

EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND

ANNUAL REPORT

FOR THE FINANCIAL PERIOD FROM 25 MAY 2017
(LAUNCH DATE) TO 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 Fund 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

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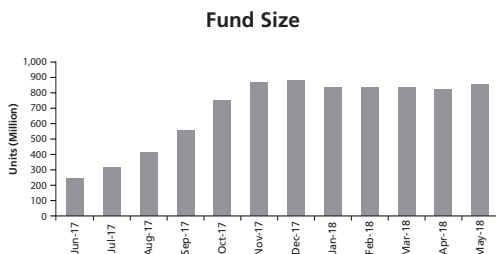
FUND INFORMATION

Name of Fund	Eastspring Investments Islamic Small-cap Fund (the “Fund”)
Fund Category/ Type	Equity (small-cap Shariah)/Growth
Fund Objective	<p>The Fund seeks to provide capital appreciation by investing in small market capitalisation Shariah-compliant securities of companies with growth potential.</p> <p>ANY MATERIAL CHANGES TO THE FUND’S OBJECTIVE WOULD REQUIRE UNIT HOLDERS’ APPROVAL.</p>
Performance Benchmark	<p>80% FTSE Bursa Malaysia Small Cap Shariah Index + 20% FTSE Bursa Malaysia EMAS Shariah Index.</p> <p>The composite benchmark index is a reflection of the Fund’s average asset allocation over the long term as the Fund invests in small-cap companies which are listed in both FTSE Bursa Malaysia Small Cap Shariah Index and FTSE Bursa Malaysia EMAS Shariah Index.</p> <p>Source: www.bursamalaysia.com</p> <p>Note: The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	<p>Subject to the availability of income, distribution of income, if any, will be incidental, after deduction of taxation and expenses.</p>

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 May 2018, the size of Eastspring Investments Islamic Small-cap Fund stood at 845.231 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	2,200	28.56	5,194	0.61
5,001 to 10,000 units	1,300	16.87	10,249	1.21
10,001 to 50,000 units	2,356	30.58	58,203	6.89
50,001 to 500,000 units	1,732	22.48	232,764	27.54
500,001 units and above	116	1.51	538,819	63.75
Total	7,704	100.00	845,229	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	Since commencement 15.6.2017 to 31.5.2018 (%)
Quoted Shariah-compliant securities	
Construction	18.40
Consumer	10.48
Consumer Product	2.72
Health Care	5.72
Industrial Product	15.32
Infrastructure Project Company	1.09
Manufacturing	0.01
Plantation	2.33
Properties	1.54
Technology	10.91
Trading/Services	3.17
	71.69
Cash and other assets	28.31
Total	100.00
Net Asset Value (NAV) (RM'000)	391,315
Units In Circulation (Units '000)	845,231
Net Asset Value Per Unit (RM)	0.4630
Highest Net Asset Value Per Unit (RM)	0.5615
Lowest Net Asset Value Per Unit (RM)	0.4630
Total Return (%)	
- Capital Growth	(7.40)
- Income Distribution	-
Total Return (%)	(7.40)
Gross Distribution Per Unit (RM)	-
Net Distribution Per Unit (RM)	-
Management Expense Ratio (MER) (%)	1.70
Portfolio Turnover Ratio (PTR) (times)	0.76

KEY PERFORMANCE DATA (CONTINUED)

	Since commencement 15.6.2017 to 31.5.2018
	(%)

Average total return (7.68)

Year ended	Since commencement 15.6.2017 to 31.5.2018
	(%)

Annual total return (7.40)

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

Bases of calculation and assumptions made in calculating returns:

Percentage growth	=	$\frac{NAV_t}{NAV_0} - 1$
NAV _t	=	NAV at the end of the period
NAV ₀	=	NAV at the beginning of the period
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.

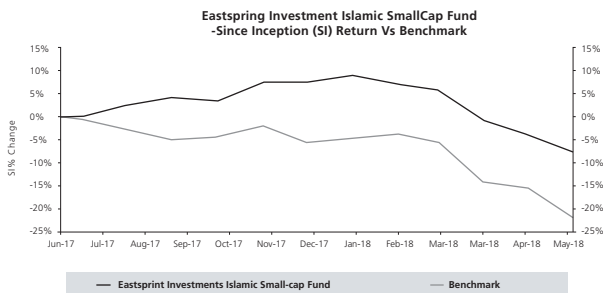
MANAGER'S REPORT

Fund Performance

Since inception and during the period under review, the Fund recorded a return of -7.40%, outperforming the benchmark return of -21.64% by 14.24%.

The outperformance was mainly due to both asset allocation and Shariah-compliant stock selection. The Fund's overweight in technology Shariah-compliant stocks and underweight in oil & gas Shariah-compliant stocks contributed to performance. Meanwhile, our exposure in building materials and construction Shariah-compliant stocks detracted performance.

The Fund did not meet its investment objective of providing investors with capital appreciation by actively investing in Shariah-compliant equities with market capitalization less than RM5bn.



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

Benchmark: 80% FTSE Bursa Malaysia Small Cap Shariah Index + 20% FTSE Bursa Malaysia EMAS Shariah Index.

Source: Lipper for Investment Management and www.bursamalaysia.com, 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 period ended 31 May 2018:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	(7.40)	(7.40)	(21.64)

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

Distribution/ Unit Split

No distribution or unit split were declared for the financial period ended 31 May 2018.

Investment Strategy During The Period Under Review

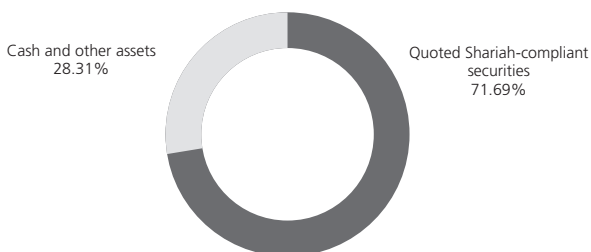
During the period under review, the Fund maintained high cash level due to market uncertainties sparked by rising global interest rates, trade war concern and the 14th General Election in Malaysia. The Fund was constructed with a balanced mix of defensive consumer Shariah-compliant stocks, exporters that should benefit from synchronized global recovery and domestic centric Shariah-compliant stocks that should benefit from mega projects in Malaysia. We continue to adopt a bottom-up approach in Shariah-compliant stock selection with priorities given to Shariah-compliant stock with earnings growth potential and healthy balance sheet.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-May	Changes
	2018	
	(%)	(%)
Quoted Shariah-compliant securities	71.69	(71.69)
Cash and other assets	28.31	(28.31)

Asset Allocation as at 31 May 2018



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

State of Affairs of the Fund

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

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

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

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

The Malaysian equity market started the 4Q2017 on a volatile note, as the big cap stocks succumbed to some sell down, despite the rising Brent crude oil prices and the tabling of Budget 2018. The Budget 2018 announcement on the 27th October was as expected, focused on implementing measures to increase households' disposable income, in particular the bottom 40% ("B40") income group, with special cash payments to be made to the 1.6m civil servants and civil servant retirees. Equity markets in Malaysia remained weak despite the stronger than expected 3Q2017 GDP growth data reported in November, and growing expectations of Bank Negara potentially hiking Overnight Policy Rate in 2018. During the middle of the 4Q2017 investors took note of US President Trump's visit to China which ended on a positive note with the usual trade deals lined up between the two countries, although most of the deals were still very preliminary. Organization of the Petroleum Exporting Countries ("OPEC") also announced their decision to extend its production cutting deal for another nine-months, providing support for oil prices. By the end of the 4Q2017, Brent crude oil hit USD66.8/bbl, levels not seen since May 2015, on the back of extended production cuts by OPEC and improving demand outlook as global growth recovery continues to be underway. Being one of the few net beneficiaries in the regions of higher oil prices, the Malaysian ringgit appreciated sharply towards the end of the 4Q to close at RM4.046/USD.

As with the beginning of each new year, 1Q2018 saw a good start for global markets and Malaysia, driven by improving economic prospect and positive investor sentiment despite the distraction of a three-day US government shutdown. Expectation of the ringgit to remain strong and continue to appreciate, amidst an environment of higher oil prices, Bank Negara Malaysia ("BNM") hiking Overnight Policy Rate ("OPR") by 25bps, and inflow of foreign funds into Malaysia. However this rally was short lived as come February global markets corrected sharply, ironically spooked by the stronger job and wage data in the US, stoking fears of higher than expected inflation which may result in the US Federal Reserve being more hawkish, triggering a sell-off in the US bond market. The Malaysian equity market corrected as foreign investors reduced their exposure in Malaysia with RM1.2 billion net outflow in February. Global market correction continued in the third month of the 1Q2018 as investors sold down US stocks on concerns regarding global growth given US President Trump's escalating protectionist stance. US imposed tariffs on steel and aluminum imports from China, Canada and the European Union ("EU"), resulting retaliating measures from the affected countries. Malaysian equity markets similarly was volatile in tandem with global markets, given the openness of the Malaysian economy. However, the Malaysian ringgit during the period managed to maintain its strength against the USD, appreciating 3.02% quarter on quarter ("q-o-q"), supported by firmer oil prices.

The month of April 2018 was a volatile period driven firstly by investor concerns of a possible full-blown trade war between the US and China and the repercussions on other exporting nations, early in the month. However higher oil prices that saw crude oil prices breach USD70/bbl, helped provide support for Malaysia's ringgit and equity market, that saw the KLCI just one point shy of all-time highs that was hit in 2014. This rally was short lived as markets corrected over rising US treasury yields and the sell-off in technology stocks due to the weaker outlook guided by major handset component manufacturers. May 2018 was a tumultuous month for Malaysia, starting with the 14th General Elections on the 9th May 2018, and the unexpected elections outcome. After 61 years of Barisan Nasional rule, Malaysia voted in a new government under the coalition of Pakatan Harapan ("PH"). The first two weeks post GE14 saw the swearing in of the new Prime Minister, Tun Mahathir, and then the subsequent swearing in of 12 cabinet ministers. May was a month of change for Malaysia, as the new government worked quickly to meet expectations as proposed in their 100-Day manifesto, starting with the announcement to set GST at 0% effective 1 June 2018 from the current 6%, and to prepare to roll out Sales and Services Tax by 1 September 2018. Malaysia's ringgit held up relatively well post GE14, supported by the firmer crude oil prices that stayed strong as US continued their rhetoric about imposing sanctions on Iran.

The FBM KLCI closed the year under review at 1,740.62 points, down 1.43%. The broader FBM Emas ("FBMEmas") Index closed the period under review down by 3.51%. The FBM Small Cap Shariah Index closed the period under review down by 23.92%.

REBATES AND SOFT COMMISSIONS

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

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

EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 MAY 2017 (LAUNCH DATE)
TO 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 19 to 52 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 period from 25 May 2017 (launch date) to 31 May 2018 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 ISLAMIC SMALL-CAP FUND

We have acted as Trustee for Eastspring Investments Islamic Small-cap Fund (the "Fund") for financial period from 25 May 2017 (launch date) to 31 May 2018. To the best of our knowledge, for the financial period under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:

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

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

SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND

We have acted as the Shariah Adviser of Eastspring Investments Islamic Small-cap Fund. Our responsibility is to ensure that the procedures and processes employed by Eastspring Investments Berhad are in accordance with Shariah principles.

In our opinion, Eastspring Investments Berhad has managed and administered Eastspring Investments Islamic Small-cap Fund in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial period ended 31 May 2018.

In addition, we also confirm that the investment portfolio of Eastspring Investments Islamic Small-cap Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission ("SACSC"). As for the securities which are not certified by the SACSC, we have reviewed the said securities and opine that these securities are designated as Shariah-compliant.

For and on behalf of the Shariah Adviser
IBFIM

MUHAMMAD KHAIRULNIZAM BIN ALIAS

Consultant (Shariah)/Designated Person Responsible for Shariah Advisory

Kuala Lumpur
Date: 16 July 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Islamic Small-cap 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 period from 25 May 2017 (launch date) to 31 May 2018 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 period from 25 May 2017 (launch date) to 31 May 2018, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 52.

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 PERIOD FROM 25 MAY 2017

(LAUNCH DATE) TO 31 MAY 2018

	Note	Financial period from 25.5.2017 (launch date) to 31.5.2018 RM
INVESTMENT LOSS		
Gross dividend income		5,759,132
Profit income from Islamic deposits with licensed financial institutions		3,238,265
Net loss on financial assets at fair value through profit or loss	6	(45,197,000)
		<u>(36,199,603)</u>
EXPENSES		
Management fee	3	(4,951,711)
Trustee fee	4	(214,574)
Audit fee		(7,000)
Tax agent fee		(4,900)
Transaction costs		(1,530,423)
GST charges		(311,119)
Other expenses		(57,597)
		<u>(7,077,324)</u>
LOSS BEFORE TAXATION		(43,276,927)
TAXATION	5	<u>-</u>
LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS		<u>(43,276,927)</u>
Loss after taxation is made up of the following:		
Realised amount		14,534,329
Unrealised amount		(57,811,256)
		<u>(43,276,927)</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
		RM
ASSETS		
Cash and cash equivalents	7	102,599,443
Amount due from brokers		4,932,959
Amount due from Manager		6,154,854
Dividends receivable		126,130
Financial assets at fair value through profit or loss	6	280,451,429
TOTAL ASSETS		<u>394,264,815</u>
LIABILITIES		
Amount due to brokers		1,868,178
Amount due to Manager		479,488
Accrued Management fee		505,049
Amount due to Trustee		21,885
GST charges payable		31,616
Other payables and accruals		43,627
TOTAL LIABILITIES		<u>2,949,843</u>
NET ASSET VALUE OF THE FUND		<u>391,314,972</u>
EQUITY		
Unit holders' capital		434,591,899
Accumulated loss		<u>(43,276,927)</u>
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>391,314,972</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>845,231,115</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.4630</u>

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 PERIOD FROM 25 MAY 2017

(LAUNCH DATE) TO 31 MAY 2018

	Unit holders' capital	Accumulated loss	Total
	RM	RM	RM
Balance as at 25 May 2017 (Launch date)	-	-	-
Movement in unit holders' contribution:			
Creation of units from applications	608,354,609	-	608,354,609
Cancellation of units	(173,762,710)	-	(173,762,710)
Total comprehensive loss for the financial period	-	(43,276,927)	(43,276,927)
Balance as at 31 May 2018	434,591,899	(43,276,927)	391,314,972

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 PERIOD FROM 25 MAY 2017
 (LAUNCH DATE) TO 31 MAY 2018

	Note	Financial period from 25.5.2017 (launch date) to 31.5.2018
		RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of Shariah-compliant investments		79,695,928
Purchase of Shariah-compliant investments		(408,409,138)
Dividends received		5,633,002
Profit income received from Islamic deposits with licensed financial institutions		3,238,265
Management fee paid		(4,446,662)
Trustee fee paid		(192,689)
Payment for other fees and expenses		(1,835,796)
Net cash used in operating activities		<u>(326,317,090)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created		602,199,755
Payments for cancellation of units		(173,283,222)
Net cash generated from financing activities		<u>428,916,533</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		102,599,443
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE LAUNCH DATE		<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	7	<u>102,599,443</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 PERIOD FROM 25 MAY 2017
(LAUNCH DATE) TO 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 in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note K to the financial statements.

The Fund has applied the following amendments for the first time for the financial period beginning on 25 May 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:

a. 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 instruments¹ 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 instrument² is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest³.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives¹. 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 rate⁴, should be recognised immediately in profit or loss.

¹ For the purposes of the investments made by the Fund, equity instruments and derivatives refers to Shariah-compliant equity instruments and Shariah-compliant derivatives.

² For the purposes of the investments made by the Fund, debt instruments refers to sukuk.

³ For the purposes of this Fund, interest refers to profits earned from Shariah-compliant investments.

⁴ For the purposes of this Fund, the method used is the original effective profit rate.

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 investment in quoted Shariah-compliant securities 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

Profit income earned from Islamic deposits is recognised on the accrual basis, using the effective profit method.

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

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

C. TAXATION

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

D. PRESENTATION AND FUNCTIONAL CURRENCY

Items included in the financial statements of the Fund are measured using the currency 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. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

The Fund designates its Shariah-compliant investment in quoted Shariah-compliant securities as financial assets at fair value through profit or loss at inception.

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

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

The Fund’s receivables comprise cash and cash equivalents, amount due from brokers, amount due from Manager and dividends receivable.

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

The Fund’s financial liabilities include amount due to brokers, 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. Shariah-compliant 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 Shariah-compliant investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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

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

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

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

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

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

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

Receivables and other financial liabilities are subsequently carried at amortised cost using the effective profit 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 profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in statement of comprehensive income. If 'receivables' have a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

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

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

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

F. CASH AND CASH EQUIVALENTS

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

G. UNIT HOLDERS' CAPITAL

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

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

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

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

H. AMOUNT DUE FROM/(TO) BROKERS

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method, less provision for impairment for amount due from brokers. A provision for impairment of amount due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, profit income is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

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

I. SEGMENTAL INFORMATION

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

J. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

K. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the 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 the Trustee and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's Shariah-compliant 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 MAY 2017

(LAUNCH DATE) TO 31 MAY 2018

1. INFORMATION ON THE FUND

Eastspring Investments Islamic Small-cap Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 28 March 2017 (collectively referred to as the “Deed”) entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund was launched on 25 May 2017 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The Fund invests in Shariah-compliant equities and equity-related securities, such as rights and Shariah-compliant warrants of small-cap companies listed in Malaysia with market capitalisation up to RM5 billion. All Shariah-compliant investments will be subjected to the Securities Commission (the “SC”) Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

The Fund seeks to provide capital appreciation by investing in small market capitalisation Shariah-compliant securities of companies with growth potential.

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and exposure to interest rate risk), stock/issuer risk, liquidity risk, fund management risk, non-compliance risk, reclassification of Shariah status 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	Receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2018</u>				
Cash and cash equivalents	7	102,599,443	-	102,599,443
Amount due from brokers		4,932,959	-	4,932,959
Amount due from Manager		6,154,854	-	6,154,854
Dividends receivable		126,130	-	126,130
Quoted Shariah-compliant securities	6	-	280,451,429	280,451,429
		<u>113,813,386</u>	<u>280,451,429</u>	<u>394,264,815</u>

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

Market risk

i. Price risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The very nature of a Shariah-compliant Unit Trust Fund, however, helps mitigate this risk because a Fund would generally hold a well-diversified portfolio of Shariah-compliant securities from different market sectors so that the collapse of any one of the Shariah-compliant 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
	RM
Quoted Shariah-compliant securities designated at fair value through profit or loss	<u>280,451,429</u>

The following table summarises the sensitivity of the Fund's NAV and loss after tax to movements in prices of quoted Shariah-compliant securities at the end of each reporting period. The analysis is based on the assumptions that the market price of the quoted Shariah-compliant securities 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 quoted Shariah-compliant securities, having regard to the historical volatility of the prices.

% Change in price of financial assets at fair value through profit or loss	Market value	Increase/(Decrease) in loss after tax and NAV
	RM	RM
<u>2018</u>		
+5%	294,474,000	14,022,571
-5%	<u>266,428,858</u>	<u>(14,022,571)</u>

ii. Exposure to 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.

Interest rate risk refers to interest rate movements, which will affect the returns on the Shariah-compliant investments held by the Fund.

The above interest rate is a general economic indicator that will have an impact on the management of the Fund regardless whether it is a Shariah-compliant Unit Trust Fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments. All the investments are carried out for the Fund are in accordance with Shariah requirements.

As at the date of the statement of financial position, all the financial assets and financial liabilities have no exposure to interest rate movement except for Islamic deposits of RM102,267,874 which have maturities of less than ones year.

The Islamic deposits with licensed financial institutions are short-term in nature. Therefore, exposure to interest rate fluctuations is minimal.

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable profit rate.

Stock/Issuer risk

The Fund is restricted to investment in Shariah-compliant securities issued by and Shariah-compliant securities relating to any issuer of not more than fifteen percent (15%) of its net asset value. Furthermore, the Fund is restricted to invest in Shariah-compliant securities issued by and Shariah-compliant securities relating to any group of companies of not more than twenty percent (20%) of its net asset value. Under such restrictions, the exposure risk to the Shariah-compliant securities of any single issuer or any one group of companies is minimised.

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 Islamic liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Islamic liquid assets comprise bank balance, Islamic deposits with licensed financial institutions and other Shariah-compliant 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	Total
	RM	RM	RM
<u>2018</u>			
Amount due to Manager	479,488	-	479,488
Accrued management fee	505,049	-	505,049
Amount due to Trustee	21,885	-	21,885
Amount due to brokers	1,868,178	-	1,868,178
GST charges payable	31,616	-	31,616
Other payables and accruals	-	43,627	43,627
Contractual cash outflows	<u>2,906,216</u>	<u>43,627</u>	<u>2,949,843</u>

Fund management risk

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

Non-compliance risk

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

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

Reclassification of Shariah status risk

The risk that the currently held Shariah-compliant securities in the portfolio of Shariah-compliant funds may be reclassified to be Shariah non-compliant upon review of the securities by the Shariah Advisory Council of the SC performed twice yearly. If this occurs, the value of the Fund may be adversely affected where the Manager will take the necessary steps to dispose of such securities.

There may be opportunity loss to the Fund due to the Fund not being allowed to retain the excess capital gains derived from the disposal of the Shariah non-compliant equities. The value of the Fund may also be adversely affected in the event of a disposal of Shariah non-compliant equities at a price lower than the investment cost.

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM434,591,899 and accumulated loss of RM43,276,927. 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 Shariah-compliant 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 profit, principals and proceeds from realisation of Shariah-compliant investments.

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

The credit/default risk is minimal as all transactions in quoted Shariah-compliant securities are settled/paid upon delivery using approved brokers.

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

	Cash and cash equivalent	Dividends receivable	Amount due from Manager	Amount due from brokers	Total
	RM	RM	RM	RM	RM
<u>2018</u>					
<u>Financial</u>					
- AAA	84,235,178	-	-	-	84,235,178
- AA1	331,569	-	-	-	331,569
- AA2	18,032,696	-	-	-	18,032,696
<u>Construction</u>					
- NR	-	103,845	-	-	103,845
<u>Industrial Product</u>					
- NR	-	22,285	-	-	22,285
<u>Other</u>					
- NR	-	-	6,154,854	4,932,959	11,087,813
	<u>102,599,443</u>	<u>126,130</u>	<u>6,154,854</u>	<u>4,932,959</u>	<u>113,813,386</u>

None of these assets are past due or impaired.

Fair value estimation

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

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

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

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

Fair value hierarchy

- i. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:
- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
 - Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
 - Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2018</u>				
Financial assets at fair value through profit or loss at inception:				
Quoted Shariah-compliant securities	280,451,429	-	-	280,451,429

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active quoted Shariah-compliant securities. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note E to the financial statements.

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

3. MANAGEMENT FEE

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

For the financial period ended 31 May 2018, the management fee is recognised at a rate of 1.50% 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 on the net asset value of the Fund, subject to a minimum fee of RM15,000 per annum.

For the financial period ended 31 May 2018, the Trustee fee is recognised at a rate of 0.065% per annum on the net asset value of the Fund, inclusive of local custodian fee, calculated on daily basis.

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

5. TAXATION

	Financial period from 25.5.2017 (launch date) to 31.5.2018
	RM

Tax charged for the financial period:

Current taxation

-

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

	Financial period from 25.5.2017 (launch date) to 31.5.2018
	RM
Loss before taxation	<u>(43,276,927)</u>
Tax at Malaysian statutory rate of 24%	(10,386,462)
Tax effect of:	
Investment loss not deductible for tax purposes	8,687,905
Expenses not deductible for tax purposes	508,467
Restriction on the tax deductible expenses for Unit Trust Funds	<u>1,190,090</u>
Taxation	<u>-</u>

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018
	RM
Designated at fair value through profit or loss at inception:	
Quoted Shariah-compliant securities	<u>280,451,429</u>
Net loss on financial assets at fair value through profit or loss:	
Realised gain on disposals	12,614,256
Change in unrealised fair value loss	<u>(57,811,256)</u>
	<u>(45,197,000)</u>

Quoted Shariah-compliant securities

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2018	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Consumer</u>				
Cocoaland Holdings Berhad	1,643,800	4,739,154	3,780,740	0.97
Hong Leong Industries Berhad	2,334,700	23,241,035	27,736,236	7.09
Magni-Tech Industries Berhad	2,131,700	14,963,112	9,486,065	2.42
	<u>6,110,200</u>	<u>42,943,301</u>	<u>41,003,041</u>	<u>10.48</u>
<u>Consumer Product</u>				
NTPM Holdings Berhad	8,379,200	6,148,712	5,027,520	1.28
Power Root Berhad	3,746,100	4,516,861	5,619,150	1.44
	<u>12,125,300</u>	<u>10,665,573</u>	<u>10,646,670</u>	<u>2.72</u>
<u>Construction</u>				
Advancecon Holdings Berhad	6,651,200	5,814,260	2,527,456	0.65
Econpile Holdings Berhad	11,050,000	13,463,900	6,243,250	1.60
Econpile Holdings Berhad- Warrant	2,610,000	-	378,450	0.10
Gabungan AQRS Berhad	3,461,500	5,835,488	2,215,360	0.57
Kerjaya Prospek Group Berhad	13,840,200	22,946,987	20,345,094	5.20
Kerjaya Prospek Group Berhad-Warrant	1,887,300	-	537,881	0.14
Kimlun Corporation Berhad	2,731,000	6,180,584	4,287,670	1.10
Muhibbah Engineering (M) Berhad	3,269,500	9,100,021	9,645,025	2.46
Pintaras Jaya Berhad	1,188,000	4,678,519	3,445,200	0.88
Sunway Construction Group Berhad	6,321,600	13,113,741	10,999,584	2.81
WCT Holdings Berhad	14,399,600	24,521,539	11,303,686	2.89
	<u>67,409,900</u>	<u>105,655,039</u>	<u>71,928,656</u>	<u>18.40</u>
<u>Health Care</u>				
Kossan Rubber Industries Berhad	2,925,500	20,380,064	22,380,075	5.72

Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2018	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Industrial Product</u>				
Ann Joo Resources Berhad	3,801,100	13,439,898	7,716,233	1.97
Cahaya Mata Sarawak Berhad	1,042,400	3,734,860	2,418,368	0.62
Chin Well Holdings Berhad	1,454,200	2,654,957	2,312,178	0.59
Comfort Gloves Berhad	8,404,200	7,984,938	7,017,507	1.79
Daibochi Plastic and Packaging Industry Berhad	2,122,400	4,662,897	4,478,264	1.14
DRB-Hicom Berhad	1,740,000	3,593,700	3,045,000	0.78
Lafarge Malaysia Berhad	720,200	3,096,678	2,160,600	0.55
Prestar Resources Berhad	3,235,500	4,149,083	2,814,885	0.72
Scientex Berhad	1,545,400	13,012,568	10,910,524	2.79
SKP Resources Berhad	3,770,700	5,885,477	5,656,050	1.45
SLP Resources Berhad	830,760	1,592,290	797,530	0.20
Three-A Resources Berhad	1,893,000	2,326,042	1,760,490	0.45
Uchi Technologies Berhad	3,124,400	6,190,156	8,873,296	2.27
	33,684,260	72,323,544	59,960,925	15.32
<u>Infrastructure Project</u>				
<u>Company</u>				
Lingkarans Trans Kota Holdings Berhad	1,000,000	5,106,500	4,280,000	1.09
<u>Manufacturing</u>				
MMS Ventures Berhad	15,000	20,550	20,850	0.01
<u>Plantation</u>				
Sarawak Oil Palms Bhd.	2,853,700	10,905,623	9,103,303	2.33
<u>Properties</u>				
Eastern & Oriental Berhad	1,957,500	3,189,621	2,857,950	0.73
Malton Berhad	2,458,500	1,985,825	1,389,053	0.35
MKH Berhad	1,421,400	2,568,336	1,805,178	0.46
	5,837,400	7,743,782	6,052,181	1.54

Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2018	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Technology</u>				
D&O Green Technologies Berhad	4,266,800	2,605,340	2,773,420	0.71
Inari Amertron Berhad	3,345,000	5,392,845	7,660,050	1.96
Pentamaster Corporation Berhad	4,329,912	9,179,950	10,088,694	2.58
Unisem (M) Berhad	7,014,000	26,223,218	16,763,459	4.28
Vitrox Corporation Berhad	929,600	4,975,817	5,391,680	1.38
	<u>19,885,312</u>	<u>48,377,170</u>	<u>42,677,303</u>	<u>10.91</u>
<u>Trading/Services</u>				
Datasonic Group Berhad	3,626,700	3,984,590	3,245,897	0.83
Pestech International Berhad	5,684,800	10,156,949	9,152,528	2.34
	<u>9,311,500</u>	<u>14,141,539</u>	<u>12,398,425</u>	<u>3.17</u>
TOTAL QUOTED SHARIAH				
- COMPLIANT SECURITIES	<u>161,158,072</u>	<u>338,262,685</u>	<u>280,451,429</u>	<u>71.69</u>
ACCUMULATED UNREALISED LOSS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
			<u>(57,811,256)</u>	
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
			<u>280,451,429</u>	

7. CASH AND CASH EQUIVALENTS

	2018
	RM
Bank balance with a licensed bank	331,569
Islamic deposits with licensed financial institutions	102,267,874
	<u>102,599,443</u>

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

	2018
	%
Islamic deposits with licensed financial institutions	<u>3.60</u>

The Islamic deposits have an average maturity of 39 days.

8. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investments portfolio of the Fund is Shariah-compliant, which comprises:

- a. Equity securities listed in Bursa Malaysia which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission; and
- b. Liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

9. UNITS IN CIRCULATION

	2018
	No. of units
At the beginning of the launch date	-
Creation of units arising from applications during the financial period	1,172,772,545
Cancellation of units during the financial period	<u>(327,541,430)</u>
At the end of the financial period	<u>845,231,115</u>

10. TRANSACTIONS WITH BROKERS

Details of transactions with the top 10 brokers for the financial period from 25 May 2017 (launch date) to 31 May 2018 are as follows:

Name of Brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2018</u>				
Affin Hwang Investment Bank Berhad	62,069,653	12.54	153,659	11.83
KAF Seagroatt & Campbell Securities Sdn Bhd	51,456,551	10.40	136,362	10.50
Maybank Investment Bank Berhad	50,131,882	10.13	125,282	9.65
Kenanga Investment Bank Berhad	48,266,066	9.75	127,901	9.85
RHB Investment Bank Berhad	42,556,358	8.60	116,994	9.01
CLSA Securities Malaysia Sdn. Bhd	33,140,371	6.70	87,822	6.76
CIMB Investment Bank Berhad	32,120,415	6.49	85,119	6.55
Hong Leong Investment Bank Berhad	31,514,052	6.37	83,512	6.43
UOB Kay Hian Securities (M) Sdn Bhd	26,460,459	5.35	74,252	5.72
Credit Suisse Securities (Malaysia) Sdn. Bhd	24,719,006	4.99	65,506	5.04
Others	92,471,390	18.68	242,139	18.66
	<u>494,906,203</u>	<u>100.00</u>	<u>1,298,548</u>	<u>100.00</u>

All brokers highlighted above are not related to the Manager.

11. 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	
		No. of units	RM
Eastspring Investments Berhad		2,000	926

The above units were transacted at the prevailing market price.

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

12. MANAGEMENT EXPENSE RATIO (“MER”)

	2018
	%
MER	<u>1.70</u>

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 period calculated on a daily basis is RM325,582,035.

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2018
PTR (times)	<u>0.76</u>

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM410,277,316

total disposals for the financial period = RM84,628,887

14. 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 segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of profit income, dividend income and gains on the appreciation in the value of Shariah-compliant investments.

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

15. COMPARATIVES

There are no comparative figures as this is the first set of financial statements prepared since the launch of the Fund.

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

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