	5,619
Other payables and accrued expenses		53,605	54,485
		<u>411,584</u>	<u>166,456</u>
TOTAL LIABILITIES		<u>411,584</u>	<u>166,456</u>
NET ASSETS VALUE		<u>72,100,860</u>	<u>78,934,337</u>
REPRESENTED BY:			
Unit holders' capital	7	30,537,599	46,963,518
Undistributed income		41,563,261	31,970,819
		<u>72,100,860</u>	<u>78,934,337</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS		<u>72,100,860</u>	<u>78,934,337</u>
NUMBER OF UNITS IN CIRCULATION	7	<u>67,558,261</u>	<u>82,966,219</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT - EX-DISTRIBUTION (SEN)		<u>1.0672</u>	<u>0.9514</u>

The notes on pages 29 to 66 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
Dividend income		1,074,456	916,163
Interest income	8	1,233,427	1,143,162
Net realised gain on sale of investments		2,678,810	1,998,627
Other income		38,011	-
Net amortisation of premium		(70,620)	(100,464)
Net unrealised gain/(loss) from financial instruments at fair value through profit or loss		8,991,675	(3,029,686)
TOTAL INCOME		13,945,759	927,802
Management fee	9	(1,184,825)	(1,144,871)
Trustee's fee	10	(63,191)	(61,060)
Auditors' remuneration		(6,000)	(6,000)
Tax agent's fee		(3,400)	(3,400)
Transaction cost		(168,328)	(230,915)
Administrative expenses		(98,263)	(79,049)
TOTAL OPERATING EXPENSES		(1,524,007)	(1,525,295)
NET INCOME/(LOSS) BEFORE TAX EXPENSE		12,421,752	(597,493)
Tax expense	11	(4,728)	115
NET INCOME/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		12,417,024	(597,378)
Net income/(loss) is made up as follows:			
Realised amount		3,425,349	2,432,308
Unrealised amount		8,991,675	(3,029,686)
		12,417,024	(597,378)

The notes on pages 29 to 66 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS VALUE

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Unit holders' capital RM	Undistributed income RM	Total RM
AT 1 JANUARY 2016		46,206,419	35,068,787	81,275,206
Movement in unit holders' contribution:				
Creation of units		20,449,432	-	20,449,432
Cancellation of units		(18,692,299)	-	(18,692,299)
Total comprehensive loss for the year		-	(597,378)	(597,378)
Income distribution	12	(1,000,034)	(2,500,590)	(3,500,624)
AT 31 DECEMBER 2016/ 1 JANUARY 2017		46,963,518	31,970,819	78,934,337
Movement in unit holders' contribution:				
Creation of units		15,938,326	-	15,938,326
Cancellation of units		(31,998,053)	-	(31,998,053)
Total comprehensive income for the year		-	12,417,024	12,417,024
Income distribution	12	(366,192)	(2,824,582)	(3,190,774)
AT 31 DECEMBER 2017		30,537,599	41,563,261	72,100,860
		Note 7		

The notes on pages 29 to 66 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	34,573,620	45,063,389
Purchase of investments	(26,825,311)	(51,546,077)
Movement in deposits with licensed financial institutions	10,460,000	6,370,000
Dividends received	1,121,141	925,452
Interest received	1,120,732	1,108,833
Payments for other fees and expenses	(1,497,972)	(1,311,476)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>18,952,210</u>	<u>610,121</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	12,851,488	18,085,091
Payments for cancellation of units	(31,742,182)	(18,696,252)
Distribution paid	(24,764)	(33,961)
NET CASH USED IN FINANCING ACTIVITIES	<u>(18,915,458)</u>	<u>(645,122)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	36,752	(35,001)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>24,431</u>	<u>59,432</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>61,183</u>	<u>24,431</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Bank balance with a licensed bank	<u>61,183</u>	<u>24,431</u>

The notes on pages 29 to 66 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities:

	1 January 2017	Cash flows	Non-cash changes	
			Reinvestment changes	31 December 2017
	RM	RM	RM	RM
Unit holders' capital	46,963,518	(18,890,694)	2,464,775	30,537,599
Undistributed income	31,970,819	(24,764)	9,617,206	41,563,261
Closing balance	<u>78,934,337</u>	<u>(18,915,458)</u>	<u>12,081,981</u>	<u>72,100,860</u>

The notes on pages 29 to 66 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. INFORMATION ON THE FUND AND THE MANAGER

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

The Fund will invest in a balanced portfolio consisting of equities, equity-related securities and fixed income securities. All investments will be subject to the Securities Commission's ("SC") Guidelines, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures, and Fund's objective.

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

The main objective of the Fund seeks to provide investors with capital appreciation and a reasonable level of current income by investing in a mixed portfolio of companies with good dividend yield and low price volatility and a portfolio of investment-grade fixed income securities.

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

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards and Securities Commission’s Guidelines on Unit Trust Funds in Malaysia.

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

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

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*

- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

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

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, IC Interpretation 22, Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140 which are not applicable to the Fund.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019 except for MFRS 16, Amendments to MFRS 3, Amendments to MFRS 11, Amendments to MFRS 112, Amendments to MFRS 123 and Amendments to MFRS 128 which are not applicable to the Fund.
- The Fund does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Fund.

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

i. MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

Based on the assessment, the Fund does not expect the application of MFRS 15 to have a significant impact on its financial statements.

ii. MFRS 9, Financial Instruments

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

The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with three measurement categories - amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments as well as future economic conditions.

The Fund anticipates changes to the financial statements in the areas of classification and measurements for financial assets where financial assets held for trading are expected to be continued to be measured at FVTPL.

The expected changes above are not expected to have material impact on the assets value of the Fund.

iii. MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The expected changes above are not expected to have material financial impact on the Fund.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in these financial statements other than fair value estimation for unquoted fixed income securities, see Note 4. Fair values of the unquoted fixed income securities are observable market prices from a bond pricing agency by using valuation techniques.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial instruments

i. Initial recognition and measurement

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

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

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

ii. Financial instrument categories and subsequent measurement

The Fund categorises financial instruments as follows:

Financial assets

a. Financial assets at fair value through profit or loss

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

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

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

b. Loans and receivables

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

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

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

Financial liabilities

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

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

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

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

iii. Regular way purchase or sale of financial assets

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

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

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

iv. Derecognition

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

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

b. Cash and cash equivalents

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

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

c. ImpairmentFinancial assets

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

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

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

d. Income recognition

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

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

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

e. Income tax

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

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

f. Creation and cancellation of units

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

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

Security Commission's Guidelines on Unit Trust Funds in Malaysia, investment positions are valued based on the last traded market price for the purpose of determining the net assets value per unit for creations and cancellations.

g. Proceeds and payments on creation and cancellation of units

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

h. Fair value measurements

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

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

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

4. QUOTED EQUITIES

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2017	value
			RM	%
2017				
Main Market				
<u>Construction</u>				
MGB Berhad (formerly known as ML Global Berhad)	2,117,200	1,587,900	3,747,444	5.20
<u>Health Care</u>				
Top Glove Corporation Bhd	492,500	2,314,468	3,935,075	5.46
Karex Berhad	1,594,537	2,403,576	2,072,898	2.87
Kossan Rubber Industries Berhad	250,900	1,601,245	2,034,799	2.82
IHH Healthcare Berhad	203,500	1,191,493	1,192,510	1.65
	2,541,437	7,510,782	9,235,282	12.80
<u>Industrial Product</u>				
Cahya Mata Sarawak Berhad	649,700	2,742,517	2,533,830	3.51
<u>Manufacturing</u>				
Pecca Group Berhad	708,400	1,109,764	1,098,020	1.52

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Properties</u>				
LBS Bina Group Berhad	1,600,000	2,338,166	3,760,000	5.21
LBS Bina Group Berhad - Preference Share	320,000	352,000	368,000	0.51
Sentoria Group Berhad	1,760,000	1,604,949	1,223,200	1.70
Sentoria Group Berhad - Warrant	640,000	160,000	160,000	0.22
UEM Sunrise Berhad	729,000	822,166	758,160	1.05
	<u>5,049,000</u>	<u>5,277,281</u>	<u>6,269,360</u>	<u>8.69</u>
<u>REITS</u>				
KIP Real Estate Investment Trust	<u>1,100,000</u>	<u>1,100,000</u>	<u>951,500</u>	<u>1.32</u>
<u>Technology</u>				
Vitrox Corporation Berhad	695,200	929,823	4,317,192	5.99
Inari Amertron Berhad	1,056,554	1,323,046	3,592,284	4.98
Unisem (M) Berhad	622,500	1,077,669	2,272,125	3.15
N2N Connect Berhad	1,485,000	1,259,122	1,366,200	1.89
Globetronics Technology Berhad	185,400	1,187,468	1,223,640	1.70
	<u>4,044,654</u>	<u>5,777,128</u>	<u>12,771,441</u>	<u>17.71</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Trading/Services</u>				
MY E.G. Services Berhad	1,094,800	1,187,456	2,441,404	3.39
Dialog Group Berhad	790,900	1,553,879	1,985,159	2.75
Pos Malaysia Berhad	290,700	1,516,498	1,526,175	2.12
Sapura Energy Berhad	1,815,800	2,772,685	1,289,218	1.79
Serba Dinamik Holdings Berhad	366,800	784,329	1,188,432	1.65
Uzma Berhad	774,900	1,549,063	991,872	1.38
Axiata Group Berhad	109,208	521,895	599,552	0.83
Texchem Resources Berhad	616,900	1,011,418	576,801	0.80
	5,860,008	10,897,223	10,598,613	14.71
TOTAL QUOTED EQUITIES	22,070,399	36,002,595	47,205,490	65.46

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2016	value
			RM	%
2016				
Main Market				
<u>Construction</u>				
ML Global Berhad	2,500,000	1,875,000	2,087,500	2.65
Protasco Berhad	944,625	1,279,174	1,067,426	1.35
	<u>3,444,625</u>	<u>3,154,174</u>	<u>3,154,926</u>	<u>4.00</u>
<u>Consumer</u>				
Salutica Berhad	1,030,500	883,846	1,308,735	1.66
Karex Berhad	1,824,037	2,749,520	4,304,727	5.45
	<u>2,854,537</u>	<u>3,633,366</u>	<u>5,613,462</u>	<u>7.11</u>
<u>Finance</u>				
Syarikat Takaful Malaysia Berhad	354,900	533,931	1,469,286	1.86
<u>Industrial Product</u>				
Cahaya Mata Sarawak Berhad	519,700	2,210,765	2,078,800	2.63
Top Glove Corporation Bhd	977,100	4,591,811	5,227,485	6.62
Kossan Rubber Industries Berhad	300,900	1,920,345	1,982,931	2.51
Pecca Group Berhad	708,400	1,109,764	1,126,356	1.43
Coastal Contracts Berhad	610,900	1,926,868	849,151	1.08
	<u>3,117,000</u>	<u>11,759,553</u>	<u>11,264,723</u>	<u>14.27</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Properties</u>				
Malaysian Resources Corporation Berhad	400,000	506,671	532,000	0.67
Eastern & Oriental Berhad	617,051	1,359,940	894,724	1.13
LBS Bina Group Berhad	1,600,000	2,338,166	2,672,000	3.39
Sentoria Group Berhad	1,600,000	1,604,949	1,280,000	1.62
	<u>4,217,051</u>	<u>5,809,726</u>	<u>5,378,724</u>	<u>6.81</u>
<u>Technology</u>				
Inari Amertron Berhad	1,034,127	2,589,924	3,433,302	4.35
N2N Connect Berhad	1,485,000	1,259,122	1,121,175	1.42
Unisem (M) Berhad	947,900	1,641,000	2,237,044	2.83
Vitrox Corporation Berhad	663,200	1,774,046	2,460,472	3.12
	<u>4,130,227</u>	<u>7,264,092</u>	<u>9,251,993</u>	<u>11.72</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Trading/Services</u>				
KPJ Healthcare Berhad	177,200	621,633	740,696	0.94
Texchem Resources Bhd	616,900	1,011,418	900,674	1.14
Genting Berhad	178,900	1,424,110	1,431,200	1.81
MY E.G. Services Berhad	2,537,400	2,752,147	3,831,474	4.86
Sapurakencana				
Petroleum Berhad	3,499,600	5,343,809	5,669,352	7.18
UMW Oil & Gas				
Corporation Berhad	1,956,100	4,513,490	1,711,588	2.17
Uzma Berhad	774,900	1,549,063	1,317,330	1.67
	<u>9,741,000</u>	<u>17,215,670</u>	<u>15,602,314</u>	<u>19.77</u>
TOTAL QUOTED				
EQUITIES	<u>27,859,340</u>	<u>49,370,512</u>	<u>51,735,428</u>	<u>65.54</u>

5. UNQUOTED FIXED INCOME SECURITIES

Name of counter	Rating	Maturity/ Callable date	Quantity Unit	Cost RM	Market value RM	Percentage of net assets value %
2017						
Unlisted Corporate Bonds						
Affin Bank Berhad	A1	05.02.2027	1,500,000	1,500,000	1,533,825	2.13
AMMB Holdings Berhad	A1	15.03.2027	2,000,000	2,000,000	2,026,380	2.81
Gulf Investment Corporation G.S.C	AAA	16.03.2021	4,000,000	4,007,789	4,008,240	5.56
Hong Leong Bank Berhad	AA1	21.06.2024	1,400,000	1,400,031	1,403,094	1.95
Hong Leong Islamic Bank Berhad	AA1	17.06.2024	4,500,000	4,520,765	4,526,055	6.28
Jimah Energy Ventures Sdn Berhad	AA3	10.05.2019	1,000,000	1,064,695	1,063,260	1.47
Jimah Energy Ventures Sdn Berhad	AA3	12.11.2021	400,000	462,914	468,336	0.65
Perbadanan Kemajuan Negeri Selangor	AA3	26.10.2018	4,500,000	4,502,319	4,501,980	6.24
Perbadanan Kemajuan Negeri Selangor	AA3	25.05.2018	500,000	500,222	500,670	0.69
RHB Islamic Bank Berhad	AA3	15.05.2024	200,000	201,427	201,090	0.28
Talam Transform Berhad	B- IS	28.06.2019	125,851	107,599	119,349	0.17
UMW Holdings Berhad	AA2	22.06.2020	2,000,000	2,001,520	2,007,560	2.78
			<u>22,125,851</u>	<u>22,269,281</u>	<u>22,359,839</u>	<u>31.01</u>
Total Unquoted Fixed Income Securities			<u>22,125,851</u>	<u>22,269,281</u>	<u>22,359,839</u>	<u>31.01</u>

5. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value	Percentage of net assets value
2016						
Unlisted Corporate Bonds						
AmBank (M) Berhad	AA3	29.12.2023	100,000	101,163	100,443	0.13
AmBank Islamic Berhad	AA3	25.03.2024	600,000	601,224	601,302	0.76
Gulf Investment						
Corporation G.S.C	AA2	16.03.2021	1,000,000	1,009,360	996,490	1.26
Hong Leong Bank Berhad	AA3	21.06.2024	1,400,000	1,400,064	1,394,288	1.77
Hong Leong Islamic Bank Berhad	AA2	17.06.2024	5,000,000	5,038,098	5,006,750	6.34
Jimah Energy Ventures						
Sdn Berhad	AA3	10.05.2019	1,000,000	1,110,228	1,096,700	1.39
Jimah Energy Ventures						
Sdn Berhad	AA3	12.11.2021	400,000	477,475	476,440	0.60
Perbadanan Kemajuan Negeri Selangor	AA3	25.05.2018	2,000,000	2,001,442	1,999,940	2.53
Perbadanan Kemajuan Negeri Selangor	AA3	26.10.2018	2,000,000	2,003,799	1,991,920	2.52
RHB Islamic Bank Berhad	AA3	15.05.2024	200,000	202,422	200,954	0.25
Talam Transform Berhad	B- ID	28.06.2019	125,851	96,207	113,119	0.14
			13,825,851	14,041,482	13,978,346	17.69
Total Unquoted Fixed Income Securities			13,825,851	14,041,482	13,978,346	17.69

6. OTHER RECEIVABLES

	2017	2016
	RM	RM
Dividend receivables	130,751	182,164
Interest receivables	192,110	79,415
Other receivables	18,974	18,974
	<u>341,835</u>	<u>280,553</u>

7. NUMBER OF UNITS IN CIRCULATION

	Note	No. of units	RM
As at 1 January 2016		81,103,228	46,206,419
Add: Creation of units	7.1	20,780,889	20,449,432
Less: Cancellation of units		(18,917,898)	(18,692,299)
Less: Income Distribution		-	(1,000,034)
		<u>82,966,219</u>	<u>46,963,518</u>
As at 31 December 2016/1 January 2017		82,966,219	46,963,518
Add: Creation of units	7.1	15,212,038	15,938,326
Less: Cancellation of units		(30,619,995)	(31,998,053)
Less: Income Distribution		-	(366,192)
		<u>67,558,262</u>	<u>30,537,599</u>
At 31 December 2017		67,558,262	30,537,599

7.1 Creation of units

During the year, 2,978,332 units (2016: 3,678,158 units) amounting to RM3,164,776 (2016: RM3,475,860) were created from reinvestment of income distribution.

8. INTEREST INCOME

	2017	2016
	RM	RM
Interest income on financial assets:		
Investment income unquoted fixed income securities	1,011,081	534,613
Investment income deposits with licensed financial institutions	222,346	608,549
	1,233,427	1,143,162

9. MANAGEMENT FEE

The Deed provides that the Manager is entitled to a management fee at a rate not exceeding 3.00% (2016: 3.00%) per annum of the Net Assets Value of the Fund, calculated on a daily basis.

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

10. TRUSTEE'S FEE

The Deed provides that the Trustee is entitled to a fee at a rate not exceeding 0.20% (2016: 0.20%) per annum of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM35,000 per annum.

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

11. TAX EXPENSE/(INCOME)

	Note	2017	2016
		RM	RM
Current tax expense		4,728	-
Over provision in prior years		-	(115)
Reconciliation of tax expense			
Net income/(loss) before tax		12,421,752	(597,493)
Income tax using Malaysian tax rate of 24%		2,981,220	(143,398)
Non-assessable income	11.1	(3,335,635)	(222,673)
Non-deductible expenses		79,964	89,862
Restriction on the tax deductible expenses for unit trust funds		285,798	276,209
Income subject to different tax rate		(6,619)	-
Over provision in prior years		-	(115)
		4,728	(115)

11.1 Non-assessable income

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

12. INCOME DISTRIBUTION

During the current financial year, the Manager declared an aggregate gross distribution of 4.96 sen per unit (2016: 4.44 sen per unit) for investors of Eastspring Investments Balanced Fund.

	2017	2016
	RM	RM
Distribution to unit holders is from previous years realised income:		
Dividend income	640,300	541,897
Interest income	582,426	474,057
Net realised gain on sale of investments	2,331,350	2,055,870
Accretion of discounts	(8,135)	(2,228)
Expenses	(698,685)	(546,743)
Taxation	(22,674)	(22,263)
	<hr/> 2,824,582	<hr/> 2,500,590
Distribution equalisation	366,192	1,000,034
Net distribution	<hr/> 3,190,774	<hr/> 3,500,624
Gross distribution per unit	<hr/> 0.0496	<hr/> 0.0444
Net distribution per unit	<hr/> 0.0493	<hr/> 0.0441
Ex-date	<hr/> 27 December 2017	<hr/> 27 December 2016

The distribution is made from current and prior financial year's realised income.

13. FINANCIAL INSTRUMENTS

13.1 Categories of financial instruments

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

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

	Carrying amount	L&R/ (FL)	FVTPL- HFT
	RM	RM	RM
2017			
Financial assets			
Investments			
- Quoted equities	47,205,490	-	47,205,490
- Unquoted corporate bonds	22,359,839	-	22,359,839
- Deposits with licensed financial institutions	2,480,000	2,480,000	-
Amount due from Manager	36,239	36,239	-
Other receivables	341,835	341,835	-
Bank balance with a licensed bank	61,183	61,183	-
	72,484,586	2,919,257	69,565,329
Financial liabilities			
Accrued management fee	(95,989)	(95,989)	-
Amount due to Manager	(256,871)	(256,871)	-
Amount due to Trustee	(5,119)	(5,119)	-
Other payables and accrued expenses	(53,605)	(53,605)	-
	(411,584)	(411,584)	-

	Carrying amount	L&R/ (FL)	FVTPL-HFT
	RM	RM	RM
2016			
Financial assets			
Investments			
- Quoted equities	51,735,428	-	51,735,428
- Unquoted corporate bonds	13,978,346	-	13,978,346
- Deposits with licensed financial institutions	12,940,000	12,940,000	-
Amount due from Manager	114,177	114,177	-
Other receivables	280,553	280,553	-
Bank balance with a licensed bank	24,431	24,431	-
	<u>79,072,935</u>	<u>13,359,161</u>	<u>65,713,774</u>
Financial liabilities			
Accrued management fee	(105,352)	(105,352)	-
Amount due to Manager	(1,000)	(1,000)	-
Amount due to Trustee	(5,619)	(5,619)	-
Other payables and accrued expenses	(54,485)	(54,485)	-
	<u>(166,456)</u>	<u>(166,456)</u>	<u>-</u>

13.2 Net gains and losses arising from financial instruments

	2017	2016
	RM	RM
Net gains/(losses) arising on:		
Fair value through profit or loss:		
Held for trading - unrealised	8,991,675	(3,029,686)
- realised	4,731,738	3,348,939
Loans and receivables	222,346	608,549
	<u>13,945,759</u>	<u>927,802</u>

13.3 Financial risk management

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

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

13.4 Investment risk

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

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

Investment risks for fixed income funds are in the form of interest rate and credit risks. To manage these risks, investments will be in investment grade bonds.

Risk management objectives, policies and processes for managing the risk

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

13.5 Credit risk

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

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

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

13.6 Liquidity risk

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

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

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

13.7 Market risk

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

Risk management objectives, policies and processes for managing the risk

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

13.7.1 Interest rate risk

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

Exposure to interest rate risk

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

	2017	2016
	RM	RM
<u>Fixed rate instruments</u>		
Unquoted fixed income securities	22,359,839	13,978,346
Deposits with licensed financial institutions	2,480,000	12,940,000
	<u>24,839,839</u>	<u>26,918,346</u>

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

The Fund accounts for the unquoted fixed income securities and deposits with licensed financial institutions at fair value through profit or loss, and at amortised cost, respectively.

A change in interest rates at the end of the reporting period would not significantly affect profit or loss.

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

	2017	2016
	%	%
Unquoted fixed income securities*	4.72	4.83
Deposits with licensed financial institutions**	3.30	4.00

* Interest rate for unquoted fixed income securities is fixed throughout the duration until maturity.

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

13.7.2 Other price risk

Equity price risk and bond price risk arises from the Fund's investments in equity securities and unquoted fixed income instruments respectively.

Equity price risk sensitivity analysis

A 10% (2016: 10%) strengthening in the quoted equities market prices of the Fund's portfolio at the end of the reporting period would have increased equity and profit or loss by RM4,720,549 (2016: RM5,173,543). A 10% weakening in the quoted equity's market prices would have had equal but opposite effect on equity and profit or loss respectively.

Bond price risk sensitivity analysis

All investments in unquoted fixed income instruments are corporate bonds and have varying maturities as disclosed in Note 5. Considering the possible bond market price increase of 10% (2016: 10%), the effect on the Fund's post-tax profit or loss and net assets attributable to unit holders is an increase of RM2,235,984 (2016: RM1,397,835) as at 31 December 2017. A weakening of bond market price would have resulted in an equal but opposite effect.

13.8 Effective interest rates and maturity dates

The effective interest rates and the maturity dates of the financial instruments of the Fund are disclosed in Notes 5 and 13.7.1.

13.9 Management company risk

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

13.10 Fair value information

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

The fair values of quoted equities and unquoted fixed income securities, together with the carrying amounts shown in the statement of financial position, are already disclosed in Note 4 and Note 5 respectively.

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

Quoted equities

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

Unquoted fixed income securities

Unquoted fixed income securities issued by Malaysian corporations are rated by the Rating Agency of Malaysia Berhad or Malaysian Rating Corporation Berhad respectively, and are carried at cost adjusted for the amortisation of any premium or accretion of any discount over their par values at the time of acquisition. The premium or discount is amortised or accreted on a yield to maturity basis over the remaining term of the investments from the date of acquisition.

This adjusted cost (carrying value) is then revalued to reflect its fair value (indicative market value) using the fair price quoted by a bond pricing agency registered with the Securities Commission as per the Securities Commission's Guidelines on Unit Trust Funds. If such quotations are not available, the value shall be determined by reference to the last available quote provided the quote obtained is within the previous 30 days. Surplus or deficit on revaluation is transferred to the statement of profit or loss and other comprehensive income.

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM		
2017										
Financial assets										
Investments										
- Quoted equities	47,205,490	-	-	47,205,490	-	-	-	-	47,205,490	47,205,490
- Unquoted fixed income securities	-	22,359,839	-	22,359,839	-	-	-	-	22,359,839	22,359,839
	<u>47,205,490</u>	<u>22,359,839</u>	<u>-</u>	<u>69,565,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,565,329</u>	<u>69,565,329</u>
2016										
Financial assets										
Investments										
- Quoted equities	51,735,428	-	-	51,735,428	-	-	-	-	51,735,428	51,735,428
- Unquoted fixed income securities	-	13,978,346	-	13,978,346	-	-	-	-	13,978,346	13,978,346
	<u>51,735,428</u>	<u>13,978,346</u>	<u>-</u>	<u>65,713,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,713,774</u>	<u>65,713,774</u>

13.10.1 Fair value hierarchy

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfer between Level 1 and Level 2 fair values

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

Level 3 fair value

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

14. UNITS HELD BY THE MANAGER AND DIRECTORS OF THE MANAGER

Units held at the end of the financial year

	2017	2016
	No. of units	No. of units
Manager		
Eastspring Investments Berhad	1,364	1,303

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

15. STOCKBROKERS' AND DEALERS' TRANSACTIONS

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

Name of brokers/ dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>Financial year ended</u>				
<u>31 December 2017</u>				
UOB Kay Hian Securities (M) Sdn Bhd***	10,874,722	17.87	35,962	21.36
RHB Investment Bank Berhad***	10,594,845	17.40	9,922	5.89
Credit Suisse Securities (Malaysia) Sdn Bhd ***	8,048,481	13.22	26,261	15.60
Affin Hwang Investment Bank Berhad***	5,543,645	9.10	18,672	11.09
Maybank Investment Bank Berhad***	5,523,071	9.07	29,536	17.55
CIMB Investment Bank Berhad***	3,703,650	6.08	11,198	6.65
AmInvestment Bank Berhad**	2,948,310	4.84	3,415	2.03
CLSA Securities Malaysia Sdn Bhd***	2,332,219	3.83	8,190	4.87
Hong Leong Investment Bank Berhad***	2,274,697	3.74	8,145	4.84
Malayan Banking Berhad**	2,001,600	3.29	-	-
Others	7,041,692	11.56	17,027	10.12
	60,886,932	100.00	168,328	100.00

For the financial year ended 31 December 2017, the details of transactions above consists of trading activities of quoted equities and unquoted fixed income securities amounting to RM60,886,932.

Name of brokers/dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>Financial year ended</u>				
<u>31 December 2016</u>				
CIMB Bank Berhad*	1,694,190,000	89.81	-	-
Malayan Banking Berhad*	70,820,000	3.74	-	-
Public Bank Berhad*	19,180,000	1.02	-	-
RHB Investment Bank Berhad	13,321,429	0.71	22,151	9.59
RHB Bank Berhad*	12,710,000	0.67	-	-
Affin Hwang Investment Bank Berhad	10,763,469	0.57	35,212	15.25
Hong Leong Investment Bank Berhad	9,950,675	0.53	14,713	6.37
KAF Seagroatt & Campbell Securities Sdn Bhd	9,000,404	0.48	29,231	12.66
UOB Kay Hian Securities (M) Sdn Bhd	6,069,405	0.32	20,416	8.84
Ambank (M) Berhad	5,461,950	0.29	-	-
Others	34,967,765	1.86	109,192	47.29
	<u>1,886,435,097</u>	<u>100.00</u>	<u>230,915</u>	<u>100.00</u>

The details of transactions above consists of placements of deposits with financial institutions and trading activities of both quoted equities and unquoted fixed securities income amounting to RM1,796,900,000 and RM89,535,097 respectively in prior year. The details of transactions has been adjusted to reflect the placements of deposits with financial institutions in prior year.

Such transactions are identified in the notes as follows:

- * Transactions relating to placements of deposits with financial institutions.
- ** Transactions with these financial institutions solely consist of trading activities of unquoted fixed income securities.

*** Transactions with these financial institutions consist of trading activities of quoted equities and unquoted fixed income securities.

All brokers and dealers highlighted above are not related to the Manager (2016: Nil).

16. MANAGEMENT EXPENSE RATIO ("MER")

	2017	2016
	%	%
MER	1.72	1.70

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

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

- A = Management fee
- B = Trustee's fee
- C = Auditor's remuneration
- D = Tax agent's fees
- E = Administrative expenses
- F = Average Net Assets Value of the Fund calculated on a daily basis

The average Net Assets Value of the Fund for the financial year is RM78,984,680 (2016: RM76,321,270).

17. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR (times)	<u>0.39</u>	<u>0.59</u>

PTR is derived from the following calculation:

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

* Calculation of disposal excludes redemption of investments

	2017	2016
	RM	RM

Where:

Total acquisitions for the financial year	26,825,310	51,437,704
Total disposals for the financial year	<u>34,573,620</u>	<u>38,004,582</u>

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