

EASTSPRING INVESTMENTS ASIA SELECT INCOME 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

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

Yours sincerely,

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

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

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FUND INFORMATION

Name of Fund

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

**Fund Category/
Type**

Balanced/growth and income

Fund Objective

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

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

Note: The Fund's focus is on income.

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

FUND INFORMATION (CONTINUED)

Performance Benchmark

The performance benchmark of the Fund is 20% Morgan Stanley Capital International China Index ("MSCI China Index") + 20% Morgan Stanley Capital International India Index ("MSCI India Index") +60% Quant Shop Malaysian Government Securities Medium Index ("Quant Shop MGS Medium Index").

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

Source:

MSCI China Index (www.msci.com)

MSCI India Index (www.msci.com)

Quant Shop MGS Medium Index (www.quantshop.com)

The performance of the Fund against the benchmark is published in the Manager's monthly factsheet and is available from the Manager's website at www.eastspringinvestments.com.my.

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

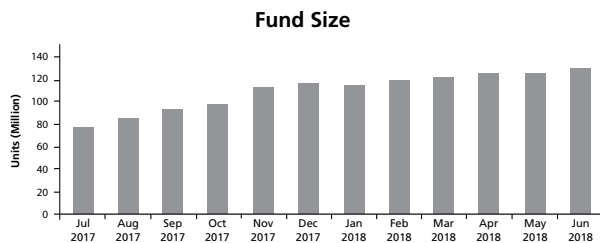
Fund Income Distribution Policy

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 Asia Select Income Fund stood at 130.143 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	302	15.24	877	0.67
5,001 to 10,000 units	306	15.45	2,263	1.74
10,001 to 50,000 units	1,105	55.78	24,334	18.70
50,001 to 500,000 units	251	12.67	25,924	19.92
500,001 units and above	17	0.86	76,744	58.97
Total	1,981	100.00	130,142	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA FOR THE FINANCIAL YEAR ENDED

Category	30.6.2018	30.6.2017	30.6.2016
	(%)	(%)	(%)
Collective investment scheme-Foreign	34.86	37.17	39.43
Unquoted fixed income securities	50.86	47.54	56.87
	85.72	84.71	96.30
Cash and other assets	14.28	15.29	3.70
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	94,687	55,001	46,457
Units In Circulation (Units '000)	130,143	74,420	69,757
Net Asset Value Per Unit (RM)	0.7276	0.7391	0.6660
Highest Net Asset Value Per Unit (RM) [#]	0.7276	0.7398	0.6846
Lowest Net Asset Value Per Unit (RM) [#]	0.7213	0.7379	0.6247
Total Return (%)			
- Capital Growth	(1.57)	10.98	(0.28)
- Income Distribution	4.72	4.66	-
Total Return (%)	3.08	16.15	(0.28)
Gross Distribution Per Unit (RM)	0.0343	0.0344	-
Net Distribution Per Unit (RM)	0.0343	0.0344	-
Management Expense Ratio (MER) (%) [*]	1.70	1.70	1.71
Portfolio Turnover Ratio (PTR) (times) [^]	0.27	0.19	0.17

[#] 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	3.08	6.08	8.34

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	3.08	16.15	(0.28)	14.92	8.79

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

Bases of calculation and assumptions made in calculating returns:

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

NAV_t = NAV at the end of the period
NAV₀ = 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

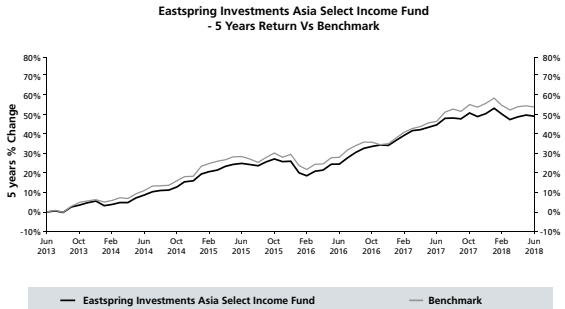
Fund Performance

Over the 5-year period, the Fund recorded a return of 49.27% underperforming the benchmark return of 53.99% by -4.72%.

During the period under review, the Fund registered a return of 3.08%, underperforming the benchmark return of 5.06% by -1.98%.

The underperformance of the Fund for the period under review was contributed by the overweight position in corporate bonds which underperformed the medium-term government bond index.

The Fund met its investment objective of providing investors with a steady stream of income returns.



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

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

Source: Lipper for Investment Management, www.msci.com and www.quantshop.com as at 30 June 2018.

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

MANAGER'S REPORT (CONTINUED)

Analysis of Fund Performance

For the financial year ended 30 June 2018:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
4.72	(1.57)	3.08	5.06

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

Distribution/ Unit Split

Ex-date	25-Jun-18
Distribution Per Unit	(RM)

Gross	0.0343
Net	0.0343

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

Ex-Date	25-Jun-18
	(RM per Unit)

Net Asset Value before distribution	0.7608
Less: distribution	<u>(0.0343)</u>
Net Asset Value after distribution	<u>0.7265</u>

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

MANAGER'S REPORT (CONTINUED)

Investment Strategy During The Period Under Review

Bond Strategy

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

Equity Strategy (Eastspring Investments Dragon Peacock Fund)

For the period in review, stock selection and an overweight in the Indian IT sector boosted relative performance the most. Stock selection in the Financials and Materials sectors in China also helped. Conversely, an underweight and stock picks in Indian Financials hurt relative performance.

Off-benchmark positions in Li Ning and Hua Hong Semiconductor were among the key stock contributors to performance during the period in review.

Chinese sportswear brand Li Ning's share price rallied during the year and rose almost 50% in the review period. The market remains optimistic about the execution of its rebranding initiative to compete against foreign sportswear brands which was supported by better than expected 1Q18 earnings reported in April. The company aims to bolster its online and offline retail presence in addition to focusing on children's and athletic-gear brands, two segments that have seen strong revenue growth amidst changing consumer habits in China. Li Ning currently trades at a 2019e P/E of 19.0x earnings.

Hua Hong Semiconductor's share price more than doubled during the review period on the back of rising ASPs due to strong demand and tight supply of its 8" founder wafer. The market is also bullish on the company in anticipation of the additional revenue expected to come onboard once its new Wuxi fab plant ramps up production in FY2019. The stock currently trades at a 2019e P/E of 20.3x earnings.

An off-benchmark position to Bank of Baroda and overweight to Tata Motors were the main detractors during the period in review.

MANAGER'S REPORT (CONTINUED)

Investment Strategy During The Period Under Review (continued)

India state-owned lender Bank of Baroda was impacted by weaker market sentiment for Indian financials, especially corporate lenders, amid surfacing macro stress. The company's share price declined over 30% during the period in review. The volatility in earnings will likely persist especially for PSU lenders, impacted by seasonality and provisions for bad loans and investments. The stock currently trades at a 2019e P/B of 0.9x book value.

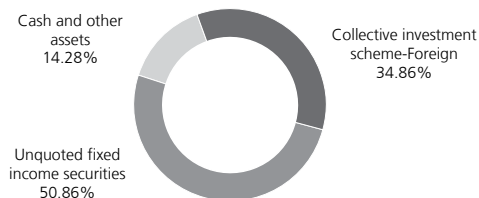
Tata Motor's stock price has remained under pressure since January 2018, and declined about 30% during the review period. February retail sales for its Jaguar & Land Rover line of vehicles declined amid slowdown in sales in China. However, in March, the company's US sales volume growth jumped to double-digit percentage points, led by Land Rover vehicles. Also, sales incentives and discounts were rolled back partly, hinting at improved sales realisation in the near future. The stock currently trades at a 2019e P/E of 10.2x earnings.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	30-Jun 2018 (%)	30-Jun 2017 (%)	Changes (%)
Collective investment scheme-Foreign	34.86	37.17	(2.31)
Unquoted fixed income securities	50.86	47.54	3.32
Cash and other assets	14.28	15.29	(1.01)

Asset Allocation as at 30 June 2018



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

State of Affairs of the Fund

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

MANAGER'S REPORT (CONTINUED)

Cross-Trade Transaction

During the period under review, there were cross-trades executed through a dealer or a financial institution on an arm's length and fair value basis and in the best interest of the Fund. The investment committee for the Fund has reviewed that such trades for the period from January to March 2018 were transacted on an arm's length and fair value basis and in the best interest of the Fund. Whilst the trades for the period from April to June 2018 will be tabled for review at the upcoming investment committee meeting.

MARKET REVIEW

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 subsidized 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.

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 14th 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. 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.

¹ **Source:** Bloomberg

MARKET REVIEW (CONTINUED)

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.

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 billion from MKD Kencana (GG), RM2.1 billion from MBSB Bank Berhad (AA1) and RM1.9 billion from Public Bank Berhad (AAA).

Equity

During the period in review, the MSCI China Index returned 23.3% in USD terms while the MSCI India Index returned 5.5%.

The Chinese equity market performed strongly in 2017, buoyed by stronger than expected GDP growth and robust corporate earnings. Economic data was also broadly supportive. In October political developments took centre stage with the Communist Party's week-long conference cementing President Xi's power. Conversely, the market tapered off in 1H2018, as investors became largely preoccupied by the tit-for-tat trade tensions between the US and China. 1Q2018 GDP grew faster than expected at 6.8%, attributed to strong consumer demand and property investment. Meanwhile, the People's Bank of China ("PBoC") announced two rounds of cuts to some banks' reserve requirements rate ("RRR") in April and June to boost lending. In the month of May leading to June, northbound Stock Connect flows rose to a historical high, ahead of the MSCI A-share inclusion which occurred on June 1. However, trade conflicts dominated headlines in June with the US confirming USD50bn worth of tariffs placed on Chinese goods, and Beijing responding in kind.

MARKET REVIEW (CONTINUED)

Indian equities also started the review period on a strong footing. July 2017 saw their best month in more than a year on a smooth transition to GST, above normal rainfall and decent corporate earnings. India markets additionally cheered the introduction of a Rs1.2 trillion recapitalisation programme for its state-owned banks in October, and Moody's rating agency upgraded the country's sovereign debt by one notch to Baa2 in November. The upward momentum continued into early 2018, ahead of the FY19 Union Budget which was introduced in February. However, the rest of 1H2018 was largely challenging for Indian equities amid escalating oil prices that hurt external balances and pushed up inflation. Currency and bond markets were also under pressure as the Indian Rupee weakened against the USD over the period. Additionally, market sentiment was hit in February after one of the biggest frauds in Indian banking history broke out at India's second-largest state-owned bank, Punjab National Bank. Meanwhile, first-quarter (calendar 2018) GDP expanded 7.7% year-on-year ("y-o-y"), beating forecasts, buoyed by government consumption and favourable base effect.

REBATES AND SOFT COMMISSIONS

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

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EASTSPRING INVESTMENTS ASIA SELECT INCOME FUND

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 24 to 67 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 ASIA SELECT INCOME FUND

We have acted as Trustee for Eastspring Investments Asia Select Income 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 ASIA SELECT INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Asia Select Income 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 24 to 67.

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
INVESTMENT INCOME			
Interest from deposits with licensed financial institutions		320,083	103,125
Other income		-	75
Interest from unquoted fixed income securities		2,024,591	1,241,469
Net gain on financial assets at fair value through profit or loss	7	771,868	6,333,774
Net foreign currency exchange (loss)/gain		(55,860)	10,544
		<u>3,060,682</u>	<u>7,688,987</u>
EXPENSES			
Management fee	3	(1,233,030)	(694,435)
Trustee fee	4	(57,541)	(32,407)
Audit fee		(7,100)	(6,800)
Tax agent fee		(4,600)	(3,400)
GST charges		(70,933)	(44,477)
Other expenses		(26,691)	(4,061)
		<u>(1,399,895)</u>	<u>(785,580)</u>
PROFIT BEFORE TAXATION		1,660,787	6,903,407
TAXATION	5	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>1,660,787</u>	<u>6,903,407</u>
Profit after taxation is made up of the following:			
Realised amount		1,495,953	4,039,351
Unrealised amount		164,834	2,864,056
		<u>1,660,787</u>	<u>6,903,407</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 RM	2017 RM
ASSETS			
Cash and cash equivalents	8	13,699,524	8,439,699
Amount due from Manager		270,373	234,642
Financial assets at fair value through profit or loss	7	81,160,171	46,591,147
TOTAL ASSETS		<u>95,130,068</u>	<u>55,265,488</u>
LIABILITIES			
Amount due to Manager		282,439	154,521
Accrued management fee		118,164	66,975
Amount due to Trustee		5,514	3,127
Distribution payable		16,175	17,263
GST charges payable		-	4,206
Other payables and accruals		20,880	17,925
TOTAL LIABILITIES		<u>443,172</u>	<u>264,017</u>
NET ASSET VALUE OF THE FUND		<u>94,686,896</u>	<u>55,001,471</u>
EQUITY			
Unit holders' capital		77,014,115	34,725,599
Retained earnings		17,672,781	20,275,872
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>94,686,896</u>	<u>55,001,471</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>130,142,655</u>	<u>74,419,625</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>0.7276</u>	<u>0.7391</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		34,725,599	20,275,872	55,001,471
Movement in unit holders' contribution:				
Creation of units from applications		57,118,200	-	57,118,200
Creation of units from distribution		4,247,703	-	4,247,703
Cancellation of units		(19,077,387)	-	(19,077,387)
Distribution				
(Gross: 3.43 sen/Net: 3.43 sen)	6	-	(4,263,878)	(4,263,878)
Total comprehensive income for the financial year		-	1,660,787	1,660,787
Balance as at 30 June 2018		<u>77,014,115</u>	<u>17,672,781</u>	<u>94,686,896</u>
Balance as at 1 July 2016		30,645,054	15,812,204	46,457,258
Movement in unit holders' contribution:				
Creation of units from applications		22,013,596	-	22,013,596
Creation of units from distribution		2,422,477	-	2,422,477
Cancellation of units		(20,355,528)	-	(20,355,528)
Distribution				
(Gross: 3.44 sen/Net: 3.44 sen)	6	-	(2,439,739)	(2,439,739)
Total comprehensive income for the financial year		-	6,903,407	6,903,407
Balance as at 30 June 2017		<u>34,725,599</u>	<u>20,275,872</u>	<u>55,001,471</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
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		6,862,131	10,969,017
Purchase of investments		(40,478,480)	(6,617,708)
Other income		-	75
Interest received		2,163,866	1,474,108
Management fee paid		(1,181,841)	(685,133)
Trustee fee paid		(55,154)	(31,971)
Payment for other fees and expenses		(110,574)	(65,698)
Net foreign exchange (loss)/gain		(55,860)	10,544
Net cash (used in)/generated from operating activities		<u>(32,855,912)</u>	<u>5,053,234</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		57,082,469	21,808,816
Payments for cancellation of units		(18,949,469)	(20,443,249)
Distribution paid		(17,263)	-
Net cash generated from financing activities		<u>38,115,737</u>	<u>1,365,567</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,259,825	6,418,801
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>8,439,699</u>	<u>2,020,898</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	<u>13,699,524</u>	<u>8,439,699</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 ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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

There will be no impact on the Fund's accounting for financial assets as the Fund's collective investment scheme 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.

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

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

C. DISTRIBUTION

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

D. 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.

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

E. 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.

F. FOREIGN CURRENCY TRANSLATION

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

G. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

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

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

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

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

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

The Fund's financial liabilities include amount due to Manager, accrued management fee, amount due to Trustee, 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 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', including the effect of currency translation are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit and loss' in the period in which they arise. Any unrealised gains however are not distributable.

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

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

H. CASH AND CASH EQUIVALENTS

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

I. 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.

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 on the statement of financial position date.

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 and in compliance with the Securities Commission valuation guidelines.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

1. INFORMATION ON THE FUND

Eastspring Investments Asia Select Income Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 27 October 2005, Master Supplemental Deed dated 12 July 2007, Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Berhad ("HSBC Trustee") and Eastspring Investments Berhad (the "Manager"). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between the Manager and the Trustee on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by the Second Supplemental Master Deed dated 28 January 2011, Third Supplemental Master Deed dated 9 March 2011, Fourth Supplemental Master Deed dated 20 January 2012, Fifth Supplemental Master Deed dated 26 March 2014, Sixth Supplemental Master Deed dated 2 January 2015, Seventh Supplemental Master Deed dated 11 July 2016, an Eighth Supplemental Master Deed dated 25 January 2017, a Ninth Supplemental Master Deed dated 11 December 2017 and a Tenth Supplemental Master Deed dated 4 June 2018 (collectively referred to as the "Deed").

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

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

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

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

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Financial instruments of the Fund are as follows:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2018</u>				
Collective investment scheme	7	-	33,012,563	33,012,563
Unquoted fixed income securities	7	-	48,147,608	48,147,608
Amount due from Manager		270,373	-	270,373
Cash and cash equivalents	8	13,699,524	-	13,699,524
		<u>13,969,897</u>	<u>81,160,171</u>	<u>95,130,068</u>

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2017</u>				
Collective investment scheme	7	-	20,445,589	20,445,589
Unquoted fixed income securities	7	-	26,145,558	26,145,558
Amount due from Manager		234,642	-	234,642
Cash and cash equivalents	8	8,439,699	-	8,439,699
		<u>8,674,341</u>	<u>46,591,147</u>	<u>55,265,488</u>

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

Market risk

i. Price risk

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

The table below shows assets of the Fund as at 30 June which are exposed to price risk:

	2018	2017
	RM	RM
Financial assets at fair value through profit or loss:		
Collective investment scheme	33,012,563	20,445,589
Unquoted fixed income securities*	48,147,608	26,145,558
	<u>81,160,171</u>	<u>46,591,147</u>

* Includes interest receivables of RM670,042 (2017: RM346,658)

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

% Change in price of financial assets at fair value through profit or loss	Market value	Impact on profit/after tax/net asset value
	RM	RM
<u>2018</u>		
+5%	84,514,635	4,024,506
-5%	76,465,623	(4,024,506)
<hr/>		
<u>2017</u>		
+5%	48,556,713	2,312,224
-5%	43,932,265	(2,312,224)
<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 net asset value ("NAV") of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

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

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

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

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

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% (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.

	2018	2017
% Change in interest rate of unquoted fixed income securities	Impact on profit after tax/ NAV	Impact on profit after tax/ NAV
	RM	RM
+1% (2017: +1%)	(97,910)	(28,798)
-1% (2017: -1%)	98,290	28,851

iii. Foreign exchange/Currency risk

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

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

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

	Financial assets at fair value through profit or loss	Total
	RM	RM
<u>2018</u>		
USD	33,012,563	33,012,563
<u>2017</u>		
USD	20,445,589	20,445,589

The table below summarises the sensitivity of the Fund's financial assets to changes in foreign exchange movements at the end of the reporting year. The analysis is based on the assumption that the foreign exchange rate changes by 5% with all variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	Impact on profit after tax	Impact on net asset value
	%	RM	RM
<u>2018</u>			
USD	5	1,650,628	1,650,628
<u>2017</u>			
USD	5	1,022,279	1,022,279

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

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

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
2018			
Amount due to Manager	282,439	-	282,439
Accrued management fee	118,164	-	118,164
Amount due to Trustee	5,514	-	5,514
Distribution payable	16,175	-	16,175
Other payables and accruals	-	20,880	20,880
Contractual cash outflows	422,292	20,880	443,172

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
<u>2017</u>			
Amount due to Manager	154,521	-	154,521
Accrued management fee	66,975	-	66,975
Amount due to Trustee	3,127	-	3,127
Distribution payable	17,263	-	17,263
Other payables and accruals	-	17,925	17,925
GST charges payable	4,206	-	4,206
Contractual cash outflows	<u>246,092</u>	<u>17,925</u>	<u>264,017</u>

Credit/Default risk

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

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

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

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

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from Manager	Total
	RM	RM	RM	RM
<u>2018</u>				
Finance				
- AAA	-	13,672,509	-	13,672,509
- AA1	-	27,015	-	27,015
Unquoted fixed income securities				
- AAA	3,215,317	-	-	3,215,317
- AAA(S)	1,522,723	-	-	1,522,723
- AA1	7,571,707	-	-	7,571,707
- AA2	4,111,768	-	-	4,111,768
- AA2(S)	1,368,609	-	-	1,368,609
- AA3	12,673,041	-	-	12,673,041
- AA-IS	7,418,155	-	-	7,418,155
- A1	7,208,650	-	-	7,208,650
- NR	3,057,638	-	-	3,057,638
Other				
- NR	-	-	270,373	270,373
	<u>48,147,608</u>	<u>13,699,524</u>	<u>270,373</u>	<u>62,117,505</u>

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from Manager	Total
	RM	RM	RM	RM
<u>2017</u>				
Finance				
- AAA	-	8,380,872	-	8,380,872
- AA1	-	58,827	-	58,827
Unquoted fixed income securities				
- AAA	3,570,847	-	-	3,570,847
- AA2	9,042,021	-	-	9,042,021
- AA3	11,460,250	-	-	11,460,250
- AA-IS	527,433	-	-	527,433
- A1	1,545,007	-	-	1,545,007
Other				
- NR	-	-	234,642	234,642
	<u>26,145,558</u>	<u>8,439,699</u>	<u>234,642</u>	<u>34,819,899</u>

None of these assets are past due or impaired.

Stock/issuer risk

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

Fund management risk

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

Non-compliance risk

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

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

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM77,014,115 (2017: RM34,725,599) and retained earnings of RM17,672,781 (2017: RM20,275,872). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Fair value estimation

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

The fair value of financial assets traded in active market (such as trading securities) are based on quoted market prices at the close of trading on the 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:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM

2018

Financial assets

at fair value through
profit or loss:

Collective investment

scheme

	33,012,563	-	-	33,012,563
--	------------	---	---	------------

Unquoted fixed

income securities

	-	48,147,608	-	48,147,608
--	---	------------	---	------------

	<u>33,012,563</u>	<u>48,147,608</u>	<u>-</u>	<u>81,160,171</u>
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2017

Financial assets

at fair value through
profit or loss:

Collective investment

scheme

	20,445,589	-	-	20,445,589
--	------------	---	---	------------

Unquoted fixed

income securities

	-	26,145,558	-	26,145,558
--	---	------------	---	------------

	<u>20,445,589</u>	<u>26,145,558</u>	<u>-</u>	<u>46,591,147</u>
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Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include investment in collective investment scheme, i.e. unit trust funds whose values are based on published prices in active markets is also classified within Level 1. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note G to the financial statements.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes 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 G to the financial statements.

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

3. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 2.00% per annum 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 1.50% (2017: 1.50%) per annum of the net asset value of the Fund, calculated on daily basis.

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

4. TRUSTEE FEE

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

For the financial year ended 30 June 2018, the Trustee's fee is recognised at a rate of 0.07% (2017: 0.07%) per annum of the net asset value of the Fund, 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

	2018	2017
	RM	RM

Tax charged for the financial year:

Current taxation - local

-

-

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

	2018	2017
	RM	RM
Profit before taxation	1,660,787	6,903,407
Tax at Malaysian statutory rate of 24%	398,589	1,656,818
Tax effects of:		
Investment income exempt from tax	(734,564)	(1,845,357)
Expenses not deductible for tax purposes	38,344	20,243
Restriction on tax deductible expenses for Unit Trust Funds	297,631	168,296
Taxation	-	-

6. DISTRIBUTION

	2018	2017
	RM	RM
Distribution to unit holders is from the following sources:		
Interest income	2,048,430	1,343,545
Net realised gain on sale of investments	607,033	1,852,598
Accretion of discount, net of amortisation of premium	1,288	-
Other income	-	75
Prior financial year's realised income	2,941,358	1,424
Gross realised income	<u>5,598,109</u>	<u>3,197,642</u>
Less: Expenses	<u>(1,334,231)</u>	<u>(757,903)</u>
	<u>4,263,878</u>	<u>2,439,739</u>
Gross distribution per unit (RM)	<u>0.0343</u>	<u>0.0344</u>
Net distribution per unit (RM)	<u>0.0343</u>	<u>0.0344</u>
Ex-date	<u>25 June 2018</u>	<u>23 June 2017</u>

Gross distribution is derived using total income less total expenses. The distribution is made from current and 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.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RM	RM
Designated at fair value through profit or loss:		
Collective investment scheme (Note 7(i))	33,012,563	20,445,589
Unquoted fixed income securities (Note 7 (ii))	48,147,608	26,145,558
	<u>81,160,171</u>	<u>46,591,147</u>
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	607,034	3,469,718
Change in unrealised fair value gain	164,834	2,864,056
	<u>771,868</u>	<u>6,333,774</u>

i. Collective investment scheme

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 30.6.2018	of net asset value of the Fund
	Units	RM	RM	%

Unit Trust Fund

Eastspring Investments				
- Dragon Peacock Fund	<u>195,609</u>	22,747,533	<u>33,012,563</u>	34.86

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

10,265,030

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

33,012,563

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>Unit Trust Fund</u>				
Eastspring Investments - Dragon Peacock Fund	127,851	10,474,232	20,445,589	37.17
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		9,971,357		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		20,445,589		

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

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

ii. Unquoted fixed income securities

Name of counter	Nominal value	Carrying cost	Fair value as at 30.6.2018	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.45% Affin Bank Berhad 5.2.2027 (A1)	4,000,000	4,133,863	4,152,246	4.39
5.03% Affin Bank Berhad 20.9.2027 (A1)	2,000,000	2,028,388	2,031,928	2.15
5.20% AMMB Holdings Berhad 15.3.2027 (A1)	1,000,000	1,015,386	1,024,476	1.08
5.25% BGSM Management Sdn Berhad 24.12.2020 (AA3)	800,000	814,181	814,065	0.86
4.92% BGSM Management Sdn Berhad 29.8.2025 (AA3)	1,800,000	1,832,733	1,839,654	1.94
5.25% Bumitama Agri Ltd 18.3.2019 (AA3)	500,000	508,732	510,019	0.54
4.50% Hong Leong Assurance Berhad 7.2.2025 (AA3)	2,000,000	2,025,105	2,025,907	2.14
4.50% Hong Leong Bank Berhad 21.6.2024 (AA1)	3,500,000	3,497,684	3,507,314	3.70
9.05% Jimah Energy Ventures Sdn Berhad 12.11.2020 (AA3)	2,500,000	2,762,936	2,784,510	2.94
9.30% Jimah Energy Ventures Sdn Berhad 12.11.2021 (AA3)	100,000	116,064	115,837	0.12
5.10% Krung Thai Bank Public Company Limited 4.7.2025 (AA2)	3,000,000	3,072,937	3,103,987	3.28

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Carrying cost	Fair value as at 30.6.2018	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.24% Lebuhraya Duke Fasa 3 Sdn Berhad 23.8.2027 (AA- IS)	4,200,000	4,414,027	4,374,619	4.62
8.20% Mukah Power Generation Sdn Berhad 27.12.2019 (AA2 (S))	1,300,000	1,353,453	1,368,609	1.45
4.75% Northern Gateway Infrastructure Sdn Berhad 29.8.2022 (AA1)	2,000,000	2,037,999	2,050,914	2.17
4.93% Perbadanan Tabung Pendidikan Tinggi Nasional 17.8.2032 (NR)	1,000,000	1,018,958	1,020,299	1.08
4.90% Perbadanan Tabung Pendidikan Tinggi Nasional 21.1.2033 (NR)	2,000,000	2,048,045	2,037,339	2.15
5.11% Quantum Solar Park (Semenanjung) Sdn Berhad 6.4.2022 (AA- IS)	2,000,000	2,035,025	2,027,920	2.14
4.99% RHB Bank Berhad 8.7.2024 (AA3)	2,000,000	2,048,473	2,055,176	2.17
4.75% RHB Bank Berhad 8.5.2025 (AA3)	2,000,000	2,014,055	2,015,155	2.13
5.32% Sarawak Energy Berhad 3.12.2032 (AA1)	2,000,000	2,016,884	2,013,479	2.13
5.09% Southern Power Generation Sdn Berhad 30.4.2029 (AA- IS)	1,000,000	1,008,646	1,015,616	1.07

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Carrying cost	Fair value as at 30.6.2018	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.02% Tanjung Bin Energy Issuer Berhad 15.9.2020 (AA3)	500,000	513,827	512,718	0.54
4.58% Telekom Malaysia Berhad 3.9.2027 (AAA)	3,200,000	3,260,637	3,215,317	3.40
4.65% Toyota Capital Malaysia Sdn Berhad 24.1.2023 (AAA (S))	1,500,000	1,532,332	1,522,723	1.61
4.83% UMW Holdings Berhad 22.6.2022 (AA2)	1,000,000	1,002,343	1,007,781	1.06
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>46,900,000</u>	48,112,713	<u>48,147,608</u>	50.86
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>34,895</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>48,147,608</u>	

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Carrying cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	RM	RM	RM	%
5.45% Affin Bank Berhad 5.2.2027 (A1)	500,000	510,751	518,701	0.94
5.20% AmBank (M) Berhad 29.12.2023 (AA3)	1,300,000	1,304,020	1,312,886	2.39
5.20% AMMB Holdings Berhad 15.3.2027 (A1)	1,000,000	1,015,386	1,026,306	1.87
5.25% Bumitama Agri Ltd 18.3.2019 (AA3)	500,000	510,394	513,393	0.93
4.50% Hong Leong Assurance Berhad 7.2.2025 (AA3)	2,000,000	2,019,082	2,021,987	3.68
4.50% Hong Leong Bank Berhad 21.6.2024 (AA2)	3,500,000	3,491,711	3,497,549	6.36
9.05% Jimah Energy Ventures Sdn Berhad 12.11.2020 (AA3)	2,500,000	2,854,457	2,885,603	5.25
9.30% Jimah Energy Ventures Sdn Berhad 12.11.2021 (AA3)	100,000	120,086	119,899	0.22
5.10% Krung Thai Bank Public Company Limited 4.7.2025 (AA2)	3,000,000	3,073,775	3,126,905	5.68
5.24% Lebuhraya Duke Fasa 3 Sdn Bhd 23.8.2027 (AA- IS)	500,000	533,636	527,433	0.96

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Carrying cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	RM	RM	RM	%
8.20% Mukah Power Generation Sdn Berhad 27.12.2019 (AA2)	1,300,000	1,386,074	1,412,796	2.57
4.99% RHB Bank Berhad 8.7.2024 (AA3)	2,000,000	2,049,060	2,061,202	3.75
4.75% RHB Bank Berhad 8.5.2025 (AA3)	2,000,000	2,014,055	2,015,095	3.66
6.00% Special Port Vehicle Berhad 28.7.2017 (AAA)	3,500,000	3,587,161	3,570,847	6.49
5.40% Tanjung Bin Energy Issuer Berhad 15.3.2024 (AA3)	500,000	509,572	530,185	0.96
4.83% UMW Holdings Berhad 22.6.2022 (AA2)	1,000,000	1,002,604	1,004,771	1.83
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>25,200,000</u>	25,981,824	<u>26,145,558</u>	<u>47.54</u>

ii. Unquoted fixed income securities (continued)

Name of counter	Nominal value	Carrying cost	Fair value as at 30.6.2017	Percentage of net asset value of the Fund
	RM	RM	RM	%
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>163,734</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>26,145,558</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>4.88</u>	<u>4.67</u>

8. CASH AND CASH EQUIVALENTS

	2018	2017
	RM	RM
Bank balance with a licensed bank	27,015	58,827
Deposit with a licensed financial institution	13,672,509	8,380,872
	<u>13,699,524</u>	<u>8,439,699</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
	%	%
Deposit with a licensed financial institution	<u>3.35</u>	<u>3.80</u>

The deposit has 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	74,419,625	69,757,261
Creation of units during the financial year:		
Arising from applications	74,792,022	29,458,633
Arising from distribution	5,846,804	3,282,933
Cancellation of units during the financial year	<u>(24,915,796)</u>	<u>(28,079,202)</u>
At the end of the financial year	<u>130,142,655</u>	<u>74,419,625</u>

10. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the brokers and dealers for the financial year ended 30 June are as follows:

Name of brokers/dealers	Value of trades	Percentage of total trades
	RM	%
<u>2018</u>		
Eastspring Investments (Singapore) Limited [#]	14,756,057	33.66
Hong Leong Bank Berhad	11,013,380	25.12
AmBank (M) Berhad	5,828,590	13.29
Malayan Banking Berhad	4,807,640	10.97
CIMB Bank Berhad	4,514,755	10.30
Ambank Islamic Berhad	2,008,200	4.58
RHB Investment Bank Berhad	509,984	1.16
Alliance Bank Malaysia Berhad	402,004	0.92
	<u>43,840,610</u>	<u>100.00</u>
<u>2017</u>		
Eastspring Investments (Singapore) Limited [#]	10,663,622	60.63
RHB Investment Bank Berhad	3,671,713	20.88
AmBank (M) Berhad	1,026,050	5.83
Malayan Banking Berhad	1,001,300	5.69
AmInvestment Bank Berhad	1,000,000	5.69
Alliance Bank Malaysia Berhad	224,040	1.28
	<u>17,586,725</u>	<u>100.00</u>

[#] Included in transactions by the Fund are trades conducted with Eastspring Investments (Singapore) Limited, a related party of the Manager amounting to RM14,756,057 (2017: RM10,663,622).

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

11. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

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

	2018		2017	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,243	904	1,187	877

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.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The Manager is of the opinion that all transactions with the related party have been entered into in the normal course of business at agreed terms between the related parties.

Significant related parties transactions

	2018	2017
	RM	RM
Purchase of units in collective investment scheme managed by Eastspring Investments (Singapore) Limited	13,223,677	3,366,318
Sale of units in collective investment scheme managed by Eastspring Investments (Singapore) Limited	1,532,380	7,297,304

12. MANAGEMENT EXPENSE RATIO (“MER”)

	2018	2017
	%	%
MER	1.70	1.70

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 RM82,198,265 (2017: RM46,293,529).

13. PORTFOLIO TURNOVER RATIO ("PTR")

	2018	2017
PTR (times)	0.27	0.19

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM40,478,480 (2017: RM6,617,708)

total disposals for the financial year = RM3,362,130 (2017: RM10,969,017)

14. SEGMENTAL INFORMATION

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

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

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

REGISTERED OFFICE

16th Floor, Wisma Sime Darby

Jalan Raja Laut

50350 Kuala Lumpur

BUSINESS OFFICE

Level 12, Menara Prudential

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50250 Kuala Lumpur

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603-2052 3388

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TRUSTEE

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE &

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TELEPHONE NO.

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603-2053 7526

SALE & PURCHASE OF UNITS

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Level 12, Menara Prudential

No. 10, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2332 1000

FAX NO.

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