

EASTSPRING INVESTMENTS INSTITUTIONAL INCOME FUND

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD
ENDED 31 MARCH 2018



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 March 2018.

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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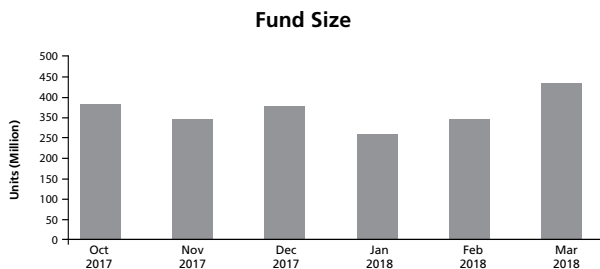
FUND INFORMATION

Name of Fund	Eastspring Investments Institutional Income Fund (the "Fund")
Fund Category/ Type	Money market/income
Fund Objective	<p>The Fund seeks to provide liquidity and a steady income* stream by investing in money market instruments and/or Deposits.</p> <p>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</p> <p>* Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.</p>
Performance Benchmark	<p>The performance benchmark of the Fund is Maybank overnight rate.</p> <p>Source: www.maybank2u.com.my</p> <p>Note: The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	At least twice a year, subject to the availability of income.

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 March 2018, the size of Eastspring Investments Institutional Income Fund stood at 426.213 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	-	-	-	-
5,001 to 10,000 units	-	-	-	-
10,001 to 50,000 units	1	25.00	20	-
50,001 to 500,000 units	-	-	-	-
500,001 units and above	3	75.00	426,192	100.00
Total	4	100.00	426,212	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	31.3.2018	31.3.2017	31.3.2016
	(%)	(%)	(%)
Cash and other assets	100.00	100.00	100.00
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	438,500	2,096,201	234,068
Units In Circulation (Units '000)	426,213	2,040,372	227,731
Net Asset Value Per Unit (RM)	1.0288	1.0274	1.0278
Highest Net Asset Value Per Unit (RM) [#]	1.0288	1.0274	1.0278
Lowest Net Asset Value Per Unit (RM) [#]	1.0268	1.0260	1.0264
Total Return (%)			
- Capital Growth	(0.02)	0.02	(0.02)
- Income Distribution	1.46	1.46	1.77
Total Return (%)	1.44	1.48	1.75
Gross Distribution Per Unit (RM)	0.0149	0.0149	0.0180
Net Distribution Per Unit (RM)	0.0149	0.0149	0.0180
Management Expense Ratio (MER) (%) [*]	0.33	0.33	0.33
Portfolio Turnover Ratio (PTR) (times) [^]	27.86	19.09	13.85

[#] Figure shown as ex-distribution.

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

[^] The PTR was higher due to a higher number of rollover transaction during the period under review.

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.4.2017 to 31.3.2018	3 years 1.4.2015 to 31.3.2018	5 years 1.4.2013 to 31.3.2018
	(%)	(%)	(%)

Average total return	2.94	3.13	3.04
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Year ended	1.10.2016 to 30.9.2017	1.10.2015 to 30.9.2016	1.10.2014 to 30.9.2015	1.10.2013 to 30.9.2014	1.10.2012 to 30.9.2013
	(%)	(%)	(%)	(%)	(%)

Annual total return	2.98	3.36	3.27	2.83	2.62
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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:

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

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

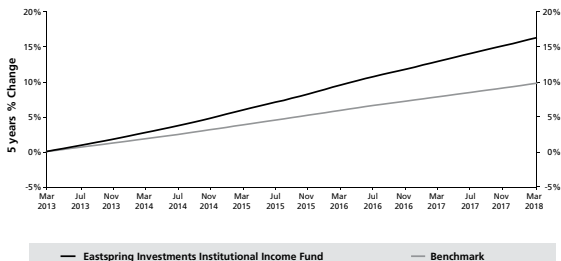
Over the 5-year period, the Fund recorded a positive return of 16.15%, outperforming its benchmark return of 9.70% by 6.45%.

For the period under review, the Fund registered a positive return of 1.44%, outperforming its benchmark return of 0.90% by 0.54%.

The outperformance of the Fund was contributed by investing in short-term deposits and money market placements of diversified maturities while maintaining its liquidity requirements.

The Fund met its investment objective of providing liquidity and a steady income stream by investing in money market placements and deposits.

Eastspring Investments Institutional Income Fund
- 5 Years Return Vs Benchmark



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

Benchmark: Maybank overnight deposit rate

Source: Lipper for Investment Management and www.maybank2u.com.my, as at 31 March 2018.

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 March 2018:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
1.46	(0.02)	1.44	0.90

Distribution/ Unit Split

Ex-date	06-Oct-17	06-Nov-17	06-Dec-17
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0044	0.0026	0.0006
Net	0.0044	0.0026	0.0006
Unit Split	Nil	Nil	Nil

Ex-date	08-Jan-18	06-Feb-18	06-Mar-18
Distribution Per Unit	(RM)	(RM)	(RM)
Gross	0.0005	0.0023	0.0045
Net	0.0005	0.0023	0.0045
Unit split	Nil	Nil	Nil

Impact on NAV arising from distribution for the financial period ended 31 March 2018.

MANAGER'S REPORT (CONTINUED)

**Distribution/
Unit Split
(continued)**

Ex-date	06-Oct-17	06-Nov-17	06-Dec-17
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	1.0294	1.0275	1.0273
Less:distribution	(0.0044)	(0.0026)	(0.0006)
Net Asset			
Value after distribution	1.0250	1.0249	1.0267

Ex-date	08-Jan-18	06-Feb-18	06-Mar-18
	(RM per Unit)	(RM per Unit)	(RM per Unit)
Net Asset			
Value before distribution	1.0294	1.0312	1.0313
Less:distribution	(0.0005)	(0.0023)	(0.0045)
Net Asset			
Value after distribution	1.0289	1.0289	1.0268

**Investment
Strategy During
Period Under
Review**

For the period under review, the Fund invested in a portfolio of short-term deposits and money market instruments that would meet the investors' short-term liquidity management requirements.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Mar 2018 (%)	30-Sep 2017 (%)	Changes (%)
Cash and other assets	100.00	100.00	0.00

Asset Allocation as at 31 March 2018



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

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.

MARKET REVIEW

For the period under review, Bank Negara Malaysia (“BNM”) raised the Overnight Policy Rate (“OPR”) by 25bps to 3.25% in Jan 2018, after holding it unchanged since July 2016. In the recent Monetary Policy Committee (“MPC”) meeting in Mar 2018, BNM maintained the OPR at 3.25%. BNM cited that the global economy continues to strengthen with strong growth momentum in global trade. In the advance economics, rising wages and policy support provides further drive to growth. While in Asia, growth is driven by sustained domestic activity and strong external demand. Nevertheless, BNM cautioned on the volatility of global trade as trade tensions have risen in the recent period.

For Malaysia, growth is expected to remain strong in 2018 with positive global growth outlook and further support from the external sector. Domestic demand remains the key driver of growth, supported by higher income and employment, and implementation of new and ongoing infrastructure projects and sustained capital investment in the manufacturing and services sectors. Headline inflation is projected to average lower in 2018 on expectations of a smaller effect from global cost factors. The ringgit has strengthened to better reflect the economic fundamentals. The MPC viewed that at the current level of the OPR, the stance of monetary policy remained accommodative to ensure that the domestic economy continues on a steady growth path amid lower inflation.

Following the 25bps rise in OPR from 3.00% to 3.25% on 25 Jan 2018, the interbank short-term rates were adjusted upwards and maintained their tight trading range thereafter amidst ample liquidity in the market. The overnight and 1-week rates rose from 2.98%-3.05% at the beginning period to 3.18%-3.32% respectively, while the 1-month rates rose from 3.15%-3.17% to 3.39%-3.41%.

In the short-term Bills market, yields across all tenure rose by 25-27bps. Both 1-month and 1-year yields ended the period at 3.20% and 3.23% respectively.

REBATES AND SOFT COMMISSIONS

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

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EASTSPRING INVESTMENTS INSTITUTIONAL INCOME FUND

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018

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 14 to 41 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 March 2018 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: 16 May 2018

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

We have acted as Trustee for Eastspring Investments Institutional Income Fund (the "Fund") for the financial period ended 31 March 2018. 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.

We are of the view that the distributions made during financial period ended 31 March 2018 by the Manager are not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching
Senior Manager, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur
Date: 16 May 2018

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018

		6-months financial period ended 31.3.2018	6-months financial period ended 31.3.2017
	Note	RM	RM
INVESTMENT INCOME			
Interest income from deposits with licensed financial institutions		<u>6,716,069</u>	<u>9,489,848</u>
		6,716,069	9,489,848
EXPENSES			
Management fee	3	(1,136,939)	(1,567,469)
Trustee fee	4	(56,847)	(78,373)
Other expenses		(1,379)	(1,459)
GST charges		(71,627)	(98,751)
		<u>(1,266,792)</u>	<u>(1,746,052)</u>
PROFIT BEFORE TAXATION		5,449,277	7,743,796
TAXATION	6	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>5,449,277</u>	<u>7,743,796</u>
Profit after taxation is made up as follows:			
Realised amount		<u>5,449,277</u>	<u>7,743,796</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 MARCH 2018

	Note	2018	2017
		RM	RM
ASSETS			
Financial assets at fair value through profit or loss	7	438,736,353	2,223,382,639
Cash and cash equivalents		32,685	46,707
TOTAL ASSETS		<u>438,769,038</u>	<u>2,223,429,346</u>
LIABILITIES			
Amount due to Manager		-	126,730,000
Accrued management fee		241,656	447,446
Amount due to Trustee		12,083	22,372
GST charges payable		15,224	28,189
TOTAL LIABILITIES		<u>268,963</u>	<u>127,228,007</u>
NET ASSET VALUE OF THE FUND		<u>438,500,075</u>	<u>2,096,201,339</u>
EQUITY			
Unit holders' capital		417,874,760	2,072,581,970
Retained earnings		20,625,315	23,619,369
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>438,500,075</u>	<u>2,096,201,339</u>
NUMBER OF UNITS IN CIRCULATION	8	<u>426,212,903</u>	<u>2,040,371,967</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>1.0288</u>	<u>1.0274</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 MARCH 2018

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 October 2017		463,414,863	20,663,624	484,078,487
Movement in unit holders' contribution:				
Creation of units from applications		524,553,910	-	524,553,910
Creation of units from distributions		4,534,979	-	4,534,979
Cancellation of units		(574,628,992)	-	(574,628,992)
Total comprehensive income for the financial period		-	5,449,277	5,449,277
Distributions (Gross/Net: 1.49 sen)	5	-	(5,487,586)	(5,487,586)
Balance as at 31 March 2018		<u>417,874,760</u>	<u>20,625,315</u>	<u>438,500,075</u>
Balance as at 1 October 2016		253,826,874	20,279,469	274,106,343
Movement in unit holders' contribution:				
Creation of units from applications		2,784,081,199	-	2,784,081,199
Creation of units from distributions		8,198,933	-	8,198,933
Cancellation of units		(969,730,000)	-	(969,730,000)
Total comprehensive income for the financial period		-	7,743,796	7,743,796
Distributions (Gross/Net: 1.49 sen)	5	(3,795,036)	(4,403,896)	(8,198,932)
Balance as at 31 March 2017		<u>2,072,581,970</u>	<u>23,619,369</u>	<u>2,096,201,339</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 MARCH 2018

	6-months financial period ended 31.3.2018	6-months financial period ended 31.3.2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from maturity of deposits with licensed financial institutions	10,611,112,185	9,029,418,005
Placement of deposits with licensed financial institutions	(10,565,470,000)	(10,978,554,000)
Interest received from deposits with licensed financial institutions	6,716,068	9,489,848
Management fee paid	(1,202,002)	(1,284,958)
Trustee fee paid	(60,100)	(64,248)
Payment for other fees and expenses	(77,105)	(82,412)
Net cash generated from/(used in) operating activities	<u>51,019,046</u>	<u>(1,941,077,765)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from units created	524,553,911	2,792,280,132
Payments for cancellation of units	(574,628,992)	(843,000,000)
Distributions paid	(952,608)	(8,198,932)
Net cash (used in)/generated from financing activities	<u>(51,027,689)</u>	<u>1,941,081,200</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,643)	3,435
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>41,328</u>	<u>43,272</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>32,685</u>	<u>46,707</u>

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 MARCH 2018

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 period. 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 I to the financial statements.

The Fund has applied the following amendments for the first time for the financial period beginning on 1 October 2017:

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

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

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

i. Financial year beginning on/after 1 October 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 changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

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

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 accrual basis using the effective interest method.

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 deposits with licensed financial institutions 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.

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

The Fund’s financial liabilities include amount due to Manager, accrued management fee, amount due to Trustee and GST charges payable.

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. Deposits with licensed financial institutions are initially recognised at fair value.

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

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

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

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

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

iii. Impairment for assets carried at amortised costs

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

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

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

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

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

F. 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. CREATION AND CANCELLATION OF UNITS

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

Units are created and cancelled at the unit holder's option 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 asset attributable to unit holder with the total number of outstanding units.

H. UNIT HOLDERS' CAPITAL

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under MFRS 132 "Financial Instruments: Presentation".

The units in the Fund are puttable instruments which entitle the unit holders to a pro-rata share of the net asset value of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset value of the Fund.

I. DISTRIBUTIONS

A distribution to the Fund's unit holders is accounted for a deduction from realised reserves. A proposed distribution is recognised as a liability in the financial period in which it is approved.

J. SEGMENTAL INFORMATION

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

K CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

Estimates and judgments are continually evaluated by the Manager and 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 MARCH 2018

1. INFORMATION ON THE FUND

Eastspring Investments Institutional Income Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 16 March 2005, a Master Supplemental Deed dated 12 July 2007, a 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 the "Manager" and the "Trustee" on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by a 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 and an Eighth Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund was launched on 7 April 2005 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund shall invest in a portfolio of money market instruments and/or deposits. All investments will be subjected to the SC Guidelines on Unit Trust Funds, the Deed and the objective of the Fund where applicable.

The Fund seeks to provide liquidity and a steady income stream by investing in money market instruments and/or deposits.

The Manager is 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.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (inclusive of interest rate risk), liquidity risk, fund management risk, capital risk and credit/default risk.

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2018</u>				
Financial assets at fair value through profit or loss	7	-	438,736,353	438,736,353
Bank balance with a licensed bank		32,685	-	32,685
		<u>32,685</u>	<u>438,736,353</u>	<u>438,769,038</u>
<u>2017</u>				
Financial assets at fair value through profit or loss	7	-	2,223,382,639	2,223,382,639
Bank balance with a licensed bank		46,707	-	46,707
		<u>46,707</u>	<u>2,223,382,639</u>	<u>2,223,429,346</u>

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

Market risk

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.

As at the date of the statement of financial position, all the financial assets and financial liabilities are non-interest bearing except for deposits with licensed financial institutions of RM438,736,353 (2017: RM2,223,382,639) which have maturities of less than one year.

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

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 bank balance, deposits with licensed financial institutions and other instruments which are capable of being converted into cash within 7 days.

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

	Less than 1 month RM
<u>2018</u>	
Accrued management fee	241,656
Amount due to Trustee	12,083
GST charges payable	15,224
Contractual cash outflows	<u>268,963</u>
<u>2017</u>	
Amount due to Manager	126,730,000
Accrued management fee	447,446
Amount due to Trustee	22,372
GST charges payable	28,189
Contractual cash outflows	<u>127,228,007</u>

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 interests of unit holders.

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM417,874,760 (2017: RM2,072,581,970) and retained earnings of RM20,625,315 (2017: RM23,619,369). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscription 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.

Credit/default risk

Credit/default risk refers to the ability of an issuer or a counterparty to make timely payments of interest, principals and proceeds from realisation of investments. This risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

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

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
	RM	RM	RM
<u>2018</u>			
Finance			
- AA1	50,070,294	32,685	50,102,979
- AA2	147,767,779	-	147,767,779
- AAA	240,898,280	-	240,898,280
	<u>438,736,353</u>	<u>32,685</u>	<u>438,769,038</u>
<u>2017</u>			
Finance			
- AA1	357,311,569	46,707	357,358,276
- AA2	209,271,199	-	209,271,199
- AAA	1,656,799,871	-	1,656,799,871
	<u>2,223,382,639</u>	<u>46,707</u>	<u>2,223,429,346</u>

None of these assets are past due or impaired.

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 Fund Manager will determine the point within the bid-ask spread that is representative of the fair value.

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

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

Fair value hierarchy

- i. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:
 - Level 1: Quoted prices (unadjusted) in active 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 judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement 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>2018</u>				
Financial assets at fair value through profit or loss:				
Deposits with licensed financial institutions	-	438,736,353	-	438,736,353
<u>2017</u>				
Financial assets at fair value through profit or loss:				
Deposits with licensed financial institutions	-	2,223,382,639	-	2,223,382,639

The financial assets are short term financial instruments for which the carrying amount approximates the fair values.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2 these include deposits with licensed financial institutions. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. 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 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 on the net asset value of the Fund calculated on daily basis.

For the financial period ended 31 March 2018, the management fee is recognised at a rate of 0.60% (2017: 0.60%) per annum on the net asset value of the Fund, calculated on a 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 on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum and a maximum fee of RM350,000 per annum.

For the financial period ended 31 March 2018, the Trustee fee is recognised at a rate of 0.03% (2017: 0.03%) per annum on the net asset value of the Fund, calculated on a daily basis.

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

5. DISTRIBUTIONS

	6-months financial period ended 31.3.2018	6-months financial period ended 31.3.2017
	RM	RM
Distributions to unit holders are from the following sources:		
Interest income	955,457	1,344,816
Previous year's realised income	5,973,175	3,309,595
Distribution equalisation (Memorandum account)	<u>(1,260,134)</u>	<u>3,795,036</u>
Gross realised income	5,668,498	8,449,447
Less: Expenses	<u>(180,912)</u>	<u>(250,515)</u>
	5,487,586	8,198,932
Taxation	<u>-</u>	<u>-</u>
	<u>5,487,586</u>	<u>8,198,932</u>

During the financial period, distributions were made as follows:

Ex-date	Gross/net distribution	
	6-months financial period ended	6-months financial period ended
	31.3.2018	31.3.2017
	RM/unit	RM/unit
6 October/17 October	0.0044	0.0029
6 November/15 November	0.0026	0.0017
6 December/15 December	0.0006	0.0012
8 January/16 January	0.0005	0.0018
6 February/15 February	0.0023	0.0031
6 March/15 March	0.0045	0.0042
	<u>0.0149</u>	<u>0.0149</u>

Gross distribution is derived using total income less total expenses. The distribution is made from current and prior year's realised income.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution for unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purposes of determining amount available for distribution, distribution equalisation is included in the computation of realised gain or income available for distribution.

6. TAXATION

	6-months financial period ended 31.3.2018	6-months financial period ended 31.3.2017
	RM	RM

Tax charged for the financial period:

Current taxation – local

- -

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

	6-months financial period ended 31.3.2018	6-months financial period ended 31.3.2017
	RM	RM
Profit before taxation	5,449,277	7,743,796
Tax at Malaysian statutory rate of 24% (2017: 24%)	1,307,826	1,858,511
Tax effects of:		
Investment income exempt from tax	(1,611,856)	(2,277,564)
Expenses not deductible for tax purposes	31,165	42,860
Restriction on tax deductible expenses for Unit Trust Funds	272,865	376,193
Taxation	-	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RM	RM
Deposits with licensed financial institutions	438,736,353	2,223,382,639

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

	2018	2017
	%	%
Deposits with licensed financial institutions	3.75	3.61

The deposits have an average maturity of 19 days (2017: 15 days).

8. UNITS IN CIRCULATION

	2018	2017
	No. of units	No. of units
At the beginning of the financial period	470,463,748	266,847,116
Creation of units during the financial period:		
Arising from applications	413,875,643	2,708,297,084
Arising from distributions	100,818,778	7,984,276
Cancellation of units during the financial period	(558,945,266)	(942,756,509)
At the end of the financial period	426,212,903	2,040,371,967

9. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the top 10 financial institutions are as follows:

Name of financial institutions	Value of trades	Percentage of total trades
	RM	%
<u>2018</u>		
Malayan Banking Berhad	4,601,300,000	43.55
Hong Leong Bank Berhad	2,702,540,000	25.58
RHB Bank Berhad	1,811,130,000	17.14
Public Bank Berhad	461,400,000	4.37
CIMB Bank Berhad	354,770,000	3.36
AmBank Berhad	345,180,000	3.27
United Overseas Bank (Malaysia) Berhad	148,910,000	1.41
RHB Islamic Bank Berhad	56,310,000	0.53
CIMB Islamic Bank Berhad	45,280,000	0.43
AmBank Islamic Berhad	29,650,000	0.28
Others	9,000,000	0.08
	<u>10,565,470,000</u>	<u>100.00</u>
<u>2017</u>		
Malayan Banking Berhad	3,745,760,000	34.12
CIMB Bank Berhad	3,187,300,000	29.03
Public Bank Berhad	1,108,500,000	10.10
Hong Leong Bank Berhad	942,630,000	8.59
RHB Bank Berhad	746,670,000	6.80
United Overseas Bank (Malaysia) Berhad	515,570,000	4.70
AmBank Berhad	320,190,000	2.92
Deutsche Bank Malaysia Berhad	139,254,000	1.27
OCBC Bank (Malaysia) Berhad	125,360,000	1.14
Alliance Bank Malaysia Berhad	113,170,000	1.03
Others	34,150,000	0.30
	<u>10,978,554,000</u>	<u>100.00</u>

The above mentioned financial institutions are not related to the Manager.

10. MANAGEMENT EXPENSE RATIO ("MER")

	2018	2017
	%	%
MER	<u>0.33</u>	<u>0.33</u>

MER is derived from the following calculation:

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

A = Management Fee

B = Trustee fee

C = Other expenses (inclusive GST charges)

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

The average net asset value of the Fund for the financial period is RM380,013,810 (2017: RM523,915,592).

The following expenses of the Fund are borne by the Manager (effective from 1 October 2009):

	2018	2017
	RM	RM
Audit fee	7,000	7,000
Tax agent fee	3,400	3,400
	<u>10,400</u>	<u>10,400</u>

11. PORTFOLIO TURNOVER RATIO ("PTR")

	2018	2017
PTR (times)	27.86	19.09

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM10,565,470,000 (2017: RM10,978,554,000)

total disposals for the financial period = RM10,611,112,185 (2017: RM9,029,418,005)

12. UNITS HELD BY THE MANAGER

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

Related party	Relationship			
Eastspring Investments Berhad	The Manager			

	2018		2017	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,212	1,246	1,178	1,211

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.

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 segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These return consist of interest income earned from investments, and is derived from Malaysian money market instruments.

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

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 May 2018.

CORPORATE DIRECTORY

THE MANAGER

NAME

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SALE & PURCHASE OF UNITS

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