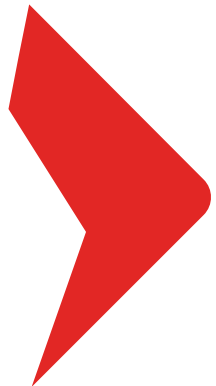


# EASTSPRING INVESTMENTS GROWTH FUND

## 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](http://www.eastspringinvestments.com.my)

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

Yours sincerely,

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

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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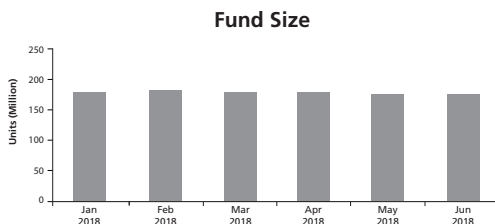
## FUND INFORMATION

<b>Name of Fund</b>	Eastspring Investments Growth Fund (the "Fund")
<b>Fund Category/ Type</b>	Equity/growth
<b>Fund Objective</b>	<p>The Fund seeks to provide investors with long-term capital appreciation by investing principally* in larger companies** which will appreciate in value.</p> <p>* principally refers to minimum 50% of the Fund's NAV.  ** larger companies generally refers to companies with market capitalisation of RM2 billion or above at the point of acquisition.</p> <p><b>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</b></p>
<b>Performance Benchmark</b>	<p>The performance benchmark of the Fund is FTSE Bursa Malaysia 100 Index ("FBM100").</p> <p><b>Source:</b> <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a></p> <p><b>Note:</b> The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
<b>Fund Income Distribution Policy</b>	Incidental

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 30 June 2018, the size of Eastspring Investments Growth Fund stood at 175.730 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	1,093	20.99	3,352	1.91
5,001 to 10,000 units	1,024	19.67	7,314	4.16
10,001 to 50,000 units	2,384	45.78	54,433	30.97
50,001 to 500,000 units	688	13.21	71,622	40.76
500,001 units and above	18	0.35	39,006	22.20
<b>Total</b>	<b>5,207</b>	<b>100.00</b>	<b>175,727</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL PERIOD ENDED

Category	30.6.2018	30.6.2017	30.6.2016
	(%)	(%)	(%)
<b>Quoted securities</b>			
Construction	4.99	4.83	2.08
Consumer	-	1.46	2.46
Consumer Product	-	-	0.98
Finance	29.45	1.94	4.19
Health Care	3.80	19.19	23.11
Industrial Product	8.20	3.14	4.56
Infrastructure Project Company	2.39	-	2.05
Manufacturing	0.92	1.54	1.88
Plantation	2.04	-	2.56
Properties	9.96	12.46	9.24
REITS	1.43	1.49	-
Technology	7.36	19.21	14.16
Trading/Services	21.18	23.92	11.47
	91.72	89.18	78.74
Cash and other assets	8.28	10.82	21.26
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## KEY PERFORMANCE DATA (CONTINUED)

Category	30.6.2018	30.6.2017	30.6.2016
Net Asset Value (NAV) (RM'000)	118,202	130,604	115,244
Units In Circulation (Units '000)	175,730	175,692	177,645
Net Asset Value Per Unit (RM)	0.6726	0.7434	0.6487
Highest Net Asset Value Per Unit (RM)	0.8192	0.7665	0.6836
Lowest Net Asset Value Per Unit (RM)	0.6641	0.6707	0.6380
Total Return (%)			
- Capital Growth	(12.15)	10.96	(4.95)
- Income Distribution	-	-	-
Total Return (%)	(12.15)	10.96	(4.95)
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.84	0.84	0.84
Portfolio Turnover Ratio (PTR) (times)^	0.64	0.15	0.42

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

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

## KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.7.2017 to 30.6.2018	3 years 1.7.2015 to 30.6.2018	5 years 1.7.2013 to 30.6.2018
	(%)	(%)	(%)

Average total return	(4.84)	2.25	4.73
----------------------	--------	------	------

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	20.18	(1.83)	5.67	3.80	20.72

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

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

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

NAV<sub>t</sub> = NAV at the end of the period

NAV<sub>0</sub> = 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.**



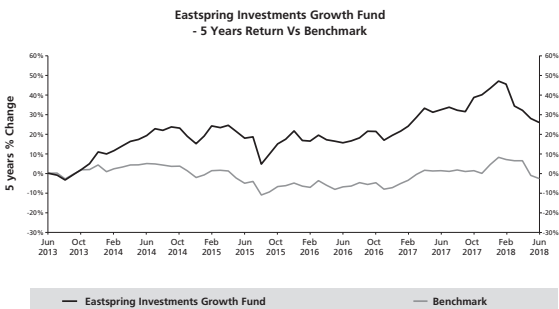
# MANAGER'S REPORT

## Fund Performance

Over the 5-year period, the Fund recorded a return of 26.01%, outperforming the benchmark return of -2.67% by 28.68%.

During the period under review, the Fund registered a return of -12.15%, underperforming the benchmark return of -6.79% by -5.36%.

Underperformance during the period was mainly due to underweight in the banking sector and hurt by exposure in the construction space.



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

**Benchmark:** FTSE Bursa Malaysia 100 Index ("FBM100")

**Source:** Lipper for Investment Management and [www.bursamalaysia.com](http://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:

<b>Income Return</b>	<b>Capital Return*</b>	<b>Total Return</b>	<b>Total Return of Benchmark</b>
<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
0.00	(12.15)	(12.15)	(6.79)

\* 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

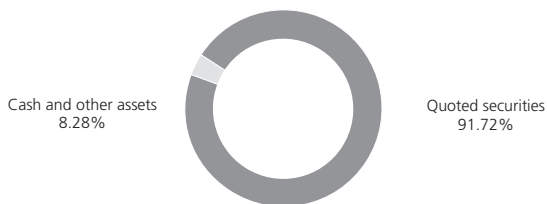
The Fund was skewed towards technology stocks and construction names at the start of the year. As Ringgit started to strengthen and more concerns arose surrounding the trade war between US and China, we reduce our overweight in technology. We rotated into banking stocks to reduce underweight in the sector. The Fund trimmed holdings in stocks that underperformed and adopted a more defensive stance after the 14<sup>th</sup> General Election.

## MANAGER'S REPORT (CONTINUED)

### Asset Allocation

Asset Allocation	30-Jun 2018 (%)	31-Dec 2017 (%)	Changes (%)
Quoted securities	91.72	96.79	(5.07)
Cash and other assets	8.28	3.21	5.07

### 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 14<sup>th</sup> 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.<sup>1</sup>

## REBATES AND SOFT COMMISSIONS

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

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

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

# EASTSPRING INVESTMENTS GROWTH 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 51, 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 Growth 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 GROWTH FUND

We have acted as Trustee for Eastspring Investments Growth 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
<b>INVESTMENTS</b>			
Quoted equities	4	108,392,346	116,498,101
Deposits with a licensed financial institution	5	9,360,000	14,350,000
		<u>117,752,346</u>	<u>130,848,101</u>
<b>OTHER ASSETS</b>			
Amount due from Manager		298,394	91,716
Other receivables	6	418,549	189,198
Tax recoverable		164,101	164,101
Bank balance with a licensed bank		47,055	92,425
		<u>928,099</u>	<u>537,440</u>
<b>TOTAL ASSETS</b>		<u>118,680,445</u>	<u>131,385,541</u>
<b>LIABILITIES</b>			
Amount due to Manager		293,153	558,661
Accrued management fee		149,137	162,060
Amount due to Trustee		7,954	8,643
Other payables and accrued expenses		27,753	52,399
		<u>477,997</u>	<u>781,763</u>
<b>TOTAL LIABILITIES</b>		<u>477,997</u>	<u>781,763</u>
<b>NET ASSETS VALUE</b>		<u>118,202,448</u>	<u>130,603,778</u>
<b>REPRESENTED BY:</b>			
Unit holders' capital		6,190,039	5,640,651
Undistributed income		112,012,409	124,963,127
		<u>118,202,448</u>	<u>130,603,778</u>
<b>NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>118,202,448</u>	<u>130,603,778</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	7	<u>175,729,712</u>	<u>175,692,187</u>
<b>NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT</b>		<u>0.6726</u>	<u>0.7434</u>

The notes on pages 18 to 51 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		1,472,043	1,045,790
Interest income		229,922	132,590
Net realised gain/(loss) on sale of investments		14,021,697	(2,713,385)
Net unrealised (loss)/gain from financial instruments at fair value through profit or loss		(31,175,363)	14,954,942
<b>TOTAL (LOSS)/INCOME</b>		<u>(15,451,701)</u>	<u>13,419,937</u>
Management fee	9	(980,972)	(917,396)
Trustee's fee	10	(52,318)	(48,928)
Auditors' remuneration		(2,976)	(2,976)
Tax agent's fee		(1,687)	(1,687)
Administrative expenses		(74,955)	(69,221)
Transaction cost		(494,784)	(115,853)
<b>TOTAL OPERATING EXPENSES</b>		<u>(1,607,692)</u>	<u>(1,156,061)</u>
<b>NET (LOSS)/INCOME BEFORE TAX EXPENSE</b>		(17,059,393)	12,263,876
Tax expense	11	(7,273)	(2,108)
<b>NET (LOSS)/INCOME AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<u>(17,066,666)</u>	<u>12,261,768</u>
Net (loss)/income is made up as follows:			
Realised amount		14,108,697	(2,693,174)
Unrealised amount		(31,175,363)	14,954,942
		<u>(17,066,666)</u>	<u>12,261,768</u>

The notes on pages 18 to 51 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
<b>AT 1 JANUARY 2018</b>	1,756,602	129,079,075	130,835,677
Movement in unit holders' contribution			
Creation of units from applications	19,459,141	-	19,459,141
Cancellation of units	(15,025,704)	-	(15,025,704)
Total comprehensive loss for the period	-	(17,066,666)	(17,066,666)
<b>AT 30 JUNE 2018</b>	<u>6,190,039</u>	<u>112,012,409</u>	<u>118,202,448</u>
<b>AT 1 JANUARY 2017</b>	709,518	112,701,359	113,410,877
Movement in unit holders' contribution			
Creation of units from applications	14,834,708	-	14,834,708
Cancellation of units	(9,903,575)	-	(9,903,575)
Total comprehensive income for the period	-	12,261,768	12,261,768
<b>AT 30 JUNE 2017</b>	<u>5,640,651</u>	<u>124,963,127</u>	<u>130,603,778</u>

The notes on pages 18 to 51 are an integral part of these unaudited financial statements.

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018

	<b>1.1.2018 to 30.6.2018</b>	<b>1.1.2017 to 30.6.2017</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of investments	85,229,221	21,313,559
Purchase of investments	(84,145,937)	(16,008,629)
Movement in deposits with financial institutions	(5,770,000)	(10,870,000)
Dividends received	1,321,908	1,210,127
Interest received	229,177	131,859
Payment for other fees and expenses	(1,638,929)	(1,131,125)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(4,774,560)</u>	<u>(5,354,209)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	19,288,870	14,777,189
Payments for cancellation of units	(14,989,559)	(9,355,552)
Distribution paid	(44,007)	-
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<u>4,255,304</u>	<u>5,421,637</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(519,256)	67,428
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<u>566,311</u>	<u>24,997</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<u>47,055</u>	<u>92,425</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Bank balance in a licensed bank	<u>47,055</u>	<u>92,425</u>

The notes on pages 18 to 51 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 Growth 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 a diversified portfolio of equity and equity-related securities of undervalued companies which have good growth potential. 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 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 long term capital appreciation by investing principally in larger 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 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, except for share-based payment and lease transactions, 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 value at 30.6.2018	Percentage of net assets value
	Unit	RM	RM	%
<b>2018</b>				
<b>Main Market</b>				
<u>Construction</u>				
IJM Corporation Berhad	485,000	1,250,621	868,150	0.73
Malaysian Resources Corporation Berhad	1,500,000	1,542,509	900,000	0.76
Malaysian Resources Corporation Berhad - Warrant	150,001	-	31,500	0.03
MGB Bhd	4,415,200	3,311,400	4,106,136	3.47
	6,550,201	6,104,530	5,905,786	4.99
<u>Finance</u>				
Bursa Malaysia Berhad	120,000	943,524	882,000	0.75
CIMB Group Holdings Berhad	1,761,250	11,949,012	9,598,813	8.12
Hong Leong Bank Berhad	75,100	1,344,666	1,366,820	1.16
Malayan Banking Berhad	1,010,800	10,027,617	9,097,200	7.70
Public Bank Berhad	480,000	11,548,122	11,212,799	9.49
RHB Bank Berhad	60,500	313,390	330,330	0.28
Syarikat Takaful Malaysia Berhad	585,200	2,392,204	2,305,688	1.95
	4,092,850	38,518,535	34,793,650	29.45
<u>Health Care</u>				
Kossan Rubber Industries Berhad	149,800	939,454	1,264,312	1.07
Top Glove Corporation Bhd	265,400	1,259,865	3,221,956	2.73
	415,200	2,199,319	4,486,268	3.80



## 4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	30.6.2018	value
			RM	%
<b>2018</b> (continued)				
<b>Main Market</b> (continued)				
<u>Industrial Product</u>				
Cahaya Mata Sarawak Berhad	200,400	859,162	470,940	0.40
DRB-Hicom Berhad	540,000	1,025,622	1,058,400	0.90
Lotte Chemical Titan Holding Berhad	240,000	1,248,168	1,188,000	1.01
Petronas Chemicals Group Berhad	690,000	5,848,164	5,802,900	4.91
Petronas Gas Berhad	67,000	1,231,701	1,159,100	0.98
	<u>1,737,400</u>	<u>10,212,817</u>	<u>9,679,340</u>	<u>8.20</u>
<u>Infrastructure Project</u>				
<u>Company</u>				
Digi.Com Berhad	<u>680,000</u>	<u>3,095,768</u>	<u>2,822,000</u>	<u>2.39</u>
<u>Manufacturing</u>				
Pecca Group Berhad	<u>1,252,100</u>	<u>1,990,081</u>	<u>1,089,327</u>	<u>0.92</u>
<u>Plantation</u>				
IOI Corporation Berhad	<u>530,000</u>	<u>2,456,497</u>	<u>2,406,200</u>	<u>2.04</u>

## 4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2018	Percentage of net assets value
	Unit	RM	RM	%
<b>2018</b> (continued)				
<b>Main Market</b> (continued)				
<u>Properties</u>				
LBS Bina Group Berhad	6,268,580	4,226,633	5,485,008	4.64
LBS Bina Group Berhad - Preference Share	584,380	642,818	584,380	0.49
S P Setia Berhad	673,260	2,059,737	2,087,106	1.77
Sentoria Group Berhad	2,427,100	2,169,495	1,359,176	1.15
Sentoria Group Berhad - Warrant	1,010,600	252,650	176,855	0.15
Sunway Berhad	400,000	603,520	620,000	0.52
UEM Sunrise Berhad	2,068,700	2,385,941	1,468,777	1.24
	13,432,620	12,340,794	11,781,302	9.96
<u>REITS</u>				
KIP Real Estate Investment Trust	2,108,200	2,108,200	1,686,560	1.43
<u>Technology</u>				
Inari Amertron Berhad	1,764,508	1,328,457	3,987,788	3.37
Unisem (M) Berhad	1,155,400	2,081,754	2,668,974	2.26
Vitrox Corporation Berhad	366,900	496,582	2,047,302	1.73
	3,286,808	3,906,793	8,704,064	7.36

## 4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market	Percentage
			value at	of net assets
	Unit	RM	30.6.2018	value
			RM	%
<b>2018</b> (continued)				
<b>Main Market</b> (continued)				
<u>Trading/Services</u>				
Airasia Group Berhad	480,000	1,807,872	1,435,200	1.21
Dialog Group Berhad	1,290,300	2,522,808	3,987,027	3.37
Genting Berhad	371,600	3,302,886	3,125,156	2.64
Genting Malaysia Berhad	475,000	2,412,763	2,318,000	1.96
Petronas Dagangan Berhad	50,000	1,255,990	1,240,000	1.05
Telekom Malaysia Berhad	249,000	1,555,697	774,390	0.66
Tenaga Nasional Berhad	770,000	12,228,524	11,272,800	9.54
Uzma Berhad	819,700	1,749,703	885,276	0.75
	<u>4,505,600</u>	<u>26,836,243</u>	<u>25,037,849</u>	<u>21.18</u>
<b>TOTAL QUOTED EQUITIES</b>	<u>38,590,979</u>	<u>109,769,577</u>	<u>108,392,346</u>	<u>91.72</u>

#### 4. QUOTED EQUITIES

Name of counter	Quantity	Cost	Market value at	Percentage
			30.6.2017	of net assets value
	Unit	RM	RM	%
<b>2017</b>				
<b>Main Market</b>				
<u>Construction</u>				
Gamuda Berhad				
- Warrant	124,050	31,013	173,670	0.13
Malaysian Resources Corporation Berhad	750,000	950,009	1,035,000	0.79
ML Global Berhad	4,600,000	3,450,000	5,106,000	3.91
	5,474,050	4,431,022	6,314,670	4.83
<u>Consumer</u>				
Salutica Berhad	1,228,600	1,054,704	1,904,330	1.46
<u>Finance</u>				
Syarikat Takaful Malaysia Berhad	611,900	2,501,350	2,539,385	1.94
<u>Health Care</u>				
IHH Healthcare Berhad	1,002,700	4,848,802	5,765,525	4.41
Karex Berhad	3,644,387	5,262,171	6,195,458	4.74
Kossan Rubber Industries Berhad	499,800	3,134,441	3,183,726	2.44
KPJ Healthcare Berhad	458,900	1,603,152	1,936,558	1.48
Top Glove Corporation Bhd	1,389,300	6,595,068	7,988,475	6.12
	6,995,087	21,443,634	25,069,742	19.19
<u>Industrial Product</u>				
Cahaya Mata Sarawak Berhad	798,600	3,572,321	3,210,372	2.46
Coastal Contracts Bhd	675,700	2,085,229	891,924	0.68
	1,474,300	5,657,550	4,102,296	3.14

## 4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2017	Percentage of net assets value
	Unit	RM	RM	%
<b>2017</b> (continued)				
<b>Main Market</b> (continued)				
<u>Manufacturing</u>				
Pecca Group Berhad	1,252,100	1,990,081	2,015,881	1.54
<u>Properties</u>				
Eastern & Oriental Berhad	1,351,592	2,684,668	2,297,706	1.76
Eastern & Oriental Berhad - Warrant	238,840	-	45,380	0.03
IOI Properties Group Berhad	1,500,582	3,358,578	3,301,280	2.53
LBS Bina Group Berhad	2,921,900	4,334,245	5,873,019	4.50
Matrix Concepts Holdings Berhad - Warrant	158,233	-	83,863	0.06
UEM Sunrise Berhad	2,068,700	2,385,941	2,482,440	1.90
Sentoria Group Berhad	2,526,500	2,484,179	2,198,055	1.68
	10,766,347	15,247,611	16,281,743	12.46
<u>REITS</u>				
KIP Real Estate Investment Trust	2,108,200	2,108,200	1,939,544	1.49
<u>Technology</u>				
Inari Amertron Berhad	3,798,536	4,520,169	8,014,911	6.14
Inari Amertron Berhad - Warrant	545,936	-	709,717	0.54
N2N Connect Berhad	3,714,600	3,329,355	2,785,950	2.13
Unisem (M) Berhad	1,780,400	3,207,855	6,373,832	4.88
Vitrox Corporation Berhad	894,700	2,421,870	7,211,282	5.52
	10,734,172	13,479,249	25,095,692	19.21

## 4. QUOTED EQUITIES (CONTINUED)

Name of counter	Quantity	Cost	Market value at 30.6.2017	Percentage of net assets value
	Unit	RM	RM	%
<b>2017</b> (continued)				
<b>Main Market</b> (continued)				
<u>Trading/Services</u>				
Axiata Group Berhad	458,910	2,175,638	2,216,535	1.70
Barakah Offshore Petroleum Berhad	2,177,500	2,024,694	1,317,388	1.01
Datasonic Group Berhad	1,163,300	1,957,519	1,442,492	1.10
Genting Berhad	288,900	2,299,628	2,718,549	2.08
MY E.G. Services Berhad	4,435,550	4,485,380	9,713,855	7.44
Pos Malaysia Berhad	512,300	2,670,977	2,715,190	2.08
Sapura Energy Berhad	4,001,300	6,133,355	6,362,067	4.87
Telekom Malaysia Berhad	186,800	1,144,822	1,242,220	0.95
Uzma Berhad	1,303,100	2,781,552	2,084,960	1.60
Texchem Resources Bhd	1,008,200	1,637,598	1,421,562	1.09
	<u>15,535,860</u>	<u>27,311,163</u>	<u>31,234,818</u>	<u>23.92</u>
<b>TOTAL QUOTED EQUITIES</b>	<u>56,180,616</u>	<u>95,224,564</u>	<u>116,498,101</u>	<u>89.18</u>

**5. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS**

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Deposits with licensed financial institutions	<u>9,360,000</u>	<u>14,350,000</u>

**6. OTHER RECEIVABLES**

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Dividend receivables	416,831	187,704
Interest receivables	1,718	1,494
	<u>418,549</u>	<u>189,198</u>

**7. NUMBER OF UNITS IN CIRCULATION**

	<b>2018</b>	<b>2017</b>
	<b>No. of units</b>	<b>No. of units</b>
As at 1 January	170,890,594	169,265,010
Add: Creation of units	25,062,378	20,113,637
Less: Cancellation of units	(20,223,260)	(13,686,460)
At 30 June	<u>175,729,712</u>	<u>175,692,187</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
<b>2018</b>			
<b>Financial assets</b>			
Investments	117,752,346	9,360,000	108,392,346
Amount due from Manager	298,394	298,394	-
Other receivables	414,549	414,549	-
Bank balance with a licensed bank	47,055	47,055	-
	118,512,344	10,119,998	108,392,346
<b>2018</b>			
<b>Financial liabilities</b>			
Amount due to Manager	(293,153)	(293,153)	-
Accrued management fee	(149,137)	(149,137)	-
Amount due to Trustee	(7,954)	(7,954)	-
Other payables and accrued expenses	(27,753)	(27,753)	-
	(477,997)	(477,997)	-



	Carrying amount	L&R/ (FL)	FVTPL/ HFT
	RM	RM	RM
<b>2017</b>			
<b>Financial assets</b>			
Investments	130,848,101	14,350,000	116,498,101
Amount due from Manager	91,716	91,716	-
Other receivables	189,198	189,198	-
Bank balance with a licensed bank	92,425	92,425	-
	131,221,440	14,723,339	116,498,101
<b>2017</b>			
<b>Financial liabilities</b>			
Amount due to Manager	(558,661)	(558,661)	-
Accrued management fee	(162,060)	(162,060)	-
Amount due to Trustee	(8,643)	(8,643)	-
Other payables and accrued expenses	(52,399)	(52,399)	-
	(781,763)	(781,763)	-

## 8.2 Net gains and losses arising from financial instruments

	2018	2017
	RM	RM
Net (loss)/gain arising on:		
Fair value through profit or loss:		
Held for trading - unrealised	(31,175,363)	14,954,942
- realised	15,493,740	(1,667,595)
Loans and receivables	229,922	132,590
	(15,451,701)	13,419,937

### 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 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 the 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 investments 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:

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<u>Fixed rate instruments</u>		
Deposit with licensed financial institution	9,360,000	14,350,000

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:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Deposits with licensed financial institutions*	3.35	3.80

\* Deposit with a licensed financial institution 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 RM10,839,234 (2017: RM11,649,810). 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 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
<b>2018</b>										
<b>Financial assets</b>										
Quoted equities	108,392,346	-	-	108,392,346	-	-	-	108,392,346	108,392,346	
<b>2017</b>										
<b>Financial assets</b>										
Quoted equities	116,498,101	-	-	116,498,101	-	-	-	116,498,101	116,498,101	

### **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		7,273	2,108
<b>Reconciliation of tax expense</b>			
Net (loss)/income before tax		(17,059,393)	12,263,876
Income tax using Malaysian tax rate of 24%		(4,094,254)	2,943,330
Non-assessable income	11.1	3,725,864	(3,215,725)
Non-deductible expenses		149,699	56,566
Restriction on the tax deductible expenses for unit trust funds		236,148	220,889
Income subject to different tax rate		(10,184)	(2,952)
Tax expense		7,273	2,108

**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 investment 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

	<b>2018</b>	<b>2017</b>
	<b>No. of units</b>	<b>No. of units</b>
Manager		
Eastspring Investments Berhad	2,505	2,386

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>				
Maybank Investment Bank Berhad	24,306,376	14.35	69,673	16.03
Credit Suisse Securities (Malaysia) Sdn Bhd	18,807,400	11.10	48,721	11.21
UOB Kay Hian Securities (M) Sdn Bhd	17,893,117	10.57	47,062	10.85
CIMB Investment Bank Berhad	16,633,629	9.82	34,637	7.97
RHB Investment Bank Berhad	15,579,067	9.20	40,908	9.41
J.P. Morgan Securities (Malaysia) Sdn Bhd	15,326,413	9.05	40,510	9.32
Citigroup Global Markets (M) Sdn Bhd	13,785,207	8.14	36,367	8.37
Kenanga Investment Bank Berhad	8,270,267	4.88	21,452	4.94
CLSA Securities Malaysia Sdn. Bhd.	8,044,679	4.75	18,228	4.19
Nomura Securities Malaysia Sdn Bhd	6,461,099	3.81	16,968	3.90
Others	24,267,903	14.33	60,004	13.81
	<u>169,375,157</u>	<u>100.00</u>	<u>434,530</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>				
Credit Suisse Securities (Malaysia) Sdn Bhd	6,660,943	18.05	20,770	17.93
RHB Investment Bank Berhad	5,240,270	14.20	15,920	13.74
UOB Kay Hian Securities (M) Sdn Bhd	4,830,560	13.09	15,137	13.07
Maybank Investment Bank Berhad	4,516,951	12.24	14,806	12.78
Affin Hwang Investment Bank Berhad	3,833,317	10.39	12,554	10.84
Hong Leong Investment Bank Berhad	2,993,591	8.11	9,685	8.36
CIMB Investment Bank Berhad	2,108,200	5.71	4,470	3.86
J.P. Morgan Securities (Malaysia) Sdn Bhd	1,732,890	4.69	5,543	4.78
Nomura Securities Malaysia Sdn Bhd	1,591,248	4.31	5,523	4.77
Kenanga Investment Bank Berhad	1,057,420	2.86	3,539	3.05
Others	2,342,638	6.35	7,906	6.82
	<u>36,908,028</u>	<u>100.00</u>	<u>115,853</u>	<u>100.00</u>

All brokers highlighted above are not related to the Manager.

**14. MANAGEMENT EXPENSE RATIO ("MER")**

	<b>2018</b>	<b>2017</b>
	%	%
MER	0.84	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 RM131,874,161 (2017: RM123,327,463).

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

	<b>2018</b>	<b>2017</b>
PTR (times)	0.64	0.15

PTR is derived from the following calculation:

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

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>

Where:

Total acquisitions for the financial period	84,145,936	15,594,469
Total disposals for the financial period	85,229,221	21,313,559

## CORPORATE DIRECTORY

### **THE MANAGER**

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EASTSPRING INVESTMENTS BERHAD

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### **TRUSTEE**

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