

# EASTSPRING INVESTMENTS DYNAMIC FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018



**Dear Valued Investor,**

Greetings from Eastspring Investments Berhad!

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

**We are pleased to enclose a copy of the Annual/Interim/Quarterly Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 30 June 2018.**

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

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

Yours sincerely,

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

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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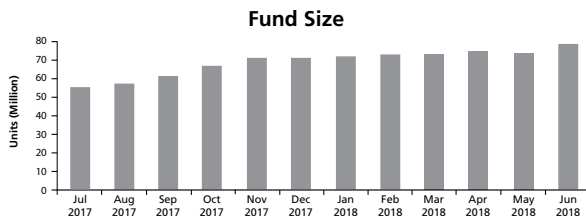
## FUND INFORMATION

<b>Name of Fund</b>	Eastspring Investments Dynamic Fund (the "Fund")
<b>Fund Category/ Type</b>	Mixed asset/growth
<b>Fund Objective</b>	<p>The Fund seeks to provide investors with capital appreciation by actively investing in equity and equity-related securities. For defensive consideration, the Fund may invest in debentures and money market instruments.</p> <p><b>Note:</b> The Fund's focus is on growth.</p> <p><b>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</b></p>
<b>Performance Benchmark</b>	<p>(a) If 100% of the Fund's NAV invested in equities and equity-related securities: FTSE Bursa Malaysia 100 Index ("FBM100")</p> <p>(b) If 100% of the Fund's NAV invested in debentures and liquid assets: Maybank 12-month fixed deposit rate</p> <p>(c) If invested in a mix of equities and equity-related securities, debentures and liquid assets: 50% FBM100 + 50% Maybank 12-month fixed deposit rate</p> <p>The composite benchmark index is a reflection of the Fund's average asset allocation over the long-term of 50% of the Fund's NAV in equities and equity-related securities, and 50% of the Fund's NAV in debentures and liquid assets.</p>
<b>Fund Income Distribution Policy</b>	At least once a year, subject to the availability of income.

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 30 June 2018, the size of Eastspring Investments Dynamic Fund stood at 78.256 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	792	27.96	1,992	2.55
5,001 to 10,000 units	677	23.90	4,759	6.08
10,001 to 50,000 units	1,166	41.15	25,052	32.01
50,001 to 500,000 units	192	6.78	17,653	22.56
500,001 units and above	6	0.21	28,797	36.80
<b>Total</b>	<b>2,833</b>	<b>100.00</b>	<b>78,253</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	30.6.2018	30.6.2017	30.6.2016
	(%)	(%)	(%)
<b>Quoted securities</b>			
Construction	2.23	4.70	1.55
Consumer	0.67	1.47	2.17
Consumer Product	-	-	0.89
Finance	21.42	2.53	2.83
Health Care	7.18	18.44	22.30
Industrial Product	0.45	3.00	3.21
Infrastructure Project Company	2.17	-	2.04
Manufacturing	0.44	1.47	1.81
Plantation	-	-	1.98
Properties	1.57	12.52	8.38
REITS	1.03	1.56	-
Technology	10.95	18.62	13.47
Trading/Services	24.87	22.87	10.65
	72.98	87.18	71.28
<b>Unquoted fixed income securities</b>	10.02	1.88	2.18
<b>Cash and other assets</b>	17.00	10.94	26.54
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## KEY PERFORMANCE DATA (CONTINUED)

Category	30.6.2018	30.6.2017	30.6.2016
Net Asset Value (NAV) (RM'000)	71,225	54,007	47,076
Units In Circulation (Units '000)	78,256	53,943	51,549
Net Asset Value Per Unit (RM)	0.9102	1.0012	0.9132
Highest Net Asset Value Per Unit (RM)#	0.9102	1.0050	0.9132
Lowest Net Asset Value Per Unit (RM)*	0.8989	1.0004	0.9000
Total Return (%)			
- Capital Growth	(9.09)	9.64	(3.58)
- Income Distribution	4.85	4.85	4.74
Total Return (%)	(4.68)	14.95	1.00
Gross Distribution Per Unit (RM)	0.0439	0.0485	0.0427
Net Distribution Per Unit (RM)	0.0409	0.0454	0.0387
Management Expense Ratio (MER) (%)*	1.45	1.44	1.46
Portfolio Turnover Ratio (PTR) (times)^	0.81	0.38	0.59

# 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 1.7.2017 to 30.6.2018	3 years 1.7.2015 to 30.6.2018	5 years 1.7.2013 to 30.6.2018
	(%)	(%)	(%)

Average total return	(4.68)	3.43	9.69
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Year ended	1.7.2017 to 30.6.2018	1.7.2016 to 30.6.2017	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2013 to 30.6.2014
	(%)	(%)	(%)	(%)	(%)

Annual total return	(4.68)	14.95	1.00	17.71	21.92
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**Source:** The above total return of the Fund was sourced from Lipper for Investment Management.

**Bases of calculation and assumptions made in calculating returns:**

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

$\text{NAV}_t$  = NAV at the end of the period

$\text{NAV}_0$  = NAV at the beginning of the period

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

Adjusted for unit split and distribution paid out for the period

$n$  = Number of years

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



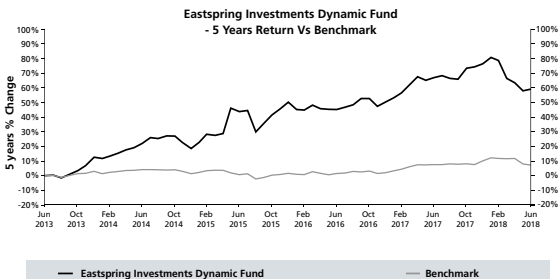
# MANAGER'S REPORT

## Fund Performance

Over the 5-year period, the Fund recorded a return of 58.81%, outperforming the benchmark return of 7.21% by 51.60%.

During the period under review, the Fund registered a return of -4.68%, underperforming the benchmark return of -0.29% by -4.39%. The Fund underperformed the benchmark due to our overweight in construction stocks which underperformed the benchmark after the change in new government which led to fears of infrastructure projects being reviewed or cancelled.

The Fund has met its investment objective to provide investors with capital appreciation by having investments principally composed of equities and fixed income instruments.



## MANAGER'S REPORT (CONTINUED)

### Fund Performance (continued)

#### Benchmark:

- a) If 100% of the Fund's NAV invested in equities and equity-related securities:  
FBMS
- b) If 100% of the Fund's NAV invested in debentures and liquid assets:  
Maybank 12-month fixed deposit rate
- c) If invested in a mix of equities and equity-related securities, debentures and liquid assets:  
50% FBM100 + 50% Maybank 12-month fixed deposit rate

**Source:** Lipper for Investment Management, [www.bursamalaysia.com](http://www.bursamalaysia.com) and [www.maybank2u.com.my](http://www.maybank2u.com.my) as at 30 June 2018.

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

### Analysis of Fund Performance

For the financial year ended 30 June 2018:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
4.85	(9.09)	(4.68)	(0.29)

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

## MANAGER'S REPORT (CONTINUED)

**Distribution/  
Unit Split**

<b>Ex-date</b>	<b>25-Jun-18</b>
<b>Distribution Per Unit</b>	<b>(RM)</b>
Gross	0.0439
Net	0.0409

Impact on NAV arising from distribution for the financial year ended 30 June 2018.

<b>Ex-Date</b>	<b>25-Jun-18</b>
	<b>(RM per Unit)</b>
Net Asset Value before distribution	0.9467
Less: distribution	<u>(0.0409)</u>
Net Asset Value after distribution	<u>0.9058</u>

No unit split were declared for the financial year ended 30 June 2018.

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

The Fund remained invested in the export-related sectors (gloves and technology) as we were of the view that its outlook remains intact boding well for the company's growth and earnings.

The Fund also took the opportunity to invest into cyclical blue chips which were badly sold down particularly post-elections as valuations have become attractive whilst we think growth also remains fairly intact.

**Bond Strategy**

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

## MANAGER'S REPORT (CONTINUED)

## Asset Allocation

Asset Allocation	30-Jun 2018 (%)	30-Jun 2017 (%)	Changes (%)
Quoted securities	72.98	87.18	(14.20)
Unquoted fixed income securities	10.02	1.88	8.14
Cash and other assets	17.00	10.94	6.06

## Asset Allocation as at 30 June 2018

Cash and other  
assets  
17.00%

Unquoted fixed  
income securities  
10.02%



Quoted  
securities  
72.98%

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

## State of Affairs of the Fund

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

## MARKET REVIEW

### Equity

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 lack luster response for the biggest Initial Public Offering (“IPO”) deal in Malaysia since 2012, as confidence in the IPO waned culminated by the disastrous results reported on the last day of the month. The annual Invest Malaysia conference did not provide much catalyst for the market, although the Prime Minister’s positive message on the state of economy and outlook provided investors with comfort. Malaysia’s lackluster 2Q2017 reported corporate earnings did nothing to help the direction of the market, in light of growing uncertainty regarding geopolitical tensions concerning North Korea, and the impact from US Hurricane Harvey which was the first major hurricane to make landfall in the United States since 2005. Malaysia’s 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.

## MARKET REVIEW (CONTINUED)

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 27<sup>th</sup> 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 ("OPR") 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.

## MARKET REVIEW (CONTINUED)

The FBM KLCI closed the year under review at 1,863.46 points, up 7.09%. The broader FBM Emas ("FBMEmas") Index closed the period under review up by 5.53%. The MSCI Asia Pacific ex-Japan Index gained by 17.66% in USD terms<sup>1</sup>.

### Bond

Bank Negara Malaysia ("BNM") maintained the Overnight Policy Rate ("OPR") at 3.00% throughout FY2017. However, BNM turned slightly hawkish during the Monetary Policy Committee ("MPC") meeting on 9 November, citing that they may consider reviewing the current degree of monetary policy accommodation given the strength of the global and domestic macroeconomic conditions. Subsequently, BNM increased the OPR by 25 basis points ("bps") to 3.25% from 3.00% during its first MPC meeting of 2018 on 25 January. BNM stated that the hike was a pre-emptive move to prevent a build-up of risks that could arise from interest rates being too low for a prolonged period of time. Bank Negara continued to maintain the OPR at 3.25% during March and May's Monetary Policy Committee meeting and believes that the current level of OPR remains accommodative. In the recent Monetary Policy Committee's statement, Bank Negara reiterated that the OPR remains accommodative and the domestic economic outlook remains positive as "fundamentals are strongly anchored". Bank Negara expects the domestic monetary and financial conditions to remain supportive of economic growth in the post-election environment

During the period under review, headline inflation moderated to +1.8% y-o-y in May 2018 from +3.6% y-o-y registered in June 2017. The moderation in inflation was mainly led by a slowdown in Food & Non-Alcoholic Beverage (May-18: +2.2% y-o-y vs. Jun-17: +4.3% y-o-y) and Transport inflation (May-18: +3.8% y-o-y vs. Jun-17: +10.5% y-o-y). Similarly, core inflation moderated lower to +1.5% y-o-y in May 2018 from +2.5% y-o-y registered in June 2017. Going forward, inflation is likely to move lower if fuel prices continue to remain subsidised coupled with the abolishment of Government Service Tax.

On the economic front, Malaysia's economy grew at a slower pace at +5.4% y-o-y in the first quarter of 2018 after the economy expanded by 5.9% y-o-y in the fourth quarter of 2017 and 6.2% in the third quarter of 2017. This was its second straight quarter of slowdown after it registered its strongest showing in three years. The growth in the first quarter of 2018 was underpinned by continued expansion in private sector activity and strong support from net exports. BNM expects the domestic economy to remain on a favorable growth path in 2018 with domestic demand continuing to be the key driver of growth.

<sup>1</sup> **Source:** Bloomberg; World indices

## MARKET REVIEW (CONTINUED)

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

The surprise win by Pakatan Harapan in the 14<sup>th</sup> general election has marked a new start to the Malaysian political scene as there will be a new ruling coalition party for the first time in the Malaysian history since 1957. This unprecedented victory has ushered in a new era for Malaysian politics and opportunities for reform. However, there are some concerns on the fiscal health of the country as the Government recently unveiled the country’s “real” fiscal position coupled with new economic policies such as the abolishment of Government Service Tax (“GST”) and the continuity of fuel subsidies. Nevertheless, the government is expected to continue to improve the economic conditions of the country as the new government plans to focus more on reducing government’s debt, controlled spending and tax reformation.

In 2017, the US Federal Reserve (“Fed”) followed through on their interest rate projections as the Fed increased its benchmark rate by 75bps in 2017 to between 1.25-1.50%. The Fed continued to raise its key interest rates in 2018 by 25bps to between 1.50%-1.75% during March’s Federal Open Market Committee (“FOMC”) meeting and another 25bps to 1.75%-2.00% in June’s FOMC meeting. The Fed remained bullish over the future of the US economy and believes that inflation will edger closer to its long term 2.0% target. As a result, the Fed now foresees two more rate hikes this year, bring the total of four hikes in 2018 from three previously forecasted. However, the Fed will continue to be data depended before further increasing its benchmark rates further.

For the period under review, the 3-, 5-, 10- and 15-year Malaysian Government Securities (“MGS”) yields increased by 23bps, 23bps, 29bps and 18bps to close at 3.62%, 3.85%, 4.20% and 4.63% respectively<sup>2</sup>. Sovereign yields managed to withstand the higher US interest rate environment on the back of improving investors’ sentiment as Ringgit recovered towards the end of the year. However, sovereign yields inched higher in 1H2018 on the back of BNM’s rate hike, rising global yields and concerns over public debt. Separately, Corporate bond yields generally moved in tandem with sovereign bond yields, albeit at a lag. Activities in the corporate bond market were supported by ample liquidity and a stable credit environment.



## MARKET REVIEW (CONTINUED)

On the supply front, total corporate bond issuances in 2017 stood around RM102 billion of which approximately 30% was conventional and 70% was Islamic. New Corporate bond issuances continued to remain healthy in 1H2018 with total new issuances stood around RM48 billion. Major primary issuances during the first half of 2018 were mainly government guaranteed bonds and corporates bonds. Notable issuances include RM6.5 billion from Danainfra Nasional (GG), RM5.1 billion from Edra Energy (AA3), RM4.9 billion from Cagamas (AAA), RM3.5 billion from Danga Capital (AAA), RM3.0 billion from Lembaga Pembiayaan Perumahan Sektor Awam (GG), RM3.0 billion from Prasarana Malaysia Berhad (GG), RM2.5 bil from MKD Kencana (GG), RM2.1 bilion from MBSB Bank Berhad (AA1) and RM1.9 billion from Public Bank Berhad (AAA).

## 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.

<sup>2</sup> **Source:** Source: Bloomberg

# EASTSPRING INVESTMENTS DYNAMIC FUND

## FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 22 to 66 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 30 June 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: 17 August 2018

## TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DYNAMIC FUND

We have acted as Trustee for Eastspring Investments Dynamic Fund (the "Fund") for financial year ended 30 June 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 this financial year ended 30 June 2018 by the Manager is not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

**Wong Mun Loong**  
Manager, Trustee Operations

**Richard Lim Hock Seng**  
Chief Executive Officer

Kuala Lumpur  
Date: 17 August 2018

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DYNAMIC FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Eastspring Investments Dynamic Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 30 June 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 30 June 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 22 to 66.

### 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 holders 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: 17 August 2018



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		RM	RM
<b>INVESTMENT (LOSS)/INCOME</b>			
Gross dividend income		1,402,996	920,026
Interest income from deposits with licensed financial institutions		267,884	148,618
Interest income from unquoted fixed income securities		136,625	50,172
Net (loss)/gain on financial assets at fair value through profit or loss	7	(4,527,619)	6,363,405
		<u>(2,720,114)</u>	<u>7,482,221</u>
<b>EXPENSES</b>			
Management fee	3	(856,412)	(618,263)
Trustee fee	4	(47,959)	(34,623)
Audit fee		(7,300)	(7,000)
Tax agent fee		(3,400)	(3,400)
GST charges		(51,164)	(40,151)
Other expenses		(29,953)	(6,376)
Transaction costs		(342,081)	(123,900)
		<u>(1,338,269)</u>	<u>(833,713)</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(4,058,383)	6,648,508
<b>TAXATION</b>	5	<u>(6,185)</u>	<u>(917)</u>
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME</b>		<u>(4,064,568)</u>	<u>6,647,591</u>
(Loss)/profit after taxation is made up of the following:			
Realised amount		(932,035)	422,898
Unrealised amount		(3,132,533)	6,224,693
		<u>(4,064,568)</u>	<u>6,647,591</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 30 JUNE 2018

	Note	2018	2017
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	8	10,385,442	5,835,026
Amount due from brokers		2,411,489	-
Amount due from Manager		284,424	150,110
Dividends receivable		267,088	74,125
Financial assets at fair value through profit or loss	7	59,105,015	48,103,723
<b>TOTAL ASSETS</b>		<u>72,453,458</u>	<u>54,162,984</u>
<b>LIABILITIES</b>			
Amount due to Manager		79,221	-
Amount due to brokers		979,333	-
Accrued management fee		73,245	55,606
Amount due to Trustee		4,102	3,114
Distribution payable		64,580	69,585
GST charges payable		-	3,523
Tax payable		2,110	2,110
Other payables and accruals		25,687	22,391
<b>TOTAL LIABILITIES</b>		<u>1,228,278</u>	<u>156,329</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>71,225,180</u>	<u>54,006,655</u>
<b>EQUITY</b>			
Unit holders' capital		39,910,819	15,567,511
Retained earnings		31,314,361	38,439,144
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>71,225,180</u>	<u>54,006,655</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>78,255,724</u>	<u>53,943,237</u>
<b>NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)</b>		<u>0.9102</u>	<u>1.0012</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 YEAR ENDED 30 JUNE 2018

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 July 2017		15,567,511	38,439,144	54,006,655
Movement in unit holders' contribution:				
Creation of units from applications		32,232,088	-	32,232,088
Creation of units from distribution		2,995,634	-	2,995,634
Cancellation of units		(10,884,414)	-	(10,884,414)
Distribution				
(Gross: 4.39 sen/Net: 4.09 sen)	6	-	(3,060,215)	(3,060,215)
Total comprehensive loss for the financial year		-	(4,064,568)	(4,064,568)
Balance as at 30 June 2018		<u>39,910,819</u>	<u>31,314,361</u>	<u>71,225,180</u>
Balance as at 1 July 2016		12,944,481	34,131,508	47,075,989
Movement in unit holders' contribution:				
Creation of units from applications		7,111,981	-	7,111,981
Creation of units from distribution		2,270,369	-	2,270,369
Cancellation of units		(6,759,320)	-	(6,759,320)
Distribution				
(Gross: 4.85 sen/Net: 4.54 sen)	6	-	(2,339,955)	(2,339,955)
Total comprehensive income for the financial year		-	6,647,591	6,647,591
Balance as at 30 June 2017		<u>15,567,511</u>	<u>38,439,144</u>	<u>54,006,655</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 30 JUNE 2018

	Note	2018	2017
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		45,452,617	15,245,824
Purchase of investments		(62,676,022)	(25,963,628)
Proceeds from recovery of defaulted bond		-	95,026
Dividends received		1,203,848	916,340
Interest received from deposits with licensed financial institutions		267,884	148,618
Interest received from unquoted fixed income securities		56,883	51,000
Management fee paid		(838,773)	(647,810)
Trustee fee paid		(46,971)	(36,277)
Payment for other fees and expenses		(92,045)	(28,078)
Net cash used in operating activities		<u>(16,672,579)</u>	<u>(10,218,985)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		32,097,774	7,120,622
Payments for cancellation of units		(10,805,193)	(6,764,253)
Distribution paid		(69,586)	(57,676)
Net cash generated from financing activities		<u>21,222,995</u>	<u>298,693</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		4,550,416	(9,920,292)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<u>5,835,026</u>	<u>15,755,318</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	<u>10,385,442</u>	<u>5,835,026</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 30 JUNE 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 year. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

The Fund has applied the following amendments for the first time for the financial period beginning on 1 July 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 July 2018

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

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main 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 expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Fund 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 securities and unquoted fixed income 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**

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

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

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

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

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 year.

**D. PRESENTATION AND FUNCTIONAL CURRENCY**

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

**E. FINANCIAL ASSETS AND FINANCIAL LIABILITIES****i. Classification**

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

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

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

The Fund’s loans and receivables comprise amount due from brokers, amount due from Manager, cash and cash equivalents 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 Manager, amount due to brokers, accrued management fee, amount due to Trustee, distribution 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 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 securities in Malaysia are valued at the last done market price quoted on the Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the statement of financial position.

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

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

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

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

iii. Impairment for assets carried at amortised costs

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

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

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

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

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

## **F. CASH AND CASH EQUIVALENTS**

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

## **G. DISTRIBUTION**

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

## **H. UNIT HOLDERS' CAPITAL**

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

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

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

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

## **I. AMOUNTS DUE FROM/(TO) BROKERS**

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest 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 interest 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 interest rate, transaction costs and all other premiums or discounts.

## **J. SEGMENTAL INFORMATION**

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

## **K. 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.

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

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the 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.

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

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

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value.

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 1. INFORMATION ON THE FUND

Eastspring Investments Dynamic Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 5 November 2003, Master Supplemental Deed dated 12 July 2007 and Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Berhad (“HSBC Trustee”) and Eastspring Investments Berhad (the “Manager”). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the “Trustee”) effective 1 October 2010. A Supplemental Master Deed was entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”) on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016, an Eighth Supplemental Master Deed dated 25 January 2017, Ninth Supplemental Master Deed dated 11 December 2017 and Tenth Supplemental Master Deed dated 4 June 2018 (collectively referred to as the “Deed”).

The Fund was launched on 6 November 2003 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The main objective of the Fund is to seek to provide investors with capital appreciation by actively investing in equity and equity-related securities. For defensive considerations, the Fund may invest in debentures and money market instruments.

The Fund seeks to achieve its objective by adopting a flexible asset allocation strategy between the different asset classes of equities and equity-related securities, debentures and liquid assets, depending on the investment market outlook. All investments will be subjected to the SC Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

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 fund 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 interest rate risk), stock/issuer risk, liquidity risk, non-compliance risk, fund management risk, capital risk and credit/default risk.

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2018</u>				
Quoted securities	7	-	51,976,378	51,976,378
Unquoted fixed income securities	7	-	7,128,637	7,128,637
Amount due from brokers		2,411,489	-	2,411,489
Amount due from Manager		284,424	-	284,424
Dividends receivable		267,088	-	267,088
Cash and cash equivalents	8	10,385,442	-	10,385,442
		<u>13,348,443</u>	<u>59,105,015</u>	<u>72,453,458</u>
<u>2017</u>				
Quoted securities	7	-	47,087,082	47,087,082
Unquoted fixed income securities	7	-	1,016,641	1,016,641
Amount due from Manager		150,110	-	150,110
Dividends receivable		74,125	-	74,125
Cash and cash equivalents	8	5,835,026	-	5,835,026
		<u>6,059,261</u>	<u>48,103,723</u>	<u>54,162,984</u>

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



**Market risk**

## i. Price risk

This risk refers to changes and developments in regulations, politics and the economy of the country. The very nature of a Unit Trust Fund, however, helps mitigate this risk because a fund would generally hold a well-diversified portfolio of securities from different market sectors 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 30 June which are exposed to price risk:

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Financial assets at fair value through profit or loss:		
Quoted securities	51,976,378	47,087,082
Unquoted fixed income securities*	7,128,637	1,016,641
	<u>59,105,015</u>	<u>48,103,723</u>

\* Includes interest receivables of RM97,627 (2017: RM14,951)

The following table summarises the sensitivity of the Fund's net asset value and (loss)/profit after tax to movements in prices of quoted securities and unquoted fixed income securities at the end of the reporting year. The analysis is based on the assumptions that the market price of the quoted securities and unquoted fixed income 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 securities and unquoted fixed income securities, having regard to the historical volatility of the prices.

<b>% Change in price of financial assets at fair value through profit or loss</b>	<b>Market value</b>	<b>Impact on (loss)/ profit after tax/ net asset value</b>
	<b>RM</b>	<b>RM</b>
<u>2018</u>		
+5%	61,957,757	2,950,369
-5%	56,057,019	(2,950,369)
		<hr/>
<u>2017</u>		
+5%	50,493,211	2,404,439
-5%	45,684,333	(2,404,439)
		<hr/>

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 benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

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

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

The table below summarises the sensitivity of the Fund's (loss)/profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% (2017: 1%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

	<b>2018</b>	<b>2017</b>
<b>% Change in interest rate of unquoted fixed income securities</b>	<b>Impact on loss after tax/ net asset value</b>	<b>Impact on profit after tax/ net asset value</b>
	<b>RM</b>	<b>RM</b>
+1% (2017: +1%)	(8,550)	(1,690)
- 1% (2017: - 1%)	8,578	1,693

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

### **Stock/issuer risk**

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

## Liquidity risk

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

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

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

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2018</b>			
Amount due to Manager	79,221	-	79,221
Amount due to brokers	979,333	-	979,333
Accrued management fee	73,245	-	73,245
Amount due to Trustee	4,102	-	4,102
Distribution payable	64,580	-	64,580
Other payables and accruals	-	25,687	25,687
Contractual cash outflows	1,200,481	25,687	1,226,168

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
<u>2017</u>			
Accrued management fee	55,606	-	55,606
Amount due to Trustee	3,114	-	3,114
Distribution payable	69,585	-	69,585
Other payables and accruals	-	22,391	22,391
GST charges payable	3,523	-	3,523
Contractual cash outflows	<u>131,828</u>	<u>22,391</u>	<u>154,219</u>

### 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.

### 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 have an oversight function over management of the Fund by the management company to safeguard the interests of unit holders.

## **Capital risk**

The capital of the Fund is represented by equity consisting of unit holders' capital of RM39,910,819 (2017: RM15,567,511) and retained earnings of RM31,314,361 (2017: RM38,439,144). 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. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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

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

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

	Financial assets at fair value through profit or loss		Cash and cash equivalents		Amount due from brokers		Dividends receivable		Amount due from Manager		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2018												
Finance												
- AA2	-	10,321,894	-	-	-	-	-	-	-	-	-	10,321,894
- AA1	-	63,548	-	-	-	-	-	-	-	-	-	63,548
- NR	-	-	-	-	-	-	162,784	-	-	-	-	162,784
Health Care												
- NR	-	-	-	-	-	-	28,818	-	-	-	-	28,818
Infrastructure Project Companies												
- NR	-	-	-	-	-	-	407	-	-	-	-	407
Technology												
- NR	-	-	-	-	-	-	37,255	-	-	-	-	37,255
Trading/Services												
- NR	-	-	-	-	-	-	37,824	-	-	-	-	37,824
Unquoted fixed income securities												
- A1	1,015,964	-	-	-	-	-	-	-	-	-	-	1,015,964
- AA3	4,080,156	-	-	-	-	-	-	-	-	-	-	4,080,156
- AAA	1,016,901	-	-	-	-	-	-	-	-	-	-	1,016,901
- AA-Is	1,015,616	-	-	-	-	-	-	-	-	-	-	1,015,616
Other												
- NR	-	-	-	2,411,489	-	-	-	-	284,424	-	-	2,695,913
	7,128,637	10,385,442	2,411,489	267,088	284,424	20,477,080						



	Financial assets at fair value through profit or loss		Cash and cash equivalents		Amount due from brokers		Dividends receivable		Amount due from Manager		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2017												
Finance												
- AAA	-	5,780,602	-	-	-	-	-	-	-	-	-	5,780,602
- AA1	-	54,424	-	-	-	-	-	-	-	-	-	54,424
Health Care												
- NR	-	-	-	-	-	-	25,806	-	-	-	-	25,806
Technology												
- NR	-	-	-	-	-	-	48,319	-	-	-	-	48,319
Unquoted fixed income securities												
- AAA	1,016,641	-	-	-	-	-	-	-	-	-	-	1,016,641
Other												
- NR	-	-	-	-	-	-	-	-	-	-	-	-
	<u>1,016,641</u>	<u>5,835,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,125</u>	<u>-</u>	<u>150,110</u>	<u>-</u>	<u>-</u>	<u>7,075,902</u>

None of these assets are past due or impaired.

## Fair value estimation

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

The fair value of financial assets traded in active market (such as trading securities) are based on quoted market prices at the close of trading on the year 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 judgment, considering factors specific to the asset or liability.

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>

2018

Financial assets

at fair value through  
profit or loss:

Quoted securities 51,976,378 - - 51,976,378

Unquoted fixed  
income securities - 7,128,637 - 7,128,637

51,976,378 7,128,637 - 59,105,015

2017

Financial assets

at fair value through  
profit or loss:

Quoted securities 47,087,082 - - 47,087,082

Unquoted fixed  
income securities - 1,016,641 - 1,016,641

47,087,082 1,016,641 - 48,103,723

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, includes active quoted 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.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note E to the financial statements.

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

### **3. MANAGEMENT FEE**

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum of the net asset value of the Fund accrued and calculated on daily basis.

For the financial year ended 30 June 2018, the management fee is recognised at a rate of 1.25% (2017: 1.25%) per annum of the net asset value of the Fund, calculated on daily basis.

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

### **4. TRUSTEE FEE**

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

For the financial year ended 30 June 2018, the Trustee fee is recognised at a rate of 0.07% (2017: 0.07%) per annum of 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**

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial year:		
Current taxation – local	6,185	917
	<u>6,185</u>	<u>917</u>

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

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
(Loss)/profit before taxation	<u>(4,058,383)</u>	6,648,508
Tax at Malaysian statutory rate of 24%	(974,012)	1,595,642
Tax effects of:		
Investment loss not deductible for tax purposes/ (Investment income exempt from tax)	667,672	(1,793,533)
Expenses not deductible for tax purposes	113,893	50,028
Restriction on tax deductible expenses for Unit Trust Funds	207,291	150,063
Income subject to different tax rate	<u>(8,659)</u>	<u>(1,283)</u>
Taxation	<u>6,185</u>	<u>917</u>

## 6. DISTRIBUTION

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Distribution to unit holders is from the following sources:		
Dividend income	1,778,652	892,014
Interest income	773,725	192,687
Net amortisation of premiums on fixed income securities	(10,341)	(804)
Net realised gain on sale of investments	-	32,569
Prior financial year's realised income	1,947,533	2,070,088
	<hr/>	<hr/>
Gross realised income	4,489,569	3,186,554
Less: Expenses	(1,208,810)	(686,868)
Less: Prior financial year's taxation	(220,544)	(159,731)
	<hr/>	<hr/>
	3,060,215	2,339,955
	<hr/>	<hr/>
Gross distribution per unit (RM)	0.0439	0.0485
	<hr/>	<hr/>
Net distribution per unit (RM)	0.0409	0.0454
	<hr/>	<hr/>
Ex-date	25 June 2018	23 June 2017
	<hr/>	<hr/>

Gross distribution is derived using total income less total expenses. The distribution is made from current and financial prior years' 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.

There are unrealised losses of RM3,386,142 during the financial year (2017 : unrealised gains of RM6,224,693).

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

	2018	2017
	RM	RM
Designated at fair value through profit or loss:		
Quoted securities (Note 7(i))	51,976,378	47,087,082
Unquoted fixed income securities (Note 7(ii))	7,128,637	1,016,641
	59,105,015	48,103,723
Net (loss)/gain on financial assets at fair value through profit or loss:		
Realised (loss)/gain on disposals	(1,395,086)	138,712
Change in unrealised fair value (loss)/gain	(3,132,533)	6,224,693
	(4,527,619)	6,363,405

i. Quoted securities

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 30.6.2018	of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gabungan AQRS Berhad	991,900	1,655,922	1,190,279	1.67
Malaysian Resources Corporation Berhad	70,001	-	14,700	0.02
WCT Holdings Berhad	472,800	585,752	382,968	0.54
	1,534,701	2,241,674	1,587,947	2.23
<u>Consumer</u>				
Panasonic Manufacturing Malaysia Berhad	12,800	485,465	477,952	0.67

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2018	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Finance</u>				
Bursa Malaysia Berhad	190,700	1,451,953	1,401,645	1.97
CIMB Group Holdings Berhad	743,750	4,821,145	4,053,438	5.69
Hong Leong Bank Berhad	41,000	734,105	746,200	1.05
Hong Leong Financial Group Berhad	29,600	532,800	532,800	0.75
Malayan Banking Berhad	412,700	4,192,724	3,714,300	5.21
Public Bank Berhad	140,000	3,404,502	3,270,400	4.59
RHB Bank Berhad	50,000	271,000	273,000	0.38
Syarikat Takaful Malaysia Berhad	322,300	1,310,546	1,269,862	1.78
	<u>1,930,050</u>	<u>16,718,775</u>	<u>15,261,645</u>	<u>21.42</u>
<u>Health Care</u>				
IHH Healthcare Berhad	219,400	1,047,830	1,338,340	1.88
Kossan Rubber Industries Berhad	270,600	1,825,046	2,283,864	3.21
Top Glove Corporation Bhd.	122,600	576,065	1,488,364	2.09
	<u>612,600</u>	<u>3,448,941</u>	<u>5,110,568</u>	<u>7.18</u>
<u>Industrial Product</u>				
Cahaya Mata Sarawak Berhad	135,800	571,951	319,130	0.45
<u>Infrastructure Project Company</u>				
Digi.com Berhad	373,100	1,660,348	1,548,365	2.17



i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2018	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Manufacturing</u>				
Pecca Group Berhad	357,500	568,105	311,025	0.44
<u>Properties</u>				
S P Setia Berhad	336,682	1,030,028	1,043,714	1.47
Sentoria Group Berhad	417,560	104,390	73,073	0.10
	754,242	1,134,418	1,116,787	1.57
<u>REITS</u>				
KIP Real Estate Investment Trust	916,600	916,600	733,280	1.03
<u>Technology</u>				
Inari Amertron Berhad	1,563,433	1,007,497	3,533,359	4.96
Pentamaster Corporation Berhad	178,000	341,104	436,100	0.61
Unisem (M) Berhad	670,900	1,374,034	1,549,779	2.18
Vitrox Corporation Berhad	408,000	587,210	2,276,640	3.20
	2,820,333	3,309,845	7,795,878	10.95

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2018	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Trading/Services</u>				
Airasia Group Berhad	265,200	903,660	792,948	1.11
Dialog Group Berhad	1,461,800	3,247,517	4,516,962	6.34
Genting Berhad	170,000	1,471,017	1,429,700	2.01
Genting Malaysia Berhad	346,800	1,732,180	1,692,384	2.38
MY E.G. Services Berhad	908,800	929,386	876,992	1.23
Serba Dinamik Holdings Berhad	742,000	1,817,422	2,411,500	3.39
Sime Darby Berhad	384,700	942,887	942,515	1.32
Tenaga Nasional Berhad	345,000	5,017,237	5,050,800	7.09
	<u>4,624,300</u>	<u>16,061,306</u>	<u>17,713,801</u>	<u>24.87</u>
<b>TOTAL QUOTED SECURITIES</b>				
	<u>14,072,026</u>	<u>47,117,428</u>	<u>51,976,378</u>	<u>72.98</u>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>4,858,950</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>51,976,378</u>		

i. Quoted securities

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gamuda Berhad - Warrant	44,133	11,033	61,786	0.11
Malaysian Resources Corporation Berhad	350,000	441,000	483,000	0.89
ML Global Berhad	1,800,000	1,350,000	1,998,000	3.70
	<u>2,194,133</u>	<u>1,802,033</u>	<u>2,542,786</u>	<u>4.70</u>
<u>Consumer</u>				
Salutica Berhad	510,700	436,919	791,585	1.47
<u>Finance</u>				
Syarikat Takaful Malaysia Berhad	328,900	1,337,383	1,364,935	2.53
<u>Health Care</u>				
IHH Healthcare Berhad	419,400	2,003,008	2,411,550	4.47
Karex Berhad	1,500,137	2,589,638	2,550,233	4.72
Kossan Rubber Industries Berhad	185,500	1,164,415	1,181,635	2.19
KPJ Healthcare Berhad	116,300	409,154	490,786	0.91
Top Glove Corporation Berhad	577,600	2,713,991	3,321,200	6.15
	<u>2,798,937</u>	<u>8,880,206</u>	<u>9,955,404</u>	<u>18.44</u>
<u>Industrial Product</u>				
Cahaya Mata Sarawak Berhad	339,600	1,492,276	1,365,192	2.53
Coastal Contracts Berhad	192,500	590,683	254,100	0.47
	<u>532,100</u>	<u>2,082,959</u>	<u>1,619,292</u>	<u>3.00</u>

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 30.6.2017	of net asset value of the Fund
	Units	RM	RM	%
<u>Manufacturing</u>				
Pecca Group Berhad	493,200	783,746	794,052	1.47
<u>Properties</u>				
Eastern & Oriental Berhad	605,020	1,270,125	1,028,534	1.90
Eastern & Oriental Berhad - Warrant	71,640	-	13,612	0.03
IOI Properties Group Berhad	619,625	1,377,312	1,363,175	2.52
LBS Bina Group Berhad	1,192,600	1,768,234	2,397,126	4.44
Matrix Concepts Holdings Berhad - Warrant	46,050	-	24,407	0.05
Sentoria Group Berhad	1,043,900	988,998	908,193	1.68
UEM Sunrise Berhad	857,200	987,633	1,028,640	1.90
	4,436,035	6,392,302	6,763,687	12.52
<u>REITS</u>				
KIP Real Estate Investment Trust	916,600	916,600	843,272	1.56
<u>Technology</u>				
Inari Amertron Berhad	1,631,736	2,029,884	3,442,963	6.38
Inari Amertron Berhad - Warrant	184,186	-	239,442	0.44
N2N Connect Berhad	1,506,800	1,350,844	1,130,100	2.09
Unisem (M) Berhad	766,700	1,421,202	2,744,786	5.08
Vitrox Corporation Berhad	310,500	893,768	2,502,630	4.63
	4,399,922	5,695,698	10,059,921	18.62

i. Quoted securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Trading/Services</u>				
Axiata Group Berhad	186,080	884,429	898,766	1.66
Barakah Offshore Petroleum Berhad	386,600	336,963	233,893	0.43
Datasonic Group Berhad	643,500	1,045,851	797,940	1.48
Genting Berhad	119,000	944,348	1,119,790	2.07
MY E.G. Services Berhad	1,598,000	1,678,189	3,499,620	6.48
Pos Malaysia Berhad	263,000	1,372,142	1,393,900	2.58
Sapura Energy Berhad	1,579,100	2,414,970	2,510,769	4.65
Telekom Malaysia Berhad	77,900	477,418	518,035	0.96
Texchem Resources Berhad	351,600	566,079	495,755	0.92
Uzma Berhad	552,300	1,035,110	883,680	1.64
	<u>5,757,080</u>	<u>10,755,499</u>	<u>12,352,148</u>	<u>22.87</u>
<b>TOTAL QUOTED SECURITIES</b>	<u>22,367,607</u>	<u>39,083,345</u>	<u>47,087,082</u>	<u>87.18</u>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>8,003,737</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>47,087,082</u>	

ii. Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2018	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.03% Affin Bank Berhad 20.9.2022 (A1)	1,000,000	1,014,194	1,015,964	1.43
5.25% Bumitama Agri Ltd 18.3.2019 (AA3)	4,000,000	4,077,771	4,080,156	5.73
5.10% Gulf Investment Corporation G.S.C. 16.3.2021 (AAA)	1,000,000	1,017,460	1,016,901	1.43
5.09% Southern Power Generation Sdn Berhad 30.04.2021 (AA-IS)	1,000,000	1,008,646	1,015,616	1.43
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>7,000,000</u>	7,118,071	<u>7,128,637</u>	10.02
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>10,566</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>7,128,637</u>		

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.10% Gulf Investment Corporation 16.3.2021 (AAA)	1,000,000	1,018,329	1,016,641	1.88
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>1,000,000</u>	1,018,329	<u>1,016,641</u>	<u>1.88</u>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>(1,688)</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>1,016,641</u>		

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

	2018	2017
	%	%
Unquoted fixed income securities	<u>4.93</u>	<u>5.05</u>

## 8. CASH AND CASH EQUIVALENTS

	2018	2017
	RM	RM
Bank balance with a licensed bank	63,548	54,424
Deposits with a licensed financial institution	10,321,894	5,780,602
	<u>10,385,442</u>	<u>5,835,026</u>

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

	2018	2017
	%	%
Deposits with a licensed financial institution	<u>3.35</u>	<u>3.80</u>

The deposits have an average maturity of 2 days (2017: 3 days).

## 9. UNITS IN CIRCULATION

	2018	2017
	No. of units	No. of units
At the beginning of the financial year	53,943,237	51,549,480
Creation of units during the financial year:		
Arising from applications	31,711,859	6,944,153
Arising from distribution	3,307,170	2,269,461
Cancellation of units during the financial year	(10,706,542)	(6,819,857)
At the end of the financial year	<u>78,255,724</u>	<u>53,943,237</u>



**10. TRANSACTIONS WITH BROKERS/DEALERS**

Details of transactions with the top 10 brokers and 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>				
Affin Hwang Investment Bank Berhad	12,141,798	10.96	30,217	10.79
RHB Investment Bank Berhad	12,071,459	10.89	31,681	11.31
Maybank Investment Bank Berhad	11,324,276	10.22	40,290	14.38
Credit Suisse Securities (Malaysia) Sdn. Bhd.	10,549,346	9.52	27,581	9.85
Inter-Pacific Securities Sdn. Bhd.	7,845,030	7.08	20,287	7.24
Nomura Securities Malaysia Sdn. Bhd.	7,833,749	7.07	20,492	7.32
CIMB Investment Bank Berhad	7,521,777	6.79	17,778	6.35
UOB Kay Hian Securities (M) Sdn. Bhd.	7,063,999	6.37	18,618	6.65
Hong Leong Investment Bank Berhad	5,375,573	4.85	13,457	4.80
Kenanga Investment Bank Berhad	5,039,129	4.55	13,174	4.70
Others	24,067,042	21.70	46,557	16.61
	<b>110,833,178</b>	<b>100.00</b>	<b>280,132</b>	<b>100.00</b>

Name of brokers/ dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2017</u>				
RHB Investment Bank Berhad	6,281,895	16.73	20,996	16.95
Affin Hwang Investment Bank Berhad	4,674,599	12.45	15,484	12.50
CIMB Investment Bank Berhad	4,564,071	12.15	15,030	12.13
Credit Suisse Securities (Malaysia) Sdn. Bhd.	3,203,286	8.53	10,897	8.80
UOB Kay Hian Securities (M) Sdn. Bhd.	3,014,718	8.03	10,334	8.34
Maybank Investment Bank Berhad	2,920,865	7.78	10,069	8.13
AmlInvestment Bank Berhad	2,537,025	6.75	3,923	3.17
Hong Leong Investment Bank Berhad	2,201,414	5.86	7,896	6.37
Nomura Securities Malaysia Sdn. Bhd.	2,019,158	5.38	7,208	5.82
J.P. Morgan Securities (Malaysia) Sdn. Bhd.	1,542,720	4.11	5,179	4.18
Others	4,598,519	12.23	16,884	13.61
	<b>37,558,270</b>	<b>100.00</b>	<b>123,900</b>	<b>100.00</b>

All brokers and dealers 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		2017	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	3,421	3,114	1,328	1,329

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")**

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
MER	1.45	1.44

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

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 calculated on a daily basis is RM68,510,363 (2017: RM49,459,128).

**13. PORTFOLIO TURNOVER RATIO ("PTR")**

	<b>2018</b>	<b>2017</b>
PTR (times)	0.81	0.38

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM63,462,805 (2017: RM22,322,597)

total disposals for the financial year = RM48,013,636 (2017: RM15,235,673)

#### **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 derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest income, dividends income and gains on the appreciation in the value of investments.

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

#### **15. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 17 August 2018.

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

531241-U

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## **TRUSTEE**

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DEUTSCHE TRUSTEES MALAYSIA BERHAD

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REGISTERED OFFICE &

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## **SALE & PURCHASE OF UNITS**

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### **ENQUIRIES**

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