

EASTSPRING INVESTMENTS SMALL-CAP FUND

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD
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 Small-cap Fund (the "Fund")

Fund Category/ Type

Equity (small-cap)/growth

Fund Objective

The Fund seeks to provide investors with maximum capital appreciation by investing principally in small market capitalisation companies which will appreciate in value.

Note: The Fund will invest in small market capitalisation companies at the point of acquisition.

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

Performance Benchmark

The performance benchmark of the Fund is FTSE Bursa Malaysia Small Cap Index ("FBMSC").

Source: www.bursamalaysia.com

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

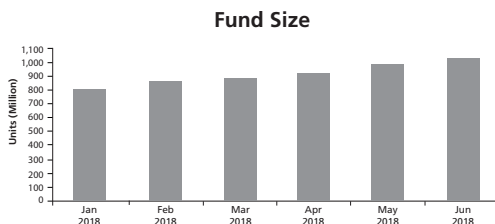
Fund Income Distribution Policy

Incidental

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 30 June 2018, the size of Eastspring Investments Small-cap Fund stood at 1,037.605 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	4,424	21.25	11,678	1.13
5,001 to 10,000 units	3,718	17.86	27,400	2.64
10,001 to 50,000 units	9,057	43.51	212,855	20.51
50,001 to 500,000 units	3,513	16.87	401,838	38.73
500,001 units and above	106	0.51	383,828	36.99
Total	20,818	100.00	1,037,599	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	30.6.2018	30.6.2017	30.6.2016
	(%)	(%)	(%)
Quoted Securities			
Construction	9.59	9.73	7.01
Consumer	8.87	9.80	6.00
Consumer Product	3.92	3.27	1.67
Finance	1.12	4.64	4.51
Health Care	5.38	-	-
Industrial Product	17.85	15.72	17.00
Infrastructure Project Company	0.62	0.80	2.25
Manufacturing	0.76	2.40	3.86
Plantation	0.15	-	2.13
Power/Utilities	0.25	-	0.70
Properties	4.40	6.77	8.44
REITS	1.92	2.23	0.71
Technology	12.00	9.61	5.70
Trading/Services	5.66	8.28	14.51
Transportation	0.61	1.58	0.69
	73.10	74.83	75.18
Cash and other assets	26.90	25.17	24.82
Total	100.00	100.00	100.00

KEY PERFORMANCE DATA (CONTINUED)

Category	30.6.2018	30.6.2017	30.6.2016
Net Asset Value (NAV) (RM'000)	679,317	672,351	328,665
Units In Circulation (Units '000)	1,037,605	901,200	481,299
Net Asset Value Per Unit (RM)	0.6547	0.7461	0.6829
Highest Net Asset Value Per Unit (RM)	0.7503	0.7598	0.6847
Lowest Net Asset Value Per Unit (RM)	0.6257	0.6396	0.6416
Total Return (%)			
- Capital Growth	(11.15)	17.11	2.06
- Income Distribution	-	-	-
Total Return (%)	(11.15)	17.11	2.06
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.83	0.84	0.84
Portfolio Turnover Ratio (PTR) (times)^	0.23	0.18	0.28

* 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	(7.65)	5.64	14.30
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Year ended	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
	(%)	(%)	(%)	(%)	(%)

Annual total return	21.72	0.28	26.03	16.59	64.02
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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:

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

NAV_t = NAV at the end of the period

NAV_0 = NAV at the beginning of the period

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

Adjusted for unit split and distribution paid out for the period

n = Number of years

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

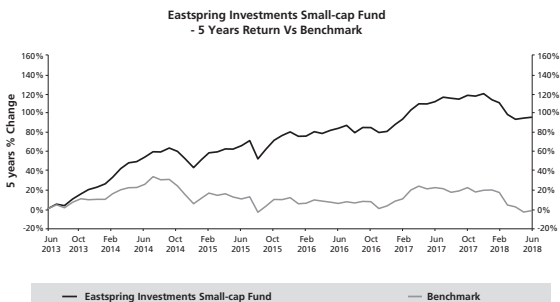
MANAGER'S REPORT

Fund Performance

Over the 5-year period, the Fund recorded a return of 95.13%, outperforming the benchmark return of -2.01% by 97.14%.

For the period under review, the Fund recorded a return of -11.15%, outperforming the benchmark return of -17.82% by 6.67%.

The outperformance was mainly due to high cash buffer during the period. Although the Fund outperformed its benchmark, it did not achieve its objective to provide investors with capital appreciation by investing in small capitalization companies.



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

Benchmark: FTSE Bursa Malaysia Small Cap Index ("FBMSC")

Source: Lipper for Investment Management and www.bursamalaysia.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 period ended 30 June 2018:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	(11.15)	(11.15)	(17.82)

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

Distribution/ Unit Split

No distribution or unit split were declared for the financial period ended 30 June 2018.

Investment Strategy During Period Under Review

The Fund maintained high cash buffer during the period under review due to rising concerns of trade war between US and China and ahead of the 14th General Election in Malaysia. We stayed invested in exporters despite the stronger Ringgit as we believe the long term structural trend for the technology sector is positive. We hedged the forex risk via investments in a basket of consumer stocks which are beneficiaries of a stronger Ringgit. Our outperformance was mitigated our exposure into construction and building material stocks which underperformed post the 14th General Election.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	30-Jun 2018 (%)	31-Dec 2017 (%)	Changes (%)
Quoted securities	73.10	83.16	(10.06)
Cash and other assets	26.90	16.84	10.06

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.

MARKET REVIEW

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 RM1.2bn 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.

2Q2018 has been another volatile period for investors, concerned by a possible full-blown trade war between the US and China and the repercussions on other exporting nations. However higher oil prices that saw crude oil prices breach USD70/bbl, helped provide support for Malaysia’s ringgit and equity market, that saw the KLCI just one point shy of all-time highs that was hit in 2014. This rally was short lived as markets corrected over rising US treasury yields and the sell-off in technology stocks due to the weaker outlook guided by major handset component manufacturers and Facebook’s scandal of not protecting personal data properly. Middle of the quarter saw domestic investors surprised by the unexpected 14th General Elections outcome. After 61 years of Barisan Nasional rule, Malaysia voted in a new government under the coalition of Pakatan Harapan (“PH”). The first two weeks post GE14 saw the swearing in of the new Prime Minister, Tun Mahathir, and then the subsequent swearing in of 12 cabinet ministers. May was a month of change for Malaysia, as the new government worked quickly to meet expectations as proposed in their 100-Day manifesto, starting with the announcement to set GST at 0% effective 1 June 2018 from the current 6%, and to prepare to roll out Sales and Services Tax by 1 September 2018. Construction stocks were sold down on concerns that the mega rail projects would be delayed, terminated or reduce in value. Emerging Markets Asia performed poorly towards the end of the 2Q2018, as investors became more risk averse, faced with trade war concerns, hawkish US Fed statements, and weaker China economic data together with a weakening yuan. Malaysia experienced significant net selling bringing 6M2018 foreign net selling to RM6.8b. The ringgit depreciated 4.3% q-o-q, however,

so has other emerging market currencies. During the month, the new Pakatan Harapan government announced the remaining cabinet line-up, a new Attorney General, and appointed a new BNM Governor.

The FBM KLCI closed the period under review at 1,691.5 points, declining 5.86%. In tandem with the FBM KLCI, the FBM Emas (“FBMEmas”) Index closed the period under review down by 7.58% while the MSCI Asia Pacific ex-Japan Index declined by 5.36% in USD terms.¹

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.

¹ Source: Bloomberg: World indices

EASTSPRING INVESTMENTS SMALL-CAP FUND

(Established in Malaysia)

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD 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 unaudited financial statements set out on pages 14 to 54, are drawn up in accordance with the provisions of the Master Deed and give a true and fair view of the state of affairs of Eastspring Investments Small-cap Fund as at 30 June 2018 and of its results, changes in net assets value and cash flows for the six months financial period ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds in Malaysia.

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 SMALL-CAP FUND

We have acted as Trustee for Eastspring Investments Small-cap Fund (the "Fund") for the financial period ended 30 June 2018. To the best of our knowledge, for the financial period under review, Eastspring Investments Berhad (the "Manager"), has operated and managed the Fund in accordance with the following:-

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

For Deutsche Trustees Malaysia Berhad

Wong Mun Loong

Manager, Trustee Operations

Richard Lim Hock Seng

Chief Executive Officer

Kuala Lumpur

Date: 17 August 2018

UNAUDITED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	2018	2017
		RM	RM
INVESTMENTS			
Quoted equities	4	496,513,309	503,115,624
Deposits with licensed financial institutions	5	175,700,000	168,160,000
		<u>672,213,309</u>	<u>671,275,624</u>
OTHER ASSETS			
Amount due from Manager		7,585,360	772,624
Other receivables	6	1,344,767	1,821,371
Tax recoverable		528	528
Bank balance with a licensed bank		112,190	368,085
		<u>9,042,845</u>	<u>2,962,608</u>
TOTAL ASSETS		<u>681,256,154</u>	<u>674,238,232</u>
LIABILITIES			
Amount due to Manager		1,032,259	909,514
Accrued management fee		828,270	833,460
Amount due to Trustee		44,174	44,451
Other payables and accrued expenses		34,024	99,664
		<u>1,938,727</u>	<u>1,887,089</u>
TOTAL LIABILITIES		<u>1,938,727</u>	<u>1,887,089</u>
NET ASSETS VALUE		<u>679,317,427</u>	<u>672,351,143</u>
REPRESENTED BY:			
Unit holders' capital		581,621,430	514,719,246
Undistributed income		97,695,997	157,631,897
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS		<u>679,317,427</u>	<u>672,351,143</u>
NUMBER OF UNITS IN CIRCULATION	7	<u>1,037,604,925</u>	<u>901,200,467</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT		<u>0.6547</u>	<u>0.7461</u>

The notes on pages 18 to 54 are an integral part of these unaudited financial statements.

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
		RM	RM
Dividend income		7,521,803	5,394,782
Interest income		1,986,576	2,431,981
Net realised gain on sale of investments		20,065,243	2,360,357
Net unrealised (loss)/gain from financial instruments at fair value through profit or loss		(94,401,811)	78,221,675
TOTAL (LOSS)/INCOME		(64,828,189)	88,408,795
Management fee	9	(4,530,662)	(4,311,044)
Trustee's fee	10	(241,635)	(229,922)
Auditors' remuneration		(2,976)	(2,976)
Tax agent's fee		(1,687)	(1,687)
Administrative expenses		(269,263)	(316,303)
Transaction cost		(804,536)	(626,711)
TOTAL OPERATING EXPENSES		(5,850,759)	(5,488,643)
NET (LOSS)/INCOME BEFORE TAX EXPENSE		(70,678,948)	82,920,152
Tax expense	11	(52,189)	(9,670)
NET (LOSS)/INCOME AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(70,731,137)	82,910,482
Net (loss)/income is made up as follows:			
Realised amount		23,670,674	4,688,807
Unrealised amount		(94,401,811)	78,221,675
		(70,731,137)	82,910,482

The notes on pages 18 to 54 are an integral part of these unaudited financial statements.

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS VALUE FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018

	Unit holders' capital	Undistributed income	Total
	RM	RM	RM
AT 1 JANUARY 2018	414,179,166	168,427,134	582,606,300
Movement in unit holders' contribution			
Creation of units	243,769,854	-	243,769,854
Cancellation of units	(76,327,590)	-	(76,327,590)
Total comprehensive loss for the period	-	(70,731,137)	(70,731,137)
AT 30 JUNE 2018	<u>581,621,430</u>	<u>97,695,997</u>	<u>679,317,427</u>
AT 1 JANUARY 2017	329,074,622	74,721,415	403,796,037
Movement in unit holders' contribution			
Creation of units	296,556,028	-	296,556,028
Cancellation of units	(110,911,404)	-	(110,911,404)
Total comprehensive income for the period	-	82,910,482	82,910,482
AT 30 JUNE 2017	<u>514,719,246</u>	<u>157,631,897</u>	<u>672,351,143</u>

The notes on pages 18 to 54 are an integral part of these unaudited financial statements.

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018

	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	102,918,139	55,681,164
Purchase of investments	(192,298,697)	(156,003,336)
Movement in deposits with licensed financial institutions	(75,050,000)	(88,320,000)
Dividends received	8,463,344	5,763,191
Interest received from deposits with licensed financial institutions	2,056,429	1,641,254
Payments for other fees and expenses	(5,816,843)	(5,109,986)
NET CASH USED IN OPERATING ACTIVITIES	<u>(159,727,628)</u>	<u>(186,347,713)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	236,197,548	297,605,952
Payments for cancellation of units	(76,179,017)	(110,398,229)
Distribution paid	(204,960)	(1,177,008)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>159,813,571</u>	<u>186,030,715</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	85,943	(316,998)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>26,247</u>	<u>685,083</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>112,190</u>	<u>368,085</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Bank balance with a licensed bank	<u>112,190</u>	<u>368,085</u>

The notes on pages 18 to 54 are an integral part of these unaudited financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018

1. INFORMATION ON THE FUND AND THE MANAGER

Eastspring Investments Small-cap Fund (the “Fund”) was constituted pursuant to the execution of a Master Deed dated 4 May 2001, a Supplemental Master Deed dated 26 May 2003, a Supplemental Master Deed dated 15 February 2006, a Master Supplemental Deed dated 25 July 2007, and a Second Supplemental Master Deed dated 30 November 2009 between BHLB Trustee Berhad (“BHLB Trustee”) and Eastspring Investments Berhad. The Fund replaced BHLB 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 BHLB Trustee to the Trustee, followed by the Second Supplemental Master Deed dated 28 January 2011, a Third Supplemental Master Deed dated 9 March 2011, a Fourth Supplemental Master Deed dated 20 January 2012, a Fifth Supplemental Master Deed dated 26 March 2014, a Sixth Supplemental Master Deed dated 2 January 2015, a Seventh Supplemental Master Deed dated 11 July 2016, an Eight 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 will invest principally in small market capitalisation companies. All investments will be subject to the Securities Commission’s (“SC”) Guidelines, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Fund commenced operations on 29 May 2001 and will continue its operations until terminated according to the conditions stated in Part 12 of the Deed.

The main objective of the Fund seeks to provide investors with maximum capital appreciation by investing principally in small market capitalisation companies which will appreciate in value.

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

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and Securities Commission’s Guidelines on Unit Trust Funds in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Fund:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Fund plans to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019 except for MFRS 16, Amendments to MFRS 3, Amendments to MFRS 11, Amendments to MFRS 112, Amendments to MFRS 123 and Amendments to MFRS 128 which are not applicable to the Fund.
- The Fund does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Fund.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Fund except as mentioned below:

i. MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

Based on the assessment, the Fund does not expect the application of MFRS 15 to have a significant impact on its financial statements.

ii. MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with three measurement categories - amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments as well as future economic conditions.

The Fund anticipates changes to the financial statements in the areas of classification and measurements for financial assets where financial assets held for trading are expected to be continued to be measured at FVTPL.

The expected changes above are not expected to have material impact on the assets value of the Fund.

iii. MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The expected changes above are not expected to have material financial impact on the Fund.

b. Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 (a)(ii).

c. Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

a. Financial instruments

i. Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii. Financial instrument categories and subsequent measurement

The Fund categorises financial instruments as follows:

Financial assets

a. Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b. Loans and receivables

Loans and receivables category are debt instruments that are not quoted in an active market that comprises deposits, bank balances and receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(c)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii. Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- a. the recognition of an asset to be received and the liability to pay for it on the trade date, and
- b. derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

iv. Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

b. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Fund in the management of their short term commitments.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 3 (a)(ii)(b).

c. Impairment

Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

d. Income recognition

Interest income is recognised as it accrues using the effective interest method in profit or loss.

Dividend income is recognised in profit or loss on the date that the Fund's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

The realised gain/(loss) on sale of investments is measured as the difference between the net disposal proceeds and the carrying amount of the investments.

e. Income tax

Income tax expense comprises current tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted by the end of reporting period, and any adjustment to tax payable in respect of previous financial periods.

f. Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the holder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the financial position date if the holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the holder's option at prices based on the Fund's net assets value per unit at the time of creation or cancellation. The Fund's net assets value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units. In accordance with the Securities Commission's Guidelines on Unit Trust Funds in Malaysia, investment positions are valued based on the last traded market price for the purpose of determining the net assets value per unit for creations and cancellations.

g. Proceeds and payments on creation and cancellation of units

The net assets value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as equity in the statement of financial position and are stated at fair value representing the price at which unit holders can redeem the units from the Fund.

h. Fair value measurements

Fair value of an asset or a liability is determined 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Fund recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. QUOTED EQUITIES

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	30.6.2018	value
			RM	%
2018				
Main Market				
<u>Construction</u>				
Advancecon Holdings Berhad	4,607,400	4,764,412	1,958,145	0.29
Kerjaya Prospek Group Berhad	18,263,820	16,154,692	27,395,729	4.03
Kerjaya Prospek Group Berhad - Warrant	2,352,630	-	705,789	0.10
Muhibbah Engineering (M) Bhd	3,776,200	9,257,561	11,328,599	1.67
Pintaras Jaya Bhd	902,000	2,921,901	2,354,220	0.35
Sunway Construction Group Berhad	8,995,600	17,094,744	16,282,036	2.40
WCT Holdings Berhad	6,281,000	10,424,313	5,087,610	0.75
	45,178,650	60,617,623	65,112,128	9.59
<u>Consumer</u>				
Cocoaland Holdings Berhad	5,121,400	10,892,167	11,574,364	1.70
Hong Leong Industries Berhad	1,669,500	17,442,341	18,965,520	2.79
Hup Seng Industries Berhad	7,119,600	7,967,322	7,617,972	1.12
Magni-Tech Industries Berhad	2,569,400	12,951,691	11,202,584	1.65
Oriental Food Industries Holdings Berhad	1,422,200	2,218,746	1,358,201	0.20
Salutica Berhad	8,135,600	7,702,096	4,718,648	0.69
Yoong Onn Corporation Berhad	4,110,200	5,470,390	4,891,138	0.72
	30,147,900	64,644,753	60,328,427	8.87

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2018	Percentage of net assets value
	Unit	RM	RM	%
2018 (continued)				
Main Market (continued)				
<u>Consumer Product</u>				
Carlsberg Brewery				
Malaysia Berhad	705,500	10,606,106	13,616,150	2.00
NTPM Holdings Berhad	9,917,100	7,693,176	5,206,478	0.77
Power Root Berhad	4,423,600	5,131,376	7,829,772	1.15
	15,046,200	23,430,658	26,652,400	3.92
<u>Finance</u>				
OSK Holdings Berhad	7,786,650	8,164,211	7,591,984	1.12
<u>Health Care</u>				
Kossan Rubber Industries Berhad				
	4,328,800	31,978,610	36,535,072	5.38

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	30.6.2018	value
			RM	%
2018 (continued)				
Main Market (continued)				
<u>Industrial Product</u> (continued)				
Ann Joo Resources Berhad	3,214,100	11,686,128	6,396,059	0.94
Cahaya Mata Sarawak Berhad	592,900	2,414,484	1,393,315	0.21
Chin Well Holdings Berhad	5,916,600	9,749,734	9,111,564	1.34
Comfort Gloves Berhad	10,359,900	9,678,887	8,287,920	1.22
Daibochi Plastic And Packaging Industry Berhad	4,922,500	10,418,117	10,337,250	1.52
Daibochi Plastic And Packaging Industry Berhad - Warrant	162,100	-	76,187	0.01
DRB-Hicom Berhad	2,970,100	6,135,041	5,821,396	0.86
Favelle Favco Berhad	1,109,400	3,397,103	2,773,500	0.41
Hume Industries Berhad	2,000,000	4,360,000	2,160,000	0.32
Lafarge Malaysia Berhad	1,440,300	6,192,926	4,464,930	0.66
Prestar Resources Berhad	1,057,300	1,460,871	877,559	0.13
Rohas Tecnic Bhd (Formely Known As Tecnic Group Berhad)	14,072,100	14,698,277	17,167,962	2.53
Scientex Berhad	1,632,700	9,702,315	11,771,767	1.73
SKP Resources Bhd	4,158,700	5,797,703	5,822,180	0.86
SLP Resources Berhad	4,716,000	9,019,122	3,961,440	0.58
Three-A Resources Berhad	16,915,875	18,560,750	15,900,923	2.34
Uchi Technologies Berhad	3,268,400	5,840,402	8,922,732	1.31
United U-Li Corporation Berhad	6,988,650	9,618,863	5,975,296	0.88
	85,497,625	138,730,723	121,221,980	17.85

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2018	Percentage of net assets value
	Unit	RM	RM	%
2018 (continued)				
Main Market (continued)				
<u>Infrastructure Project</u>				
<u>Company</u>				
Lingkar Trans Kota Holdings Berhad	1,000,000	5,139,400	4,230,000	0.62
<u>Manufacturing</u>				
MMS Ventures Berhad	285,600	413,438	371,280	0.05
Pecca Group Berhad	1,999,700	3,005,775	1,739,739	0.26
Success Transformer Corporation Berhad	3,644,600	2,865,441	3,025,018	0.45
	5,929,900	6,284,654	5,136,037	0.76
<u>Plantation</u>				
Sarawak Oil Palms Berhad	321,400	1,183,773	1,012,410	0.15
<u>Power/Utilities</u>				
Malakoff Corporation Berhad	2,042,800	1,828,306	1,685,310	0.25
<u>Properties</u>				
Eastern & Oriental Berhad	6,711,412	12,818,097	10,536,917	1.55
KSL Holdings Berhad	4,434,700	6,821,049	3,725,148	0.55
Matrix Concepts Holdings Berhad	3,524,571	5,843,570	7,013,896	1.03
MKH Berhad	6,141,200	14,585,417	8,597,680	1.27
	20,811,883	40,068,133	29,873,641	4.40
<u>REITS</u>				
KIP Real Estate Investment Trust	9,669,900	9,669,900	7,735,920	1.14
MRCB-Quill Reit	4,648,800	5,593,343	5,299,632	0.78
	14,318,700	15,263,243	13,035,552	1.92

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2018	Percentage of net assets value
	Unit	RM	RM	%
2018 (continued)				
Main Market (continued)				
<u>Technology</u>				
D & O Green				
Technologies Berhad	6,152,000	3,754,240	4,367,920	0.64
Elsoft Research Berhad	4,369,000	9,446,460	11,272,020	1.66
Inari Amertron Berhad	14,196,513	8,495,666	32,084,119	4.72
Pentamaster Corporation				
Berhad	4,126,000	9,089,474	10,108,700	1.49
Unisem (M) Berhad	6,462,100	20,338,346	14,927,451	2.20
Vitrox Corporation				
Berhad	1,568,600	8,254,214	8,752,788	1.29
	<u>36,874,213</u>	<u>59,378,400</u>	<u>81,512,998</u>	<u>12.00</u>
<u>Trading/Services</u>				
Berjaya Food Berhad	3,413,600	6,651,167	5,222,808	0.77
Bermaz Auto Berhad	4,786,740	8,733,405	10,530,828	1.55
Bumi Armada Berhad	4,291,700	3,073,899	3,090,024	0.45
MY E.G. Services Berhad	2,431,900	2,028,058	2,346,784	0.35
Pestech International				
Berhad	11,144,500	19,741,292	17,273,975	2.54
	<u>26,068,440</u>	<u>40,227,821</u>	<u>38,464,419</u>	<u>5.66</u>
<u>Transportation</u>				
Tiong Nam Logistics				
Holdings Berhad	4,205,052	6,617,581	4,120,951	0.61
TOTAL QUOTED EQUITIES	<u>299,558,213</u>	<u>503,557,889</u>	<u>496,513,309</u>	<u>73.10</u>

4. QUOTED EQUITIES

Name of counter	Quantity	Cost	Market value at 30.6.2017	Percentage of net assets value
	Unit	RM	RM	%
2017				
Main Market				
<u>Construction</u>				
Kerjaya Prospek Group Berhad	7,842,100	14,599,280	25,565,246	3.80
Muhibbah Engineering (M) Bhd	3,776,200	9,257,561	10,271,264	1.53
Pintaras Jaya Bhd	1,311,100	4,247,123	5,375,510	0.80
Sunway Construction Group Berhad	11,766,200	21,107,480	23,767,724	3.54
WCT Holdings Berhad	205,739	361,965	423,822	0.06
	<u>24,901,339</u>	<u>49,573,409</u>	<u>65,403,566</u>	<u>9.73</u>
<u>Consumer</u>				
Cocoaland Holdings Berhad	5,121,400	10,892,167	15,620,270	2.32
Hup Seng Industries Berhad	7,119,600	7,967,322	8,614,716	1.28
IQ Group Holdings Berhad	669,900	1,950,757	2,847,075	0.42
Magni-Tech Industries Berhad	1,969,400	8,601,691	14,868,970	2.21
Oriental Food Industries Holdings Berhad	4,496,500	7,014,900	7,239,365	1.08
Salutica Berhad	8,235,600	7,796,768	12,765,180	1.90
Yoong Onn Corporation Berhad	2,935,700	3,960,897	3,963,195	0.59
	<u>30,548,100</u>	<u>48,184,502</u>	<u>65,918,771</u>	<u>9.80</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	30.6.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Consumer Product</u>				
Asia File Corporation Bhd	2,874,720	11,141,198	9,199,104	1.37
NTPM Holdings Berhad	7,429,600	6,166,745	5,943,680	0.88
Power Root Berhad	22,100	45,805	52,819	0.01
Tan Chong Motor Holdings Berhad	3,723,500	6,931,604	6,776,770	1.01
	14,049,920	24,285,352	21,972,373	3.27
<u>Finance</u>				
Allianz Malaysia Berhad	1,350,000	13,882,981	17,415,000	2.59
OSK Holdings Berhad	5,191,100	8,164,211	8,409,582	1.25
Tune Protect Group Berhad	4,360,600	7,317,524	5,407,144	0.80
	10,901,700	29,364,716	31,231,726	4.64

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2017	Percentage of net assets value
	Unit	RM	RM	%
2017 (continued)				
Main Market (continued)				
<u>Industrial Product</u>				
Chin Well Holdings Berhad	5,916,600	9,749,734	10,590,714	1.58
Daibochi Plastic and Packaging Industry Berhad	2,496,600	4,923,540	5,767,146	0.86
Daibochi Plastic and Packaging Industry Berhad - Warrant	208,050	-	125,870	0.02
Favelle Favco Berhad	1,109,400	3,397,103	3,150,696	0.47
Kian Joo Can Factory Bhd	1,376,400	4,013,919	4,046,616	0.60
Rohas Tecnic Bhd	12,170,800	11,800,672	13,266,172	1.97
Scientex Berhad	1,698,200	10,051,109	14,944,160	2.22
SKP Resources Bhd	3,360,600	4,577,202	4,402,386	0.65
SLP Resources Bhd	1,160,800	2,649,962	2,797,528	0.42
TA Ann Holdings Berhad	441,600	1,641,790	1,563,264	0.23
Three-A Resources Berhad	16,915,875	18,560,750	22,159,796	3.30
Uchi Technologies Berhad	3,581,900	6,025,696	6,626,515	0.99
United U-Li Corporation Berhad	3,917,200	6,457,788	16,217,208	2.41
	54,354,025	83,849,265	105,658,071	15.72
<u>Infrastructure Project Company</u>				
Lingkar Trans Kota Holdings Berhad	915,300	3,812,423	5,391,117	0.80

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	30.6.2017	value
			RM	%
2017 (continued)				
Main Market (continued)				
<u>Manufacturing</u>				
Evergreen Fibreboard Berhad	6,082,750	7,375,390	5,109,510	0.76
Pecca Group Berhad	1,999,700	3,005,775	3,219,517	0.48
Success Transformer Corporation Berhad	2,157,300	3,339,054	7,787,853	1.16
	<u>10,239,750</u>	<u>13,720,219</u>	<u>16,116,880</u>	<u>2.40</u>
<u>Properties</u>				
Eastern & Oriental Berhad	6,711,412	12,818,097	11,409,401	1.70
KSL Holdings Berhad	4,731,601	7,277,715	5,819,869	0.87
Malton Berhad	2,068,200	1,740,744	2,854,116	0.42
Matrix Concepts Holdings Berhad	2,870,217	5,948,354	7,864,395	1.17
MKH Berhad	6,141,200	14,585,417	14,493,232	2.16
Sentoria Group Berhad	3,500,000	3,510,535	3,045,000	0.45
	<u>26,022,630</u>	<u>45,880,862</u>	<u>45,486,013</u>	<u>6.77</u>
<u>REITS</u>				
KIP Real Estate Investment Trust	9,669,900	9,669,900	8,896,308	1.32
MRCB-Quill Reit	4,648,800	5,593,343	6,089,928	0.91
	<u>14,318,700</u>	<u>15,263,243</u>	<u>14,986,236</u>	<u>2.23</u>

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2017	Percentage of net assets value
	Unit	RM	RM	%
2017 (continued)				
Main Market (continued)				
<u>Technology</u>				
Elsoft Research Berhad	2,684,600	2,972,627	6,711,500	1.00
Globetronics Technology Berhad	81,100	476,852	493,899	0.07
Inari Amertron Berhad	9,464,342	8,495,666	19,969,762	2.97
Notion VTec Berhad	10,166,600	11,442,865	11,589,924	1.72
Pentamaster Corporation Berhad	3,029,900	7,636,874	11,392,424	1.70
Unisem (M) Berhad	1,813,700	4,312,022	6,493,046	0.97
Vitrox Corporation Berhad	986,700	3,741,599	7,952,802	1.18
	28,226,942	39,078,505	64,603,357	9.61
<u>Trading/Services</u>				
Berjaya Food Berhad	3,290,000	6,476,965	5,264,000	0.78
Bermaz Auto Berhad	6,430,340	11,732,153	12,924,983	1.92
Chin Hin Group Berhad	2,887,900	2,357,290	3,754,270	0.56
Cypark Resources Berhad	1,215,200	2,907,021	3,268,888	0.49
HSS Engineers Berhad	230,000	188,600	212,750	0.03
Malaysia Marine And Heavy Engineering Holdings Berhad	1,519,600	1,557,947	1,223,278	0.18
Media Prima Berhad	4,735,800	5,401,880	4,451,652	0.66
Oldtown Berhad	7,152,700	11,447,046	20,599,776	3.06
Pantech Group Holdings Berhad	2,334,454	1,396,086	1,353,983	0.20
Pantech Group Holdings Berhad - Warrant	267,796	-	61,593	0.01
Suria Capital Holdings Berhad	1,277,100	3,605,046	2,618,055	0.39
	31,340,890	47,070,034	55,733,228	8.28

4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2017	Percentage of net assets value
	Unit	RM	RM	%
2017 (continued)				
Main Market (continued)				
<u>Transportation</u>				
Tiong Nam Logistics Holdings Berhad	4,122,600	6,617,581	7,338,228	1.09
Xin Hwa Holdings Berhad	2,776,320	1,921,515	3,276,058	0.49
	<u>6,898,920</u>	<u>8,539,096</u>	<u>10,614,286</u>	<u>1.58</u>
TOTAL QUOTED EQUITIES	<u>252,718,216</u>	<u>408,621,626</u>	<u>503,115,624</u>	<u>74.83</u>

5. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2018	2017
	RM	RM
Deposits with licensed financial institutions	175,700,000	168,160,000

6. OTHER RECEIVABLES

	2018	2017
	RM	RM
Dividend receivables	1,003,271	961,074
Interest receivables	341,496	860,297
	<u>1,344,767</u>	<u>1,821,371</u>

7. NUMBER OF UNITS IN CIRCULATION

	2018	2017
	No. of units	No. of units
As at 1 January	790,705,638	633,802,722
Add: Creation of units	358,718,922	421,733,764
Less: Cancellation of units	(111,819,635)	(154,336,019)
At 30 June	<u>1,037,604,925</u>	<u>901,200,467</u>

8. FINANCIAL INSTRUMENTS

8.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (“L&R”);
- (b) Fair value through profit or loss (“FVTPL”):
 - Held for trading (“HFT”); and
- (c) Financial liabilities measured at amortised cost (“FL”).

	Carrying amount	L&R/ (FL)	FVTPL/ HFT
	RM	RM	RM
2018			
Financial assets			
Investments	672,213,309	175,700,000	496,513,309
Amount due from Manager	7,585,360	7,585,360	-
Other receivables	1,344,767	1,344,767	-
Bank balance with a licensed bank	112,190	112,190	-
	681,255,626	184,742,317	496,513,309
2018			
Financial liabilities			
Amount due to Manager	(1,032,259)	(1,032,259)	-
Accrued management fee	(828,270)	(828,270)	-
Amount due to Trustee	(44,174)	(44,174)	-
Other payables and accrued expenses	(34,024)	(34,024)	-
	(1,938,727)	(1,938,727)	-

	Carrying amount	L&R/ (FL)	FVTPL/ HFT
	RM	RM	RM
2017			
Financial assets			
Investments	671,275,624	168,160,000	503,115,624
Amount due from Manager	772,624	772,624	-
Other receivables	1,821,371	1,821,371	-
Bank balance with a licensed bank	368,085	368,085	-
	<u>674,237,704</u>	<u>171,122,080</u>	<u>503,115,624</u>
2017			
Financial liabilities			
Amount due to Manager	(909,514)	(909,514)	-
Accrued management fee	(833,460)	(833,460)	-
Amount due to Trustee	(44,451)	(44,451)	-
Other payables and accrued expenses	(99,664)	(99,664)	-
	<u>(1,887,089)</u>	<u>(1,887,089)</u>	<u>-</u>

8.2 Net gains and losses arising from financial instruments

	2018	2017
	RM	RM
Net (loss)/gains arising on:		
Fair value through profit or loss:		
Held for trading - unrealised	(94,401,811)	78,221,675
- realised	27,587,046	7,755,139
Loans and receivables	1,986,576	2,431,981
	<u>(64,828,189)</u>	<u>88,408,795</u>

8.3 Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Investment risk
- Credit risk
- Liquidity risk
- Market risk
- Management company risk

8.4 Investment risk

Investments are bound by the provisions of the Master Deeds and prospectuses that govern the maximum securities holdings and maximum liquid assets holdings.

Investment risks for equity funds consist primarily of market risk, specific stock risk and liquidity risk. The mechanism employed to control investment risk for equity funds is by placing acceptable stock and sector bet limits.

Risk management objectives, policies and processes for managing the risk

The Manager has written policies and guidelines on risk management, which set out the overall investment risks strategies and general risk management philosophies. These processes monitor, measure and control risks associated with the business. Matters relating to investment risks in respect of funds portfolio are discussed during the monthly Investment Committee meetings of the Manager.

8.5 Credit risk

Credit risk is the risk of a financial loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund's exposure to credit risk arises principally from amount due from stockbrokers, amount due from Manager, other receivables and bank balances/deposits.

The Fund's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

No financial assets carried at amortised cost were past due or impaired as at date of the statement of financial position.

8.6 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. This may come about when realisation of units is in excess of normal amounts.

The Fund's exposure to liquidity risk arises principally from its amount due to Manager, amount due to Trustee, accrued management fee and, other payables and accrued expenses.

The extent of exposure to this risk is contained in provisions set out in the prospectus, which allows the Manager to extend the payment period in the event of excessive redemptions. The Fund maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

8.7 Market risk

Market risk is the risk that changes in market prices, such as interest rates and other prices will affect the Fund's financial position or cash flows.

Risk management objectives, policies and processes for managing the risk

In order to mitigate risks related to changes and developments in regulations, politics, technology and the economy of the country, the Fund would generally hold a diversified portfolio of securities from different market sectors as well as placement in short term deposits with various financial institutions to offset negative events affecting any market sector or financial institution.

8.7.1 Interest rate risk

The Fund's placement in fixed rate deposits are exposed to a risk of change in their fair value due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Fund's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2018	2017
	RM	RM
<u>Fixed rate instruments</u>		
Deposits with licensed financial institutions	175,700,000	168,160,000

Interest rate risk sensitivity analysisFair value sensitivity analysis for fixed rate instruments

The Fund accounts for the deposits with licensed financial institutions at amortised cost. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

The effective interest rates for the fixed rate instruments are as follows:

	2018	2017
	%	%
Deposits with licensed financial institutions*	3.75	3.94

* Deposits with licensed financial institutions will mature within one year from the date of the statement of financial position.

8.7.2 Other price risk

Equity price risk arises from the Fund's investments in equity securities.

Equity price risk sensitivity analysis

A 10% (2017: 10%) strengthening in the quoted equity's market prices of the Fund's portfolio at the end of the reporting period would

have increased equity and profit or loss by RM49,651,330 (2017: RM50,311,562). A weakening in the quoted equity's market prices would have had equal but opposite effect on equity and profit or loss respectively.

8.8 Effective interest rates and maturity dates

The effective interest rates and the maturity dates of the financial instruments of the Fund are disclosed in Note 8.7.1.

8.9 Management company risk

The Fund's Trustee ensures that the Manager operates and administers the Fund in accordance with the provisions of the Master Deeds, prospectuses, the Securities Commission Guidelines and Regulations and within acceptable business practices. The Manager's internal Compliance unit plays a complementary role to the Trustee to ensure compliance within the organisation with all relevant legislations and to supervise the monitoring of all prescribed limits to ensure compliance with securities related legislation.

8.10 Fair value information

The carrying amounts of cash and cash equivalents, demand deposits, receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

The fair values of quoted equities, together with the carrying amounts shown in the statement of financial position, are already disclosed in Note 4.

The following summarises the methods used in determining the fair value of financial instruments:

Quoted equities

Quoted equities in Malaysia are valued at the last bid price quoted on the Bursa Malaysia at the date of the statement of financial position, in accordance with the Master Deed. Unrealised gain or loss is taken to the statement of profit or loss and other comprehensive income.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2			Level 3	Total
	RM	RM	RM	RM	RM	RM			RM	RM
2018										
Financial assets										
Quoted equities	496,513,309	-	-	496,513,309	-	-	-	496,513,309		
2017										
Financial assets										
Quoted equities	503,115,624	-	-	503,115,624	-	-	-	503,115,624		

8.10.1 Fair value hierarchy

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial period. (2017: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

9. MANAGEMENT FEE

The Deed provides that the Manager is entitled to a management fee at a rate not exceeding 3.00% (2017: 3.00%) per annum of the Net Assets Value of the Fund, calculated on a daily basis.

The Manager is currently entitled to a management fee at a rate of 1.50% (2017: 1.50%) per annum of the Net Assets Value of the Fund, calculated on a daily basis.

10. TRUSTEE'S FEE

The Deed provides that the Trustee is entitled to a fee at a rate not exceeding 0.20% (2017: 0.20%) per annum of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM35,000 per annum.

The Trustee is currently entitled to a fee at a rate of 0.08% (2017: 0.08%) per annum of the Net Assets Value of the Fund, calculated on a daily basis and subject to a minimum of RM35,000 per annum.

11. TAX EXPENSE

	Note	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
		RM	RM
Current tax expense		52,189	9,670
Reconciliation of tax expense			
Net (loss)/income before tax		(70,678,948)	82,920,152
Income tax using Malaysian tax rate of 24%		(16,962,947)	19,900,836
Non-assessable (loss)/income	11.1	15,684,018	(21,194,903)
Non-deductible expenses		316,109	281,910
Restriction on the tax deductible expenses for unit trust funds		1,088,073	1,035,365
Income subject to different tax rate		(73,064)	(13,538)
Tax expense		52,189	9,670

11.1 Non-assessable income

Income from deposits placement is exempted from tax in accordance with Schedule 6, Para 35A of the Income Tax Act (ITA), 1967. Pursuant to Section 61(1)(b) of the ITA, 1967, gains from realisation of investments will not be treated as income of the Fund and hence are not subject to income tax. In accordance with Sections 61 and 63B of the ITA, 1967, interest income and gains on sale of investments are exempted from tax.

12. UNITS HELD BY THE MANAGER

Units held at the end of the financial period

	2018	2017
	No. of units	No. of units
Manager		
Eastspring Investments Berhad	5,655	5,375

The above units were transacted at the prevailing market prices on the transaction dates. The units are held beneficially by the Manager for bookings purpose. Other than the above, there were no units held by the Directors or parties related to the Manager.

13. STOCKBROKERS' TRANSACTIONS

The details of transactions with the top 10 brokers by value of trades are as follows:

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>Financial period ended</u>				
<u>30 June 2018</u>				
CLSA Securities Malaysia Sdn. Bhd.	34,328,683	12.02	90,159	12.65
RHB Investment Bank Berhad	30,630,032	10.73	108,662	15.25
Hong Leong Investment Bank Berhad	28,509,657	9.99	63,891	8.97
Kenanga Investment Bank Berhad	26,869,051	9.41	60,301	8.46
Credit Suisse Securities (Malaysia) Sdn. Bhd.	26,524,742	9.29	70,057	9.83
Nomura Securities Malaysia Sdn Bhd	20,492,736	7.18	53,758	7.54
Maybank Investment Bank Berhad	18,297,493	6.41	48,338	6.78
CIMB Investment Bank Berhad	17,699,451	6.20	46,653	6.55
KAF Seagroatt & Campbell Securities Sdn Bhd	15,763,522	5.52	41,768	5.86
Affin Hwang Investment Bank Berhad	12,461,200	4.36	33,022	4.63
Others	53,923,407	18.89	96,043	13.48
	<u>285,499,974</u>	<u>100.00</u>	<u>712,652</u>	<u>100.00</u>

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>Financial period ended</u>				
<u>30 June 2017</u>				
Maybank Investment Bank Berhad	34,078,473	16.33	103,465	16.51
CIMB Investment Bank Berhad	25,672,738	12.30	71,871	11.47
Kenanga Investment Bank Berhad	22,281,623	10.68	45,788	7.31
UOB Kay Hian Securities (M) Sdn Bhd	20,098,806	9.63	63,343	10.11
KAF Seagroatt & Campbell Securities Sdn Bhd	15,836,093	7.59	47,833	7.63
RHB Investment Bank Berhad	14,518,221	6.96	44,205	7.05
Affin Hwang Investment Bank Berhad	11,885,668	5.69	37,587	6.00
Nomura Securities Malaysia Sdn Bhd	10,571,462	5.06	34,212	5.46
Hong Leong Investment Bank Berhad	8,326,897	3.99	25,936	4.14
Credit Suisse Securities (Malaysia) Sdn Bhd	8,083,938	3.87	25,817	4.12
Others	37,349,223	17.90	126,654	20.20
	<u>208,703,142</u>	<u>100.00</u>	<u>626,711</u>	<u>100.00</u>

All brokers highlighted above are not related to the Manager.

14. MANAGEMENT EXPENSE RATIO (“MER”)

	2018	2017
	%	%
MER	0.83	0.84

MER includes management fee, trustee’s fee, auditor’s remuneration, tax agent’s fees and administrative expenses which is calculated as follows:

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

A = Management fee

B = Trustee’s fee

C = Auditor’s remuneration

D = Tax agent’s fees

E = Administrative expenses (excluding transaction cost)

F = Average Net Assets Value of the Fund calculated on a daily basis

The average Net Assets Value of the Fund for the financial period is RM609,066,837 (2017: RM579,542,844).

15. PORTFOLIO TURNOVER RATIO (“PTR”)

	2018	2017
PTR (times)	0.23	0.18

PTR is derived from the following calculation:

$$\frac{\text{(Total acquisitions + total disposals for the financial period)}/2}{\text{Average Net Asset Value of the Fund for the financial period calculated on a daily basis}}$$

	2018	2017
	RM	RM

Where:

Total acquisitions for the financial period	185,917,183	153,162,941
Total disposals for the financial period	99,582,791	55,540,201

CORPORATE DIRECTORY

THE MANAGER

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