

EASTSPRING INVESTMENTS CASH MANAGEMENT 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

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FUND INFORMATION

Name of Fund

Eastspring Investments Cash Management Fund (the “Fund”)

**Fund Category/
Type**

Money market/income

Fund Objective

The Fund seeks to provide a high level of liquidity with reasonable returns by investing in a portfolio of money market and other short-term debt instruments.

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

**Performance
Benchmark**

The performance benchmark of the Fund is Maybank overnight deposit rate.

Source: www.maybank2u.com.my

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

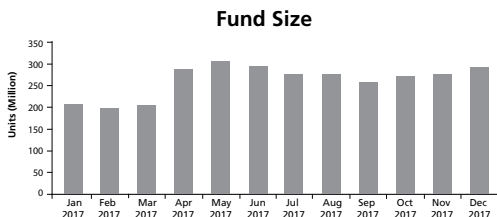
**Fund Income
Distribution Policy**

At least once a month, 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 Cash Management Fund stood at 291.414 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	23	19.33	30	0.01
5,001 to 10,000 units	4	3.36	29	0.01
10,001 to 50,000 units	23	19.33	580	0.20
50,001 to 500,000 units	44	36.97	8,588	2.95
500,001 units and above	25	21.01	282,186	96.83
Total	119	100.00	291,413	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Category	2017	2016	2015
	(%)	(%)	(%)
Unquoted fixed income securities	7.33	66.16	29.78
Cash and other assets	92.67	33.84	70.22
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	157,474	100,452	177,697
Units In Circulation (Units '000)	291,414	185,606	328,233
Net Asset Value Per Unit (RM)	0.5404	0.5412	0.5414
Highest Net Asset Value Per Unit (RM) [#]	0.5403	0.5412	0.5414
Lowest Net Asset Value Per Unit (RM) [#]	0.5392	0.5402	0.5405
Total Return (%)			
- Capital Growth	(0.17)	(0.04)	(0.02)
- Income Distribution	3.54	3.40	3.52
Total Return (%)	3.37	3.36	3.50
Gross Distribution Per Unit (RM)	0.0188	0.0181	0.0187
Net Distribution Per Unit (RM)	0.0188	0.0181	0.0187
Management Expense Ratio (MER) (%) [*]	0.60	0.60	0.57
Portfolio Turnover Ratio (PTR) (times) [^]	0.33	0.43	0.66

[#] 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	3.37	3.41	3.27
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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	3.37	3.36	3.50	3.13	3.00
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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

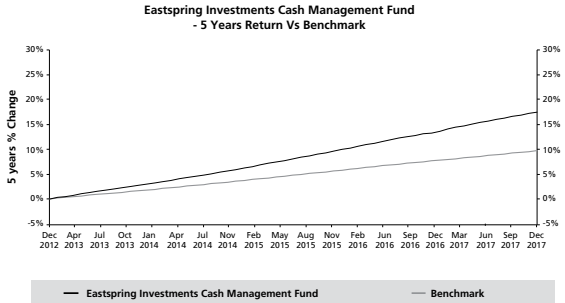
Fund Performance

Over the 5-year period, the Fund recorded a return of 17.46%, outperforming the benchmark return of 9.67% by 7.79%.

During the period under review, the Fund registered a return of 3.37%, outperforming the benchmark return of 1.75% by 1.62%.

Investments in short term corporate bonds, commercial papers and fixed deposit placements have contributed to the outperformance of the Fund.

The Fund met its investment objective to provide a high level of liquidity with reasonable returns.



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

Benchmark: Maybank overnight deposit rate

Source: Lipper for Investment Management and www.maybank2u.com.my, as at 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
(%)	(%)	(%)	(%)
3.54	(0.17)	3.37	1.75

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

Distribution/ Unit Split

Ex-date	16-Jan-17	15-Feb-17	15-Mar-17
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0019	0.0019	0.0016
Net	0.0019	0.0019	0.0016

Ex-date	17-Apr-17	15-May-17	15-Jun-17
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0015	0.0015	0.0016
Net	0.0015	0.0015	0.0016

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

Ex-date	6-Oct-17	6-Nov-17	6-Dec-17
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0016	0.0014	0.0012
Net	0.0016	0.0014	0.0012

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

MANAGER'S REPORT (CONTINUED)

Distribution/
Unit Split
(continued)

Ex-date	16-Jan-17	15-Feb-17	15-Mar-17
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	0.5422	0.5421	0.5415
Less: distribution	<u>(0.0019)</u>	<u>(0.0019)</u>	<u>(0.0016)</u>
Net Asset			
Value after distribution	<u>0.5403</u>	<u>0.5402</u>	<u>0.5399</u>
Ex-date	17-Apr-17	15-May-17	15-Jun-17
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	0.5417	0.5416	0.5416
Less: distribution	<u>(0.0015)</u>	<u>(0.0015)</u>	<u>(0.0016)</u>
Net Asset			
Value after distribution	<u>0.5402</u>	<u>0.5401</u>	<u>0.5400</u>
Ex-date	06-Jul-17	07-Aug-17	06-Sep-17
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	0.5410	0.5411	0.5411
Less: distribution	<u>(0.0015)</u>	<u>(0.0015)</u>	<u>(0.0016)</u>
Net Asset			
Value after distribution	<u>0.5395</u>	<u>0.5396</u>	<u>0.5395</u>

MANAGER'S REPORT (CONTINUED)

**Distribution/
Unit Split
(continued)**

Ex-date	06-Oct-17	06-Nov-17	06-Dec-17
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	0.5408	0.5404	0.5404
Less: distribution	<u>(0.0016)</u>	<u>(0.0014)</u>	<u>(0.0012)</u>
Net Asset Value after distribution	<u>0.5392</u>	<u>0.5390</u>	<u>0.5392</u>

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

**Investment
Strategy During
Period Under
Review**

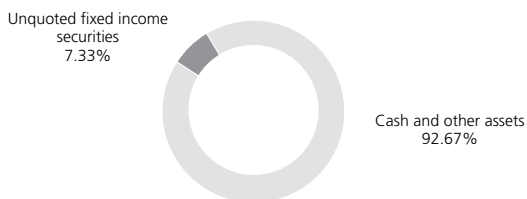
The Fund participated in fixed deposits, selective quality short-term debt securities for yield pick-up and short-term money market instruments for liquidity purposes.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Dec 2017 (%)	31-Dec 2016 (%)	Changes (%)
Unquoted fixed income securities	7.33	66.16	(58.83)
Cash and other assets	92.67	33.84	58.83

Asset Allocation as at 31 December 2017



The percentage holding of unquoted fixed income securities decreased as the Fund bought short-term money market instruments for liquidity purposes 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 investment strategy, asset allocation, 2nd paragraph of the interest rate risk, 10th paragraph of how to redeem units and minimum holdings of units have been revised as set out in (b) to (f) below.

b. Investment Strategy

The Fund seeks to achieve its objective by investing in a portfolio of money market instruments and short-term* debentures.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

The Fund shall invest in money market instruments issued by financial institutions in Malaysia and/or short-term debentures issued and offered in Malaysia. The money market instruments and/or short-term debentures shall carry minimum credit rating of BBB or P2 by RAM Rating Services Berhad, or its equivalent rating by any other domestic rating agencies. Should the credit rating of the money market instruments and/or short-term debentures or the issuing financial institutions and/or corporations be downgraded by the rating agencies to below the minimum credit rating, the Manager shall cease to place new monies with the financial institutions concerned and/or dispose the affected short-term debentures in the market.

* Investments which have a remaining maturity period of not more than 732 days.

c. Asset Allocation

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

d. Interest Rate Risk – 2nd paragraph

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

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

e. How To Redeem Units – 10th paragraph

The Manager shall despatch the redemption proceeds to you within ten (10) calendar days (except for Eastspring Cash Management, Eastspring Islamic Income and Eastspring Institutional Income where redemption proceeds shall be despatched within four (4) Business Days) via E-payment according to your bank account details stated in the form from the date the Manager receives the duly completed transaction form. If you redeem immediately after the purchase of Units, the Manager shall have the right to withhold the redemption application until sufficient time has elapsed to ensure that the amount remitted by you (for purchase of Units) is realised and credited to the Manager's principal bank account.

f. 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

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

Malaysian economy is projected to remain strong supported by firmer domestic activity and external sectors. Domestic demand remains the key driver of growth supported by continued improvements in income and employment. Investment activity is sustained by infrastructure projects and higher capital investment in the manufacturing and services sectors. Headline inflation is projected to moderate in 2018 on expectations of a smaller effect from global cost factors, driven mostly by movement in future global oil prices. The ringgit has strengthened to better reflect the economic fundamentals. The MPC viewed that at the current level of the OPR, the stance of monetary policy remained accommodative. However, the MPC may consider reviewing the current degree of monetary policy accommodation given the strength of the global and domestic macroeconomic conditions to ensure the sustainability of the growth prospects of the Malaysian economy.

Reflecting the unchanged OPR, interbank short-term rates remained relatively stable. Liquidity surpluses kept the short-term rates within a tight trading range, with the overnight and 1-week rates traded at 2.95% to 3.05% respectively, while the 1-month rates dealt in the range of 3.15% to 3.18%.

In the short-term bills market, both 1-month and 1-year yields dropped by 10 - 24bps to close the year at 2.91% and 2.93% respectively.

REBATES AND SOFT COMMISSIONS

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

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EASTSPRING INVESTMENTS CASH MANAGEMENT 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 22 to 56, 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 Cash Management 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 CASH MANAGEMENT FUND

(Established in Malaysia)

We have acted as Trustee for Eastspring Investments Cash Management 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 distributions made during this financial year ended 31 December 2017 by the Manager are not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching

Senior Manager, Trustee Operations

Richard Lim Hock Seng

Chief Executive Officer

Kuala Lumpur

Date: 14 February 2018

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

(Established in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of Eastspring Investments Cash Management 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 22 to 56.

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			
Unquoted fixed income securities	4	11,550,036	66,463,535
Deposits with licensed financial institutions		<u>145,090,000</u>	<u>33,210,000</u>
		<u>156,640,036</u>	<u>99,673,535</u>
OTHER ASSETS			
Other receivables	5	915,291	963,719
Bank balance with a licensed bank		<u>22,698</u>	<u>20,943</u>
		<u>937,989</u>	<u>984,662</u>
TOTAL ASSETS		<u>157,578,025</u>	<u>100,658,197</u>
LIABILITIES			
Amount due to Manager		-	125,778
Accrued management fee		70,692	48,870
Amount due to Trustee		7,069	4,887
Other payables and accrued expenses		<u>25,825</u>	<u>26,189</u>
TOTAL LIABILITIES		<u>103,586</u>	<u>205,724</u>
NET ASSETS VALUE		<u>157,474,439</u>	<u>100,452,473</u>
REPRESENTED BY:			
Unit holders' capital	6	132,545,828	77,529,829
Undistributed income		<u>24,928,611</u>	<u>22,922,644</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS		<u>157,474,439</u>	<u>100,452,473</u>
NUMBER OF UNITS IN CIRCULATION	6	<u>291,414,331</u>	<u>185,606,440</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT - EX-DISTRIBUTION (SEN)		<u>0.5404</u>	<u>0.5412</u>

The notes on pages 27 to 56 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
Interest income		5,583,375	5,902,193
(Amortisation of premium)/Accretion of discount		(228,331)	256,478
Net realised gain/(loss) on sale of investments		11,655	(58)
Net unrealised gain/(loss) from financial instruments at fair value through profit or loss		117,694	(116,224)
TOTAL INCOME		5,484,393	6,042,389
EXPENSES			
Management fee	7	(700,623)	(763,528)
Trustee's fee	8	(70,062)	(76,353)
Auditors' remuneration		(10,000)	(10,000)
Tax agent's fee		(3,400)	(3,400)
Administrative expenses		(63,115)	(56,149)
TOTAL OPERATING EXPENSES		(847,200)	(909,430)
NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,637,193	5,132,959
Net income is made up as follows:			
Realised amount		4,519,499	5,249,183
Unrealised amount		117,694	(116,224)
		4,637,193	5,132,959

The notes on pages 27 to 56 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		154,511,824	23,185,150	177,696,974
Movement in unit holders' contribution:				
Creation of units		143,760,770	-	143,760,770
Cancellation of units		(220,969,121)	-	(220,969,121)
Total comprehensive income for the year		-	5,132,959	5,132,959
Income distributions	9	226,356	(5,395,465)	(5,169,109)
AT 31 DECEMBER 2016/ 1 JANUARY 2017		77,529,829	22,922,644	100,452,473
Movement in unit holders' contribution:				
Creation of units		216,906,080	-	216,906,080
Cancellation of units		(159,642,755)	-	(159,642,755)
Total comprehensive income for the year		-	4,637,193	4,637,193
Income distributions	9	(2,247,326)	(2,631,226)	(4,878,552)
AT 31 DECEMBER 2017		132,545,828	24,928,611	157,474,439

Note 6

The notes on pages 27 to 56 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	110,706,900	88,579,950
Purchase of investments	(55,892,383)	(101,980,016)
Movement in deposits with licensed financial institutions	(111,880,000)	89,900,000
Interest received	5,631,803	6,626,852
Payment for other fees and expenses	(823,560)	(949,134)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	<u>(52,257,240)</u>	<u>82,177,652</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	212,027,770	139,722,283
Payments for cancellation of units	(159,768,533)	(220,850,102)
Distributions paid	(242)	(1,130,621)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<u>52,258,995</u>	<u>(82,258,440)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,755	(80,788)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>20,943</u>	<u>101,731</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>22,698</u>	<u>20,943</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Bank balance with a licensed bank	<u>22,698</u>	<u>20,943</u>

The notes on pages 27 to 56 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	77,529,829	52,259,237	2,756,762	132,545,828
Undistributed income	22,922,644	(242)	2,006,209	24,928,611
Closing balance	100,452,473	52,258,995	4,762,971	157,474,439

The notes on pages 27 to 56 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 Cash Management 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 portfolio of short-term money market instruments and other short-term debentures. 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 2003 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 a high level of liquidity with reasonable returns by investing in a portfolio of money market and other short-term debt instruments.

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

The preparation of financial statements in conformity with MFRSs requires management to make 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 in the period in which the estimates are revised and in any future periods affected.

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 unquoted equity instruments whose fair values 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 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.

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.

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, except for share-based payment and lease transactions, 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. UNQUOTED FIXED INCOME SECURITIES

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value	Percentage of net assets value
			Unit	RM	RM	%
2017						
Corporate Bonds						
Jimah Energy Ventures Sdn. Bhd.	AA3	12.11.2018	3,500,000	3,633,851	3,637,550	2.31
Perbadanan Kemajuan Negeri Selangor	AA3	25.05.2018	2,900,000	2,904,580	2,903,886	1.84
Quantum Solar Park (Semenanjung) Sdn. Bhd.	AA- IS	05.04.2019	5,000,000	5,009,890	5,008,600	3.18
Total Unquoted Fixed Income Securities			11,400,000	11,548,321	11,550,036	7.33

4. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value	Percentage of net assets value
2016						
Corporate Bonds						
ADCB Finance (Cayman) Limited	AAA(BG)	03.05.2017	15,000,000	15,007,999	14,986,050	14.92
AMMB Holdings Berhad BGSM Management Sdn. Bhd.	AA3	08.08.2017	5,000,000	4,995,462	4,995,950	4.97
First Resources Limited	AA3	28.12.2017	5,000,000	5,097,510	5,077,750	5.05
First Resources Limited	AA2	31.07.2017	2,500,000	2,503,826	2,499,100	2.49
OCBC Bank (Malaysia) Berhad	AA2	08.12.2017	5,000,000	5,008,742	4,988,900	4.97
Perbadanan Kemajuan Negeri Selangor	AA1	15.08.2022	10,000,000	10,000,292	9,986,700	9.94
RHB Bank Berhad	AA3	09.08.2017	10,000,000	10,004,626	9,985,000	9.94
RHB Investment Bank Berhad	AA3	06.05.2022	10,000,000	10,006,405	9,998,700	9.95
Special Port Vehicle Berhad	AA3	09.12.2022	2,500,000	2,503,859	2,496,400	2.49
	AAA	28.07.2017	1,500,000	1,450,792	1,448,985	1.44
Total Unquoted Fixed Income Securities			66,500,000	66,579,513	66,463,535	66.16

5. Other receivables

	2017	2016
	RM	RM
Interest receivables	<u>915,291</u>	<u>963,719</u>

6. NUMBER OF UNITS IN CIRCULATION

	Note	No. of units	RM
As at 1 January 2016		328,233,191	154,511,824
Add: Creation of units	6.1	265,661,920	143,760,770
Less: Cancellation of units		(408,288,671)	(220,969,121)
Less: Income Distribution		-	226,356
		<u> </u>	<u> </u>
As at 31 December 2016/1 January 2017		185,606,440	77,529,829
Add: Creation of units	6.1	401,344,165	216,906,080
Less: Cancellation of units		(295,536,274)	(159,642,755)
Less: Income Distribution		-	(2,247,326)
At 31 December 2017		<u>291,414,331</u>	<u>132,545,828</u>

6.1 Creation of units

During the year, 9,038,205 units (2016: 7,716,850 units) amounting to RM4,878,310 (2016: RM4,038,488) were created from reinvestment of income distributions.

7. MANAGEMENT FEE

The Deed provides that the Manager is entitled to a management fee at a rate not exceeding 2.00% (2016: 2.00%) 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 0.50% (2016: 0.50%) per annum of the Net Assets Value of the Fund, calculated on a daily basis.

8. 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 RM18,000 per annum.

The Trustee is currently entitled to a fee at a rate of 0.05% (2016: 0.05%) per annum of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM18,000 per annum.

9. TAX EXPENSE

	Note	2017	2016
		RM	RM
Current tax expense		-	-
Reconciliation of tax expense			
Net income before tax		4,637,193	5,132,959
Income tax using Malaysian tax rate of 24%		1,112,926	1,231,910
Non-assessable income	9.1	(1,371,054)	(1,478,081)
Non-deductible expenses		29,647	28,299
Restriction on the tax deductible expenses for unit trust funds		228,481	217,872
		-	-

9.1 Non-assessable income

There is no tax expense charge for the current and previous financial year. 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.

10. INCOME DISTRIBUTIONS

During the current financial year, the Manager declared an aggregate gross distribution of 1.88 sen per unit (2016: 1.81 sen per unit) for investors of Eastspring Investments Cash Management Fund.

	2017	2016
	RM	RM
Distribution to unit holders is from realised income:		
Interest income	123,567	179,100
Net realised gain on sale of investments	185	4
Accretion of discount, net of amortisation of premium	(4,026)	9,989
Previous year's realised income	2,530,090	5,233,777
Expenses	(18,590)	(27,405)
	<u>2,631,226</u>	<u>5,395,465</u>
Distribution equalisation	2,247,326	(226,356)
Net distribution	<u>4,878,552</u>	<u>5,169,109</u>

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

During the financial year, distributions were made as follows:

Aggregate gross/Net distribution		
	2017	2016
Ex-date	Sen/unit	Sen/unit
16 January/15 January	0.19	0.16
15 February	0.19	0.15
15 March	0.16	0.17
17 April/15 April	0.15	0.16
15 May/16 May	0.15	0.15
15 June	0.16	0.17
6 July/15 July	0.15	0.15
7 August/15 August	0.15	0.16
6 September/15 September	0.16	0.16
6 October/17 October	0.16	0.12
6 November/15 November	0.14	0.16
6 December/15 December	0.12	0.10
Total	1.88	1.81

11. FINANCIAL INSTRUMENTS

11.1 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			
- Unquoted corporate bonds	11,550,036	-	11,550,036
- Deposits with licensed financial institutions	145,090,000	145,090,000	-
Other receivables	915,291	915,291	-
Bank balance with a licensed bank	22,698	22,698	-
	<u>157,578,025</u>	<u>146,027,989</u>	<u>11,550,036</u>
Financial liabilities			
Accrued management fee	(70,692)	(70,692)	-
Amount due to Trustee	(7,069)	(7,069)	-
Other payables and accrued expenses	(25,825)	(25,825)	-
	<u>(103,586)</u>	<u>(103,586)</u>	<u>-</u>

	Carrying amount	L&R/ (FL)	FVTPL-HFT
	RM	RM	RM
2016			
Financial assets			
Investments			
- Unquoted corporate bonds	66,463,535	-	66,463,535
- Deposits with licensed financial institutions	33,210,000	33,210,000	-
Other receivables	963,719	963,719	-
Bank balance with a licensed bank	20,943	20,943	-
	<u>100,658,197</u>	<u>34,194,662</u>	<u>66,463,535</u>
Financial liabilities			
Amount due to Manager	(125,778)	(125,778)	-
Accrued management fee	(48,870)	(48,870)	-
Amount due to Trustee	(4,887)	(4,887)	-
Other payables and accrued expenses	(26,189)	(26,189)	-
	<u>(205,724)</u>	<u>(205,724)</u>	<u>-</u>

11.2 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	117,694	(116,224)
- realised	2,180,944	1,779,382
Loans and receivables	3,185,755	4,379,231
	<u>5,484,393</u>	<u>6,042,389</u>

11.3 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

11.4 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 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.

11.5 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 Manager, interest 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 statement of financial position.

11.6 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 Manager, amount due to Trustee, accrued management fee 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.

11.7 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.

11.7.1 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 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	11,550,036	66,463,535
Deposits with licensed financial institutions	145,090,000	33,210,000
	<u>156,640,036</u>	<u>99,673,535</u>

Interest rate risk sensitivity analysis

Fair 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*	4.47	4.60
Deposits with licensed financial institutions**	<u>3.84</u>	<u>3.91</u>

* 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.

11.7.2 Other price risk

Bond price risk sensitivity analysis

Investments in unquoted fixed income instruments consist of corporate bonds and commercial papers. All commercial papers have maturities of less than one year. 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 RM1,155,004 (2016: RM6,646,354) as at 31 December 2017. A weakening of bond market price would have resulted in an equal but opposite effect.

11.8 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 4 and 11.7.1.

11.9 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.

11.10 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 unquoted fixed income securities, together with the carrying amounts shown in the statement of financial position, are already disclosed in Note 4.

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

Unquoted fixed income securities

Unquoted fixed income securities issued by Malaysian and foreign 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 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM		
2017								
Financial assets								
Unquoted fixed income securities	-	11,550,036	-	11,550,036	-	-	-	11,550,036
2016								
Financial assets								
Unquoted fixed income securities	-	66,463,535	-	66,463,535	-	-	-	66,463,535

11.10.1 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.

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

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.

Units held at the end of the financial year

	2017	2016
	No. of units	No. of units
Manager		
Eastspring Investments Berhad	1,229	1,187

13. DEALERS' TRANSACTIONS

The details of dealers' transactions by placements and value of trades are as follows:

Name of dealers	Value of trades	Percentage of total trades
	RM	%
<u>Financial year ended 31 December 2017</u>		
RHB Investment Bank Berhad ***	28,042,483	30.28
Hong Leong Bank Berhad ***	26,672,550	28.80
Hong Leong Investment Bank Berhad ***	12,847,250	13.87
Alliance Bank Malaysia Berhad ***	10,015,550	10.82
AmBank Islamic Berhad ***	10,010,000	10.81
CIMB Bank Berhad ***	5,011,450	5.42
	92,599,283	100.00

The details of transactions above consists of trading activities of unquoted fixed income securities amounting RM92,599,283.

Name of dealers	Value of trades	Percentage of total trades
	RM	%
<u>Financial year ended 31 December 2016</u>		
CIMB Bank Berhad*	2,055,628,199	61.40
Malayan Banking Berhad*	802,085,900	23.96
Public Bank Berhad **	130,230,000	3.89
Deutsche Bank (M) Berhad **	108,518,000	3.24
AmBank (M) Berhad*	60,826,016	1.82
Alliance Bank Malaysia Berhad*	41,990,750	1.25
RHB Investment Bank Berhad ***	35,554,750	1.06
Others**	113,174,350	3.38
	<u>3,348,007,965</u>	<u>100.00</u>

The details of transactions above consists of placements of deposits with financial institutions and trading activities of unquoted fixed income securities amounting to RM3,217,448,000 and RM130,559,965 respectively. The details of transactions above 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 with these financial institutions consist of both placements of deposits and trading activities of unquoted fixed income securities.
- ** Transactions with these financial institutions solely consist of placements of deposits.
- *** Transactions with these financial institutions solely consist of trading activities of unquoted fixed income securities.

All dealers highlighted above are not related to the Manager. No brokerage fee was incurred for the financial year under review (2016: Nil).

14. MANAGEMENT EXPENSE RATIO ("MER")

	2017	2016
	%	%
MER	0.60	0.60

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 RM140,122,420 (2016: RM152,703,219).

15. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR (times)	<u>0.33</u>	<u>0.43</u>

PTR is derived from the following calculation:

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

* Calculation of disposal excludes redemption of investments

	2017	2016
	RM	RM

Where:

Total acquisitions for the financial year	55,892,383	101,980,015
Total disposals for the financial year	<u>36,706,900</u>	<u>28,579,950</u>

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THE MANAGER

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