

# EASTSPRING INVESTMENTS ASIA SELECT INCOME FUND

## INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD  
ENDED 31 DECEMBER 2017





**Dear Valued Investor,**

Greetings from Eastspring Investments Berhad!

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

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

You may also download these reports from our website at [www.eastspringinvestments.com.my](http://www.eastspringinvestments.com.my)

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

Yours sincerely,

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

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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## FUND INFORMATION

**Name of Fund**

Eastspring Investments Asia Select Income Fund (the "Fund")

**Fund Category/  
Type**

Balanced/growth and income

**Fund Objective**

The Fund seeks to provide a stable income\* stream and an opportunity for capital appreciation by investing primarily in a portfolio of Malaysian investment grade fixed income securities and a collective investment scheme, primarily the Eastspring Investments - Dragon Peacock Fund, which invests in equities and equity-related securities of corporations which are incorporated in, or listed in, or operating principally from, or carrying on significant business in, or derive substantial revenue from, or whose subsidiaries, related or associated corporations derive substantial revenue from the People's Republic of China (PRC) and India.

**Note: The Fund's focus is on income.**

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

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

## FUND INFORMATION (CONTINUED)

### Performance Benchmark

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The performance benchmark of the Fund is 20% MSCI China Index + 20% MSCI India Index + 60% Quant Shop MGS Medium Index.

The composite benchmark index is a reflection of the Fund's average asset allocation over the long-term of 40% of the Fund's NAV in collective investment schemes and the remaining of the Fund's NAV in fixed income securities and Deposits or liquid assets.

**Source:**

MSCI China Index ([www.msci.com](http://www.msci.com))

MSCI India Index ([www.msci.com](http://www.msci.com))

Quant Shop MGS Medium Index ([www.quantshop.com](http://www.quantshop.com))

The performance of the Fund against the benchmark is published in the Manager's monthly factsheet and is available from the Manager's website at [www.eastspringinvestments.com.my](http://www.eastspringinvestments.com.my).

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

### Fund Income Distribution Policy

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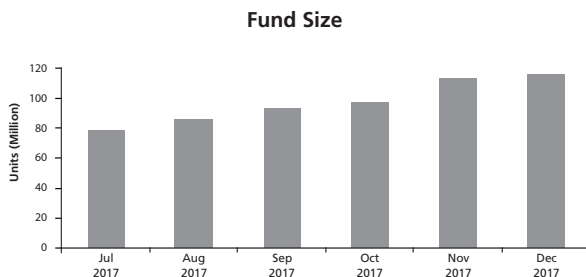
At least once a year, subject to the availability of income.

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## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 31 December 2017, the size of Eastspring Investments Asia Select Income Fund stood at 116.832 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Unit* ('000)	%
5,000 units and below	272	14.89	767	0.66
5,001 to 10,000 units	297	16.25	2,163	1.85
10,001 to 50,000 units	1,016	55.61	21,909	18.75
50,001 to 500,000 units	226	12.37	22,760	19.48
500,001 units and above	16	0.88	69,232	59.26
<b>Total</b>	<b>1,827</b>	<b>100.00</b>	<b>116,831</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA FOR THE FINANCIAL PERIOD 31 DECEMBER

Category	2017	2016	2015
	(%)	(%)	(%)
Collective investment scheme-Foreign	37.95	38.30	38.80
Unquoted fixed income securities	48.93	55.80	59.00
	86.88	94.10	97.80
Cash and other assets	13.12	5.90	2.20
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	89,790	42,061	50,575
Units In Circulation (Units '000)	116,832	58,645	75,045
Net Asset Value Per Unit (RM)	0.7685	0.7172	0.6739
Highest Net Asset Value Per Unit (RM)	0.7752	0.7209	0.6846
Lowest Net Asset Value Per Unit (RM)	0.7386	0.6643	0.6527
Total Return (%)			
- Capital Growth	3.98	7.69	0.90
- Income Distribution	-	-	-
Total Return (%)	3.98	7.69	0.90
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.86	0.86	0.81
Portfolio Turnover Ratio (PTR) (times)^	0.25	0.11	0.11

\* 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	12.15	9.05	8.13

Year ended	1.7.2016 to 30.6.2017	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2013 to 30.6.2014	1.7.2012 to 30.6.2013
	(%)	(%)	(%)	(%)	(%)
Annual total return	16.15	(0.28)	14.92	8.79	4.94

**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<sub>t</sub> = NAV at the end of the period

NAV<sub>0</sub> = 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 47.88%, underperforming the benchmark return of 52.90% by 5.02%.

During the period under review, the Fund registered a return of 3.98%, underperforming the benchmark return of 6.32% by 2.34%.

During the period under review, stock selection in both China and India weighed on relative performance. In China, stock picks in consumer staples and real estate detracted while stock selection in financials and materials aided. In India, stock selection in financials and consumer discretionary detracted while those in materials and utilities boosted performance.

Overweight exposures to Geely Automobile and Ping An Insurance were the key contributors.

**Geely Automobile's** share price has risen significantly as the company strives to be China's national car champion. Not only is Geely becoming a strong market player for SUVs in China, it will also be introducing new electric vehicles and make plug-in hybrids a standard option on more of its product lines in 2018. The company continues to achieve strong sales growth while reaching new highs for most models with its low to mid end products seeing the highest sales boost.

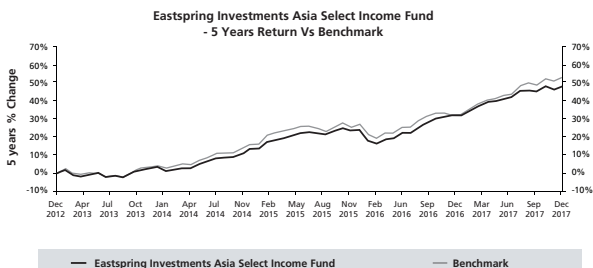
**Ping An's** share price has risen throughout 2017. The company enjoys very positive investor sentiment as the company's strong technology looks loaded enough into each business line to lead extra corporate value growth. The company is also benefiting from its competitive edge in the non-life business putting pressure on their key Chinese insurer competitors like PICC and China Pacific Insurance.

An overweight exposure in LIC Housing Finance and off-benchmark exposures to Qudian were the key detractors.

## MANAGER'S REPORT (CONTINUED)

**LIC Housing Finance** is a large mortgage financier, with a wide distribution network spread throughout India. LIC Housing is a key beneficiary of rising demand for homes in India amid government's renewed focus on providing housing for all; it also benefits from lower wholesale interest rates. LIC Housing's stock price came under pressure from high competition in the core mortgage business. The lender's asset quality slipped in the most recent quarter, partly hurt by the cash ban.

**Qudian's** share price fell as the online credit provider continued to be affected by the Chinese government's online lending crackdown. Specific new regulations on online cash lending were subsequently issued by People's Bank of China. Most analysts do not expect these new guidelines to have a significant impact on Qudian's business model. In addition, the company's management has been increasing its share buybacks (given the price slump) to show their confidence in the business.



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

**Benchmark:** 20% MSCI China Index + 20% MSCI India Index + 60% Quant Shop MGS Medium Index

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

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

## MANAGER'S REPORT (CONTINUED)

**Analysis of Fund Performance**

For the financial period ended 31 December 2017:

<b>Income Return</b>	<b>Capital Return*</b>	<b>Total Return</b>	<b>Total Return of Benchmark</b>
<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
0.00	3.98	3.98	6.32

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

**Distribution/ Unit Split**

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

**Investment Strategy During The Period Under Review****Bond Strategy**

The Fund participated in selected quality issuances for yield pick-up, and trade on market volatility, subject to liquidity constraints.

**Equity Strategy (Eastspring Investments Dragon Peacock Fund)**

Investors will continue to monitor China's balancing act of undertaking reforms while trying to rein in credit expansion and sustain economic growth. With the completion of the 19<sup>th</sup> National Party Congress, a new group of Politburo Standing Committee members will help drive China's political leadership over the next five years as they support and implement the visions as set forth by Xi Jinping. The portfolio manager believes that consistency in the implementation of reforms on state-owned enterprises will support market sentiment and conviction. China's approach towards leverage will continue to interest investors as this structural issue has been weighing down equity markets.

India's economic recovery appears to be on a strong footing to achieve its potential real GDP growth aided by lower interest rates, strong reforms momentum, and a thrust on investments. Also, India is poised to harness the lower commodities' price dividend; especially oil's. A stimulus through investments

## MANAGER'S REPORT (CONTINUED)

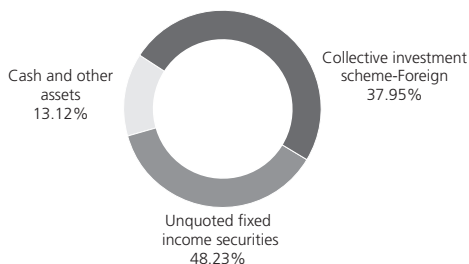
### Investment Strategy During The Period Under Review (continued)

#### Asset Allocation

and not subsidiaries should yield a better quality and sustainable growth in the long term. India's corporate earnings are expected to recover gradually, aided by higher demand, lower interest rates, and a favourable investment cycle. Valuations are fair in light of an impending recovery in earnings.

Asset Allocation	31-Dec 2017	30-Jun 2017	Changes
	(%)	(%)	(%)
Collective investment scheme-Foreign	37.95	37.17	0.78
Unquoted fixed income securities	48.93	47.54	1.39
Cash and other assets	13.12	15.29	(2.17)

#### 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, item 3(e) under the permitted investments & investment restrictions and limits of the target fund as set out in (a) below has been removed, while the information in relation to the income reinvestment policy has been revised as set out in (b) below:

#### **a. Permitted Investments & Investment Restrictions and Limits of Eastspring Investments – Dragon Peacock Fund (“Target Fund”)**

##### **Deleted:**

3. (e) There is no duplication of management or subscription or redemption fees between those at the level of the Target Fund having invested in the target sub-fund, and this target sub-fund.

#### **b. 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.

## MANAGER'S REPORT (CONTINUED)

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

While in the Eastspring Investments Master Prospectus dated 15 July 2017, a new paragraph has been added into the investment strategy of the Fund as set out in (c) below, and the information in relation to the asset allocation, temporary defensive positions, security risk, currency risk, minimum holdings of units, 3<sup>rd</sup> paragraph of the Target Fund management company (Eastspring Investments)'s background and transfer agency fee of the Target Fund have been revised as set out in (d) to (j) below:

#### c. Investment Strategy

The Manager may, however, depending on prevailing market circumstances at a particular point in time, choose to use forward or option contracts for hedging and risk reduction purposes.

#### d. Asset Allocation

Asset Class	% of the Fund's NAV
Eastspring Investments – Dragon Peacock Fund	Minimum of 30% to Maximum of 40%
Fixed income securities	Minimum of 40%
Deposits or liquid assets	Minimum of 1%

#### e. Temporary Defensive Positions

The Manager may adopt temporary defensive positions. Please refer to page 70 of the Master Prospectus dated 15 July 2017.

## MANAGER'S REPORT (CONTINUED)

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

#### f. 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 or Shariah-compliant equity-related securities such as rights and warrants or 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)

#### **g. Currency Risk**

##### Applicable only to Eastspring Asia Select Income

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

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

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

## MANAGER'S REPORT (CONTINUED)

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

#### **h. 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.

#### **i. Target Fund Management Company (Eastspring Investments)'s Background – 3<sup>rd</sup> paragraph**

The company is an umbrella fund, and as such offers investors the opportunity to invest in one or more sub-funds (each "sub-fund" and collectively the "sub-funds"). Each sub-fund has its own specific investment objective and an ancillary basis, liquid assets\*. Each sub-fund is treated as a separate entity.

\* ancillary basis, liquid assets refers to liquid assets that may not in themselves constitute an investment objective of the sub-fund.

#### **j. Transfer Agency Fee of the Target Fund**

##### **Other fees charged by the Target Fund**

##### **Eastspring Investments – Dragon Peacock Fund**

Transfer agency fee: Up to 0.02% per annum.

### Cross-Trade Transaction

During the period under review, there were cross-trades executed through a dealer or a financial institution on an arm's length and fair value basis and in the best interest of the unit holders.

# MARKET REVIEW

## Bond

During the period under review, Bank Negara Malaysia (“BNM”) adopted an accommodative monetary policy by keeping the Overnight Policy Rate (“OPR”) at 3.00%, to ensure that the domestic economy continues on a steady growth path amid stable core inflation. However, BNM’s tone turned more hawkish in the latest Monetary Policy Committee (“MPC”) meeting on 9 November, citing that they may consider reviewing the current degree of monetary policy accommodation given the strength of the global and domestic macroeconomic conditions.

On the economic front, Malaysia’s economy grew at a faster pace of 6.2% year-on-year (“y-o-y”) (consensus: 5.7%) in third quarter of 2017, is on track to beat government’s forecast of 5.2-5.7%. Meanwhile, headline inflation inched higher this year though is still within BNM’s expected range of 3-4%. Notably, the increase was mainly driven by rise in transportation costs and food and non-alcoholic beverages while core inflation (2.2% y-o-y in November) remained stable. For 2018, headline inflation is projected to moderate on expectations of a smaller effect from global cost factors. Nevertheless, the trend of headline inflation will be dependent on future global oil prices which remain highly uncertain.

On 27 October, the Federal Government unveiled its 2018 national budget with the theme “Prospering an Inclusive Economy, Balancing between Worldly and Hereafter, For The Wellbeing of Rakyat, Towards TN50 Aspirations”. Overall, fiscal consolidation remains on track as the Government remains committed to a budget deficit at 3.0% of GDP in 2017 and expects it to improve further to 2.8% of GDP in 2018. Meanwhile, the Federal Government’s debt to GDP has dropped to 50.9% as at end-June 2017 (2016: 53.2%) in line with continued efforts to embrace prudent debt management efforts.

In the US, the Federal Reserve (“Fed”) continued to normalize its monetary policy by making the third hike of the year in December, bringing its key interest rates to between 1.25-1.50% (from 1.00-1.25%) despite subdued inflation, on robust growth and a strong labor market. Meanwhile, the Fed raised their forecast for US economic growth in 2018 to 2.5% from 2.1%, as the Fed expects economic boost from potential tax cuts. Fed policymakers also maintained its forecast of three rate hikes in 2018.

Separately, the Fed confirmed that it will wind down its balance sheet as the central bank is expected to start reducing its balance sheet in October 2017. The gradual unwinding of its massive USD4.5 trillion balance sheet will be the first policy shift since the central bank started its stimulus program after the economy entered a severe recession nearly

a decade ago. The Fed indicated that it will start reducing its balance sheet by trimming reinvestments by USD10 billion in October and raising that amount gradually to USD50 billion in the months to come.

For the period under review, the 3-, 5- and 15-year Malaysian Government Securities (“MGS”) yields decreased by 7bps, 9bps and 6bps to close at 3.32%, 3.53% and 4.39% respectively<sup>1</sup>, while the 10-year MGS yield remained at 3.91%. MGS managed to withstand the higher US interest rate environment on the back of improving investor sentiment as Ringgit recovered towards the end of the year.

Corporate bond yields generally moved in tandem with sovereign bond yields, albeit at a lag. Activities in the corporate bond market were supported by ample liquidity and a stable credit environment.

On the supply front, total corporate bond issuances as at end December 2017 stood around RM102 billion of which approximately 30% was conventional and 70% was Islamic. Major primary issuances during the year were mainly government guaranteed bonds, corporates bonds and bank debts. Notable issuances include RM10.1 billion from Danainfra, RM6.75 billion from LPPSA, RM8.7 billion from Cagamas, RM6.0 billion from Prasarana, RM4.0 billion from PTPTN, RM4.2 billion from GovCo Holdings Berhad, RM4.5 billion from CIMB Bank Berhad and RM3.7 billion from Southern Power Generation.

## Equity

Global equity markets continued to power ahead in the second half of 2017. Emerging markets outperformed Developed markets. Asia led the charge, particularly with technology and internet names performing well. China led the region higher in the third quarter while India took over the baton in the last quarter.

Stocks in China rose, bolstered by decent corporate earnings and economic data; the Q2 y-o-y GDP grew by 6.9% while property inventory levels and PMI figures offset slightly weaker-than-expected retail sales and industrial production data. China had a rather subdued fourth quarter – subdued at least in contrast to the rest of the year – came as first a long national holiday in October dampened volumes then political developments took centre stage with the Communist Party’s week-long conference cementing President Xi’s power.

<sup>1</sup> Source: Bloomberg

Over in India, equities started the third quarter on a strong footing but the momentum fizzled out as subsequent economic data showed moderation and geopolitical concerns (Korea and its own border dispute with China) dented sentiment. But as the year drew to a close, Indian equities got a boost from the government announcement of the Rs1.2 trillion recapitalisation programme for its state-owned banks and the construction of more than 83,000km of roads.

## 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 ASIA SELECT INCOME FUND

## UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017

## STATEMENT BY THE MANAGER

We, Tang Chee Kin and Khoo Chuan Keat, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 22 to 63 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 December 2017 and of its financial performance, changes in equity and cash flows for the six months financial period ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,  
**EASTSPRING INVESTMENTS BERHAD**

**TANG CHEE KIN**  
Executive Director/Chief Executive Officer

**KHOO CHUAN KEAT**  
Director

Kuala Lumpur  
Date: 14 February 2018



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

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

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

For Deutsche Trustees Malaysia Berhad

**Soon Lai Ching**  
Senior Manager, Trustee Operations

**Richard Lim Hock Seng**  
Chief Executive Officer

Kuala Lumpur  
Date: 14 February 2018

# UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017

		<b>6-months financial period ended</b>	<b>6-months financial period ended</b>
	<b>Note</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
		<b>RM</b>	<b>RM</b>
<b>INVESTMENT INCOME</b>			
Interest from deposits with licensed financial institutions		130,823	23,130
Interest from unquoted fixed income securities		895,240	634,911
Net gain on financial assets at fair value through profit or loss	6	2,075,451	3,046,946
Net foreign currency exchange (loss)/gain		(34,887)	38,704
		<u>3,066,627</u>	<u>3,743,691</u>
<b>EXPENSES</b>			
Management fee	3	(541,931)	(333,135)
Trustee fee	4	(25,290)	(15,546)
Audit fee		(3,428)	(3,428)
Tax agent fee		(1,715)	(1,715)
GST charges		(34,910)	(21,349)
Other expenses		(6,050)	(2,488)
		<u>(613,324)</u>	<u>(377,661)</u>
<b>PROFIT BEFORE TAXATION</b>		2,453,303	3,366,030
<b>TAXATION</b>	5	-	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>2,453,303</u>	<u>3,366,030</u>
Profit after taxation is made up of the following:			
Realised amount		385,726	2,676,593
Unrealised amount		2,067,577	689,437
		<u>2,453,303</u>	<u>3,366,030</u>

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

# UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017	2016
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	7	11,513,641	2,587,059
Amount due from Manager		611,307	9,569
Financial assets at fair value through profit or loss	6	78,007,485	39,573,950
<b>TOTAL ASSETS</b>		<u>90,132,433</u>	<u>42,170,578</u>
<b>LIABILITIES</b>			
Amount due to Manager		205,149	30,688
Accrued management fee		112,065	53,127
Amount due to Trustee		5,230	2,479
GST charges payable		7,037	3,337
Other payables and accruals		13,315	20,171
<b>TOTAL LIABILITIES</b>		<u>342,796</u>	<u>109,802</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>89,789,637</u>	<u>42,060,776</u>
<b>EQUITY</b>			
Unit holders' capital		67,060,462	22,882,542
Retained earnings		22,729,175	19,178,234
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>89,789,637</u>	<u>42,060,776</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	8	<u>116,832,287</u>	<u>58,645,264</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.7685</u>	<u>0.7172</u>

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

## UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Unit holders' capital	Retained earnings	Total
	RM	RM	RM
Balance as at 1 July 2017	34,725,599	20,275,872	55,001,471
Movement in unit holders' contribution:			
Creation of units from applications	38,812,987	-	38,812,987
Cancellation of units	(6,478,124)	-	(6,478,124)
Total comprehensive income for the financial period	-	2,453,303	2,453,303
Balance as at 31 December 2017	<u>67,060,462</u>	<u>22,729,175</u>	<u>89,789,637</u>
Balance as at 1 July 2016	30,645,054	15,812,204	46,457,258
Movement in unit holders' contribution:			
Creation of units from applications	3,888,725	-	3,888,725
Cancellation of units	(11,651,237)	-	(11,651,237)
Total comprehensive income for the financial period	-	3,366,030	3,366,030
Balance as at 31 December 2016	<u>22,882,542</u>	<u>19,178,234</u>	<u>42,060,776</u>

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

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	6-months financial period ended	6-months financial period ended
Note	31.12.2017	31.12.2016
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of investments	4,811,050	8,873,289
Purchase of investments	(33,962,404)	(750,090)
Interest received	836,529	746,033
Management fee paid	(496,841)	(337,681)
Trustee fee paid	(23,187)	(15,758)
Payment for other fees and expenses	(47,882)	(34,564)
Net foreign exchange (loss)/gain	(34,887)	38,704
Net cash (used in)/generated from operating activities	<u>(28,917,622)</u>	<u>8,519,933</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	38,436,322	3,909,019
Payments for cancellation of units	(6,427,496)	(11,862,791)
Distribution paid	(17,263)	-
Net cash generated from/(used in) financing activities	<u>31,991,563</u>	<u>(7,953,772)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,073,941	566,161
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>8,439,700</u>	<u>2,020,898</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	7 <u>11,513,641</u>	<u>2,587,059</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 DECEMBER 2017

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

### **A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial 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 L to the financial statements.

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

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

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

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

i. Financial year beginning on/after 1 July 2018

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

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

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

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

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

- IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration” (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

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

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

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

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

## **B. INCOME RECOGNITION**

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

Interest income from unquoted fixed income securities including amortisation of premium and accretion of discount are recognised using the effective interest method.

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

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



Realised gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on cost adjusted for accretion of discount or amortisation of premium.

### **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.

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

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

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

### **E. FOREIGN CURRENCY TRANSLATION**

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

## **F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

### **i. Classification**

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Fund's loans and receivables comprise cash and cash equivalents and amount due from Manager.

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

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

### **ii. Recognition and measurement**

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

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

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

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

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

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

Unquoted fixed income securities are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the Securities Commission as per the Securities Commission Guidelines on Unit Trust Funds. Refer to Note L for further explanation.

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

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

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

iii. Impairment for assets carried at amortised costs

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

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

## **G. 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.

## H. UNIT HOLDERS' CAPITAL

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

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

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

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

## I. SEGMENTAL INFORMATION

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

## J. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Fair value is 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 information presented herein represents the estimates of fair values as on the statement of financial position date.

## **K. AMOUNT DUE FROM/(TO) BROKERS**

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method, less provision for impairment for amount due from brokers. A provision for impairment of amount due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, profit income is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

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

## **L. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

### **a. Estimate of fair value of unquoted fixed income securities**

The Fund uses significant judgment in determining whether an investment is impaired. The Fund evaluates, among other factors, the duration and extent to which the fair value of the investment is less than cost, and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, macroeconomic factors and speculation.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission valuation guidelines.

Unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the Manager is of the view that the price quoted by BPA for a specific bond differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

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

## 1. INFORMATION ON THE FUND

Eastspring Investments Asia Select Income Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 27 October 2005, Master Supplemental Deed dated 12 July 2007, 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 the Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016, Eighth Supplemental Master Deed dated 25 January 2017 and Ninth Supplemental Master Deed dated 11 December 2017 (collectively referred to as the “Deed”).

The Fund commenced operations on 18 November 2005 and will continue its operations until terminated by the Manager or the Trustee as provided under Part 12 of the Deed.

The Fund invests in a portfolio of Malaysian investment grade fixed income securities; and a collective investment scheme namely the Eastspring Investments - Dragon Peacock Fund (the “target fund”), incorporated in Luxembourg.

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

The Fund seeks to provide a stable income stream and an opportunity for capital appreciation by investing primarily in a portfolio of Malaysian investment grade fixed income securities and a collective investment scheme primarily the Eastspring Investments – Dragon Peacock Fund, which invests in equity and equity-related securities of corporations which are incorporated in, or listed in, or operating principally from, or carrying on significant business in, or derive substantial revenue from, or whose subsidiaries, related or associated corporations, derive substantial revenue from the People’s Republic of China (PRC) and India.

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



## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2017</u>				
Cash and cash equivalents	7	11,513,641	-	11,513,641
Amount due from Manager		611,307	-	611,307
Collective investment scheme	6	-	34,076,243	34,076,243
Unquoted fixed income securities	6	-	43,931,242	43,931,242
		<u>12,124,948</u>	<u>78,007,485</u>	<u>90,132,433</u>
<u>2016</u>				
Cash and cash equivalents	7	2,587,059	-	2,587,059
Amount due from Manager		9,569	-	9,569
Collective investment scheme	6	-	16,109,866	16,109,866
Unquoted fixed income securities	6	-	23,464,084	23,464,084
		<u>2,596,628</u>	<u>39,573,950</u>	<u>42,170,578</u>

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

**Market risk**

## i. Price risk

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

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

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Collective investment scheme designated at fair value through profit or loss	<u>34,076,243</u>	<u>16,109,866</u>
*Unquoted fixed income securities designated at fair value through profit or loss	<u>43,931,242</u>	<u>23,464,084</u>

\* Includes interest receivable of RM603,266 (2016: RM325,298).

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

<b>% Change in price of financial assets at fair value through profit or loss</b>	<b>Market value</b>	<b>Increase/(decrease) in profit after tax and net asset value</b>
	<b>RM</b>	<b>RM</b>
<u>2017</u>		
+5%	81,907,859	3,900,374
-5%	74,107,111	(3,900,374)
<u>2016</u>		
+5%	41,552,648	1,978,698
-5%	37,595,252	(1,978,698)

ii. Interest rate risk

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

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

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the net asset value ("NAV") of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage

the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements. Therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

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

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% (2016: 1%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

	<b>2017</b>	<b>2016</b>
<b>% Change in interest rate of unquoted fixed income securities</b>	<b>Impact on profit after tax/ net asset value</b>	<b>Impact on profit after tax/ net asset value</b>
	<b>RM</b>	<b>RM</b>
- 1% (2016:-1%)	(90,792)	(30,386)
+1% (2016:+1%)	91,125	30,444

iii. Foreign exchange/currency risk

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

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

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

	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>
<u>2017</u>		
USD	34,076,243	34,076,243
<u>2016</u>		
USD	16,109,866	16,109,866

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

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

	Change in price	Impact on profit after tax	Impact on net asset value
	%	RM	RM
<u>2017</u>			
USD	5	1,703,812	1,703,812
<u>2016</u>			
USD	5	805,493	805,493

### Liquidity risk

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

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

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

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2017</u>			
Amount due to Manager	205,149	-	205,149
Accrued management fee	112,065	-	112,065
Amount due to Trustee	5,230	-	5,230
GST charges payable	7,037	-	7,037
Other payables and accruals	-	13,315	13,315
Contractual cash outflows	<u>329,481</u>	<u>13,315</u>	<u>342,796</u>
<u>2016</u>			
Amount due to Manager	30,688	-	30,688
Accrued management fee	53,127	-	53,127
Amount due to Trustee	2,479	-	2,479
GST charges payable	3,337	-	3,337
Other payables and accruals	-	20,171	20,171
Contractual cash outflows	<u>89,631</u>	<u>20,171</u>	<u>109,802</u>

### **Credit/default risk**

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

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

The Fund seeks to mitigate credit/default risk by investing in high quality fixed income securities.



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

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from Manager	Total
	RM	RM	RM	RM
<u>2017</u>				
Collective investment scheme				
-NR	34,076,243	-	-	34,076,243
Finance				
-AAA	-	11,493,116	-	11,493,116
-AA1	-	20,525	-	20,525
Unquoted fixed income securities				
- A1	7,247,742	-	-	7,247,742
-AAA	3,054,156	-	-	3,054,156
-AA1	7,579,395	-	-	7,579,395
-AA2	4,130,576	-	-	4,130,576
-AA2(S)	1,392,828	-	-	1,392,828
-AA3	12,252,469	-	-	12,252,469
- AA-is	7,244,282	-	-	7,244,282
- NR	1,029,794	-	-	1,029,794
Other				
- NR	-	-	611,307	611,307
	<u>78,007,485</u>	<u>11,513,641</u>	<u>611,307</u>	<u>90,132,433</u>

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from Manager	Total
	RM	RM	RM	RM
<u>2016</u>				
Collective investment scheme				
-NR	16,109,866	-	-	16,109,866
Finance				
-AAA	-	2,530,555	-	2,530,555
-AA1	-	56,504	-	56,504
Unquoted fixed income securities				
-AAA	3,470,718	-	-	3,470,718
-AA2	6,611,780	-	-	6,611,780
-AA2(S)	1,425,788	-	-	1,425,788
-AA3	11,435,960	-	-	11,435,960
- AA-is	519,838	-	-	519,838
Other				
- NR	-	-	9,569	9,569
	<u>39,573,950</u>	<u>2,587,059</u>	<u>9,569</u>	<u>42,170,578</u>

None of these assets are past due or impaired.

### Stock/issuer risk

This risk refers to the individual risk of the respective companies issuing the securities. Specific risk includes but is not limited to changes in consumer tastes and demand, legal suits, competitive operating environments, changing industry conditions and management omissions and errors. However, this risk is minimised through investing in a wide range of companies in different sectors and thus function independently from one another.

### **Fund management risk**

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

### **Non-compliance risk**

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

The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the Manager.

### **Capital risk**

The capital of the Fund is represented by equity consisting of unit holders' capital of RM67,060,462 (2016: RM22,882,542) and retained earnings of RM22,729,175 (2016:RM19,178,234). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

## **Fair value estimation**

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

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

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

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

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

### Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2017</u>				
Financial assets at fair value through profit or loss:				
Collective investment scheme	34,076,243	-	-	34,076,243
Unquoted fixed income securities	-	43,931,242	-	43,931,242
				<hr/>
<u>2016</u>				
Financial assets at fair value through profit or loss:				
Collective investment scheme	16,109,866	-	-	16,109,866
Unquoted fixed income securities	-	23,464,084	-	23,464,084
				<hr/>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active quoted securities. Investment in collective investment scheme, i.e Unit Trust Funds who values are based on published prices in active markets is also classified within Level 1. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note F to the financial statements.

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. This include unquoted fixed income securities. 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 F to the financial statements.

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

### **3. MANAGEMENT FEE**

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

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

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.20% per annum of the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum and a maximum fee of RM350,000 per annum.

For the financial period ended 31 December 2017, the Trustee's fee is recognised at a rate of 0.07% (2016: 0.07%) per annum of the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum and a maximum fee of RM350,000 per annum (excluding foreign custodian fees and charges), calculated on daily basis.

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

## 5. TAXATION

	6-months financial period ended 31.12.2017	6-months financial period ended 31.12.2016
	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 31.12.2017	6-months financial period ended 31.12.2016
	RM	RM
Profit before taxation	2,453,303	3,366,030
Tax at Malaysian statutory rate of 24%	588,793	807,847
Tax effects of:		
Investment income exempt from tax	(735,990)	(898,486)
Expenses not deductible for tax purposes	16,312	6,955
Restriction on tax deductible expenses for Unit Trust Funds	130,885	83,684
Taxation	-	-

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

	2017	2016
	RM	RM
Designated at fair value through profit or loss:		
Collective investment scheme (Note 6 (i))	34,076,243	16,109,866
Unquoted fixed income securities (Note 6 (ii))	43,931,242	23,464,084
	<u>78,007,485</u>	<u>39,573,950</u>
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	7,874	2,357,509
Change in unrealised fair value gain	2,067,577	689,437
	<u>2,075,451</u>	<u>3,046,946</u>

 i. Collective investment scheme

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 31.12.2017	
	Units	RM	RM	%
<u>Unit Trust Fund</u>				
Eastspring Investments - Dragon Peacock Fund	194,901	22,107,486	34,076,243	37.95

**ACCUMULATED  
UNREALISED GAIN ON  
FINANCIAL ASSETS AT  
FAIR VALUE THROUGH  
PROFIT OR LOSS**

11,968,757

**FAIR VALUE OF  
FINANCIAL ASSETS AT  
FAIR VALUE THROUGH  
PROFIT OR LOSS**

34,076,243



i. Collective investment scheme (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage of net asset value of the Fund
			as at 31.12.2016	
	Units	RM	RM	%
Eastspring Investments - Dragon Peacock Fund	119,773	8,091,433	16,109,866	38.30
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		8,018,433		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		16,109,866		

The Fund primarily invests in the Eastspring Investments-Dragon Peacock Fund, which is one of the sub-funds of the Eastspring Investments Funds (the "SICAV", an abbreviation Société d' Investissement à Capital Variable) domiciled in Luxembourg. The SICAV is an open-ended investment company registered on the official list of collective investment undertakings pursuant to Part I of the Luxembourg law of 30 March 1988 on collective investment undertakings. The investment manager of the Target fund is Eastspring Investments (Singapore) Limited. Eastspring Investments (Singapore) Limited is a wholly owned subsidiary of Prudential Plc.

The investment objective of Eastspring Investments-Dragon Peacock Fund is to maximise long-term total return by investing primarily in equity and equity-related securities of corporations which are incorporated in, or listed in, or operating principally from, or carrying on significant business in, or derive substantial revenue from, or whose subsidiaries, related or associated corporations derive substantial revenue from the People's Republic of China ("PRC") and the Republic of India.

ii. Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2017	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.45% Affin Bank Berhad 05.02.2027 (A1)	4,000,000	4,141,608	4,177,997	4.65
5.03% Affin Bank Berhad 20.09.2027 (A1)	2,000,000	2,028,388	2,041,169	2.27
5.20% AMMB Holdings Berhad 15.03.2027 (A1)	1,000,000	1,015,386	1,028,576	1.15
4.92% BGSM Management Sdn Bhd 29.08.2025 (AA3)	1,800,000	1,833,391	1,844,027	2.05
5.25% BGSM Management Sdn Bhd 24.12.2020 (AA3)	300,000	305,999	306,503	0.34
5.25% Bumitama Agri Ltd 18.03.2019 (AA3)	500,000	509,675	511,941	0.57
4.50% Hong Leong Assurance Berhad 07.02.2025 (AA3)	2,000,000	2,022,823	2,026,467	2.26
4.50% Hong Leong Bank Berhad 21.06.2024 (AA1)	3,500,000	3,495,117	3,512,050	3.91
9.30% Jimah Energy Ventures Sdn Bhd 12.11.2021 (AA3)	100,000	118,141	118,413	0.13
9.05% Jimah Energy Ventures Sdn Bhd 12.11.2020 (AA3)	2,500,000	2,810,338	2,845,222	3.17
5.10% Krung Thai Bank Public Company Limited 04.07.2025 (AA2)	3,000,000	3,075,033	3,121,923	3.48

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2017	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.24% Lebuhraya Duke Fasa 3 Sdn Bhd 23.08.2027 (AA- is)	4,000,000	4,213,698	4,197,066	4.68
8.20% Mukah Power Generation Sdn Bhd 27.12.2019 (AA2 (S))	1,300,000	1,370,282	1,392,828	1.55
4.75% Northern Gateway Infrastructure Sdn Bhd 29.08.2022 (AA1)	2,000,000	2,039,171	2,045,014	2.28
4.93% Perbadanan Tabung Pendidikan Tinggi Nasional 17.08.2032 (NR)	1,000,000	1,019,660	1,029,794	1.15
5.11% Quantum Solar Park (Semenanjung) Sdn Bhd 06.04.2022 (AA- is)	2,000,000	2,036,621	2,038,640	2.27
4.75% RHB Bank Berhad 08.05.2025 (AA3)	2,000,000	2,014,055	2,013,275	2.24
4.99% RHB Bank Berhad 08.07.2024 (AA3)	2,000,000	2,049,183	2,058,289	2.29
5.32% Sarawak Energy Berhad 03.12.2032 (AA1)	2,000,000	2,017,389	2,022,331	2.25
5.09% Southern Power Generation Sdn Bhd 30.04.2029 (AA- is)	1,000,000	1,008,646	1,008,576	1.12
5.40% Tanjung Bin Energy Issuer Berhad 15.03.2024 (AA3)	500,000	509,319	528,332	0.59

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2017	Percentage of net asset value of the Fund
	RM	RM	RM	%
4.58% Telekom Malaysia Berhad 03.09.2027 (AAA)	3,000,000	3,060,803	3,054,156	3.40
4.83% UMW Holdings Berhad 22.06.2022 (AA2)	1,000,000	1,002,605	1,008,653	1.13
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>42,500,000</u>	<u>43,697,331</u>	<u>43,931,242</u>	<u>48.93</u>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>233,911</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>43,931,242</u>		

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.20% AmBank (M) Berhad 29.12.2023 (AA3)	1,300,000	1,305,236	1,306,128	3.11
5.25% Bumitama Agri Ltd 18.03.2019 (AA3)	500,000	511,294	513,540	1.22
4.50% Hong Leong Assurance Berhad 07.02.2025 (AA3)	2,000,000	2,016,695	2,007,200	4.77
4.50% Hong Leong Bank Berhad 21.06.2024 (AA2)	3,500,000	3,489,280	3,490,035	8.30
9.05% Jimah Energy Ventures Sdn Berhad 12.11.2020 (AA3)	2,500,000	2,898,634	2,905,250	6.91
9.30% Jimah Energy Ventures Sdn Berhad 12.11.2021 (AA3)	100,000	122,032	120,413	0.29
5.10% Krung Thai Bank Public Company Limited 04.07.2025 (AA2)	3,000,000	3,074,195	3,121,745	7.42
5.24% Lebuhraya DUKE Fasa 3 Sdn Berhad 23.08.2027 (AA- is)	500,000	534,780	519,838	1.24
8.20% Mukah Power Generation Sdn Berhad 27.12.2019 (AA2 (S))	1,300,000	1,402,243	1,425,788	3.39
4.99% RHB Bank Berhad 08.07.2024 (AA3)	2,000,000	2,049,749	2,054,676	4.89
4.75% RHB Bank Berhad 08.05.2025 (AA3)	2,000,000	2,014,055	2,002,155	4.76

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.12.2016	Percentage of net asset value of the Fund
	RM	RM	RM	%
6.00% Special Port Vehicle Berhad 28.07.2017 (AAA)	3,500,000	3,594,395	3,470,718	8.25
5.40% Tanjung Bin Energy Issuer Berhad 15.03.2024 (AA3)	500,000	509,457	526,598	1.25
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>22,700,000</u>	<u>23,522,045</u>	<u>23,464,084</u>	<u>55.80</u>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>(57,961)</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>23,464,084</u>		

The effective weighted average interest rate of unquoted fixed income securities per annum as at the date of the statement of financial position are as follows:

	2017	2016
	%	%
Unquoted fixed income securities	<u>4.80</u>	<u>5.01</u>

## 7. CASH AND CASH EQUIVALENTS

	2017	2016
	RM	RM
Bank balances with a licensed bank	20,525	56,504
Deposit with a licensed financial institution	11,493,116	2,530,555
	<u>11,513,641</u>	<u>2,587,059</u>

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

	2017	2016
	%	%
Deposit with a licensed financial institution	<u>3.30</u>	<u>4.00</u>

The deposit has an average maturity of 2 days (2016: 3 days).

## 8. UNITS IN CIRCULATION

	2017	2016
	No. of units	No. of units
At beginning of the financial period	74,419,625	69,757,261
Creation of units arising from applications during the financial period	50,927,894	5,463,420
Cancellation of units during the financial period	(8,515,232)	(16,575,417)
At the end of the financial period	<u>116,832,287</u>	<u>58,645,264</u>

## 9. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the brokers and dealers for the financial period ended 31 December are as follows:

Name of brokers/dealers	Value of trades	Percentage of total trades
	RM	%
<u>2017</u>		
Eastspring Investments (Singapore) Limited #	11,633,254	32.98
Hong Leong Bank Berhad	10,494,680	29.75
AmBank (M) Berhad	5,014,400	14.22
CIMB Bank Berhad	3,012,760	8.54
Malayan Banking Berhad	2,803,440	7.95
AmBank Islamic Berhad	2,008,200	5.69
RHB Investment Bank Berhad	306,720	0.87
	<u>35,273,454</u>	<u>100.00</u>
<u>2016</u>		
Eastspring Investments (Singapore) Limited #	5,201,576	54.05
RHB Investment Bank Berhad	3,671,713	38.15
AmBank (M) Berhad	526,050	5.47
Alliance Bank Malaysia Berhad	224,040	2.33
	<u>9,623,379</u>	<u>100.00</u>

- # Included in transactions by the Fund are trades conducted with Eastspring Investments (Singapore) Limited, a related party of the Manager amounting to RM11,633,254 (2016: RM5,201,576). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

There are no brokerage fees charged by the brokers/dealers.



## 10. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties of and their relationship with the Fund are as follows:

Related parties	Relationship
Eastspring Investments Berhad	The Manager
Eastspring Investments (Singapore) Limited	Related company of the Manager
Eastspring Investments-Dragon Peacock - Class D	Collective investment scheme managed by Eastspring Investments (Singapore) Limited

	2017		2016	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,187	912	1,134	813

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.

### Significant related parties transactions

	2017	2016
	RM	RM
Purchase of units in collective investment scheme managed by Eastspring Investments (Singapore) Limited	11,633,254	-
Sale of units in collective investment scheme managed by Eastspring Investments (Singapore) Limited	-	5,201,576

## 11. MANAGEMENT EXPENSE RATIO (“MER”)

	2017	2016
	%	%
MER	0.86	0.86

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (inclusive GST charges)

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

The average net asset value of the Fund for the financial period calculated on a daily basis is RM71,665,111 (2016: RM44,053,892).

## 12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2017	2016
PTR (times)	0.25	0.11

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM33,962,404 (2016: RM750,090)

total disposals for the financial period = RM1,311,050 (2016: RM8,873,289)

### **13. SEGMENTAL INFORMATION**

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

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

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

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

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

## CORPORATE DIRECTORY

### **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

16<sup>th</sup> Floor, Wisma Sime Darby

Jalan Raja Laut

50350 Kuala Lumpur

BUSINESS OFFICE

Level 12, Menara Prudential

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50250 Kuala Lumpur

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cs.my@eastspring.com

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www.eastspringinvestments.com.my

### **TRUSTEE**

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE &

BUSINESS OFFICE

Level 20, Menara IMC

No. 8, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2053 7522

FAX NO.

603-2053 7526

### **SALE & PURCHASE OF UNITS**

**Eastspring Investments Berhad**

Level 12, Menara Prudential

No. 10, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2332 1000

FAX NO.

603-2052 3366

**BRANCHES**

**Petaling Jaya**

Eastspring Investments Berhad  
A-17-P1 & M  
Block A, Jaya One  
72A, Jalan Universiti  
46200 Petaling Jaya, Selangor

TELEPHONE NO.

603-7948 1288

**Kota Kinabalu**

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Suite E3, 9<sup>th</sup> Floor  
CPS Tower, Centre Point Sabah  
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88000 Kota Kinabalu, Sabah

TELEPHONE NO.

6088-238 613

**ENQUIRIES**

CLIENT SERVICES

603-2332 1000

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