

EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 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 Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 May 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

TABLE OF CONTENTS

| | |
|---|----|
| Fund Information | 1 |
| Key Performance Data | 3 |
| Manager's Report | 5 |
| Market Review | 10 |
| Rebates and Soft Commissions | 10 |
| Statement by the Manager | 12 |
| Trustee's Report to the Unit Holders of Eastspring Investments Global Target Income Fund | 13 |
| Independent Auditors' Report to the Unit Holders of Eastspring Investments Global Target Income Fund | 14 |
| Statement of Comprehensive Income | 18 |
| Statement of Financial Position | 19 |
| Statement of Changes in Equity | 20 |
| Statement of Cash Flows | 21 |
| Summary of Significant Accounting Policies | 22 |
| Notes to the Financial Statements | 32 |
| Corporate Directory | 70 |

FUND INFORMATION

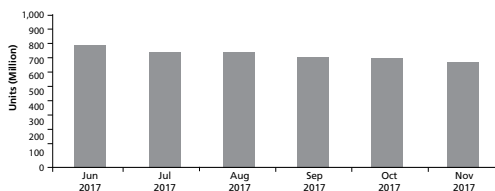
| | |
|--|--|
| Name of Fund | Eastspring Investments Global Target Income Fund (the "Fund") |
| Fund Category/ Type | Bond/income |
| Fund Objective | <p>The Fund endeavours to provide regular income**.</p> <p>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</p> <p>** 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>12 month Maybank fixed deposit rate + 1% per annum.</p> <p>Source: www.maybank2u.com.my</p> <p>Note: As the Fund will invest in global markets across various bonds of different rating, the risk profile of the Fund is not the same as the risk profile of the performance benchmark.</p> |
| Fund Income Distribution Policy | <p>At least once a year, subject to the availability of income.</p> |

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 May 2018, the size of Eastspring Investments Global Target Income Fund stood at 881.194 million units.

Fund Size



Breakdown of Unit Holdings

| Unit Holdings | No. of Unit Holders | % | No of Units* ('000) | % |
|-------------------------|---------------------|---------------|---------------------|---------------|
| 5,000 units and below | 114 | 14.11 | 330 | 0.04 |
| 5,001 to 10,000 units | 84 | 10.40 | 613 | 0.07 |
| 10,001 to 50,000 units | 343 | 42.44 | 8,289 | 0.94 |
| 50,001 to 500,000 units | 228 | 28.22 | 33,236 | 3.77 |
| 500,001 units and above | 39 | 4.83 | 838,724 | 95.18 |
| Total | 808 | 100.00 | 881,192 | 100.00 |

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

| Category | 2018 | Since commencement 8.8.2016 to 31.5.2017 |
|--|---------------|--|
| | (%) | (%) |
| Unquoted fixed income securities | 78.69 | 97.89 |
| Derivatives | 8.14 | (1.23) |
| Cash and other assets | 13.17 | 3.34 |
| Total | 100.00 | 100.00 |
| Net Asset Value (NAV) (RM'000) | 449,370 | 417,694 |
| Units In Circulation (Units '000) | 881,194 | 810,856 |
| Net Asset Value Per Unit (RM) | 0.5100 | 0.5151 |
| Highest Net Asset Value Per Unit (RM) [#] | 0.5305 | 0.5186 |
| Lowest Net Asset Value Per Unit (RM) [#] | 0.5099 | 0.4843 |
| Total Return (%) | | |
| - Capital Growth | (0.99) | 3.02 |
| - Income Distribution | 5.26 | - |
| Total Return (%) | 4.22 | 3.02 |
| Gross Distribution Per Unit (RM) | 0.0270 | - |
| Net Distribution Per Unit (RM) | 0.0270 | - |
| Management Expense Ratio (MER) (%) | 1.43 | 1.16 |
| Portfolio Turnover Ratio (PTR) (times) | 0.54 | 0.82 |

[#] Figure shown as ex-distribution.

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

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

KEY PERFORMANCE DATA (CONTINUED)

| | 1 year 1.6.2017 to 31.5.2018 | Since commencement 8.8.2016 to 31.5.2018 |
|----------------------|------------------------------------|---|
| | (%) | (%) |
| Average total return | 4.22 | 4.00 |

| Year ended | 1.6.2017 to 31.5.2018 | Since commencement 8.8.2016 to 31.5.2017 |
|---------------------|--------------------------|---|
| | (%) | (%) |
| Annual total return | 4.22 | 3.02 |

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

Bases of calculation and assumptions made in calculating returns:

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

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

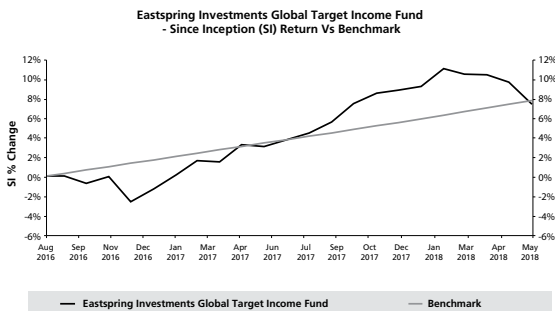
Fund Performance

Since inception, the Fund registered a return of 7.37%, underperforming the benchmark return of 7.72% by -0.35%.

For the period under review, the Fund registered a positive return of 4.22%, in line with the benchmark return of 4.22%.

The period under review was a difficult one for Asian USD bonds, with the segment hurt by a combination of higher US Treasury yields and wider credit spreads. Over the period, the Fund's focus on selected Asian corporate bonds still had a positive contribution to overall returns, with returns driven primarily by coupon accrual, but partially offset by broad-based credit spread widening in the sector, alongside a rise in US interest rates as the US Federal Reserve hiked rates three times. The impact of rising interest rates was mitigated by the Fund's shorter-duration positioning, while the moderate exposure to higher-yielding bonds boosted overall coupon carry, adding positively to overall returns.

The Fund met its objective to provide regular income for the period under review.



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

Benchmark: 12 month Maybank fixed deposit rate + 1% per annum

Source: Lipper for Investment Management, www.maybank2u.com.my, as at 31 May 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 year ended 31 May 2018: :

| Income Return | Capital Return* | Total Return | Total Return of Benchmark |
|----------------------|------------------------|---------------------|----------------------------------|
| (%) | (%) | (%) | (%) |
| 5.26 | (0.99) | 4.22 | 4.22 |

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

Distribution/ Unit Split

| Ex-date | 23-Oct-17 |
|------------------------------|------------------|
| Distribution Per Unit | (RM) |
| Gross | 0.0270 |
| Net | 0.0270 |

Impact on NAV arising from distribution for the financial year ended 31 May 2018.

| Ex-date | 23-Oct-17 |
|-------------------------------------|----------------------|
| | (RM per Unit) |
| Net Asset Value before distribution | 0.5403 |
| Less: distribution | (0.0270) |
| Net Asset Value after distribution | <u>0.5133</u> |

No unit split were declared for the financial year ended 31 May 2018.

MANAGER'S REPORT (CONTINUED)

Investment Strategy During The Period Under Review

The Fund seeks to achieve its objective by investing in bonds such as rated bonds, non-rated bonds and/or bonds rated below investment grade globally including Malaysia. Non-rated bonds are bonds that have not received a credit rating from one or more of the major credit rating agencies. The Fund's investments may also include liquid assets.

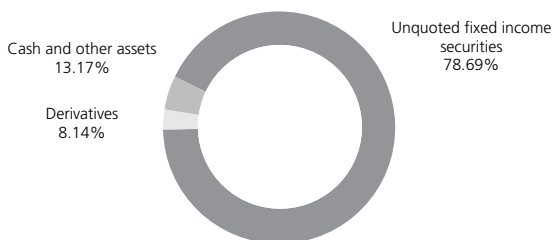
The Fund is expected to invest up to 40% of the Fund's Net Asset Value ("NAV") in non-rated bonds and/or bonds rated below investment grade, there is a risk that this limit may be exceeded if investment grade bonds held within the portfolio were downgraded to below investment grade. This may result in the Fund being exposed to higher credit risk. In the event the 40% limit is exceeded, the Manager will rectify such breach within a reasonable period of not more than three (3) months by disposing the non-rated bonds and/or bond rated below investment grade to 40% of the Fund's NAV.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

| Asset Allocation | 31-May 2018 | 31-May 2017 | Changes |
|----------------------------------|----------------|----------------|---------|
| | (%) | (%) | (%) |
| Unquoted fixed income securities | 78.69 | 97.89 | (19.20) |
| Derivatives | 8.14 | (1.23) | 9.37 |
| Cash and other assets | 13.17 | 3.34 | 9.83 |

Asset Allocation as at 31 May 2018



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.

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 Fund. The investment committee for the Fund has reviewed that such trades for the period from January to March 2018 were transacted on an arm's length and fair value basis and in the best interest of the Fund.

MARKET REVIEW

Over the period under review, Asian USD bond markets were hurt by a combination of rising US Treasury yields and wider credit spreads. The US Federal Reserve continued with monetary policy normalisation, hiking rates three times over the period. In response, the US Treasury (“UST”) curve flattened, as 2-year US Treasury yields rose 115 bps while the 10-year UST yield rose by a more moderate 66 bps – the rise in yields was a negative for bond returns over the period.

Over the 12 months to end-May 2018, Asian USD bonds, as represented by the JPMorgan Asia Credit Index posted a tepid 0.04% return, while high yield Asian bonds (as represented by the JPMorgan Asia Credit Non-Investment Grade Index) posted a similar 0.04% return. Returns were fairly volatile over the review period, with a positive performance in the initial 6 months (to end-November 2017) giving way to a loss in the subsequent half-year period. Initial strength was driven by a tightening of Asian credit spreads going into 2018 on the positive economic growth outlook. However, credit spreads subsequently widened by a significant margin in May 2018 on rising investor risk aversion on a confluence of factors, including rising geopolitical tensions, weak market technicals, and concerns over China onshore credit risk, punctuated by an unexpected credit event for a China offshore corporate issuer in late-May. Spreads for Asian non-investment grade corporates and non-investment grade quasi-sovereigns widened by 42 bps and 85 bps in the month of May alone, which had a negative impact on the performance of higher-yielding Asian bonds.

REBATES AND SOFT COMMISSIONS

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

EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 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 financial statements set out on pages 18 to 69 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 May 2018 and of its financial performance, changes in equity and cash flows for the financial year 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 July 2018

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

We have acted as Trustee for Eastspring Investments Global Target Income Fund (the "Fund") for financial year ended 31 May 2018. To the best of our knowledge, for the financial year under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:-

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

We are of the view that the distribution made during the financial year ended 31 May 2018 by the Manager is not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching
Senior Manager, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur
Date: 16 July 2018

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS GLOBAL TARGET INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Global Target Income Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 May 2018, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 69.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved

standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur

Date: 16 July 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

| | Note | 2018 | Financial period from 18.7.2016 (launch date) to 31.5.2017 |
|--|------|--------------------|--|
| | | RM | RM |
| INVESTMENT INCOME | | | |
| Interest income from deposits | | | |
| with licensed financial institutions | | 320,149 | 2,329,448 |
| Interest income from unquoted fixed income securities | | 19,898,169 | 12,624,721 |
| Other income | | 42,917 | - |
| Net (loss)/gain on financial assets at fair value through profit or loss | 7 | (41,955,865) | 8,190,071 |
| Net gain/(loss) on forward currency contracts | | 41,704,090 | (5,134,301) |
| Net foreign currency exchange loss | | (603,625) | (354,848) |
| | | <u>19,405,835</u> | <u>17,655,091</u> |
| EXPENSES | | | |
| Management fee | 3 | (4,863,777) | (3,707,673) |
| Trustee fee | 4 | (272,372) | (207,630) |
| Audit fee | | (12,000) | (12,000) |
| Tax agent fee | | (3,400) | (4,900) |
| Other expenses | | (121,709) | (61,757) |
| GST charges | | (309,545) | (235,008) |
| | | <u>(5,582,803)</u> | <u>(4,228,968)</u> |
| PROFIT BEFORE TAXATION | | 13,823,032 | 13,426,123 |
| TAXATION | 6 | - | - |
| PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME | | <u>13,823,032</u> | <u>13,426,123</u> |
| Profit after taxation is made up of the following: | | | |
| Realised amount | | 10,546,568 | 14,451,594 |
| Unrealised amount | | 3,276,464 | (1,025,471) |
| | | <u>13,823,032</u> | <u>13,426,123</u> |

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2018

| | Note | 2018 | 2017 |
|---|------|--------------------|--------------------|
| | | RM | RM |
| ASSETS | | | |
| Cash and cash equivalents | 8 | 53,173,422 | 11,817,421 |
| Financial assets at fair value through profit or loss | 7 | 353,656,886 | 408,832,856 |
| Amount due from Manager | | 11,887,274 | 480,052 |
| Amount due from brokers | | - | 9,605,743 |
| Other receivables | | - | 545,700 |
| Forward foreign currency contracts at fair value through profit or loss | 9 | 36,569,790 | - |
| TOTAL ASSETS | | 455,287,372 | 431,281,772 |
| LIABILITIES | | | |
| Forward foreign currency contracts at fair value through profit or loss | 9 | - | 5,134,301 |
| Amount due to Manager | | 5,338,558 | 649,738 |
| Accrued management fee | | 478,417 | 446,223 |
| Amount due to brokers | | - | 7,274,300 |
| Amount due to Trustee | | 26,791 | 24,988 |
| GST charges payable | | 30,312 | 28,273 |
| Other payables and accruals | | 43,097 | 30,400 |
| TOTAL LIABILITIES | | 5,917,175 | 13,588,223 |
| NET ASSET VALUE OF THE FUND | | 449,370,197 | 417,693,549 |
| EQUITY | | | |
| Unit holders' capital | | 440,574,216 | 404,267,426 |
| Retained earnings | | 8,795,981 | 13,426,123 |
| NET ASSET ATTRIBUTABLE TO UNIT HOLDERS | | 449,370,197 | 417,693,549 |
| NUMBER OF UNITS IN CIRCULATION | 10 | 881,194,421 | 810,855,935 |
| NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION) | | 0.5100 | 0.5151 |

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

| | Unit holders' capital | Retained earnings | Total |
|--|--------------------------|----------------------|--------------------|
| | RM | RM | RM |
| Balance as at 1 June 2017 | 404,267,426 | 13,426,123 | 417,693,549 |
| Movement in unit holders' contribution: | | | |
| Creation of units from applications | 275,241,759 | - | 275,241,759 |
| Creation of units from distribution | 18,351,164 | - | 18,351,164 |
| Cancellation of units | (257,286,133) | - | (257,286,133) |
| Distribution (Gross: 2.70 sen/Net: 2.70 sen) | 5 | - (18,453,174) | (18,453,174) |
| Total comprehensive income for the financial year | | - 13,823,032 | 13,823,032 |
| Balance as at 31 May 2018 | <u>440,574,216</u> | <u>8,795,981</u> | <u>449,370,197</u> |
| Balance as at 18 July 2016 (launch date) | - | - | - |
| Movement in unit holders' contribution: | | | |
| Creation of units from applications | 435,877,125 | - | 435,877,125 |
| Cancellation of units | (31,609,699) | - | (31,609,699) |
| Total comprehensive income for the financial period | | - 13,426,123 | 13,426,123 |
| Balance as at 31 May 2017 | <u>404,267,426</u> | <u>13,426,123</u> | <u>417,693,549</u> |

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

| | Note | 2018 | Financial period from 18.7.2016 (launch date) to 31.5.2017 |
|---|------|-------------------|--|
| | | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Proceeds from sale of investments | | 238,834,362 | 90,805,079 |
| Payments for purchase of investments | | (222,061,323) | (490,543,898) |
| Other income | | 42,917 | - |
| Interest income received from deposits with licensed financial institutions | | 320,149 | 2,329,448 |
| Interest income received from unquoted fixed income securities | | 19,222,379 | 8,843,612 |
| Management fee paid | | (4,831,583) | (3,261,450) |
| Trustee fee paid | | (270,570) | (182,642) |
| Payment for other fees and expenses | | (431,919) | (254,992) |
| Net foreign exchange loss | | (603,625) | (354,848) |
| Net cash generated from/(used in) operating activities | | <u>30,220,787</u> | <u>(392,619,691)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from units created | | 263,834,536 | 435,397,073 |
| Payments for cancellation of units | | (252,597,313) | (30,959,961) |
| Distribution paid | | (102,009) | - |
| Net cash generated from financing activities | | <u>11,135,214</u> | <u>404,437,112</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 41,356,001 | 11,817,421 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/LAUNCH DATE | | <u>11,817,421</u> | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/ PERIOD | 8 | <u>53,173,422</u> | <u>11,817,421</u> |

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 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 under the historical cost convention, as modified by financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss, except as disclosed in this summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with the MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year/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 judgement 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 period beginning on 1 June 2017:

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

Other than the above, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 June 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 (“ECL”) model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Fund has reviewed its financial assets and liabilities and has assessed the impacts from the adoption of the new standard on 1 January 2018 as below:

There will be no impact on the Fund's accounting for financial assets as the Fund's investments in quoted fixed income securities and derivatives currently measured at fair value through profit or loss will continue to be measured on the same basis under MFRS 9.

There will be no impact on the Fund's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Fund does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost. Based on the assessments undertaken to date, the Fund does not expect any loss allowance to be recognised upon adoption of MFRS 9.

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.

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 interest income from foreign unquoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

D. PRESENTATION AND FUNCTIONAL CURRENCY

Items included in the financial statements of the Fund are measured using the currency as 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 unquoted fixed income securities as financial assets at fair value through profit or loss at inception and derivatives as financial assets or financial liabilities held-for-trading, unless they are designated hedges (Note J).

Financial assets designated at fair value through profit or loss at inception are not classified as held-for-trading, but are managed, and their performance evaluated on a fair value basis.

Financial assets or financial liabilities are classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term.

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 equivalent, amount due from Manager, amount due from brokers and other receivables.

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, 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 and transaction costs are expensed in the statement of comprehensive income.

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

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

Financial liability are derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

Unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' 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.

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

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

Unquoted fixed income securities are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis using

the net present value method based on fair value prices quoted by a bond pricing agency ("BPA") registered with the Securities Commission as per the Securities Commission's Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using a non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the price obtained from at least three financial institutions. However, if such quotations are not available or should the gaps of the quotations provided by the financial institutions differ by more than 20 basis points, the valuation shall be determined by reference to the value of such debt securities quoted by Reuters.

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 asset's carrying amount 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 balances and deposit with a licensed financial institution that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

H. 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 ("NAV") per unit at the time of creation or cancellation. The Fund's NAV 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 Manager that undertakes strategic decisions for the Fund.

J. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward foreign exchange rates at the date of statements of financial position with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note F to the financial statements.

K. DISTRIBUTION

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 period in which it is approved by the Trustee.

L. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 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 Fund's 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.

a. Estimate of fair value of unquoted fixed income securities

The Fund uses significant judgement 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 Securities Commission Guidelines on Unit Trust Funds.

However, the Manager is of the opinion that in applying the accounting policies, no significant judgment was required.

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.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the price obtained from at least three financial institutions. However, if such quotations are not available or should the gaps of the quotations provided by the financial institutions differ by more than 20 basis points, the valuation shall be determined by reference to the value of such debt securities quoted by Reuters.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

1. INFORMATION ON THE FUND

Eastspring Investments Global Target Income Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 15 December 2015 (the “Deed”) entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund was launched on 18 July 2016 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund seeks to achieve its objective by investing in bonds such as rated bonds, non-rated bonds and/or bonds rated below investment grade globally including Malaysia. Non-rated bonds are bonds that have not received a credit rating from one or more of the major credit rating agencies. The Fund’s investments may also include liquid assets.

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

The main objective of the Fund is endeavours to provide regular income.

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to market risk (inclusive of price risk, interest rate risk and foreign exchange/currency risk), country risk, fund management risk, liquidity risk, non-compliance 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/ (liabilities) at fair value through profit or loss | Total |
|------------------------------------|------|--------------------------|---|--------------------|
| | | RM | RM | RM |
| <u>2018</u> | | | | |
| Unquoted fixed income securities | 7 | - | 353,656,886 | 353,656,886 |
| Forward foreign currency contracts | 9 | - | 36,569,790 | 36,569,790 |
| Amount due from Manager | | 11,887,274 | - | 11,887,274 |
| Cash and cash equivalents | 8 | 53,173,422 | - | 53,173,422 |
| | | <u>65,060,696</u> | <u>390,226,676</u> | <u>455,287,372</u> |
| <u>2017</u> | | | | |
| Unquoted fixed income securities | 7 | - | 408,832,856 | 408,832,856 |
| Forward foreign currency contracts | 9 | - | (5,134,301) | (5,134,301) |
| Amount due from Manager | | 480,052 | - | 480,052 |
| Amount due from brokers | | 9,605,743 | - | 9,605,743 |
| Other receivables | | 545,700 | - | 545,700 |
| Cash and cash equivalents | 8 | 11,817,421 | - | 11,817,421 |
| | | <u>22,448,916</u> | <u>403,698,555</u> | <u>426,147,471</u> |

All liabilities, except for forward foreign currency contracts 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 May which are exposed to price risk:

| | 2018 | 2017 |
|--|-------------|-------------|
| | RM | RM |
| Unquoted fixed income securities designated at fair value through profit or loss * | 353,656,886 | 408,832,856 |
| <u>Derivatives</u> | | |
| Forward foreign currency contracts | | |
| Financial asset at fair value through profit or loss | 36,569,790 | - |
| Financial liability at fair value through profit or loss | - | (5,134,301) |

* Includes interest receivable of RM3,946,882 (2017: RM3,572,741).

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

| % Change in price of financial assets at fair value through profit or loss | 2018 | | 2017 | |
|--|-----------------|--|-----------------|--|
| | Market value | Increase/ (Decrease) in profit after tax and NAV | Market value | Increase/ (Decrease) in profit after tax and NAV |
| | RM | RM | RM | RM |
| +5% | 405,593,784 | 19,313,990 | 420,132,105 | 20,006,291 |
| -5% | 366,965,804 | (19,313,990) | 380,119,523 | (20,006,291) |

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 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 subject to interest rate fluctuation. Such, the investments are exposed to the movement of the interest rates.

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 deposit with a licensed financial institution 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 and money market instruments held by the Fund at the end of the reporting year/period as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 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.

| | 2018 | 2017 |
|--|---|---|
| % Change in interest rate of unquoted fixed income securities | Impact on profit after tax/change in net asset value | Impact on profit after tax/change in net asset value |
| | RM | RM |
| +1% | (909,939) | (871,115) |
| -1% | 913,398 | 874,170 |

iii. Foreign exchange/Currency risk

As the Fund may invest its assets in unquoted fixed income securities denominated in a wide range of currencies other than Ringgit Malaysia ("RM"), the net asset value of the Fund expressed in RM may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between RM 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 Manager will usually not hedge foreign currency exposure. The Manager may however, depending on prevailing market circumstances at particular point in time, choose to use forward or swap contracts for hedging and risk reduction purposes.

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

| | Unquoted fixed income securities | Forward foreign currency contracts | Cash and cash equivalents | Total |
|-------------|---|---|--|--------------------|
| | RM | RM | RM | RM |
| <u>2018</u> | | | | |
| SGD | 70,161,086 | 3,842,787 | 263,063 | 74,266,936 |
| USD | 283,495,780 | 32,727,003 | 6,351,808 | 322,574,611 |
| | <u>353,656,886</u> | <u>36,569,790</u> | <u>6,614,871</u> | <u>396,841,547</u> |
| <u>2017</u> | | | | |
| SGD | 58,861,503 | 150,433 | 905,900 | 59,917,836 |
| USD | 309,624,421 | (5,284,734) | 7,973 | 304,347,660 |
| | <u>368,485,924</u> | <u>(5,134,301)</u> | <u>913,873</u> | <u>364,265,496</u> |

The table below summarises the sensitivity of the Fund’s financial assets to changes in foreign exchange movements at the end of the reporting year/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 foreign exchange rate | Impact on profit after tax | Impact on net asset value |
|-------------|--|-----------------------------------|----------------------------------|
| | % | RM | RM |
| <u>2018</u> | | | |
| SGD | 5 | 3,713,347 | 3,713,347 |
| USD | 5 | 16,128,731 | 16,128,731 |
| <hr/> | | | |
| <u>2017</u> | | | |
| SGD | 5 | 2,995,892 | 2,995,892 |
| USD | 5 | 15,217,383 | 15,217,383 |
| <hr/> | | | |

Country risk

A Unit Trust Fund that invests in foreign countries may experience more rapid and extreme changes in value than a Unit Trust Fund that invests exclusively in Malaysia. Nationalisation, expropriation or confiscatory, taxation, currency blockage, political changes or diplomatic developments could adversely affect a unit trust fund’s investments in a foreign country. In the event of nationalisation, expropriation or other confiscation, a Unit Trust Fund could lose its entire investment in foreign countries. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. Careful consideration shall be given to risk factors such as liquidity, political and economic environment before any investments are made in a foreign country.

Fund management risk

There is the risk that the Manager may not adhere to the investment mandate of the 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.

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 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 balances, deposit with a licensed financial institution and other instruments which are capable of being converted into cash within 7 days.

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

| | Less than 1 month | Between 1 month to 1 year | More than 1 year | Total |
|------------------------------------|------------------------------|--|-----------------------------|-------------------|
| | RM | RM | RM | RM |
| <u>2018</u> | | | | |
| Amount due to Manager | 5,338,558 | - | - | 5,338,558 |
| Accrued management fee | 478,417 | - | - | 478,417 |
| Amount due to Trustee | 26,791 | - | - | 26,791 |
| GST charges payable | 30,312 | - | - | 30,312 |
| Other payables and accruals | - | 43,097 | - | 43,097 |
| Contractual cash outflows | <u>5,874,078</u> | <u>43,097</u> | - | <u>5,917,175</u> |
| <u>2017</u> | | | | |
| Forward foreign currency contracts | - | - | 5,134,301 | 5,134,301 |
| Amount due to Manager | 649,738 | - | - | 649,738 |
| Accrued management fee | 446,223 | - | - | 446,223 |
| Amount due to brokers | 7,274,300 | - | - | 7,274,300 |
| Amount due to Trustee | 24,988 | - | - | 24,988 |
| GST charges payable | 28,273 | - | - | 28,273 |
| Other payables and accruals | - | 30,400 | - | 30,400 |
| Contractual cash outflows | <u>8,423,522</u> | <u>30,400</u> | <u>5,134,301</u> | <u>13,588,223</u> |

Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund do not comply 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 RM440,574,216 (2017: RM404,267,426) and retained earnings of RM8,795,981 (2017: RM13,426,123). 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.

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 Securities Commission.

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 Fund seeks to mitigate credit/default risk by investing in high quality fixed income securities and entering into forward currency contracts with reputable counterparties.

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

| | Cash and cash equivalent | Financial assets/ (liabilities) at fair value through profit and loss | Amount due from Manager | Total |
|----------------------------------|--------------------------|---|-------------------------|--------------------|
| | RM | RM | RM | RM |
| 2018 | | | | |
| Finance | | | | |
| - AA1 | 9,155,822 | - | - | 9,155,822 |
| - AA2 | 44,017,600 | - | - | 44,017,600 |
| Unquoted fixed income securities | | | | |
| - A | - | 1,974,250 | - | 1,974,250 |
| - B- | - | 46,955,194 | - | 46,955,194 |
| - B | - | 10,036,148 | - | 10,036,148 |
| - B+ | - | 12,947,753 | - | 12,947,753 |
| - Ba3 | - | 8,062,428 | - | 8,062,428 |
| - Baa1 | - | 3,980,984 | - | 3,980,984 |
| - Baa3 | - | 52,026,489 | - | 52,026,489 |
| - BB | - | 8,398,424 | - | 8,398,424 |
| - BB- | - | 4,201,417 | - | 4,201,417 |
| - BB+ | - | 23,224,283 | - | 23,224,283 |
| - BBB | - | 75,105,138 | - | 75,105,138 |
| - BBB- | - | 35,462,489 | - | 35,462,489 |
| - NR | - | 71,281,889 | - | 71,281,889 |
| Forward currency contracts | | | | |
| - AAA | - | 36,569,790 | - | 36,569,790 |
| Other | | | | |
| - NR | - | - | 11,887,274 | 11,887,274 |
| | 53,173,422 | 390,226,676 | 11,887,274 | 455,287,372 |

| | Cash and cash equivalent | Financial assets/ (liabilities) at fair value through profit and loss | Amount due from Manager | Amount due from broker | Other receivables | Total |
|----------------------------------|--------------------------|---|-------------------------|------------------------|-------------------|--------------------|
| | RM | RM | RM | RM | RM | RM |
| 2017 | | | | | | |
| Finance | | | | | | |
| - AA1 | 11,817,421 | - | - | - | - | 11,817,421 |
| Unquoted fixed income securities | | | | | | |
| - A- | - | 4,484,662 | - | - | - | 4,484,662 |
| - AAA | - | 40,346,932 | - | - | - | 40,346,932 |
| - B | - | 12,772,308 | - | - | - | 12,772,308 |
| - B+ | - | 11,793,885 | - | - | - | 11,793,885 |
| - Baa3 | - | 18,598,008 | - | - | - | 18,598,008 |
| - BB | - | 12,174,851 | - | - | - | 12,174,851 |
| - BB- | - | 61,562,875 | - | - | - | 61,562,875 |
| - BB+ | - | 14,188,265 | - | - | - | 14,188,265 |
| - BBB | - | 106,184,814 | - | - | - | 106,184,814 |
| - BBB- | - | 53,149,765 | - | - | - | 53,149,765 |
| - BBB+ | - | 20,382,367 | - | - | - | 20,382,367 |
| - CCC | - | 5,134,057 | - | - | - | 5,134,057 |
| - NR | - | 48,060,067 | - | - | - | 48,060,067 |
| Forward currency contracts | | | | | | |
| - AAA | - | (5,134,301) | - | - | - | (5,134,301) |
| Other | | | | | | |
| - NR | - | - | 480,052 | 9,605,743 | 545,700 | 10,631,495 |
| | <u>11,817,421</u> | <u>403,698,555</u> | <u>480,052</u> | <u>9,605,743</u> | <u>545,700</u> | <u>426,147,471</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 publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year/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. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 and financial liabilities (by class) measured at fair value:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|---------|-------------|---------|-------------|
| | RM | RM | RM | RM |
| 2018 | | | | |
| Financial assets | | | | |
| at fair value | | | | |
| through profit or loss: | | | | |
| Unquoted fixed | | | | |
| income securities | - | 353,656,886 | - | 353,656,886 |
| Forward foreign | | | | |
| currency contracts | - | 36,569,790 | - | 36,569,790 |

2017

| | | | | |
|--|---|-------------|---|-------------|
| Financial assets/ (liabilities) at fair value | | | | |
| through profit or loss | | | | |
| at inception: | | | | |
| Unquoted fixed | | | | |
| income securities | - | 408,832,856 | - | 408,832,856 |
| Forward foreign | | | | |
| currency contracts | - | (5,134,301) | - | (5,134,301) |

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, which include unquoted fixed income securities and forward foreign currency contracts. 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 equivalent, amount due from brokers, amount due from Manager, other receivables and all liabilities, except for forward foreign currency contracts, 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 a daily basis.

For the financial year ended 31 May 2018, the Management fee is recognised at a rate of 1.25% (2017: 1.25%) per annum on 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 RM15,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 31 May 2018, the Trustee fee is recognised at a rate of 0.07% (2017: 0.07%) per annum on the net asset value of the Fund, excluding foreign custodian 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. DISTRIBUTION

| | 2018 |
|--|------------------------|
| | RM |
| Distribution to unit holders are from the following sources: | |
| Distribution equalisation (Memorandum account) | (2,293,345) |
| Prior period's realised income | 14,451,594 |
| Current financial years' realised income | <u>11,357,734</u> |
| Gross realised income | 23,515,983 |
| Less: Expenses | <u>(5,062,809)</u> |
| | <u>18,453,174</u> |
| Gross distribution per unit (sen) | <u>0.0270</u> |
| Net distribution per unit (sen) | <u>0.0270</u> |
| Ex-date | <u>23 October 2017</u> |

Gross distribution is derived using total income less total expenses. The distribution is made from prior and current 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 per 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, income equalisation is included in the computation of realised gain or income available for distribution.

Included in the distribution for the financial year is an amount of RM14,451,594 made from previous financial period's realised income.

6. TAXATION

| | 2018 | Financial period from 18.7.2016 (launch date) to 31.5.2017 |
|--|------|---|
| | RM | RM |

Tax charged for the financial year/period:

Current taxation - -

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

| | 2018 | Financial period from 18.7.2016 (launch date) to 31.5.2017 |
|--|-------------|---|
| | RM | RM |
| Profit before taxation | 13,823,032 | 13,426,123 |
| Tax at Malaysian statutory rate of 24% (2017: 24%) | 3,317,528 | 3,222,269 |
| Tax effects of: | | |
| Investment income exempt from tax | (4,657,401) | (4,237,222) |
| Expenses not deductible for tax purposes | 169,686 | 122,231 |
| Restriction on tax deductible expenses for Unit Trust Funds | 1,170,187 | 892,722 |
| Taxation | - | - |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2018 | 2017 |
|---|---------------------|------------------|
| | RM | RM |
| Designated at fair value through profit or loss | | |
| Unquoted fixed income securities | 353,656,886 | 408,832,856 |
| Net (loss)/gain on financial assets at fair value through profit or loss: | | |
| Realised (loss)/gain on disposals | (4,059,506) | 4,612,509 |
| Change in unrealised fair value (loss)/gain | (37,896,359) | 3,577,562 |
| | <u>(41,955,865)</u> | <u>8,190,071</u> |

Unquoted fixed income securities

| Name of counter | Nominal value | Aggregate cost | Fair value as at 31.5.2018 | Percentage of net asset value of the Fund |
|---|----------------------|-----------------------|-----------------------------------|--|
| | RM | RM | RM | % |
| Bond | | | | |
| 4.375% Abu Dhabi National Energy Company PJSC 23.4.2025 (A) | 500,000 | 1,953,471 | 1,974,250 | 0.44 |
| 6.875% Agile Group Holdings Ltd 7.3.2023 (Ba3) | 1,300,000 | 5,094,623 | 4,918,217 | 1.09 |
| 5.95% APL Realty Holdings Pte Ltd 2.6.2024 (B+) | 1,200,000 | 5,299,307 | 4,174,727 | 0.93 |
| 5.20% Ara Asset Management Limited 19.7.2022 (NR) | 5,250,000 | 16,627,804 | 15,509,482 | 3.45 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value RM | Aggregate cost RM | Fair value as at 31.5.2018 RM | Percentage of net asset value of the Fund % |
|--|---------------------|----------------------|-------------------------------------|--|
| Bond | | | | |
| 4.50% CCB Life Insurance Company Limited 21.4.2077 (BBB) | 3,400,000 | 15,061,626 | 13,355,323 | 2.97 |
| 4.25% Chalco Hong Kong Investment Company Limited 7.11.2021 (BBB) | 4,000,000 | 16,964,254 | 15,476,612 | 3.44 |
| 8.75% China Evergrande Group 28.6.2025 (B-) | 1,500,000 | 6,650,148 | 5,711,538 | 1.27 |
| 7.50% China Evergrande Group 28.6.2023 (B-) | 1,400,000 | 6,177,218 | 5,308,144 | 1.18 |
| 4.875% Commerzbank AG 1.3.2027 (BBB-) | 5,000,000 | 16,002,718 | 15,272,348 | 3.40 |
| 4.05% Dianjian Haixing Limited 21.10.2019 (Baa1) | 1,000,000 | 3,931,676 | 3,980,984 | 0.89 |
| 3.375% Hong Kong Red Star Macalline Universal Home Furnishing Ltd 21.9.2022 (BBB-) | 300,000 | 1,258,270 | 1,123,756 | 0.25 |
| 6.375% HSBC Holdings Plc 17.9.2024 (Baa3) | 6,000,000 | 24,677,330 | 24,150,935 | 5.37 |
| 6.375% HSBC Holdings Plc 30.3.2025 (BBB) | 5,500,000 | 22,579,294 | 22,087,990 | 4.92 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value | Aggregate cost | Fair value as at 31.5.2018 | Percentage of net asset value of the Fund |
|--|---------------|----------------|----------------------------|---|
| | RM | RM | RM | % |
| Bond | | | | |
| 6.00% HSBC Holdings Plc 22.5.2027 (BBB) | 1,100,000 | 4,758,564 | 4,191,749 | 0.93 |
| 4.70% HSBC Holdings Plc 6.8.2022 (BBB) | 2,500,000 | 7,908,792 | 7,648,639 | 1.70 |
| 6.25% HSBC Holdings Plc 23.3.2023 (BBB) | 2,200,000 | 8,716,317 | 8,885,303 | 1.98 |
| 5.875% Indika Energy Capital III Pte Ltd 9.11.2024 (B+) | 1,200,000 | 5,083,867 | 4,492,389 | 1.00 |
| 6.875% Islamic Republic of Pakistan 5.12.2027 (B) | 300,000 | 1,266,361 | 1,142,515 | 0.25 |
| 8.25% Jiayuan International Group Limited 14.11.2018 (NR) | 500,000 | 2,102,293 | 1,988,834 | 0.44 |
| 8.125% Jiayuan International Group Limited 17.1.2019 (NR) | 700,000 | 2,861,798 | 2,868,158 | 0.64 |
| 3.75% Landesbank Baden-Wuerttemberg 18.5.2027 (BBB) | 500,000 | 1,544,739 | 1,482,076 | 0.33 |
| 5.25% Li & Fung Limited 3.11.2021 (BBB-) | 5,000,000 | 20,658,194 | 15,694,868 | 3.49 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value | Aggregate cost | Fair value as at 31.5.2018 | Percentage of net asset value of the Fund |
|--|---------------|----------------|----------------------------|---|
| | RM | RM | RM | % |
| Bond | | | | |
| 7.00% Lippo Malls Indonesia Retail Trust 27.9.2021 (NR) | 9,500,000 | 29,246,163 | 28,033,970 | 6.24 |
| 6.125% Logan Property Holdings Company Limited 16.4.2021 (BB-) | 750,000 | 2,231,835 | 2,214,572 | 0.49 |
| 3.905% Malayan Banking Berhad 29.10.2026 (BBB) | 500,000 | 2,228,623 | 1,977,446 | 0.44 |
| 7.00% Maoye International Holdings Limited 23.10.2018 (NR) | 1,000,000 | 3,951,521 | 4,011,592 | 0.89 |
| 9.75% Marquee Land Pte Ltd 5.8.2019 (B) | 98,000 | 424,975 | 414,274 | 0.09 |
| 5.625% Minejesa Capital B.V. 10.8.2037 (BBB-) | 400,000 | 1,740,397 | 1,499,967 | 0.33 |
| 4.625% Minejesa Capital B.V. 10.8.2030 (BBB-) | 500,000 | 2,169,364 | 1,871,550 | 0.42 |
| 6.95% Modernland Overseas Pte. Ltd. 13.4.2024 (B) | 2,300,000 | 10,377,736 | 8,479,359 | 1.89 |
| 5.50% Nan Fung Treasury (II) Limited 29.5.2020 (Baa3) | 5,000,000 | 21,460,912 | 17,161,203 | 3.82 |
| 5.75% NWD Finance (BVI) Ltd 5.10.2021 (NR) | 4,000,000 | 16,721,265 | 14,244,970 | 3.17 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value | Aggregate cost | Fair value as at 31.5.2018 | Percentage of net asset value of the Fund |
|--|---------------|----------------|----------------------------|---|
| | RM | RM | RM | % |
| Bond | | | | |
| 5.00% Pakuwon Prima Pte Ltd 14.2.2024 (BB) | 1,500,000 | 6,796,156 | 5,699,029 | 1.27 |
| 7.00% Redco Properties Group Limited 14.11.2018 (NR) | 200,000 | 843,475 | 799,069 | 0.18 |
| 8.25% Republic of Lebanon 12.4.2021 (B-) | 9,000,000 | 37,149,349 | 35,935,512 | 8.00 |
| 5.875% Royal Capital B.V 5.5.2022 (NR) | 1,000,000 | 4,001,879 | 3,825,814 | 0.85 |
| 7.75% SSMS Plantation Holdings Pte Ltd 23.1.2023 (B+) | 500,000 | 2,022,675 | 1,936,899 | 0.43 |
| 5.625% The Bank Of East Asia Limited 18.5.2022 (BB) | 700,000 | 3,046,456 | 2,699,395 | 0.60 |
| 6.20% The Democratic Socialist Republic of Sri Lanka 11.5.2027 (B+) | 200,000 | 869,740 | 762,538 | 0.17 |
| 6.75% The Democratic Socialist Republic of Sri Lanka 18.4.2028 (B+) | 200,000 | 781,415 | 791,075 | 0.18 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value | Aggregate cost | Fair value as at 31.5.2018 | Percentage of net asset value of the Fund |
|--|---------------|----------------|----------------------------|---|
| | RM | RM | RM | % |
| Bond | | | | |
| 5.75% The Democratic Socialist Republic of Sri Lanka 18.4.2023 (B+) | 200,000 | 780,464 | 790,125 | 0.18 |
| 6.125% Turkiye Garanti Bankasi AS 24.5.2027 (BB+) | 1,000,000 | 4,325,738 | 3,644,687 | 0.81 |
| 5.00% Westpac Banking Corporation 21.9.2027 (BB+) | 5,000,000 | 21,223,300 | 17,653,374 | 3.93 |
| 5.25% Wisdom Glory Group Ltd 19.7.2020 (Ba3) | 800,000 | 3,494,861 | 3,144,211 | 0.70 |
| 5.25% Woori Bank 16.5.2022 (BB+) | 500,000 | 2,176,851 | 1,926,222 | 0.43 |
| 5.75% Yancoal International Resources Development Co., Limited 13.4.2020 (BB-) | 500,000 | 2,231,999 | 1,986,845 | 0.44 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value RM | Aggregate cost RM | Fair value as at 31.5.2018 RM | Percentage of net asset value of the Fund % |
|---|------------------------|-------------------------|--|---|
| 4.75% Yuexiu Reit Mtn Company Limited 27.4.2021 (Baa3) | 2,700,000 | 10,499,870 | 10,714,351 | 2.38 |
| | <u>98,398,000</u> | <u>387,975,683</u> | <u>353,656,886</u> | <u>78.69</u> |

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

(34,318,797)

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

353,656,886

Unquoted fixed income securities

| Name of counter | Nominal value RM | Aggregate cost RM | Fair value as at 31.5.2017 RM | Percentage of net asset value of the Fund % |
|---|---------------------|----------------------|-------------------------------------|--|
| Bond | | | | |
| 9.75% Marquee Land Pte Ltd 5.8.2017 (B) | 98,000 | 412,112 | 457,677 | 0.11 |
| 3.38% Cagamas Berhad 15.9.2017 (AAA) | 25,000,000 | 25,182,890 | 25,174,140 | 6.03 |
| 5.875% Reliance Industries Limited 5.2.2018 (BBB+) | 3,000,000 | 13,149,177 | 13,288,613 | 3.18 |
| 3.50% Greenland Global Investment Ltd 6.9.2019 (BB+) | 500,000 | 2,038,001 | 2,125,501 | 0.51 |
| 4.70% RKI Overseas (B) 6.9.2019 (BB-) | 1,300,000 | 5,388,459 | 5,582,710 | 1.34 |
| 5.00% Future Land Development Holdings Limited 16.2.2020 (B+) | 1,500,000 | 6,739,375 | 6,544,645 | 1.57 |
| 8.75% Noble Group Limited 9.3.2020 (CCC) | 2,500,000 | 11,348,642 | 5,134,057 | 1.23 |
| 6.50% Standard Chartered Plc 2.4.2020 (BB-) | 5,000,000 | 19,598,339 | 21,703,147 | 5.20 |
| 5.75% Yancoal International Resources Development Co., Limited 13.4.2020 (B+) | 500,000 | 2,233,153 | 2,198,693 | 0.53 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value | Aggregate cost | Fair value as at 31.5.2017 | Percentage of net asset value of the Fund |
|---|---------------|----------------|----------------------------|---|
| | RM | RM | RM | % |
| Bond | | | | |
| 3.875% Shanhai 20.4.2020 (BBB-) | 1,000,000 | 4,435,938 | 4,313,930 | 1.03 |
| 5.50% Nan Fung Treasury (II) Limited 29.5.2020 (Baa3) | 4,400,000 | 18,890,553 | 18,598,008 | 4.45 |
| 5.00% Pakuwon Prima Pte Ltd 14.2.2021 (BB-) | 2,000,000 | 9,020,238 | 8,605,335 | 2.06 |
| 4.95% Listrindo Capital B.V. 14.3.2021 (BB) | 300,000 | 1,230,397 | 1,304,326 | 0.31 |
| 6.95% Modernland Overseas Pte. Ltd. 13.4.2021 (B) | 2,300,000 | 10,307,401 | 9,895,993 | 2.37 |
| 5.95% APL Realty Holdings Pte. Ltd. 2.6.2021 (BB-) | 1,700,000 | 7,253,900 | 7,259,460 | 1.74 |
| 3.60% DBS Group Holdings Ltd 7.9.2021 (BBB) | 1,000,000 | 4,109,214 | 4,245,410 | 1.02 |
| 7.00% Lippo Malls Indonesia Retail Trust 27.9.2021 (NR) | 9,500,000 | 29,260,437 | 30,810,828 | 7.38 |
| 5.75% NWD Fin BVI 5.10.2021 (NR) | 4,000,000 | 16,742,845 | 17,249,239 | 4.13 |
| 3.905% Malayan Banking Berhad 29.10.2021 (BBB) | 2,000,000 | 8,898,699 | 8,765,712 | 2.10 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value | Aggregate cost | Fair value as at 31.5.2017 | Percentage of net asset value of the Fund |
|---|---------------|----------------|----------------------------|---|
| | RM | RM | RM | % |
| Bond | | | | |
| 5.25% Li & Fung Limited 3.11.2021 (BBB-) | 7,000,000 | 28,665,308 | 27,416,979 | 6.56 |
| 4.25% Chalco Hong Kong Investment Company Limited 7.11.2021 (BBB) | 4,000,000 | 16,936,573 | 17,329,912 | 4.15 |
| 3.875% Shinhan Bank 7.12.2021 (BBB+) | 600,000 | 2,714,347 | 2,674,946 | 0.64 |
| 4.875% Commerzbank AG 1.3.2022 (BBB-) | 5,250,000 | 16,810,511 | 17,180,150 | 4.11 |
| 4.78% GENM Capital Berhad 31.3.2022 (AAA) | 15,000,000 | 15,121,792 | 15,172,792 | 3.63 |
| 7.50% Standard Chartered Plc 2.4.2022 (BB-) | 4,000,000 | 16,398,700 | 18,412,223 | 4.41 |
| 4.50% CCB Life Insurance Company Limited 21.4.2022 (BBB) | 3,400,000 | 15,066,743 | 14,827,788 | 3.55 |
| 5.25% Woori Bank 16.5.2022 (BB+) | 1,600,000 | 6,966,977 | 6,895,609 | 1.65 |
| 3.75% Landesbank Baden-Wuerttemberg 18.5.2022 (BB) | 3,500,000 | 10,817,106 | 10,870,525 | 2.60 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value | Aggregate cost | Fair value as at 31.5.2017 | Percentage of net asset value of the Fund |
|--|---------------|----------------|----------------------------|---|
| | RM | RM | RM | % |
| Bond | | | | |
| 5.625% The Bank Of East Asia Limited 18.5.2022 (BBB) | 700,000 | 3,046,884 | 3,025,347 | 0.72 |
| 6.125% Turkey Garanti Bank Inc. 24.5.2022 (BB+) | 1,200,000 | 5,192,189 | 5,167,155 | 1.24 |
| 4.625% Mexican Petroleum 21.9.2023 (BBB+) | 1,000,000 | 4,175,481 | 4,418,808 | 1.06 |
| 6.375% HSBC Holdings Plc 17.9.2024 (BBB) | 6,000,000 | 24,696,345 | 27,294,136 | 6.53 |
| 6.375% HSBC Holdings Plc 30.3.2025 (BBB) | 5,500,000 | 22,605,306 | 24,965,447 | 5.98 |
| 4.25% GOHL Capital 24.1.2027 (A-) | 1,000,000 | 4,492,065 | 4,484,662 | 1.07 |
| 6.20% The Democratic Socialist Republic of Sri Lanka 11.5.2027 (B+) | 700,000 | 3,044,817 | 3,050,547 | 0.73 |
| 4.125% Perusahaan Perseroan (Persero) Pt Perusahaan Listrik Negara 15.5.2027 (BBB-) | 1,000,000 | 4,311,538 | 4,238,706 | 1.01 |
| 6.00% HSBC Holdings Plc 22.5.2027 (BBB) | 1,100,000 | 4,759,060 | 4,831,718 | 1.16 |

Unquoted fixed income securities (continued)

| Name of counter | Nominal value RM | Aggregate cost RM | Fair value as at 31.5.2017 RM | Percentage of net asset value of the Fund % |
|---|---------------------|----------------------|-------------------------------------|--|
| Bond | | | | |
| 7.875% Federal Republic of Nigeria 16.2.2032 (B) | 500,000 | 2,330,785 | 2,418,638 | 0.58 |
| 5.625% Aeropuerto Internacional De Tocumen, S.A. 18.5.2036 (BBB) | 200,000 | 862,997 | 899,344 | 0.22 |
| | <u>130,848,000</u> | <u>405,255,294</u> | <u>408,832,856</u> | <u>97.89</u> |
| ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>3,577,562</u> | | |
| FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | <u>408,832,856</u> | |

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

| | 2018 | 2017 |
|----------------------------------|-------------|-------------|
| | % | % |
| Unquoted fixed income securities | 7.19 | 5.48 |

8. CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|---|-------------|-------------|
| | RM | RM |
| Bank balances | 9,155,822 | 3,312,391 |
| Deposits with licensed financial institutions | 44,017,600 | 8,505,030 |
| | 53,173,422 | 11,817,421 |

The currency exposure profile of cash and cash equivalents is as follows:

| | 2018 | 2017 |
|-------|-------------|-------------|
| | RM | RM |
| - MYR | 46,558,551 | 10,903,548 |
| - SGD | 263,063 | 905,900 |
| - USD | 6,351,808 | 7,973 |
| | 53,173,422 | 11,817,421 |

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 is as follows:

| | 2018 | 2017 |
|---|-------------|-------------|
| | % | % |
| Deposits with licensed financial institutions | 3.65 | 3.60 |

The deposits have an average maturity of 4 days (2017: 2 days).

9. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 38 (2017:31) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward currency contracts amounted to RM36,569,790 (financial assets) (2017:RM5,134,301 (financial liabilities)). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in SGD and USD. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward currency contract is recognised immediately in the statement of comprehensive income.

10. UNITS IN CIRCULATION

| | 2018 | 2017 |
|---|---------------------|---------------------|
| | No. of units | No. of units |
| At the beginning of the financial year/ launch date | 810,855,935 | - |
| Creation of units from applications during the financial year/period | 526,526,944 | 873,330,375 |
| Reinvestment of units from applications during the financial year | 35,751,343 | - |
| Cancellation of units during the financial year/period | (491,939,801) | (62,474,440) |
| At the end of the financial year/period | 881,194,421 | 810,855,935 |

11. TRANSACTIONS WITH BROKERS/DEALERS

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

| Name of brokers/ dealers | Value of trades | Percentage of total trades | Brokerage fees | Percentage of total brokerage fees |
|---|--------------------|----------------------------------|-------------------|---|
| | RM | % | RM | % |
| <u>2018</u> | | | | |
| Oversea-Chinese Banking Corporation Limited | 70,773,636 | 16.95 | - | - |
| HSBC Singapore | 47,783,569 | 11.44 | - | - |
| UBS AG London | 44,989,479 | 10.77 | - | - |
| Jefferies Singapore Ltd | 40,949,675 | 9.81 | - | - |
| Barclays Plc | 36,358,309 | 8.71 | - | - |
| Citibank London Branch | 27,930,861 | 6.69 | - | - |
| Morgan Stanley And Co. International Plc, | 20,466,776 | 4.90 | - | - |
| Standard Chartered Bank Singapore | 20,292,246 | 4.86 | - | - |
| DBS Bank Ltd | 19,017,803 | 4.55 | - | - |
| Credit Suisse First Boston Corporation | 15,817,896 | 3.79 | - | - |
| Others | 73,242,692 | 17.53 | - | - |
| | <u>417,622,942</u> | <u>100.00</u> | - | - |

Details of transactions with the top 10 brokers/dealers for the financial period from 18 July 2016 (launch date) to 31 May 2017 are as follows:

| Name of brokers/ dealers | Value of trades | Percentage of total trades | Brokerage fees | Percentage of total brokerage fees |
|--|----------------------------|---|---------------------------|---|
| | RM | % | RM | % |
| <u>Financial period from 18 July 2016 (launch date) to 31 May 2017</u> | | | | |
| Citibank London Branch | 87,021,315 | 14.53 | - | - |
| Oversea-Chinese Banking Corporation Limited | 74,557,200 | 12.45 | - | - |
| HSBC Singapore | 58,845,453 | 9.83 | - | - |
| UBS AG London | 54,739,525 | 9.14 | - | - |
| JP Morgan Securities Ltd | 38,097,573 | 6.36 | - | - |
| Morgan Stanley and Co. International Plc | 33,190,540 | 5.54 | - | - |
| Credit Suisse First Boston Corporation | 27,764,923 | 4.64 | - | - |
| RHB Bank Berhad | 25,000,000 | 4.18 | - | - |
| Bank of China (Hong Kong) Limited | 19,568,627 | 3.27 | - | - |
| Deutsche Bank AG London | 16,599,790 | 2.77 | - | - |
| Others | 163,389,773 | 27.29 | - | - |
| | 598,774,719 | 100.00 | - | - |

All brokers/dealers highlighted above are not related to the Manager.

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 | 2,105 | 1,074 | 2,000 | 1,030 |

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 Guidelines on Unit Trust Funds. Other than the above, there were no units held by the Directors or parties related to the Manager.

13. MANAGEMENT EXPENSE RATIO (“MER”)

| | Financial period from 18.7.2016 (launch date) to 31.5.2017 | |
|-----|---|-------------|
| | 2018 | 2017 |
| | % | % |
| MER | 1.43 | 1.16 |

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 of 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 year/period calculated on a daily basis is RM389,087,274 (2017:RM364,511,493).

14. PORTFOLIO TURNOVER RATIO (“PTR”)

| | Financial period from 18.7.2016 (launch date) 2018 to 31.5.2017 | |
|-------------|--|------|
| PTR (times) | 0.54 | 0.82 |

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year/period = RM214,787,023 (2017:RM497,818,198)

total disposals for the financial year/period = RM202,835,919 (2017:RM100,956,521)

15. 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 chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund’s performance is evaluated on an overall basis.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest income and gains on the appreciation in the value of investments, and is derived from Ringgit-denominated unquoted fixed income securities traded in Malaysia and unquoted fixed income securities in foreign markets where the regulatory authority is a member of the International Organisation of Securities Commission (“IOSCO”).

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

16. APPROVAL OF FINANCIAL STATEMENTS

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

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

REGISTERED OFFICE

16th Floor, Wisma Sime Darby

Jalan Raja Laut

50350 Kuala Lumpur

BUSINESS OFFICE

Level 12, Menara Prudential

No. 10, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2052 3388

FAX NO.

603-2070 6129

EMAIL

cs.my@eastspring.com

WEBSITE

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

Eastspring Investments Berhad
Suite E3, 9th Floor
CPS Tower, Centre Point Sabah
No. 1, Jalan Centre Point
88000 Kota Kinabalu, Sabah

TELEPHONE NO.

6088-238 613

ENQUIRIES

CLIENT SERVICES

603-2332 1000

This page is intentionally left blank.

This page is intentionally left blank.

This page is intentionally left blank.

Eastspring Investments Berhad (531241-U)
Level 12, Menara Prudential
No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur
T: (603) 2052 3388 F: (603) 2070 6129
eastspringinvestments.com.my

Client Services
T: (603) 2332 1000 F: (603) 2052 3366
cs.my@eastspring.com