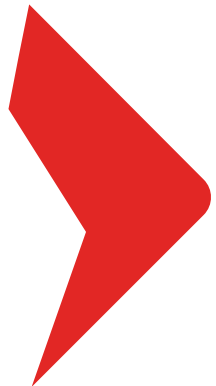


EASTSPRING INVESTMENTS SMALL-CAP FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017



Dear Valued Investor,

Greetings from Eastspring Investments Berhad!

First and foremost, we would like to take this opportunity to thank you for choosing to invest with Eastspring Investments Berhad.

We are pleased to enclose a copy of the Annual/Interim/Quarterly Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 December 2017.

You may also download these reports from our website at www.eastspringinvestments.com.my

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

Yours sincerely,

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

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

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FUND INFORMATION

Name of Fund

Eastspring Investments Small-cap Fund (the "Fund")

**Fund Category/
Type**

Equity (small-cap)/growth

Fund Objective

The Fund seeks to provide investors with maximum capital appreciation by investing principally in small market capitalisation companies which will appreciate in value.

Note: The Fund will invest in small market capitalisation companies at the point of acquisition.

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

**Performance
Benchmark**

The performance benchmark of the Fund is FBMSC.

Source: www.bursamalaysia.com

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

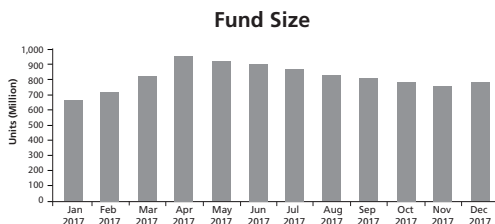
**Fund Income
Distribution Policy**

Incidental

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 December 2017, the size of Eastspring Investments Small-cap Fund stood at 790.706 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	3,591	21.84	9,796	1.24
5,001 to 10,000 units	3,015	18.34	22,246	2.81
10,001 to 50,000 units	6,982	42.47	165,063	20.88
50,001 to 500,000 units	2,772	16.86	316,068	39.97
500,001 units and above	81	0.49	277,527	35.10
Total	16,441	100.00	790,700	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Category	2017	2016	2015
	(%)	(%)	(%)
Quoted Securities			
Conglomerate	-	-	0.98
Construction	13.18	8.74	4.80
Consumer	11.20	8.67	3.58
Consumer Product	3.40	4.09	4.14
Finance	1.43	8.02	1.86
Hotel	-	-	0.69
Industrial Product	22.86	17.75	18.64
Infrastructure Project Company	-	1.33	2.55
Manufacturing	1.43	-	3.26
Plantation	-	1.29	3.15
Properties	5.53	8.17	10.24
REITS	2.44	1.38	0.85
Technology	10.74	6.36	8.15
Trading/Services	9.99	13.75	13.85
Transportation	0.96	0.69	1.01
	83.16	80.24	77.75
Cash and other assets	16.84	19.76	22.25
Total	100.00	100.00	100.00

KEY PERFORMANCE DATA (CONTINUED)

Category	2017	2016	2015
Net Asset Value (NAV) (RM'000)	582,606	403,796	254,650
Units In Circulation (Units '000)	790,706	633,803	380,598
Net Asset Value Per Unit (RM)	0.7368	0.6371	0.6691
Highest Net Asset Value Per Unit (RM)#	0.7369	0.6377	0.6691
Lowest Net Asset Value Per Unit (RM)#	0.7310	0.6356	0.6669
Total Return (%)			
- Capital Growth	15.66	(4.78)	18.59
- Income Distribution	5.24	5.32	6.27
Total Return (%)	21.72	0.28	26.03
Gross Distribution Per Unit (RM)	0.0383	0.0338	0.0418
Net Distribution Per Unit (RM)	0.0381	0.0336	0.0412
Management Expense Ratio (MER) (%)*	1.69	1.70	1.69
Portfolio Turnover Ratio (PTR) (times)^	0.42	0.47	0.65

Figures shown as ex-distribution.

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

^ There were no significant changes to the PTR during the period under review.

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.1.2017 to 31.12.2017	3 years 1.1.2015 to 31.12.2017	5 years 1.1.2013 to 31.12.2017
	(%)	(%)	(%)

Average total return	21.72	15.42	24.07
----------------------	-------	-------	-------

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	21.72	0.28	26.03	16.59	64.02
---------------------	-------	------	-------	-------	-------

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

Bases of calculation and assumptions made in calculating returns:

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

NAV_t = NAV at the end of the period

NAV_0 = NAV at the beginning of the period

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

Adjusted for unit split and distribution paid out for the period

n = Number of years

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

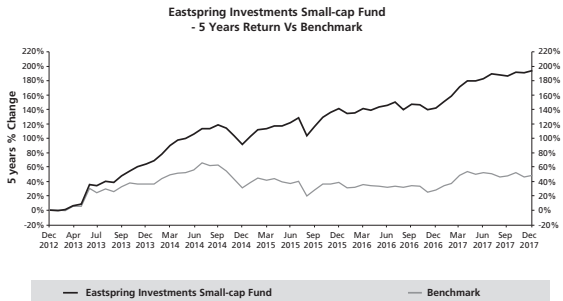
MANAGER'S REPORT

Fund Performance

Over the 5-year period, the Fund recorded a return of 194.18%, outperforming the benchmark return of 48.52% by 145.66%.

During the period under review, the Fund registered a return of 21.72%, outperforming the benchmark return of 15.87% by 5.85%.

The outperformance was mainly due to stock selection. The Fund achieved its investment objective of providing investors with capital appreciation by investing principally in small market capitalisation companies that provide capital appreciation.



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

Benchmark: FTSE Bursa Malaysia Small Cap Index (FBMSC)

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

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

MANAGER'S REPORT (CONTINUED)

Analysis of Fund Performance

For the financial year ended 31 December 2017:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
5.24	15.66	21.72	15.87

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

Distribution/ Unit Split

Ex-date	27-Dec-17
Distribution Per Unit	(RM)
Gross	0.0383
Net	0.0381

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

Ex-date	27-Dec-17
Distribution Per Unit	(RM per Unit)
Net Asset Value before distribution	0.7692
Less: distribution	(0.0381)
Net Asset Value after distribution	<u>0.7311</u>

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

Investment Strategy During Period Under Review

During the period under review, the Fund experienced cash drag in the 1H2017 due to strong inflows as a result of a buoyant equity market. We waited for good entry level before continuing accumulation of stocks for the longer term. The lackluster 2H2017 provided a good entry level for us. Our holdings in the construction and technology stocks helped us to outperform during the period.

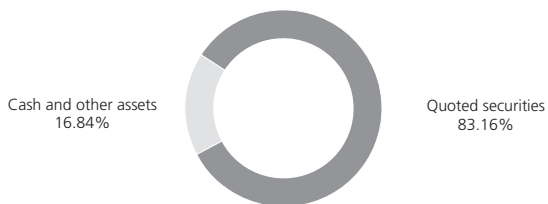
We continue to adopt a bottoms-up approach in selecting stocks. We prefer stocks with healthy earnings growth and strong balance sheet.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Dec 2017 (%)	31-Dec 2016 (%)	Changes (%)
Quoted securities	83.16	80.24	2.92
Cash and other assets	16.84	19.76	(2.92)

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 1st paragraph of the investment strategy, asset allocation, security risk and minimum holdings of units have been revised as set out in (b) to (e) below.

b. Investment Strategy – 1st paragraph

The Fund seeks to achieve its objective by investing in equities and equity-related securities of companies with market capitalisation of up to RM5 billion at the point of acquisition.

MANAGER'S REPORT (CONTINUED)

State of Affairs of
the Fund
(continued)**c. Asset Allocation**

Asset Class	% of the Fund's NAV
Securities of small market capitalisation companies	Minimum of 70%
Deposits or liquid assets	Minimum of 1%

d. Security Risk

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

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.

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.

MANAGER'S REPORT (CONTINUED)

State of Affairs of the Fund (continued)

e. Minimum Holdings of Units

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

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

MARKET REVIEW

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

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

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

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

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

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.

EASTSPRING INVESTMENTS SMALL-CAP FUND

(Established in Malaysia)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT BY THE MANAGER

(Established in Malaysia)

We, Tang Chee Kin and Khoo Chuan Keat, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 22 to 64, are drawn up in accordance with the provisions of the Master Deed and give a true and fair view of the state of affairs of Eastspring Investments Small-cap Fund as at 31 December 2017 and of its results, changes in net assets value and cash flows for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds in Malaysia.

For and on behalf of the Manager,

EASTSPRING INVESTMENTS BERHAD

TANG CHEE KIN

Executive Director/Chief Executive Officer

KHOO CHUAN KEAT

Director

Kuala Lumpur

Date: 14 February 2018

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS SMALL-CAP FUND

(Established in Malaysia)

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

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

We are of view that the distribution made during this financial year ended 31 December 2017 by the Manager is not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching

Senior Manager, Trustee Operations

Richard Lim Hock Seng

Chief Executive Officer

Kuala Lumpur

Date: 14 February 2018

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS SMALL-CAP FUND

(Established in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of Eastspring Investments Small-cap Fund, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 22 to 64.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Fund and our auditors' report thereon.

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

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

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

Responsibilities of the Manager and Trustee for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risk of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

OTHER MATTER

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

KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants

Mok Wan Kong

Approval Number: 02877/12/2018 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 14 February 2018

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
INVESTMENTS			
Quoted equities	4	484,515,486	324,018,016
Deposits with licensed financial institutions		100,650,000	79,840,000
		<u>585,165,486</u>	<u>403,858,016</u>
OTHER ASSETS			
Amount due from Manager		13,054	1,822,548
Amount due from stockbrokers		3,335,348	140,963
Other receivables	5	2,408,350	1,408,724
Tax recoverable		528	528
Bank balance with a licensed bank		26,247	685,083
		<u>5,783,527</u>	<u>4,057,846</u>
TOTAL ASSETS		<u>590,949,013</u>	<u>407,915,862</u>
LIABILITIES			
Amount due to stockbrokers		6,381,515	1,947,560
Amount due to Manager		883,686	396,339
Accrued management fee		779,525	536,141
Amount due to Trustee		41,574	28,594
Other payables and accrued expenses		256,413	1,211,191
		<u>8,342,713</u>	<u>4,119,825</u>
TOTAL LIABILITIES		<u>8,342,713</u>	<u>4,119,825</u>
NET ASSETS VALUE		<u>582,606,300</u>	<u>403,796,037</u>
REPRESENTED BY:			
Unit holders' capital	6	414,179,166	329,074,622
Undistributed income		168,427,134	74,721,415
		<u>582,606,300</u>	<u>403,796,037</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS		<u>582,606,300</u>	<u>403,796,037</u>
NUMBER OF UNITS IN CIRCULATION	6	<u>790,705,638</u>	<u>633,802,722</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT - EX-DISTRIBUTION (Sen)		<u>0.7368</u>	<u>0.6371</u>

The notes on pages 27 to 64 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
Dividend income		13,369,729	8,286,905
Interest income		4,873,004	2,593,162
Net realised gain on sale of investments		29,218,314	7,131,592
Net unrealised gain/(loss) from financial instruments at fair value through profit or loss		71,084,905	(11,796,502)
TOTAL INCOME		118,545,952	6,215,157
Management fee	7	(8,994,960)	(4,937,490)
Trustee's fee	8	(479,731)	(263,333)
Auditors' remuneration		(6,000)	(6,000)
Tax agent's fee		(3,400)	(3,400)
Administrative expenses		(645,236)	(372,500)
Transaction cost		(1,531,570)	(984,488)
TOTAL OPERATING EXPENSES		(11,660,897)	(6,567,211)
NET INCOME/(LOSS) BEFORE TAX EXPENSE		106,885,055	(352,054)
Tax expense	9	(60,854)	(27,494)
NET INCOME/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		106,824,201	(379,548)
Net income/(loss) is made up as follows:			
Realised amount		35,739,296	11,416,954
Unrealised amount		71,084,905	(11,796,502)
		106,824,201	(379,548)

The notes on pages 27 to 64 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS VALUE

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Unit holders' capital RM	Undistributed income RM	Total RM
AT 1 JANUARY 2016		170,770,216	83,879,324	254,649,540
Movement in unit holders' contribution:				
Creation of units		269,996,652	-	269,996,652
Cancellation of units		(100,266,498)	-	(100,266,498)
Total comprehensive loss for the year		-	(379,548)	(379,548)
Income distribution	10	(11,425,748)	(8,778,361)	(20,204,109)
AT 31 DECEMBER 2016/ 1 JANUARY 2017		329,074,622	74,721,415	403,796,037
Movement in unit holders' contribution:				
Creation of units		335,174,705	-	335,174,705
Cancellation of units		(234,490,056)	-	(234,490,056)
Total comprehensive income for the year		-	106,824,201	106,824,201
Income distribution	10	(15,580,105)	(13,118,482)	(28,698,587)
AT 31 DECEMBER 2017		414,179,166	168,427,134	582,606,300

Note 6

The notes on pages 27 to 64 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	217,381,202	91,711,067
Purchase of investments	(276,335,881)	(220,581,616)
Movement in deposits with licensed financial institutions	(20,810,000)	(37,150,000)
Dividends received	12,711,881	7,587,081
Interest received from deposits with licensed financial institutions	4,531,226	2,596,270
Payments for other fees and expenses	(11,448,118)	(5,361,836)
NET CASH USED IN OPERATING ACTIVITIES	<u>(73,969,690)</u>	<u>(161,199,034)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	308,490,571	261,775,945
Payments for cancellation of units	(234,002,709)	(100,732,337)
Distribution paid	(1,177,008)	(73,299)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>73,310,854</u>	<u>160,970,309</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(658,836)	(228,725)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>685,083</u>	<u>913,808</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>26,247</u>	<u>685,083</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Bank balance with a licensed bank	<u>26,247</u>	<u>685,083</u>

The notes on pages 27 to 64 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities:

	1 January 2017	Cash flows	Non-cash changes	
			Reinvestment changes	31 December 2017
	RM	RM	RM	RM
Unit holders' capital	329,074,622	74,487,862	10,616,682	414,179,166
Undistributed income	74,721,415	(1,177,008)	94,882,727	168,427,134
Closing balance	<u>403,796,037</u>	<u>73,310,854</u>	<u>105,499,409</u>	<u>582,606,300</u>

The notes on pages 27 to 64 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. INFORMATION ON THE FUND AND THE MANAGER

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

The Fund will invest principally in small market capitalisation companies. All investments will be subject to the Securities Commission's ("SC") Guidelines, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

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

The main objective of the Fund seeks to provide investors with maximum capital appreciation by investing principally in small market capitalisation companies which will appreciate in value.

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

2. BASIS OF PREPARATION

a. Statement of compliance

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

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

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

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

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

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

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

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

- MFRS 17, *Insurance Contracts*

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

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

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

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

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

i. MFRS 15, Revenue from Contracts with Customers

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

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

ii. MFRS 9, Financial Instruments

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

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

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

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

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

iii. MFRS 16, Leases

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

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

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial instruments

i. Initial recognition and measurement

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

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

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

ii. Financial instrument categories and subsequent measurement

The Fund categorises financial instruments as follows:

Financial assets

a. Financial assets at fair value through profit or loss

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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

b. Loans and receivables

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

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

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

Financial liabilities

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

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

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

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

iii. Regular way purchase or sale of financial assets

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

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

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

iv. Derecognition

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

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

b. Cash and cash equivalents

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

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

c. Impairment

Financial assets

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

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

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

d. Income recognition

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

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

The realised gain/(loss) on sale of investments is measured as the difference between the net disposal proceeds and the carrying amount of the investments.

e. Income tax

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

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

f. Creation and cancellation of units

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

Units are created and cancelled at the holder's option at prices based on the Fund's net assets value per unit at the time of creation or cancellation. The Fund's net assets value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units. In accordance with the Security Commission's Guidelines on Unit Trust Funds in Malaysia, investment positions are valued based on the last traded market price for the purpose of determining the net assets value per unit for creations and cancellations.

g. Proceeds and payments on creation and cancellation of units

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

h. Fair value measurements

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

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

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

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

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

4. QUOTED EQUITIES

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2017	value
			RM	%

2017

Main Market

Construction

Advancecon Holdings Berhad	4,607,400	4,764,412	3,939,327	0.68
Kerjaya Prospek Group Berhad	7,842,100	14,599,280	31,838,926	5.46
Muhibbah Engineering (M) Bhd.	3,776,200	9,257,561	10,724,408	1.84
Pintaras Jaya Berhad	1,311,100	4,247,123	4,877,292	0.84
Sunway Construction Group Berhad	6,049,900	10,852,964	15,185,249	2.61
WCT Holdings Berhad	6,281,000	10,424,313	10,175,220	1.75
	<u>29,867,700</u>	<u>54,145,653</u>	<u>76,740,422</u>	<u>13.18</u>

Consumer

Cocoaland Holdings Berhad	5,121,400	10,892,167	13,366,854	2.29
Hong Leong Industries Berhad	659,500	6,330,741	6,390,555	1.10
Hup Seng Industries Berhad	7,119,600	7,967,322	7,760,364	1.33
Magni-Tech Industries Berhad	2,569,400	12,951,691	14,619,886	2.51
Oriental Food Industries Holdings Berhad	4,496,500	7,014,900	6,160,205	1.06
Salutica Berhad	8,235,600	7,796,768	12,023,976	2.06
Young Onn Corporation Berhad	4,110,200	5,470,390	4,932,240	0.85
	<u>32,312,200</u>	<u>58,423,979</u>	<u>65,254,080</u>	<u>11.20</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 31.12.2017	Percentage of net assets value
	Unit	RM	RM	%
2017 (continued)				
Main Market (continued)				
<u>Consumer Product</u>				
Asia File Corporation Bhd.	2,765,520	10,717,985	7,992,353	1.37
Carlsberg Brewery Malaysia Berhad	415,000	6,109,352	6,349,500	1.09
NTPM Holdings Berhad	8,581,000	7,007,725	5,448,935	0.94
	<u>11,761,520</u>	<u>23,835,062</u>	<u>19,790,788</u>	<u>3.40</u>
<u>Finance</u>				
OSK Holdings Berhad	<u>7,786,650</u>	<u>8,164,211</u>	<u>8,331,715</u>	<u>1.43</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Industrial Product</u>				
Ann Joo Resources Berhad	2,914,100	10,636,098	11,248,426	1.93
Chin Well Holdings Berhad	5,916,600	9,749,734	10,827,378	1.86
Comfort Gloves Berhad	6,403,400	5,968,051	7,620,046	1.31
Daibochi Plastic And Packaging Industry Berhad	3,562,600	7,300,400	8,158,354	1.40
Daibochi Plastic And Packaging Industry Berhad - Warrant	162,100	-	82,671	0.01
Favelle Favco Berhad	1,109,400	3,397,103	3,028,662	0.52
Prestar Resources Berhad	1,057,300	1,460,871	1,099,592	0.19
Rohas Tecnic Berhad	14,072,100	14,698,277	21,108,150	3.62
Scientex Berhad	1,719,971	10,220,922	14,894,949	2.56
SLP Resources Berhad	4,716,000	9,019,122	8,583,120	1.47
Three-A Resources Berhad	16,915,875	18,560,750	16,915,875	2.90
Uchi Technologies Berhad	2,868,400	4,825,402	9,494,404	1.63
United U-Li Corporation Berhad	4,659,100	9,618,863	15,840,940	2.72
Hume Industries Berhad	2,000,000	4,360,000	4,320,000	0.74
	68,076,946	109,815,593	133,222,567	22.86

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Manufacturing</u>				
Pecca Group Berhad	1,999,700	3,005,775	3,099,535	0.53
Success Transformer Corporation Berhad	4,384,000	3,446,769	5,260,800	0.90
	<u>6,383,700</u>	<u>6,452,544</u>	<u>8,360,335</u>	<u>1.43</u>
<u>Properties</u>				
Eastern & Oriental Berhad	6,711,412	12,818,097	9,597,319	1.65
KSL Holdings Bhd	4,434,700	6,821,049	4,745,129	0.81
Matrix Concepts Holdings Berhad	3,587,771	5,948,352	7,857,218	1.35
MKH Berhad	6,141,200	14,585,417	10,010,156	1.72
	<u>20,875,083</u>	<u>40,172,915</u>	<u>32,209,822</u>	<u>5.53</u>
<u>REITS</u>				
KIP Real Estate Investment Trust	9,669,900	9,669,900	8,364,464	1.44
MRCB-Quill Reit	4,648,800	5,593,343	5,811,000	1.00
	<u>14,318,700</u>	<u>15,263,243</u>	<u>14,175,464</u>	<u>2.44</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Technology</u>				
Elsoft Research Berhad	1,661,300	2,694,852	4,485,510	0.77
Inari Amertron Berhad	9,464,342	8,495,666	32,178,763	5.52
Unisem (M) Berhad	5,744,900	19,143,288	20,968,885	3.60
Vitrox Corporation Berhad	798,400	1,513,779	4,958,064	0.85
	<u>17,668,942</u>	<u>31,847,585</u>	<u>62,591,222</u>	<u>10.74</u>
<u>Trading/Services</u>				
Berjaya Food Berhad	3,413,600	6,651,167	6,315,160	1.08
Bermaz Auto Berhad	5,786,740	10,557,905	12,730,828	2.19
Oldtown Berhad	6,080,700	9,731,437	18,789,363	3.23
Pestech International Berhad	5,159,400	8,619,880	9,028,950	1.55
Serba Dinamik Holdings Berhad	3,500,000	6,859,500	11,340,000	1.94
	<u>23,940,440</u>	<u>42,419,889</u>	<u>58,204,301</u>	<u>9.99</u>
<u>Transportation</u>				
Tiong Nam Logistics Holdings Berhad	4,205,052	6,617,581	5,634,770	0.96
	<u>4,205,052</u>	<u>6,617,581</u>	<u>5,634,770</u>	<u>0.96</u>
TOTAL QUOTED EQUITIES	<u>237,196,933</u>	<u>397,158,255</u>	<u>484,515,486</u>	<u>83.16</u>

4. QUOTED EQUITIES

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2016	value
			RM	%
2016				
Main Market				
<u>Construction</u>				
Kerjaya Prospek Group Berhad	7,842,100	14,599,280	17,017,357	4.21
Muhibbah Engineering (M) Bhd.	1,176,200	2,748,961	2,622,926	0.65
Pintaras Jaya Berhad	1,113,500	3,514,791	3,919,520	0.97
Sunway Construction Group Berhad	5,714,700	9,339,516	9,714,990	2.41
WCT Holdings Berhad	1,170,489	1,779,249	2,024,946	0.50
	17,016,989	31,981,797	35,299,739	8.74
<u>Consumer</u>				
Cocoaland Holdings Berhad	2,121,400	4,278,747	4,264,014	1.06
Hup Seng Industries Berhad	7,119,600	7,967,322	8,329,932	2.06
Magni-Tech Industries Berhad	1,576,600	6,613,255	6,605,954	1.64
Oriental Food Industries Holdings Berhad	1,556,400	2,317,187	2,132,268	0.53
Salutica Berhad	8,235,600	7,796,768	10,459,212	2.59
Young Onn Corporation Berhad	2,935,700	3,960,897	3,199,913	0.79
	23,545,300	32,934,176	34,991,293	8.67
<u>Consumer Product</u>				
Asia File Corporation Bhd	1,432,720	6,265,982	5,028,847	1.25
NTPM Holdings Berhad	4,562,600	3,771,709	3,786,958	0.94
Power Root Berhad	3,741,800	7,755,401	7,670,690	1.90
	9,737,120	17,793,092	16,486,495	4.09

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Finance</u>				
AEON Credit Service (M)				
Berhad	866,400	10,582,098	12,441,504	3.08
Allianz Malaysia Berhad	1,350,000	13,882,981	13,770,000	3.41
Tune Protect Group				
Berhad	4,360,600	7,317,524	6,192,052	1.53
	<u>6,577,000</u>	<u>31,782,603</u>	<u>32,403,556</u>	<u>8.02</u>
<u>Industrial Product</u>				
Evergreen Fibreboard				
Berhad	5,944,750	7,241,530	5,706,960	1.41
Pecca Group Berhad	1,999,700	3,005,775	3,179,523	0.79
Success Transformer				
Corporation Berhad	2,157,334	3,318,664	4,357,815	1.08
Chin Well Holdings				
Berhad	4,968,400	8,106,134	7,651,336	1.90
Favelle Favco Berhad	1,109,400	3,397,103	2,640,372	0.65
Kian Joo Can Factory				
Bhd.	1,244,700	3,618,840	3,646,971	0.90
KNM Group Berhad	6,547,400	3,308,401	2,226,116	0.55
Scientex Berhad	1,698,200	10,051,109	11,377,940	2.82
SKP Resources Bhd	3,360,600	4,577,202	4,335,174	1.08
Three-A Resources				
Berhad	5,648,700	7,343,086	7,399,797	1.83
UCHI Technologies				
Berhad	3,209,000	5,354,378	5,712,020	1.41
United U-Li Corporation				
Berhad	3,917,200	6,457,788	13,435,996	3.33
	<u>41,805,384</u>	<u>65,780,010</u>	<u>71,670,020</u>	<u>17.75</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Infrastructure Project</u>				
<u>Company</u>				
Lingkar Trans Kota Holdings Berhad	915,300	3,812,423	5,381,964	1.33
<u>Plantation</u>				
Tanah Makmur Berhad	2,770,800	4,838,558	5,209,104	1.29
<u>Properties</u>				
Eastern & Oriental Berhad	3,040,212	5,889,992	4,408,307	1.09
OSK Holdings Berhad	3,833,500	6,061,558	5,366,900	1.33
KSL Holdings Berhad	4,731,601	7,277,715	4,778,917	1.18
Malton Berhad	4,779,500	4,022,766	3,178,367	0.79
Matrix Concepts Holdings Berhad	2,741,217	5,620,694	6,633,745	1.64
MKH Berhad	2,044,800	5,707,449	5,807,232	1.44
Sentoria Group Berhad	3,500,000	3,510,535	2,800,000	0.70
	24,670,830	38,090,709	32,973,468	8.17
<u>REITS</u>				
MRCB-Quill Reit	4,648,800	5,593,343	5,578,560	1.38
<u>Technology</u>				
Elsoft Research Berhad	2,814,300	3,081,430	3,996,306	0.99
Inari Amertron Berhad	4,732,171	8,495,666	15,710,808	3.89
Unisem (M) Berhad	1,733,700	4,076,822	4,091,532	1.01
Vitrox Corporation Berhad	512,000	1,848,312	1,899,520	0.47
	9,792,171	17,502,230	25,698,166	6.36

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	31.12.2016	value
			RM	%
2016 (continued)				
Main Market (continued)				
<u>Trading/Services</u>				
Ranhill Holdings Berhad	2,544,500	2,619,042	2,188,270	0.54
Berjaya Food Berhad	3,290,000	6,476,965	5,165,300	1.28
Bermaz Auto Berhad	6,430,340	11,732,153	13,696,624	3.39
Chin Hin Group Berhad	4,069,300	3,321,625	3,540,291	0.88
Cypark Resources Berhad	1,186,900	2,845,329	2,468,752	0.61
Malaysia Marine And Heavy Engineering Holdings Berhad	3,519,600	3,608,417	3,220,434	0.80
Oldtown Berhad	7,152,700	11,447,046	13,661,657	3.38
Pantech Group Holdings Berhad	3,213,554	1,921,819	1,430,032	0.35
Pantech Group Holdings Berhad - Warrant	267,796	-	34,813	0.01
Salcon Berhad	2,686,700	1,992,894	1,491,119	0.37
Suria Capital Holdings Berhad	1,277,100	3,605,046	2,541,429	0.63
Tiong Nam Logistics Holdings Berhad	3,828,600	6,144,901	6,087,474	1.51
	<u>39,467,090</u>	<u>55,715,237</u>	<u>55,526,195</u>	<u>13.75</u>
<u>Transportation</u>				
Xin Hwa Holdings Berhad	2,313,600	1,921,515	2,799,456	0.69
TOTAL QUOTED EQUITIES	<u>183,260,384</u>	<u>307,745,693</u>	<u>324,018,016</u>	<u>80.24</u>

5. OTHER RECEIVABLES

	2017	2016
	RM	RM
Dividend receivables	1,997,001	1,339,153
Interest receivables	411,349	69,571
	<u>2,408,350</u>	<u>1,408,724</u>

6. NUMBER OF UNITS IN CIRCULATION

	Note	No. of units	RM
As at 1 January 2016		380,597,579	170,770,216
Add: Creation of units	6.1	402,569,041	269,996,652
Less: Cancellation of units		(149,363,898)	(100,266,498)
Less: Income distribution		-	(11,425,748)
		<u>633,802,722</u>	<u>329,074,622</u>
As at 31 December 2016/1 January 2017		633,802,722	329,074,622
Add: Creation of units	6.1	474,067,237	335,174,705
Less: Cancellation of units		(317,164,321)	(234,490,056)
Less: Income distribution		-	(15,580,105)
		<u>790,705,638</u>	<u>414,179,166</u>
At 31 December 2017		790,705,638	414,179,166

6.1 Creation of units

During the year, there were 38,973,640 units (2016: 29,935,651 units) amounting to RM28,493,628 (2016: RM19,027,100) created from reinvestment of income distribution.

7. MANAGEMENT FEE

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

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

8. TRUSTEE'S FEE

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

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

9. TAX EXPENSE

	Note	2017	2016
		RM	RM
Current tax expense		60,854	27,494
Reconciliation of tax expense			
Net income/(loss) before tax		106,885,055	(352,054)
Income tax using Malaysian tax rate of 24%		25,652,413	(84,493)
Non-assessable income	9.1	(28,304,980)	(1,425,652)
Non-deductible expenses		638,385	389,693
Restriction on the tax deductible expenses for unit trust funds		2,160,231	1,186,438
Income subject to different tax rate		(85,195)	(38,492)
Tax expense		60,854	27,494

9.1 Non-assessable income

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

10. INCOME DISTRIBUTION

During the current financial year, the Manager declared an aggregate gross distribution of 3.83 sen per unit (2016: 3.38 sen per unit) for investors of Eastspring Investments Small-cap Fund.

	2017	2016
	RM	RM
Distribution to unit holders is from previous years realised income:		
Dividend income	5,451,398	3,408,731
Interest income	1,342,939	678,696
Net realised gain on sale of investments	10,297,530	6,743,708
Expenses	(3,835,052)	(1,905,498)
Taxation	(138,333)	(147,276)
	<hr/>	<hr/>
	13,118,482	8,778,361
Distribution equalisation	15,580,105	11,425,748
Net distribution	<hr/> 28,698,587	<hr/> 20,204,109
Gross distribution per unit	<hr/> 0.0383	<hr/> 0.0338
Net distribution per unit	<hr/> 0.0381	<hr/> 0.0336
Ex-date	<hr/> 27 December 2017	<hr/> 27 December 2016

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

11. FINANCIAL INSTRUMENTS

11.1 Categories of financial instruments

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

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

	Carrying amount	L&R/ (FL)	FVTPL- HFT
	RM	RM	RM
2017			
Financial assets			
Investments			
- Quoted equities	484,515,486	-	484,515,486
- Deposits with licensed financial institutions	100,650,000	100,650,000	-
Amount due from stockbrokers	3,335,348	3,335,348	-
Amount due from Manager	13,054	13,054	-
Other receivables	2,408,350	2,408,350	-
Bank balance with a licensed bank	26,247	26,247	-
	590,948,485	106,432,999	484,515,486
Financial liabilities			
Amount due to stockbrokers	(6,381,515)	(6,381,515)	-
Amount due to Manager	(883,686)	(883,686)	-
Accrued management fee	(779,525)	(779,525)	-
Amount due to Trustee	(41,574)	(41,574)	-
Other payables and accrued expenses	(256,413)	(256,413)	-
	(8,342,713)	(8,342,713)	-

	Carrying amount	L&R/ (FL)	FVTPL- HFT
	RM	RM	RM
2016			
Financial assets			
Investments			
- Quoted equities	324,018,016	-	324,018,016
- Deposits with licensed financial institutions	79,840,000	79,840,000	-
Amount due from stockbrokers	140,963	140,963	-
Amount due from Manager	1,822,548	1,822,548	-
Other receivables	1,408,724	1,408,724	-
Bank balance with a licensed bank	685,083	685,083	-
	<u>407,915,334</u>	<u>83,897,318</u>	<u>324,018,016</u>
Financial liabilities			
Amount due to stockbrokers	(1,947,560)	(1,947,560)	-
Amount due to Manager	(396,339)	(396,339)	-
Accrued management fee	(536,141)	(536,141)	-
Amount due to Trustee	(28,594)	(28,594)	-
Other payables and accrued expenses	(1,211,191)	(1,211,191)	-
	<u>(4,119,825)</u>	<u>(4,119,825)</u>	<u>-</u>

11.2 Net gains and losses arising from financial instruments

	2017	2016
	RM	RM
Net gains/(losses) arising on:		
Fair value through profit or loss:		
Held for trading - unrealised	71,084,905	(11,796,502)
- realised	42,588,043	15,418,497
Loans and receivables	4,873,004	2,593,162
	118,545,952	6,215,157

11.3 Financial risk management

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

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

11.4 Investment risk

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

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

Risk management objectives, policies and processes for managing the risk

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

11.5 Credit risk

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

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

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

11.6 Liquidity risk

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

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

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

11.7 Market risk

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

Risk management objectives, policies and processes for managing the risk

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

11.7.1 Interest rate risk

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

Exposure to interest rate risk

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

	2017	2016
	RM	RM
<u>Fixed rate instruments</u>		
Deposits with licensed financial institutions	100,650,000	79,840,000

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Fund accounts for the deposits with licensed financial institutions at amortised cost. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

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

	2017	2016
	%	%
Deposits with licensed financial institutions*	3.70	4.03

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

11.7.2 Other price risk

Equity price risk arises from the Fund's investments in equity securities.

Equity price risk sensitivity analysis

A 10% (2016: 10%) strengthening in the quoted equity's market prices of the Fund's portfolio at the end of the reporting period would have increased equity and profit or loss by RM48,451,549 (2016: RM32,401,802). A weakening in the quoted equity's market prices would have had equal but opposite effect on equity and profit or loss respectively.

11.8 Effective interest rates

The effective interest rates and the maturity dates of the financial instruments of the Fund are disclosed in Note 11.7.1.

11.9 Management company risk

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

11.10 Fair value information

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

The fair values of quoted equities, together with the carrying amounts shown in the statement of financial position, are already disclosed in Note 4.

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

Quoted equities

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

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

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3			Total
	RM	RM	RM	RM	RM	RM	RM			RM
2017										
Financial assets										
Quoted equities	484,515,486	-	-	484,515,486	-	-	-	484,515,486	484,515,486	
2016										
Financial assets										
Quoted equities	324,018,016	-	-	324,018,016	-	-	-	324,018,016	324,018,016	

11.10.1 Fair value hierarchy

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfer between Level 1 and Level 2 fair values

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

Level 3 fair value

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

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

Units held at the end of the financial year

	2017	2016
	No. of units	No. of units
Manager		
Eastspring Investments Berhad	5,655	5,375

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

13. STOCKBROKERS' TRANSACTIONS

The 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>Financial year ended</u>				
<u>31 December 2017</u>				
Maybank Investment Bank Berhad	87,180,706	17.42	260,116	16.98
UOB Kay Hian Securities (M) Sdn. Bhd.	54,968,165	10.98	170,259	11.12
Kenanga Investment Bank Berhad	50,021,847	10.00	131,116	8.56
RHB Investment Bank Berhad	47,747,923	9.54	157,536	10.29
CIMB Investment Bank Berhad	39,509,749	7.89	116,352	7.60
KAF Seagroatt & Campbell Securities Sdn. Bhd.	33,576,407	6.71	104,445	6.82
Hong Leong Investment Bank Berhad	31,597,773	6.31	96,088	6.27
Nomura Securities Malaysia Sdn. Bhd.	30,990,918	6.19	97,098	6.34
Affin Hwang Investment Bank Berhad	30,266,829	6.05	94,894	6.20
Macquarie Capital Securities (Malaysia) Sdn. Bhd.	26,006,108	5.20	81,156	5.30
Others	68,586,163	13.71	222,510	14.52
	500,452,588	100.00	1,531,570	100.00

For the financial year ended 31 December 2017, the details of transactions above consists of trading activities of quoted equities amounting to RM500,452,588.

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>Financial year ended</u>				
<u>31 December 2016</u>				
CIMB Bank Berhad*	8,407,560,000	70.70	-	-
Malayan Banking Berhad*	2,876,340,000	24.19	-	-
Public Bank Berhad*	244,000,000	2.05	-	-
Affin Hwang Investment Bank Berhad	30,860,622	0.26	96,132	9.76
RHB Investment Bank Berhad	29,532,361	0.25	102,579	10.42
UOB Kay Hian Securities (M) Sdn. Bhd.	28,644,947	0.24	91,789	9.32
Maybank Investment Bank Berhad	27,235,550	0.23	77,019	7.82
Alliance Bank Malaysia Berhad*	26,000,000	0.22	-	-
Hong Leong Bank Berhad*	25,000,000	0.21	-	-
Kenanga Investment Bank Berhad	24,423,106	0.21	77,418	7.86
Others	171,918,735	1.44	539,551	54.82
	11,891,515,321	100.00	984,488	100.00

For the financial year ended 31 December 2016, the details of transactions above consists of placements of deposits with financial institutions and stockbrokers trading activities of quoted equities amounting to RM11,578,900,000 and RM312,615,321 respectively. Transactions relating to placements of deposits with financial institutions are marked with " * ".

The details of transactions above has been adjusted to reflect the placements of deposits with financial institutions in prior year.

All brokers highlighted above are not related to the Manager (2016: nil).

14. MANAGEMENT EXPENSE RATIO ("MER")

	2017	2016
	%	%
MER	1.69	1.70

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

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

A = Management fee

B = Trustee's fee

C = Auditor's remuneration

D = Administrative expenses

E = Tax agent's fees

F = Average Net Assets Value of the Fund calculated on a daily basis

The average Net Assets Value of the Fund for the financial year is RM599,636,519 (2016: RM329,150,949).

15. PORTFOLIO TURNOVER RATIO ("PTR")

	2017	2016
PTR (times)	0.42	0.47

PTR is derived from the following calculation:

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

	2017	2016
	RM	RM

Where:

Total acquisitions for the financial year	280,769,836	221,449,367
Total disposals for the financial year	220,575,587	90,472,695

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

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TRUSTEE

NAME

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