A member of Prudential plc (UK)

EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS 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,

Raymond Tang Chee Kin
Non-Independent, Executive Director and Chief Executive Officer

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FUND INFORMATION

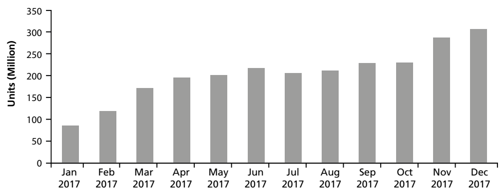
Name of Fund	Eastspring Investments Global Emerging Markets Fund (the "Fund")
Fund Category/ Type	Feeder fund (global equity)/growth
Fund Objective	The Fund seeks to achieve long-term capital growth by investing in a collective investment scheme called the Schroder International Selection Fund Emerging Markets, which in turn seeks to provide capital growth primarily through investment in equity securities of emerging markets companies. **SHOULD THE MANAGER DECIDE TO INVEST IN ANOTHER COLLECTIVE INVESTMENT SCHEME OTHER THAN THE SCHRODER INTERNATIONAL SELECTION FUND EMERGING MARKETS FOR ANY REASON WHATSOEVER, UNIT HOLDERS' APPROVAL IS REQUIRED.**
Performance Benchmark	The performance benchmark of the Fund is MSCI EM Net TR. **Source:** www.msci.com **Note:** The risk profile of the Fund is different from the risk profile of the performance benchmark.
Fund Income Distribution Policy	Incidental

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 December 2017, the size of Eastspring Investments Global Emerging Markets Fund stood at 303.775 million units.

Fund Size



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	95	18.20	268	0.09
5,001 to 10,000 units	75	14.37	568	0.19
10,001 to 50,000 units	220	42.15	5,615	1.85
50,001 to 500,000 units	117	22.41	17,560	5.77
500,001 units and above	15	2.87	279,763	92.10
Total	**522**	**100.00**	**303,774**	**100.00**

* excludes units held by the Manager.

KEY PERFORMANCE DATA
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Category	**2017**	**2016**	**2015**
	(%)	**(%)**	**(%)**
Collective investment scheme-Foreign	96.01	96.07	97.06
Cash and other assets	3.99	3.93	2.94
Total	**100.00**	**100.00**	**100.00**
Net Asset Value (NAV) (RM'000)	117,336	17,696	17,045
Units In Circulation (Units '000)	303,775	56,784	61,982
Net Asset Value Per Unit (RM)	0.3863	0.3116	0.2750
Highest Net Asset Value Per Unit (RM)	0.3948	0.3122	0.2967
Lowest Net Asset Value Per Unit (RM)	0.3129	0.2357	0.2570
Total Return (%)			
- Capital Growth	23.97	13.31	6.10
- Income Distribution	-	-	-
Total Return (%)	23.97	13.31	6.10
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.57	0.59	0.61
Portfolio Turnover Ratio (PTR) (times)^	1.06	0.14	0.18

* There were no significant changes to the MER during the period under review.

^ The PTR was higher as the Fund saw more inflows 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	23.97	14.21	9.59

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	23.97	13.31	6.10	1.09	4.95

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

Bases of calculation and assumptions made in calculating returns:

Percentage growth = $\frac{NAV_t}{NAV_0}-1$

NAV_t = NAV at the end of the period

NAV_0 = NAV at the beginning of the period

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

Adjusted for unit split and distribution paid out for the period

n = Number of years

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

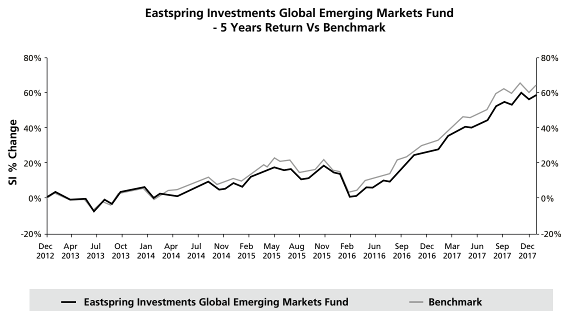
MANAGER'S REPORT

Fund Performance

For the 5-year period, the Fund recorded a return of 58.13%, underperforming the benchmark return of 63.67% by 5.54%.

During the period under review, the Fund registered a return of 23.97%, in line with the benchmark return of 23.80% by 0.17%.

The Fund met its investment objective and outperformed the benchmark for the period under review due to positive contribution from stock selection



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

Benchmark: MSCI EM Net TR.

Source: Lipper for Investment Management and www.msci.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 (%)
0.00	23.97	23.97	23.80

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

Distribution/ Unit Split

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

Investment Strategy During The Period Under Review

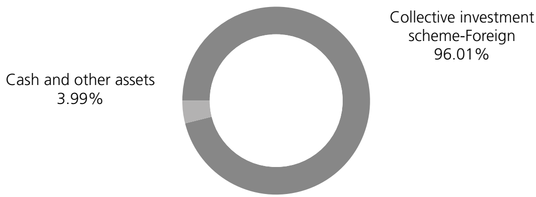
The Target Fund Manager, Schroders has a balanced approach to investing in emerging markets (EM). The Target Fund Manager uses a mix of top-down analysis and bottom-up stock selection, looking to derive 50% of their added value from country allocation and 50% from stock selection. Their core investment process does not target any particular style bias and aims to outperform in most market environments.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Dec 2017	31-Dec 2016	Changes
	(%)	(%)	(%)
Collective investment scheme-Foreign	96.01	96.07	(0.06)
Cash and other assets	3.99	3.93	0.06

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 temporary defensive positions and the 2nd paragraph of the errors in calculation of the net asset value of the target fund's risk as set out in (b) and (c) below have been deleted, and the asset allocation, currency risk, investment strategy of the target fund and minimum holdings of units have been revised as set out in (d) to (g) below. There is also amendments on permitted investments & investment restrictions and limits of the target fund as set out in (h) below:

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

b. Temporary Defensive Positions
Deleted:
The Manager may not adopt temporary defensive positions.

c. Errors in Calculation of the net asset value of the M&G Global Basics Fund ("Target Fund")'s risk – 2nd paragraph
Deleted:
In view of the foregoing, Unit Holders must be aware that there are circumstances where neither the Target Fund nor the Manager will be bound to compensate final beneficial owners.

d. Asset Allocation

Asset Class	% of the Fund's NAV
Schroder International Selection Fund Emerging Markets	Minimum of 95%
Deposits or liquid assets	Minimum of 1%

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

e. Currency Risk

As the investments of the Fund may be denominated in currencies other than the base currency, any fluctuation in the exchange rate between the base currency and the currencies in which the investments are denominated may have an impact on the value of these investments. Investors should be aware that if the currencies in which the investments are denominated depreciate against the base currency, this will have an adverse effect on the NAV of the Fund in the base currency and vice versa. Investors should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.

The impact of the exchange rate movement between the base currency of the Fund and the currency of the underlying investments may result in a depreciation of the value of the investments as expressed in the base currency of the Fund.

In the normal course of investment, the Fund does not engage any currency hedging strategy in mitigating the currency risk. The Manager may, however, depending on prevailing market circumstances at a particular point in time, choose to use forward or option contracts for hedging and risk reduction purposes.

f. Investment Strategy of the Target Fund

The Target Fund invest at least two-thirds of its assets in equity and equity-related securities of companies in emerging markets.

The Target Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Target Fund more efficiently. The Target Fund may also invest in money market instruments and hold cash.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

g. 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.

h. Permitted Investments & Investment Restrictions and Limits of the Target Fund

1. Terminology changes

a) "financial derivatives instruments" to "derivatives"
b) "UCITS Directive" to "UCITS IV Directive"
c) "fourth Directive 78/660/EEC" or "directive 83/349/EEC" to "Directive 2013/34/EU"
d) "circular 13/559 relating to ESMA guidelines on ETFs and other UCITS issues" to "circular 14/592"
e) "depository" to "custody"

2. Insertion or deletion

a) Deletion of footnote in section 7 – Miscellaneous
b) Deletion of 1. E (3)

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

Deleted:
The company may acquire no more than 25% of the units of the same Undertaking for Collective Investment In Transferable Securities ("UCITS") and/or other Undertakings for Collective Investment ("UCI"). This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple sub-funds, this restriction is applicable by reference to all units issued by the UCITS/UCI concerned, all sub-funds combined.

c) Addition of new paragraph under section 3:
Since the counterparties with which the Target Fund enter into total return swaps do not assume any discretion over the Target Fund's investments (including the reference assets, if any), no approval of the counterparties is required for any transactions relating to the investments of the Target Fund.

d) Addition of new sentence under 5 (E):
By way of derogation, the Target Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, Eligible State or a public international body to which one or more of its local Member States belong. In that case the Target Fund must receive securities from at least six different issues, but securities from any single issue shall not account for more than 30% of the net asset value of the Target Fund.

e) Addition of new sentence under section 6:
This supplementary information includes the VaR levels set for the Target Fund using such risk measure.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

3. Revision

a) 1. (E) No Target Fund may invest more than 10% of its net assets in units of UCITS or other UCIs, unless otherwise specified in appendix III of the Target Fund prospectus and funds identified as Feeder UCITS as provided for in the investment objective and policy in appendix III of the Target Fund prospectus. In addition, except for funds identified as Feeder UCITS, the following limits shall apply:

b) 2. (F) The Company may acquire securities in which it is permitted to invest in pursuit of its investment objective and policy through underwriting or sub-underwriting.

c) 5. (I) (4) invested in short-term money market funds as defined in the "ESMA" Guidelines on a Common Definition of European Money Market Funds". Re-invested cash collateral shall be diversified in accordance with the diversification requirements applicable to non-cash collateral.

MARKET REVIEW

Global equities performed well in the first quarter, supported by improved global growth. In the US, economic data remained firm and the Federal Reserve ("Fed") hiked interest rates by 25bps, in line with expectations. However, optimism towards reflation in the US moderated as the market questioned the ability of the Trump administration to deliver its pro-growth agenda following its failure to reform healthcare. The US dollar weakened in response, which was a positive for emerging markets ("EM"). Taken in combination with a lack of US protectionist trade policy action, the MSCI Emerging Markets Index posted a robust return and outperformed the MSCI World.

Global equities generated a strong return in the second quarter, as global growth maintained a steady recovery. In the US, macroeconomic data was mixed but the Federal Reserve ("Fed") continued to gradually normalise monetary policy, raising its key rate by 25bps to 1.25% in June. However, political uncertainty reduced expectations for the scale and timing of fiscal expansion, and the US dollar weakened. In Europe, political risk eased following the victory of Emmanuel Macron in the French presidential election. Meanwhile, macroeconomic data strengthened and European Central Bank governor Mario Draghi indicated that a continuation of this positive trend could lead to the removal of economic stimulus. Emerging market equities were beneficiaries of a supportive global backdrop and the MSCI Emerging Markets Index registered a strong gain, outperforming the MSCI World.

Global equities registered a positive return in the third quarter (Q3) amid a continued "Goldilocks" scenario with the economy neither "too hot" nor "too cold" given firm growth and modest inflation. Geopolitical uncertainty, stemming from North Korea, had minimal impact on market sentiment. US Q2 GDP growth was 3.1% year-on-year ("y-o-y") but core inflation showed little sign of a pickup. The Federal Reserve ("Fed") confirmed plans for balance sheet normalisation in September. However, despite downgrading inflation forecasts, it signalled that it is likely to raise interest rates in December. Meanwhile, the resignation of the Fed vice-chairman increased the potential for President Trump to reshape policy at the Fed, with four vacancies coming available on the bank's board. Expectations for fiscal stimulus continued to diminish until the revival of tax reform proposals in late September. These factors supported a move up in US bond yields, which had been on a downward trend for much of the quarter. In the eurozone, Q2 GDP growth was 2.3% y-o-y while higher frequency data remained firm. The European Central Bank expects to set out its plans for tapering its quantitative easing programme in October. Despite the pick-up at the end of the quarter, the US dollar lost value, which was beneficial for emerging markets. Ongoing strength in the Chinese economy, coupled with improved commodity prices was also supportive. The MSCI Emerging Markets Index recorded a robust return and outperformed the MSCI World.

Global equities registered a robust return in the fourth quarter (Q4) of 2017. In the US, markets were boosted by optimism for tax reforms, which were passed by Congress and signed into legislation by President Trump at the end of December. Macroeconomic data remained firm and US Q3 GDP growth was revised up to 3.2% year-on-year ("y-o-y"). The Federal Reserve ("Fed") hiked interest rates by 25bps in December, in line with expectations. Although the Fed raised its growth expectations for 2018, it left its core inflation projections unchanged, and does not expect this to return to the 2% target until the end of 2019. In the eurozone, GDP growth was 2.6% y-o-y in Q3 and higher frequency indicators remained robust. Emerging markets recorded a strong return, with political developments supporting gains. The MSCI Emerging Markets Index increased in value and outperformed the MSCI World.

The Target Fund Manager, Schroders expects global growth to be sustained at 3.3% this year, marginally higher than the 3.2% expected for 2017. This should continue to support global trade, which is positive for emerging markets ("EM"). EM are forecast to grow at an aggregate 4.9% in 2018, in line with 4.9% anticipated in 2017. China's economy is projected to expand at a robust rate in 2018. However, the target Fund Manager expects the pace of growth to decelerate to 6.4%, from 6.8% in 2017, given a tightening of monetary conditions. This is an outcome of a positive move to address regulatory arbitrage and risks in the financial system. Elsewhere, they expect continued economic recovery in Russia and Brazil.

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 GLOBAL EMERGING MARKETS FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL EMERGING MARKETS FUND

We have acted as Trustee for Eastspring Investments Global Emerging Markets Fund (the "Fund") for 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.

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 GLOBAL EMERGING MARKETS FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

<u>Our opinion</u>

In our opinion, the financial statements of Eastspring Investments Global Emerging Markets Fund ("the Fund") 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 financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

<u>What we have audited</u>

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 56.

<u>Basis for opinion</u>

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.

<u>Independence and other ethical responsibilities</u>

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
Date: 14 February 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
INVESTMENT INCOME			
Interest income from deposits with licensed financial institutions		101,988	10,929
Net gain on financial assets at fair value through profit or loss	6	12,460,794	1,892,982
Net foreign currency exchange loss		(243,808)	(42,661)
		12,318,974	1,861,250
EXPENSES			
Management fee	3	(267,657)	(51,206)
Trustee fee	4	(55,282)	(18,000)
Audit fee		(6,300)	(6,300)
Tax agent fee		(3,400)	(3,400)
GST charges		(20,222)	(4,152)
Other expenses		(41,288)	(6,117)
		(394,149)	(89,175)
PROFIT BEFORE TAXATION		11,924,825	1,772,075
TAXATION	5	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		11,924,825	1,772,075
Profit after taxation is made up of the following:			
Realised amount		3,991,573	175,643
Unrealised amount		7,933,252	1,596,432
		11,924,825	1,772,075

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
ASSETS			
Cash and cash equivalents	7	4,439,518	723,436
Amount due from Manager		2,415,078	97,285
Financial assets at fair value through profit or loss	6	112,657,743	17,000,675
TOTAL ASSETS		119,512,339	17,821,396
LIABILITIES			
Amount due to broker		1,999,545	-
Amount due to Manager		102,877	93,206
Accrued management fee		34,472	5,445
Amount due to Trustee		7,549	1,525
GST charges payable		2,521	418
Other payables and accruals		29,662	24,857
TOTAL LIABILITIES		2,176,626	125,451
NET ASSET VALUE OF THE FUND		117,335,713	17,695,945
EQUITY			
Unit holders' capital		107,224,035	19,509,092
Retained earnings/(Accumulated losses)		10,111,678	(1,813,147)
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		117,335,713	17,695,945
NUMBER OF UNITS IN CIRCULATION	8	303,774,604	56,783,942
NET ASSET VALUE PER UNIT (RM)		0.3863	0.3116

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Unit holders' capital	Retained earnings/ (Accumulated losses)	Total
	RM	RM	RM
Balance as at 1 January 2017	19,509,092	(1,813,147)	17,695,945
Movement in unit holders' contribution:			
Creation of units from applications	148,802,641	-	148,802,641
Cancellation of units	(61,087,698)	-	(61,087,698)
Total comprehensive income for the financial year	-	11,924,825	11,924,825
Balance as at 31 December 2017	107,224,035	10,111,678	117,335,713
Balance as at 1 January 2016	20,630,174	(3,585,222)	17,044,952
Movement in unit holders' contribution:			
Creation of units from applications	5,152,802	-	5,152,802
Cancellation of units	(6,273,884)	-	(6,273,884)
Total comprehensive income for the financial year	-	1,772,075	1,772,075
Balance as at 31 December 2016	19,509,092	(1,813,147)	17,695,945

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		31,255,136	3,221,871
Purchase of investments		(112,451,866)	(1,410,578)
Interest income received from deposits with licensed financial institutions		101,988	10,929
Management fee paid net of rebates		(238,630)	(50,597)
Trustee fee paid		(49,258)	(20,180)
Payment for other fees and expenses		(64,302)	(31,705)
Net foreign exchange loss		(243,808)	(42,661)
Net cash (used in)/ generated from operating activities		(81,690,740)	1,677,079
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		146,484,848	5,083,713
Payments for cancellation of units		(61,078,026)	(6,181,787)
Net cash generated from/(used in) financing activities		85,406,822	(1,098,074)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,716,082	579,005
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		723,436	144,431
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	4,439,518	723,436

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Annual improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosure of Interests in Other Entities'

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

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

i. Financial year beginning on/after 1 January 2018

- MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:
  - For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

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

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

The Fund will apply these standards when effective. These standard are not expected to have a significant impact on the Fund's financial statements.

B. INCOME RECOGNITION

Interest income earned from short term deposits is recognised on the accrual basis using the effective interest method.

Realised gain or loss on sale of investments is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis for collective investment scheme.

C. TAXATION

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

Tax on dividend income from foreign collective investment scheme is based on the tax regime of the respective country that the Fund invests in.

D. PRESENTATION AND FUNCTIONAL CURRENCY

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

E. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

The Fund designates its investment in collective investment scheme as financial assets at fair value through profit or loss at inception.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise cash and cash equivalents and amount due from Manager.

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

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

ii. Recognition and measurement

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

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

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

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

Unrealised gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ including the effects of currency translation’are presented in the statement of comprehensive income within ‘net gain/(loss) on financial assets at fair value through profit and loss’ in the period in which they arise. Any unrealised gains however are not distributable.

Collective investment scheme are valued based on the last published net asset value per unit or share of such collective investment schemes or, if unavailable, on the average of the last published buying price and the last published selling price of such unit or share (excluding any sales charge included in selling in such selling price).

Foreign exchange gains and losses on the financial instrument are recognised in statement of comprehensive income when settled or at date of the statement of financial position at which time they are included in the measurement of the financial instrument.

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

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

iii. Impairment for assets carried at amortised costs

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

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

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

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

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

F. AMOUNT DUE FROM/(TO) BROKERS

Amount due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from brokers. A provision for impairment of amount due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

G. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balance and deposit with a licensed financial institution that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

H. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions in the Fund are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

I. UNIT HOLDERS' CAPITAL

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net assets value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unit holder exercises the right to put the unit back to the Fund.

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

J. SEGMENTAL INFORMATION

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

K. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. INFORMATION ON THE FUND

Eastspring Investments Global Emerging Markets Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 7 December 2007 (the "Deed"), Second Supplemental Master Deed dated 30 November 2009 entered into between Eastspring Investments Berhad (the "Manager") and HSBC (Malaysia) Trustee Berhad ("HSBC Trustee"). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between Eastspring Investments Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee") on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016, Eighth Supplemental Master Deed dated 25 January 2017 and Ninth Supplemental Master Deed dated 11 December 2017 (collectively referred to as the "Deed").

The Fund was launched on 11 January 2008 and will continue its operations until terminated as provided under Clause 12 of the Deed.

The Fund invests in a foreign collective investment scheme primarily the Schroder International Selection Fund - Emerging Markets (the "Target Fund"), incorporated in Luxembourg.

The main objective of the Fund seeks to achieve long-term capital growth by investing in a collective investment scheme called the Schroder International Selection Fund-Emerging Markets (the "Target Fund"), which in turn seeks to provide capital growth primarily through investment in equity securities of emerging markets companies.

All investments will be subjected to the Securities Commission (the "SC") Guidelines on Unit Trust Funds, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk, interest rate risk and foreign exchange/currency risk), stock/issuer risk, fund management risk, liquidity risk, credit/default risk, country risk, emerging markets risk, non-compliance risk and capital risk.

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
2017				
Cash and cash equivalents	7	4,439,518	-	4,439,518
Amount due from Manager		2,415,078	-	2,415,078
Collective investment scheme	6	-	112,657,743	112,657,743
		6,854,596	112,657,743	119,512,339
2016				
Cash and cash equivalents	7	723,436	-	723,436
Amount due from Manager		97,285	-	97,285
Collective investment scheme	6	-	17,000,675	17,000,675
		820,721	17,000,675	17,821,396

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

Market risk

i. Price risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The very nature of a Unit Trust Fund, however, helps mitigate this risk. The Underlying Fund that is the Schroder International Selection Fund Emerging Markets would generally hold a well-diversified portfolio of securities from different market sectors that the collapse of any one security or any one market sector would not impact too greatly on the value of the Schroder International Selection Fund Emerging Markets.

The table below shows assets of the Fund as at 31 December which are exposed to price risk.

	2017	2016
	RM	RM
Collective investment scheme designated at fair value through profit or loss	112,657,743	17,000,675

The following table summarises the sensitivity of the Fund's net asset value and profit after tax to movements in prices of collective investment scheme at the end of the reporting year. The analysis is based on the assumptions that the market price of the collective investment scheme increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

		2017		2016
% Change in price of financial assets at fair value through profit or loss	**Market value**	**Impact on profit after tax/net asset value**	**Market value**	**Impact on profit after tax/net asset value**
	RM	**RM**	**RM**	**RM**
+5%	118,290,630	5,632,887	17,850,709	850,034
-5%	107,024,856	(5,632,887)	16,150,641	(850,034)

ii. Interest rate risk

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

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

Interest rate is a general economic indicator that will have an impact on the management of the Fund. The Fund's exposure to the interest risk is mainly confined to short term placements with financial institutions. The Manager overcomes the exposure by way of maintaining deposits on short-term basis.

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

At the end of the financial year, the Fund does not hold any other financial instruments that expose it to interest rate risk.

iii. Foreign exchange/currency risk

As the Underlying Fund, Schroder International Selection Fund Emerging Markets may invest its assets in securities denominated in a wide range of currencies other than Ringgit Malaysia, the net asset value of the Fund expressed in Ringgit Malaysia may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between Ringgit Malaysia and such other currencies. This risk is minimised through investing in a wide range of foreign currencies denominated assets and thus, diversifying the risk of single currency exposure.

In the normal course of investment, the Fund Manager will usually not hedge foreign currency exposure. The Fund Manager may however, depending on prevailing market circumstances at a particular point in time, choose to use forward or option contracts for hedging and risk reduction purposes.

The following table sets out the foreign exchange/currency risk concentrations and counterparties of the Fund.

	Financial assets as fair value through profit or loss	Amount due from a broker	Total
	RM	RM	RM
2017			
EURO	112,657,743	-	112,657,743
2016			
EURO	17,000,675	-	17,000,675

The table below summarises the sensitivity of the Fund's financial assets to changes in foreign exchange movements at the end of the reporting year. The analysis is based on the assumption that the foreign exchange rate changes by 5% with all variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate having regard to historical volatility of this rate.

Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in price	Impact on profit after tax	Impact on net asset value
	%	RM	RM
2017			
EURO	5	5,632,887	5,632,887
2016			
EURO	5	850,034	850,034

Stock/issuer risk

The performance of equities and money market instruments held by the Underlying Fund is also dependent on company specific factors like the issuer's business situation. If the company-specific factors deteriorate, the price of the specific security may drop significantly and permanently, possibly even regardless of an otherwise generally positive stock market trend. Risks include but are not limited to competitive operating environments, changing industry conditions and poor management.

Fund management risk

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

Liquidity risk

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

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

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

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
2017			
Amount due to broker	1,999,545	-	1,999,545
Amount due to Manager	102,877	-	102,877
Accrued management fee	34,472	-	34,472
Amount due to Trustee	7,549	-	7,549
GST charges payable	2,521	-	2,521
Other payables and accruals	-	29,662	29,662
Contractual cash outflows	2,146,964	29,662	2,176,626
2016			
Amount due to Manager	93,206	-	93,206
Accrued management fee	5,445	-	5,445
Amount due to Trustee	1,525	-	1,525
GST charges payable	418	-	418
Other payables and accruals	-	24,857	24,857
Contractual cash outflows	100,594	24,857	125,451

Credit/default risk

Credit risk refers to the ability of an issuer or a counterparty to make timely payments of interest, principals and proceeds from realisation of investments.

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

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

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

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from Manager	Total
	RM	RM	RM	RM
2017				
Collective investment scheme				
- NR	112,657,743	-	-	112,657,743
Finance				
- AAA	-	4,411,196	-	4,411,196
- AA1	-	28,322	-	28,322
Other				
- NR	-	-	2,415,078	2,415,078
	112,657,743	4,439,518	2,415,078	119,512,339
2016				
Collective investment scheme				
- NR	17,000,675	-	-	17,000,675
Finance				
- AAA	-	700,153	-	700,153
- AA1	-	23,283	-	23,283
Other				
- NR	-	-	97,285	97,285
	17,000,675	723,436	97,285	17,821,396

None of these assets are past due or impaired.

Country risk

The stock prices may be affected by the political and economic conditions of the country in which the stocks are listed. A unit trust fund that invests in foreign securities may experience more rapid and extreme changes in value than a unit trust fund that invests exclusively in securities of Malaysian companies. Nationalisation, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect a unit trust fund's investment in a foreign country. In the event of nationalisation, expropriation or other confiscation, a unit trust fund could lose its entire investment in foreign securities. Careful consideration shall be given to risk factors such as liquidity, political and economic environment before any investments are made in a foreign country.

Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated.

Emerging markets risk

Investments in securities of emerging market issuers entail significant risks in addition to those customarily associated with investing in securities of issuers in more developed markets, such as:

i. low or non-existent trading volume, resulting in a lack of liquidity and increased volatility in prices for such securities, as compared to securities of comparable issuers in more developed capital markets;

ii. uncertain national policies and social, political and economic instability, increasing the potential for expropriation of assets, confiscatory taxation, high rates of inflation or unfavourably diplomatic developments;

iii. possible fluctuations in exchange rates, differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other laws or restrictions applicable to such investments;

iv. national policies which may limit a portfolio's investment opportunities such as restrictions on investment in issuers or industries deemed sensitive to national interests; and

v. the lack of relatively early development of legal structures governing private and foreign investments and private property.

Non-compliance risk

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

The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the Manager. For the Fund, foreign market risk is managed through portfolio diversification by the collective investment scheme which invests among markets/countries and in companies which are well researched.

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM107,224,035 (2016: RM19,509,092) and retained earnings/(accumulated losses) of RM10,111,678 (2016: RM(1,813,147)). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Fair value estimation

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

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

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

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

Fair value hierarchy

i. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

   - Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
   - Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
   - Level 3: Inputs for the asset and liability that are not based on observable market data (that is unobservable inputs).

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
2017				
Financial assets at fair value through profit or loss: Collective investment scheme	112,657,743	-	-	112,657,743
2016				
Financial assets at fair value through profit or loss: Collective investment scheme	17,000,675	-	-	17,000,675

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note E to the financial statements.

ii. The carrying value of cash and cash equivalents, amount due from Manager and all liabilities are a reasonable approximation of their fair values due to their short term nature.

3. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 1.80% per annum on the net asset value of the Fund accrued on a daily basis for the financial year.

For the financial year ended 31 December 2017, management fee is recognised at a rate of 1.80% (2016: 1.80%) per annum on the net asset value of the Fund, calculated on a daily basis. As the Fund invests in collective investment scheme, any management fee charged by Schroder International Selection Fund Emerging Markets to the Fund will be fully refunded. The rebate of management fee is 1.50% per annum or RM971,971 (2016: 1.50% per annum or RM222,305) calculated on net asset value of Schroder International Selection Fund Emerging Markets on a daily basis. In accordance with the SC Guidelines on Unit Trust Funds, there is no double charging of management fee to the Fund.

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

4. TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee, at a rate not exceeding 0.08% per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 31 December 2017, the Trustee fee is recognised at a rate of 0.08% (2016: 0.08%) per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum, (excluding foreign custodian fees and charges), calculated on daily basis.

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

5. TAXATION

	2017	2016
	RM	RM
Tax charged for the financial year:		
Current taxation - local	-	-

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

	2017	2016
	RM	RM
Profit before taxation	11,924,825	1,772,075
Tax at Malaysian statutory rate of 24% (2016: 24%)	2,861,958	425,298
Tax effects of:		
- investment income exempted from tax	(2,956,553)	(446,700)
- expenses not deductible for tax purposes	28,845	7,600
- restriction on the tax deductible expenses for Unit Trust Funds	65,750	13,802
Taxation	-	-

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RM	RM
Designated at fair value through profit or loss:		
Collective investment scheme	112,657,743	17,000,675
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	4,527,542	300,677
Change in unrealised fair value gain	7,933,252	1,592,305
	12,460,794	1,892,982

	Quantity	Aggregate cost	Fair value as at 31.12.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
2017				
Schroder International Selection Fund Emerging Markets – Class A	1,670,318	100,881,257	112,657,743	96.01
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		11,776,486		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		112,657,743		

	Quantity	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
2016				
Schroder International Selection Fund Emerging Markets – Class A	319,056	13,157,441	17,000,675	96.07
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		3,843,234		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		17,000,675		

The Target Fund is a Sub-fund of the Schroder International Selection Fund which is a SICAV ("Société d'Investissement à Capital Variable").

Schroder International Selection Fund ("SICAV") is an open-ended investment company organised as a "Société Anonyme" under the law of the Grand Duchy of Luxembourg and qualifies as a SICAV. The Target Fund was launched on 17 January 2000. The Investment Manager of the Target Fund is Schroder Investment Management Limited in UK.

The Target Fund seeks to provide capital growth primarily through investment in equity and equity-related securities of emerging markets companies.

7. CASH AND CASH EQUIVALENTS

	2017	2016
	RM	RM
Bank balance with a licensed bank	28,322	23,283
Deposit with a licensed financial institution	4,411,196	700,153
	4,439,518	723,436

The effective weighted average interest rate of short-term deposit with a licensed financial institution per annum as at the date of the statement of financial position are as follows:

	2017	2016
	%	%
Deposit with a licensed financial institution	3.30	4.00

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

8. UNITS IN CIRCULATION

	2017	2016
	No. of units	No. of units
At the beginning of the financial year	56,783,942	61,981,806
Creation of units arising from applications during the financial year	413,207,085	17,890,572
Cancellation of units during the financial year	(166,216,423)	(23,088,436)
At the end of the financial year	303,774,604	56,783,942

9. TRANSACTIONS WITH ISSUER

Details of transactions with the issuer are as follows:

Name of issuer	Value of trades	Percentage of total trades
	RM	%
2017		
Schroder Investment Management (Singapore) Limited	145,706,546	100.00
2016		
Schroder Investment Management (Singapore) Limited	4,257,028	100.00

The issuer highlighted above is not related to the Manager. There are no brokerage fees charged by the issuer.

10. UNITS HELD BY THE MANAGER

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

Related party	Relationship
Eastspring Investments Berhad	The Manager

		2017		2016
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,000	386	1,000	312

The above units were transacted at the prevailing market price.

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

11. MANAGEMENT EXPENSE RATIO ("MER")

	2017	2016
	%	%
MER	0.57	0.59

MER is derived from the following calculation:

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

A = Management fee net of rebates on management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (inclusive of GST charges)

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

The average net asset value of the Fund for the financial year calculated on a daily basis is RM68,867,304 (2016: RM15,194,826).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR (times)	1.06	0.14

PTR is derived from the following calculation:

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

where:
total acquisitions for the financial year = RM114,451,410 (2016: RM1,410,578)
total disposals for the financial year = RM31,255,136 (2016: RM2,846,450)

13. SEGMENTAL REPORTING

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The CEO, who is the chief operating decision-maker, is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest income earned from investments and gains on the appreciation in the value of investments.

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

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 14 February 2018.

CORPORATE DIRECTORY

MANAGER

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