

# EASTSPRING INVESTMENTS EQUITY INCOME FUND

## INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD  
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](http://www.eastspringinvestments.com.my)

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

Yours sincerely,

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

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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## FUND INFORMATION

**Name of Fund**

Eastspring Investments Equity Income Fund (the "Fund")

**Fund Category/  
Type**

Equity/income

**Fund Objective**

The Fund seeks to provide a stable income\* stream with medium to long-term capital growth.

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

\* Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.

**Performance  
Benchmark**

The performance benchmark of the Fund is FBM100.

**Source:** [www.bursamalaysia.com](http://www.bursamalaysia.com)

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

**Fund Income  
Distribution Policy**

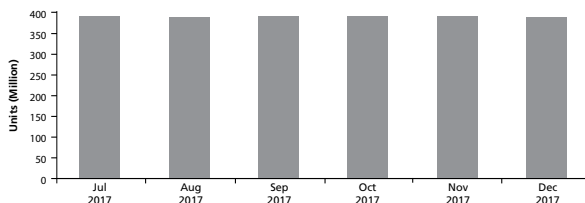
At least once a year, subject to the availability of income.

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 31 December 2017, the size of Eastspring Investments Equity Income Fund stood at 383.031 million units.

#### Fund Size



#### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Unit* ('000)	%
5,000 units and below	2,020	23.92	5,521	1.44
5,001 to 10,000 units	1,759	20.84	12,711	3.32
10,001 to 50,000 units	3,709	43.94	82,095	21.44
50,001 to 500,000 units	929	11.00	91,169	23.80
500,001 units and above	25	0.30	191,532	50.00
<b>Total</b>	<b>8,442</b>	<b>100.00</b>	<b>383,028</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER

<b>Category</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
<b>Quoted securities</b>			
Conglomerate	-	-	1.17
Construction	5.77	6.66	11.22
Consumer	1.46	3.92	1.70
Consumer Product	13.05	12.42	11.07
Finance	13.71	20.80	18.19
Health Care	7.01	4.23	-
Industrial Product	5.15	1.02	-
Infrastructure Project Company	4.62	3.33	4.01
Manufacturing	0.07	1.48	1.20
Plantation	2.40	-	8.00
Power/Utilities	-	3.98	2.51
Properties	1.53	2.01	2.43
REITS	5.70	8.57	6.61
Technology	2.10	0.58	2.66
Trading/Services	22.62	10.63	11.18
Transportation	-	-	1.23
	<b>85.19</b>	<b>79.63</b>	<b>83.18</b>
Cash and other assets	14.81	20.37	16.82
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## KEY PERFORMANCE DATA (CONTINUED)

Category	2017	2016	2015
Net Asset Value (NAV) (RM'000)	337,018	175,698	140,303
Units In Circulation (Units '000)	383,031	217,935	177,863
Net Asset Value Per Unit (RM)	0.8799	0.8062	0.7888
Highest Net Asset Value Per Unit (RM)	0.8799	0.8252	0.7911
Lowest Net Asset Value Per Unit (RM)	0.8313	0.7871	0.6988
Total Return (%)			
- Capital Growth	4.76	2.71	3.54
- Income Distribution	-	-	-
Total Return (%)	4.76	2.71	3.54
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.85	0.85	0.80
Portfolio Turnover Ratio (PTR) (times)^	0.12	0.59	0.27

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

^ The PTR was lower due to lower market volatility 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	14.86	9.51	10.17
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Year ended	1.7.2016 to 30.6.2017	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2013 to 30.6.2014	1.7.2012 to 30.6.2013
	(%)	(%)	(%)	(%)	(%)

Annual total return	12.62	8.37	(2.31)	17.62	21.93
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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:**

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

$\text{NAV}_t$  = NAV at the end of the period

$\text{NAV}_0$  = NAV at the beginning of the period

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

Adjusted for unit split and distribution paid out for the period

n = Number of years

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



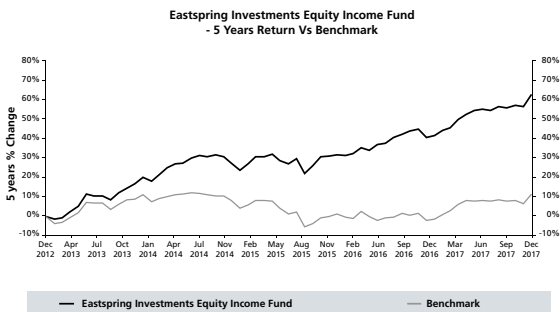
## MANAGER'S REPORT

### Fund Performance

Over the 5-year period, the Fund recorded a return of 62.33%, outperforming the benchmark return of 11.61% by 50.72%.

During the period under review, the Fund registered a return of 4.76%, outperforming the benchmark return of 3.10% by 1.66%.

The Fund's outperformance was due to stock selection. The Fund met its objective to provide a stable income stream with medium to long-term capital growth.



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

**Benchmark:** FBM100

**Source:** Lipper for Investment Management and [www.bursamalaysia.com](http://www.bursamalaysia.com) as at 31 December 2017.

**Past performance of the Fund is not necessarily indicative of its future performance.**

## MANAGER'S REPORT (CONTINUED)

### Analysis of Fund Performance

For the financial period ended 31 December 2017:

<b>Income Return</b>	<b>Capital Return*</b>	<b>Total Return</b>	<b>Total Return of Benchmark</b>
<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
0.00	4.76	4.76	3.10

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

### Distribution/ Unit Split

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

### Investment Strategy During Period Under Review

Dividend stocks performance was relatively muted during the period under review due to investors' risk on appetite. Overall, the Fund stay invested in high dividend stocks that provide strong recurring cashflow over the longer term. We raised exposure in banks as the sector was providing healthy dividend yields and potentially good capital appreciation.

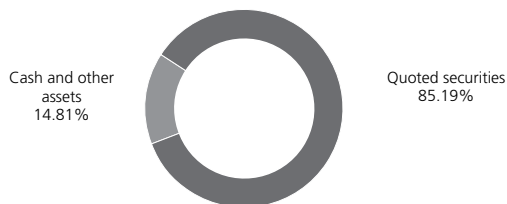
We continue to adopt a bottoms-up approach in selecting stocks. We prefer stocks with healthy earnings growth and strong balance sheet.

## MANAGER'S REPORT (CONTINUED)

### Asset Allocation

Asset Allocation	31-Dec 2017	30-Jun 2017	Changes
	(%)	(%)	(%)
Quoted securities	85.19	77.81	7.38
Cash and other assets	14.81	22.19	(7.38)

### Asset Allocation as at 31 December 2017



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

## MANAGER'S REPORT (CONTINUED)

### State of Affairs of the Fund

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

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

#### **a. Income Reinvestment Policy**

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

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

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

While in the Eastspring Investments Master Prospectus dated 15 July 2017, the information in relation to the asset allocation, security risk and minimum holdings of units have been revised as set out in (b) to (d) below:

## MANAGER'S REPORT (CONTINUED)

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

#### b. Asset allocation

Asset Class	% of the Fund's NAV
Equities and equity-related securities	Minimum of 70%
Fixed income securities	Maximum of 15%
Deposits or liquid assets	Minimum of 1%

#### c. Security Risk

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

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

## MANAGER'S REPORT (CONTINUED)

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

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

#### **d. Minimum Holdings of Units**

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

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

## MARKET REVIEW

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

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

The FBM KLCI closed the year under review at 1,796.81 points, higher by 1.88%. The FBM Emas Index closed the period under review higher by 2.73% while the MSCI Asia Pacific ex-Japan Index gained by 12.81% in USD terms.<sup>1</sup>

## REBATES AND SOFT COMMISSIONS

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

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

<sup>1</sup> **Source:** Bloomberg; World indices



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# EASTSPRING INVESTMENTS EQUITY INCOME FUND

UNAUDITED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD  
ENDED 31 DECEMBER 2017

## STATEMENT BY THE MANAGER

We, Tang Chee Kin and Khoo Chuan Keat, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 18 to 58 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 December 2017 and of its financial performance, changes in equity and cash flows for the six months financial period ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,

**EASTSPRING INVESTMENTS BERHAD**

**TANG CHEE KIN**

Executive Director/Chief Executive Officer

**KHOO CHUAN KEAT**

Director

Kuala Lumpur

Date: 14 February 2018

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

We have acted as Trustee for Eastspring Investments Equity Income Fund (the "Fund") for the financial period ended 31 December 2017. To the best of our knowledge, for the financial period under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:-

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

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

# UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Note	6-months financial period ended 31.12.2017	6-months financial period ended 31.12.2016
		RM	RM
<b>INVESTMENT INCOME</b>			
Gross dividend income		4,207,739	1,761,095
Interest income from deposits with licensed financial institutions		984,874	669,328
Net gain on financial assets at fair value through profit or loss	6	13,305,376	3,244,921
		<u>18,497,989</u>	<u>5,675,344</u>
<b>EXPENSES</b>			
Management fee	3	(2,436,284)	(1,236,428)
Trustee fee	4	(113,693)	(57,700)
Audit fee		(3,428)	(3,428)
Tax agent fee		(1,715)	(1,715)
Other expenses		(24,858)	(9,058)
GST charges		(154,824)	(78,087)
Transaction cost		(288,672)	(586,165)
		<u>(3,023,474)</u>	<u>(1,972,581)</u>
<b>PROFIT BEFORE TAXATION</b>		15,474,515	3,702,763
<b>TAXATION</b>	5	<u>(44,726)</u>	<u>(36,237)</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>15,429,789</u>	<u>3,666,526</u>
Profit after taxation is made up of the following:			
Realised amount		2,941,689	6,911,447
Unrealised amount		12,488,100	(3,244,921)
		<u>15,429,789</u>	<u>3,666,526</u>

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

# UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	7	46,637,997	33,453,824
Amount due from Manager		1,790,324	2,504,296
Amount due from brokers		3,872,638	-
Dividends receivable		220,654	173,728
Financial assets at fair value through profit or loss	6	287,087,415	139,904,192
<b>TOTAL ASSETS</b>		<u>339,609,028</u>	<u>176,036,040</u>
<b>LIABILITIES</b>			
Amount due to Manager		2,101,307	67,574
Accrued management fee		420,193	219,441
Amount due to Trustee		19,609	10,241
Tax payable		6,340	6,340
GST charges payable		26,389	13,781
Other payables and accruals		17,073	20,570
<b>TOTAL LIABILITIES</b>		<u>2,590,911</u>	<u>337,947</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>337,018,117</u>	<u>175,698,093</u>
<b>EQUITY</b>			
Unit holders' capital		260,156,680	130,331,522
Retained earnings		76,861,437	45,366,571
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>337,018,117</u>	<u>175,698,093</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	8	<u>383,031,122</u>	<u>217,934,582</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.8799</u>	<u>0.8062</u>

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

## UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 July 2017		250,788,997	61,431,648	312,220,645
Movement in unit holders' contribution:				
Creation of units from applications		82,083,408	-	82,083,408
Cancellation of units		(72,715,725)	-	(72,715,725)
Total comprehensive income for the financial period		-	15,429,789	15,429,789
Balance as at 31 December 2017		<u>260,156,680</u>	<u>76,861,437</u>	<u>337,018,117</u>
Balance as at 1 July 2016		99,773,865	41,700,045	141,473,910
Movement in unit holders' contribution:				
Creation of units from applications		52,004,124	-	52,004,124
Cancellation of units		(21,446,467)	-	(21,446,467)
Total comprehensive income for the financial period		-	3,666,526	3,666,526
Balance as at 31 December 2016		<u>130,331,522</u>	<u>45,366,571</u>	<u>175,698,093</u>

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

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	6-months financial period ended 31.12.2017	6-months financial period ended 31.12.2016
Note	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of investments	20,570,884	77,958,485
Purchase of investments	(55,747,964)	(116,812,949)
Dividends received	4,215,594	1,655,241
Interest received from deposits with licensed financial institutions	984,874	669,328
Management fee paid	(2,389,338)	(1,189,830)
Trustee fee paid	(111,502)	(55,525)
Payment for other fees and expenses	(472,887)	(94,190)
Net cash used in operating activities	<u>(32,950,339)</u>	<u>(37,869,440)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	83,126,986	51,097,163
Payments for cancellation of units	(70,999,034)	(21,677,218)
Distributions paid	(414,636)	(157,680)
Net cash generated from financial activities	<u>11,713,316</u>	<u>29,262,265</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,237,023)</b>	<b>(8,607,175)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>67,875,020</u>	<u>42,060,999</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>7 <u>46,637,997</u></b>	<b><u>33,453,824</u></b>

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 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 July 2017:

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

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

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

i. Financial year beginning on/after 1 July 2018

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

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

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

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

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

## **B. INCOME RECOGNITION**

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

Dividend income is recognised on the ex-dividend date, when the right to receive the dividend has been established.

Realised gain or loss on disposal of quoted securities are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, which is determined on a weighted average cost basis.

## **C. TAXATION**

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

## **D. PRESENTATION AND FUNCTIONAL CURRENCY**

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

## **E. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

### **i. Classification**

The Fund designates its investment in quoted securities 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, amount due from Manager, amount due from brokers and dividends receivable.

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 which include amount due to Manager, accrued management fee, amount due to Trustee, GST charges payable and other payables and accruals.

## ii. Recognition and measurement

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

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

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

Financial liability is derecognised when the obligation under the liability 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' category 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.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Quoted securities in Malaysia are valued at the last done market price quoted on the Bursa Malaysia Securities Berhad (“Bursa Securities”) at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

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 rate 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’ has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

## **F. CASH AND CASH EQUIVALENTS**

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

## **G. UNIT HOLDERS' CAPITAL**

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

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

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

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

## **H. 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.

**I. SEGMENTAL INFORMATION**

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

**J. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

**K. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

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



# NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017

## 1. INFORMATION ON THE FUND

Eastspring Investments Equity Income Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 8 October 2004, Master Supplemental Deed dated 12 July 2007 and Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Berhad (“HSBC Trustee”) and Eastspring Investments Berhad (the “Manager”). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the “Trustee”) effective 1 October 2010. A Supplemental Master Deed was entered into between 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 18 October 2004 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The Fund invests in equities and equity-related securities of companies that have consistent track record of dividend distributions and prospects for capital growth or increase in future dividend distributions. All investments will be subjected to the Securities Commission’s (the “SC”) Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

The main objective of the Fund seeks to provide a stable income stream with medium to long-term capital growth.

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 and interest rate risk), stock/issuer risk, fund management risk, liquidity risk, non-compliance risk, credit/default 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 RM	Financial assets at fair value through profit or loss RM	Total RM
<u>2017</u>				
Cash and cash equivalents	7	46,637,997	-	46,637,997
Amount due from Manager		1,790,324	-	1,790,324
Amount due from brokers		3,872,638	-	3,872,638
Dividends receivable		220,654	-	220,654
Quoted securities	6	-	287,087,415	287,087,415
		<u>52,521,613</u>	<u>287,087,415</u>	<u>339,609,028</u>
<u>2016</u>				
Cash and cash equivalents	7	33,453,824	-	33,453,824
Amount due from Manager		2,504,296	-	2,504,296
Dividends receivable		173,728	-	173,728
Quoted securities	6	-	139,904,192	139,904,192
		<u>36,131,848</u>	<u>139,904,192</u>	<u>176,036,040</u>

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 because a Fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the Fund.

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

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Quoted securities designated at fair value through profit or loss	<u>287,087,415</u>	<u>139,904,192</u>

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

<b>% Change in price of financial assets at fair value through profit or loss</b>	<b>Market value</b>	<b>Increase/(decrease) in profit after tax and net asset value</b>
	<b>RM</b>	<b>RM</b>
<u>2017</u>		
+5%	301,441,786	14,354,371
-5%	<u>272,733,044</u>	<u>(14,354,371)</u>

% Change in price of financial assets at fair value through profit or loss	Market value	Increase/(decrease) in profit after tax and net asset value
	RM	RM
<u>2016</u>		
+5%	146,899,402	6,995,210
-5%	132,908,982	(6,995,210)

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.

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

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

### Stock/issuer risk

The Fund is restricted to investment in securities issued by and securities relating to any issuer of not more than ten percent (10%) of its net asset value. Furthermore, the Fund is restricted to invest in securities issued by and securities relating to any group of companies of not more than twenty percent (20%) of its net asset value. Under such restrictions, the exposure risk to the securities of any single issuer or any one group of companies is minimised.

### **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.

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>			
Amount due to Manager	2,101,307	-	2,101,307
Accrued management fee	420,193	-	420,193
Amount due to Trustee	19,609	-	19,609
GST charges payable	26,389	-	26,389
Other payables and accruals	-	17,073	17,073
Contractual cash outflows	<u>2,567,498</u>	<u>17,073</u>	<u>2,584,571</u>
<u>2016</u>			
Amount due to Manager	67,574	-	67,574
Accrued management fee	219,441	-	219,441
Amount due to Trustee	10,241	-	10,241
GST charges payable	13,781	-	13,781
Other payables and accruals	-	20,570	20,570
Contractual cash outflows	<u>311,037</u>	<u>20,570</u>	<u>331,607</u>

### 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.

### **Credit/default risk**

Credit risk refers to the ability of an issuer or a counter party to make timely payments of interest, principals and proceeds from realisation of investments. In the case of the Fund, both the Manager and the External Fund Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the SC.

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. For amount due from brokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. 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 quoted securities are settled/paid upon delivery using approved brokers.

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

	<b>Amount due from brokers</b>	<b>Cash and cash equivalents</b>	<b>Dividends receivable</b>	<b>Amount due from Manager</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>					
Finance					
- AA1	-	489,715	-	-	489,715
- AAA	-	20,151,233	-	-	20,151,233
- AA2	-	25,997,049	-	-	25,997,049
Industrial					
Product					
- NR	-	-	205,515	-	205,515
Technology					
- NR	-	-	11,302	-	11,302
REITS					
- NR	-	-	3,837	-	3,837
Other					
- NR	3,872,638	-	-	1,790,324	5,662,962
	<u>3,872,638</u>	<u>46,637,997</u>	<u>220,654</u>	<u>1,790,324</u>	<u>52,521,613</u>



	Cash and cash equivalents	Dividends receivable	Amount due from Manager	Total
	RM	RM	RM	RM
<u>2016</u>				
Finance				
- AA1	11,426,972	-	-	11,426,972
- AAA	22,026,852	-	-	22,026,852
Industrial				
Product				
- NR	-	54,282	-	54,282
REITS				
- NR	-	73,974	-	73,974
Technology				
- NR	-	9,202	-	9,202
Trading/Services				
- NR	-	36,270	-	36,270
Other				
- NR	-	-	2,504,296	2,504,296
	<u>33,453,824</u>	<u>173,728</u>	<u>2,504,296</u>	<u>36,131,848</u>

None of these assets are past due or impaired.

### Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM260,156,680 (2016: RM130,331,522) and retained earnings of RM76,861,437 (2016: RM45,366,571). 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 trading securities) are based on quoted market prices at the close of trading on the period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the 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 market for identical assets or liabilities.
  - Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
  - Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2017</u>				
Financial assets at fair value through profit or loss:				
Quoted securities	287,087,415	-	-	287,087,415
<u>2016</u>				
Financial assets at fair value through profit or loss:				
Quoted securities	139,904,192	-	-	139,904,192

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active quoted securities. 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, dividends receivable, amount due from brokers and all liabilities are a reasonable approximation of their fair values due to their short term nature.

### **3. MANAGEMENT FEE**

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 2.00% per annum of the net asset value of the Fund accrued and calculated on daily basis.

For the financial period ended 31 December 2017, the management fee is recognised at a rate of 1.50% (2016: 1.50%) per annum of the net asset value of the Fund, calculated on daily basis.

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.20% per annum of the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum.

For the financial period ended 31 December 2017, the Trustee's fee is recognised at a rate of 0.07% (2016: 0.07%) per annum of the net asset value of the Fund.

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

## 5. TAXATION

	<b>6-months financial period ended 31.12.2017</b>	<b>6-months financial period ended 31.12.2016</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial period:		
Current taxation – local	<u>44,726</u>	<u>36,237</u>

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

	<b>6-months financial period ended 31.12.2017</b>	<b>6-months financial period ended 31.12.2016</b>
	<b>RM</b>	<b>RM</b>
Profit before taxation	<u>15,474,515</u>	<u>3,702,763</u>
Tax at Malaysian statutory rate of 24%	3,713,884	888,663
Tax effects of:		
Investment income exempt from tax	(4,332,176)	(1,275,114)
Expenses not deductible for tax purposes	140,103	175,854
Restriction on the tax deductible expenses for Unit Trust Funds	585,531	297,565
Income subject to different tax rate	<u>(62,616)</u>	<u>(50,731)</u>
Taxation	<u>44,726</u>	<u>36,237</u>

**6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Designated at fair value through profit or loss:		
Quoted securities	<u>287,087,415</u>	<u>139,904,192</u>
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	817,276	6,718,405
Change in unrealised fair value gain/(loss)	<u>12,488,100</u>	<u>(3,473,484)</u>
	<u>13,305,376</u>	<u>3,244,921</u>

Quoted securities

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2017	of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gamuda Berhad	800,000	3,979,775	3,968,000	1.18
IJM Corporation Berhad	2,000,000	6,728,007	6,100,000	1.81
Kerjaya Prospek Group Berhad	<u>2,307,000</u>	<u>4,568,490</u>	<u>9,366,420</u>	<u>2.78</u>
	<u>5,107,000</u>	<u>15,276,272</u>	<u>19,434,420</u>	<u>5.77</u>
<u>Consumer</u>				
Hong Leong Industries Berhad	375,600	3,461,133	3,639,564	1.08
Salutica Berhad	880,800	790,171	1,285,968	0.38
	<u>1,256,400</u>	<u>4,251,304</u>	<u>4,925,532</u>	<u>1.46</u>

Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 31.12.2017	
	Units	RM	RM	%
<u>Consumer Product</u>				
British American Tobacco (Malaysia) Berhad	199,500	9,237,776	7,980,000	2.37
Carlsberg Brewery Malaysia Berhad	844,300	11,831,135	12,917,790	3.83
Heineken Malaysia Berhad	580,200	9,564,257	10,965,780	3.25
Nestle (Malaysia) Berhad	117,600	8,452,856	12,136,320	3.60
	<u>1,741,600</u>	<u>39,086,024</u>	<u>43,999,890</u>	<u>13.05</u>
<u>Finance</u>				
Allianz Malaysia Berhad	274,500	2,775,984	3,705,750	1.10
AMMB Holdings Berhad	370,000	1,593,183	1,631,700	0.48
Bursa Malaysia Berhad	595,900	4,754,417	6,030,508	1.79
CIMB Group Holdings Berhad	2,583,604	13,503,467	16,896,770	5.01
Hong Leong Bank Berhad	287,000	4,211,386	4,879,000	1.45
Hong Leong Financial Group Berhad	138,000	2,151,542	2,467,440	0.73
Public Bank Berhad	235,000	4,796,610	4,883,300	1.45
RHB Bank Berhad	1,142,700	6,067,496	5,713,500	1.70
	<u>5,626,704</u>	<u>39,854,085</u>	<u>46,207,968</u>	<u>13.71</u>
<u>Health Care</u>				
Hartalega Holdings Berhad	332,800	2,043,447	3,554,304	1.05
IHH Healthcare Berhad	1,839,300	10,967,642	10,778,298	3.20
Top Glove Corporation Bhd	1,165,200	6,039,438	9,309,948	2.76
	<u>3,337,300</u>	<u>19,050,527</u>	<u>23,642,550</u>	<u>7.01</u>

Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at	Percentage of net asset value of the Fund
			31.12.2017	%
	Units	RM	RM	
<u>Industrial Product</u>				
Ann Joo Resources Berhad	536,600	1,637,337	2,071,276	0.61
Lotte Chemical Titan Holding Berhad	1,035,500	6,711,750	4,866,850	1.44
Scientex Berhad	742,701	5,898,405	6,431,791	1.91
Uchi Technologies Berhad	1,208,900	2,044,780	4,001,459	1.19
	<u>3,523,701</u>	<u>16,292,272</u>	<u>17,371,376</u>	<u>5.15</u>
<u>Infrastructure Project Company</u>				
Digi.Com Berhad	1,000,000	5,064,204	5,100,000	1.51
Lingkarans Trans Kota Holdings Berhad	995,000	4,381,677	5,522,250	1.64
Time Dotcom Berhad	544,100	4,634,643	4,951,310	1.47
	<u>2,539,100</u>	<u>14,080,524</u>	<u>15,573,560</u>	<u>4.62</u>
<u>Manufacturing</u>				
Pecca Group Berhad	161,400	229,188	250,170	0.07
<u>Plantation</u>				
IOI Corporation Berhad	316,700	1,416,787	1,437,818	0.43
Kuala Lumpur Kepong Berhad	150,000	3,661,670	3,750,000	1.11
Sime Darby Plantation Berhad	481,200	2,739,945	2,887,200	0.86
	<u>947,900</u>	<u>7,818,402</u>	<u>8,075,018</u>	<u>2.40</u>



Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at	Percentage of net asset value of the Fund
			31.12.2017	
	Units	RM	RM	%
<u>Properties</u>				
KSL Holdings Berhad	817,585	1,371,936	874,816	0.26
S P Setia Berhad				
- Convertible Preference Shares	304,316	304,316	334,747	0.10
Sime Darby Property Berhad	481,200	736,497	856,536	0.25
Sunway Berhad	1,820,000	3,108,791	2,966,600	0.88
Sunway Berhad				
- Warrant	234,000	-	133,380	0.04
	<u>3,657,101</u>	<u>5,521,540</u>	<u>5,166,079</u>	<u>1.53</u>
<u>REITS</u>				
IGB Real Estate Investment Trust	5,638,500	8,767,104	10,149,300	3.01
KIP Real Estate Investment Trust	4,193,400	4,202,290	3,627,291	1.08
MRCB-Quill Reit	2,926,200	3,626,613	3,657,750	1.09
Sunway Real Estate Investment Trust	921,900	1,294,138	1,751,610	0.52
	<u>13,680,000</u>	<u>17,890,145</u>	<u>19,185,951</u>	<u>5.70</u>
<u>Technology</u>				
Globetronics Technology Berhad	298,800	1,799,283	1,972,080	0.59
Inari Amertron Berhad	491,400	1,241,528	1,670,760	0.50
Pentamaster Corporation Berhad	1,127,304	1,483,276	3,415,731	1.01
	<u>1,917,504</u>	<u>4,524,087</u>	<u>7,058,571</u>	<u>2.10</u>

## Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2017	of net asset value of the Fund
	Units	RM	RM	%
<u>Trading/Services</u>				
Airasia Berhad	627,800	1,988,815	2,103,130	0.62
Berjaya Food Berhad	1,052,800	1,985,354	1,947,680	0.58
Bermaz Auto Berhad	1,038,000	2,195,739	2,283,600	0.68
Dialog Group Berhad	2,200,000	4,950,000	5,522,000	1.64
Genting Berhad	1,595,400	13,507,804	14,677,680	4.36
Malaysia Airports Holdings Berhad	291,600	2,391,120	2,563,164	0.76
Maxis Berhad	1,321,700	7,315,118	7,943,417	2.36
MMC Corporation Berhad	1,216,600	2,890,182	2,494,030	0.74
Oldtown Berhad	365,100	988,375	1,128,159	0.33
Serba Dinamik Holdings Berhad - Warrant	1,670,100	3,284,344	5,411,124	1.61
Sime Darby Berhad	481,200	907,470	1,063,452	0.32
Telekom Malaysia Berhad	1,300,000	8,021,143	8,190,000	2.43
Tenaga Nasional Berhad	1,066,900	14,839,048	16,280,894	4.83
Westports Holdings Berhad	1,240,000	4,790,144	4,588,000	1.36
	15,467,200	70,054,656	76,196,330	22.62

Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.12.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<b>TOTAL QUOTED SECURITIES</b>	<u>58,962,910</u>	253,929,026	<u>287,087,415</u>	85.19
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>33,158,389</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>287,087,415</u>		

Quoted securities

Name of counter	Quantity	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gamuda Bhd	267,700	1,329,925	1,279,606	0.73
IJM Corporation Berhad	2,000,000	6,707,300	6,400,000	3.64
Kerjaya Prospek Group Berhad	1,852,300	3,072,493	4,019,491	2.29
	<u>4,120,000</u>	<u>11,109,718</u>	<u>11,699,097</u>	<u>6.66</u>
<u>Consumer</u>				
Hong Leong Industries Bhd	375,600	3,449,894	3,530,640	2.01
Hup Seng Industries Berhad	1,177,000	1,332,846	1,377,090	0.78
Salutica Berhad	1,564,100	1,251,203	1,986,407	1.13
	<u>3,116,700</u>	<u>6,033,943</u>	<u>6,894,137</u>	<u>3.92</u>
<u>Consumer Product</u>				
British American Tobacco (Malaysia) Berhad	199,500	9,209,289	8,897,700	5.06
Carlsberg Brewery Malaysia Berhad	353,700	4,539,312	4,923,504	2.80
Heineken Malaysia Berhad	330,200	4,928,313	5,408,676	3.08
Nestle (Malaysia) Berhad	33,300	1,891,093	2,604,060	1.48
	<u>916,700</u>	<u>20,568,007</u>	<u>21,833,940</u>	<u>12.42</u>

Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.12.2016	of net asset value of the Fund
	Units	RM	RM	%
<u>Finance</u>				
Aeon Credit Service (M) Berhad	300,000	4,007,290	4,308,000	2.45
Allianz Malaysia Berhad	330,000	3,323,645	3,366,000	1.92
Bursa Malaysia Berhad	595,900	4,754,417	5,273,715	3.00
CIMB Group Holdings Berhad	1,825,000	8,578,534	8,230,750	4.68
Hong Leong Financial Group Berhad	138,000	2,144,976	1,962,360	1.12
Malayan Banking Berhad	720,000	5,486,700	5,904,000	3.36
RHB Bank Berhad	1,591,100	8,433,446	7,494,081	4.27
	<u>5,500,000</u>	<u>36,729,008</u>	<u>36,538,906</u>	<u>20.80</u>
<u>Health Care</u>				
Top Glove Corporation Bhd	1,388,800	6,687,861	7,430,080	4.23
<u>Industrial Product</u>				
Uchi Technologies Berhad	1,008,900	1,599,348	1,795,842	1.02
<u>Infrastructure Project Company</u>				
Lingkar Trans Kota Holdings Berhad	995,000	4,376,152	5,850,600	3.33
<u>Manufacturing</u>				
Evergreen Fibreboard Berhad	1,916,350	2,415,008	1,839,696	1.05
Pecca Group Berhad	478,600	679,612	760,974	0.43
	<u>2,394,950</u>	<u>3,094,620</u>	<u>2,600,670</u>	<u>1.48</u>

## Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Power/Utilities</u>				
Malakoff Corporation Berhad	5,097,700	8,642,486	6,983,849	3.98
<u>Properties</u>				
KSL Holdings Berhad	817,585	1,371,936	825,761	0.47
SP Setia Berhad	760,790	2,525,144	2,381,273	1.36
SP Setia Berhad - Warrant	304,316	304,316	316,488	0.18
	1,882,691	4,201,396	3,523,522	2.01
<u>REITS</u>				
Capitamalls Malaysia Trust	3,180,000	4,567,852	4,865,400	2.77
IGB Real Estate Investment Trust	3,873,800	5,718,642	6,236,818	3.55
MRCB-Quill Reit	1,975,800	2,370,960	2,370,960	1.35
Sunway Real Estate Investment Trust	921,900	1,294,138	1,585,668	0.90
	9,951,500	13,951,592	15,058,846	8.57
<u>Technology</u>				
Inari Amertron Berhad	306,750	666,090	1,018,410	0.58

## Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 31.12.2016	
	Units	RM	RM	%
<i>Trading/Services</i>				
Berjaya Food Berhad	1,000,000	1,905,839	1,570,000	0.89
Bermaz Auto Berhad	931,400	1,972,332	1,983,882	1.13
Cypark Resources Berhad	404,700	1,093,135	841,776	0.48
Genting Bhd	1,080,000	8,481,670	8,640,000	4.92
Media Prima Berhad	1,313,500	2,897,762	1,510,525	0.86
MMC Corporation Berhad	740,000	1,703,887	1,724,200	0.98
Suria Capital Holdings Berhad	1,209,000	3,291,533	2,405,910	1.37
	<u>6,678,600</u>	<u>21,346,158</u>	<u>18,676,293</u>	<u>10.63</u>
<b>TOTAL QUOTED SECURITIES</b>	<u>43,358,291</u>	139,006,379	<u>139,904,192</u>	79.63
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>897,813</u>	
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>139,904,192</u>	

## 7. CASH AND CASH EQUIVALENTS

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Bank balance with a licensed bank	489,715	11,426,972
Deposits with licensed financial institutions	46,148,282	22,026,852
	<u>46,637,997</u>	<u>33,453,824</u>

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

	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Deposits with licensed financial institutions	<u>3.60</u>	<u>4.05</u>

The deposits have an average maturity of 12 days (2016: 23 days).

## 8. UNITS IN CIRCULATION

	<b>2017</b>	<b>2016</b>
	<b>No. of Units</b>	<b>No. of Units</b>
At the beginning of the financial period	371,741,108	180,239,325
Creation of units arising from applications during the financial period	97,269,071	64,204,197
Cancellation of units during the financial period	<u>(85,979,057)</u>	<u>(26,508,940)</u>
At the end of the financial period	<u>383,031,122</u>	<u>217,934,582</u>



## 9. TRANSACTIONS WITH BROKERS

Details of transactions with the top 10 brokers are as follows:

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2017</u>				
UOB Kay Hian Securities (M) Sdn Bhd	14,911,493	19.64	37,279	15.72
CLSA Securities Malaysia Sdn Bhd	11,809,051	15.55	29,523	12.46
Maybank Investment Bank Berhad	9,107,041	11.99	70,811	29.87
RHB Investment Bank Berhad	9,063,484	11.93	22,659	9.56
Credit Suisse Securities (Malaysia) Sdn Bhd	7,047,761	9.28	17,619	7.43
CIMB Investment Bank Berhad	5,479,517	7.22	13,699	5.78
KAF Seagroatt & Campbell Securities Sdn Bhd	4,274,590	5.63	10,686	4.51
Kenanga Investment Bank Berhad	3,817,911	5.03	9,545	4.03
Public Investment Bank Berhad	2,984,514	3.93	7,461	3.15
Affin Hwang Investment Bank Berhad	1,537,637	2.02	3,844	1.62
Others	5,911,810	7.78	13,901	5.87
	<b>75,944,809</b>	<b>100.00</b>	<b>237,027</b>	<b>100.00</b>

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2016</u>				
UOB Kay Hian Securities (M) Sdn Bhd	36,511,429	18.97	107,430	18.33
Maybank Investment Bank Berhad	30,786,106	16.00	91,459	15.60
CIMB Investment Bank Berhad	20,735,817	10.77	64,357	10.98
Credit Suisse Securities (Malaysia) Sdn Bhd	18,100,489	9.40	56,353	9.62
Affin Hwang Investment Bank Berhad	14,771,789	7.68	46,371	7.91
KAF Seagroatt & Campbell Securities Sdn Bhd	14,043,158	7.30	44,188	7.54
RHB Investment Bank Berhad	13,802,050	7.17	41,076	7.01
Kenanga Investment Bank Berhad	10,881,850	5.65	32,078	5.47
Hong Leong Investment Bank Berhad	10,343,108	5.37	30,984	5.29
Nomura Securities Malaysia Sdn Bhd	8,031,476	4.17	25,758	4.39
Others	14,465,682	7.52	46,111	7.86
	<u>192,472,954</u>	<u>100.00</u>	<u>586,165</u>	<u>100.00</u>

All brokers highlighted above are not related to the Manager.

## 10. UNITS HELD BY THE MANAGER

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

<b>Related party</b>	<b>Relationship</b>			
Eastspring Investments Berhad	The Manager			

	<b>2017</b>		<b>2016</b>	
	<b>No. of units</b>	<b>RM</b>	<b>No. of units</b>	<b>RM</b>
Eastspring Investments Berhad	3,246	2,856	3,085	2,487

The above units were transacted at the prevailing market price.

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

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

	2017	2016
	%	%
MER	0.85	0.85

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (inclusive GST charges)

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

The average net asset value of the Fund for the financial period calculated on a daily basis is RM322,175,089 (2016: RM 163,505,619).

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

	2017	2016
PTR (times)	0.12	0.59

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM53,463,406 (2016: RM116,154,576)

total disposals for the financial period = RM22,481,403 (2016: RM76,390,587)

### **13. SEGMENTAL INFORMATION**

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

The reportable operating segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest income, dividends income and gains on the appreciation in the value of investments.

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

### **14. APPROVAL OF FINANCIAL STATEMENTS**

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

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

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## **TRUSTEE**

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE &

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TELEPHONE NO.

603-2053 7522

FAX NO.

603-2053 7526

## **SALE & PURCHASE OF UNITS**

**Eastspring Investments Berhad**

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TELEPHONE NO.

603-2332 1000

FAX NO.

603-2052 3366

**BRANCHES**

**Petaling Jaya**

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TELEPHONE NO.

603-7948 1288

**Kota Kinabalu**

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TELEPHONE NO.

6088-238 613

**ENQUIRIES**

CLIENT SERVICES

603-2332 1000

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