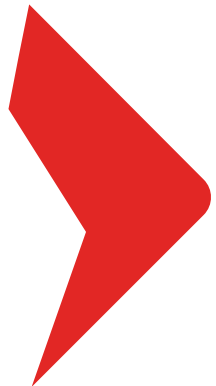


EASTSPRING INVESTMENTS BALANCED FUND

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'. The signature is fluid and cursive, with the first name 'Raymond' being the most prominent part.

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

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FUND INFORMATION

Name of Fund

Eastspring Investments Balanced Fund (the "Fund")

**Fund Category/
Type**

Balanced/growth and income

Fund Objective

The Fund seeks to provide investors with capital appreciation and a reasonable level of current income* by investing in a mixed portfolio of companies with good** dividend yield and low*** price volatility and a portfolio of investment grade fixed income securities.

Note: The Fund's focus is on growth.

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

- * Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.
- ** good generally refers to potentially higher dividend yield than the market average.
- *** low generally refers to potentially lower price volatility than the market average.

FUND INFORMATION (CONTINUED)

Performance Benchmark

The performance benchmark of the Fund is 50% FTSE Bursa Malaysia 100 Index ("FBM100") + 50% Maybank 12-month fixed deposit rate.

The composite benchmark index is a reflection of the Fund's average asset allocation over the long-term of 50% of the Fund's NAV in equities and equity-related securities, and 50% of the Fund's NAV in fixed income securities and Deposits or liquid assets.

Source:

FBM100 (www.bursamalaysia.com)

Maybank 12-month fixed deposit rate (www.maybank2u.com.my)

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

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

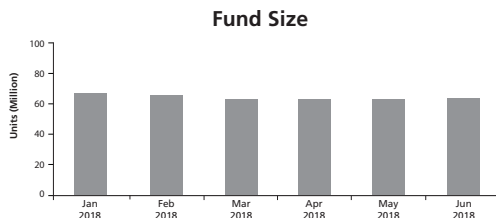
Fund Income Distribution Policy

At least once a year, subject to the availability of income.

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 30 June 2018, the size of Eastspring Investments Balanced Fund stood at 63.625 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	906	31.82	2,438	3.83
5,001 to 10,000 units	678	23.82	4,943	7.77
10,001 to 50,000 units	1,072	37.65	22,778	35.80
50,001 to 500,000 units	184	6.46	17,052	26.80
500,001 units and above	7	0.25	16,413	25.80
Total	2,847	100.00	63,624	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	2.61	3.99	1.89
Consumer	-	1.35	2.72
Finance	13.29	1.52	2.53
Health Care	1.60	11.51	16.84
Industrial Product	-	3.48	3.85
Infrastructure Project Company	0.99	-	-
Manufacturing	0.98	1.37	1.77
Properties	6.48	7.84	7.44
REITS	1.41	1.22	-
Technology	7.44	15.96	11.35
Trading/Services	9.40	17.67	8.26
	44.20	65.91	56.65
Unquoted fixed income securities	33.22	23.48	13.28
Cash and other assets	22.58	10.61	30.07
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)	62,607	83,261	72,902
Units In Circulation (Units '000)	63,625	79,615	75,349
Net Asset Value Per Unit (RM)	0.9840	1.0458	0.9675
Highest Net Asset Value Per Unit (RM)	1.1163	1.0627	1.0057
Lowest Net Asset Value Per Unit (RM)	0.9763	0.9510	0.9557
Total Return (%)			
- Capital Growth	(7.80)	9.92	(3.45)
- Income Distribution	-	-	-
Total Return (%)	(7.80)	9.92	(3.45)
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.86	0.85	0.85
Portfolio Turnover Ratio (PTR) (times)^	0.42	0.17	0.36

* 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	(1.52)	3.61	7.38
----------------------	--------	------	------

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	17.41	(0.60)	11.64	7.27	16.36
---------------------	-------	--------	-------	------	-------

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

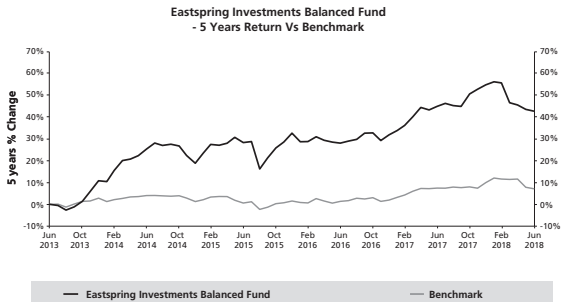
Fund Performance

Over the 5-year period, the Fund recorded a return of 42.79%, outperforming the benchmark return of 7.21% by 35.58%.

During the period under review, the Fund registered a return of -7.80%, underperforming the benchmark return of -2.57% by -5.23%.

Underperformance during the period was mainly due equity portion of the Fund which was underweight in the banking sector and was hurt by exposure in the construction space.

The Fund did not meet its investment objective during the period under review which is to provide investors with capital appreciation and a reasonable level of current income by investing in a mixed portfolio of companies with good dividend yield and low price volatility and a portfolio of investment grade fixed income securities.



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

Benchmark: 50% FBM100 + 50% Maybank 12-month fixed deposit rate

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	(7.80)	(7.80)	(2.57)

* 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**Equity Strategy**

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 14th General Election.

Bond Strategy

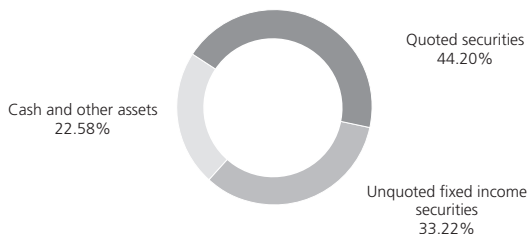
The Fund participated in selected quality bond issuances for yield pick-up, and traded on market volatility, subject to liquidity constraints

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	30-Jun 2018	31-Dec 2017	Changes
	(%)	(%)	(%)
Quoted securities	44.20	65.46	(21.26)
Unquoted fixed income securities	33.22	31.01	2.21
Cash and other assets	22.58	3.53	19.05

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.

Cross-Trade Transaction

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

MARKET REVIEW

Equity

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

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

As with the beginning of each new year, 1Q2018 saw a good start for global markets and Malaysia, driven by improving economic prospect and positive investor sentiment despite

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

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 year under review at 1,691.5 points, down 4.09%. The broader FBM Emas ("FBMEmas") Index closed the period under review down by 5.06%. The MSCI Asia Pacific ex-Japan Index gained by 6.76% in USD terms.¹

Bond

Bank Negara Malaysia ("BNM") increased the Overnight Policy Rate ("OPR") by 25 basis points ("bps") to 3.25% from 3.00% during its first Monetary Policy Committee ("MPC") meeting of 2018 on 25 January. BNM stated that the hike was a pre-emptive move to prevent a build-up of risks that could arise from interest rates being too low for a prolonged period of time. Following the rate hike, Bank Negara maintained the OPR at 3.25% during March and May's Monetary Policy Committee meeting and believes that the current level of OPR remains accommodative. In the recent Monetary Policy Committee's statement, Bank Negara reiterated that the OPR remains accommodative and the domestic economic outlook remains positive as "fundamentals are strongly anchored". Bank Negara expects the domestic monetary and financial conditions to remain supportive of economic growth in the post-election environment

Headline inflation moderated to +1.8% y-o-y in May'18 from +3.5% y-o-y registered in December'17. The moderation in inflation was mainly led by lower Food & Non-Alcoholic Beverage (May-18: +2.8% y-o-y vs Dec-17: +4.1% y-o-y) and transportation costs (May-18: +3.8% y-o-y vs. Dec-17: +11.5% y-o-y). Similarly, core inflation grew at a slower pace at +1.5% y-o-y in May from +2.2% y-o-y in December 2017. Inflation is likely to move lower if fuel price continue to remain subsidised coupled with the abolishment of Government Service Tax ("GST").

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

¹ Source: Bloomberg: World indices

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

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

Malaysia sovereign bond yields moved higher in 1HQ18 as MGS yield for the 3-, 5-, 10- and 15-year increased by 30bps, 32bps, 29bps and 24bps to close at 3.62%, 3.85%, 4.20% and 4.63%. The increase in MGS yields mainly attributable to the sell-off by foreign investors on public debt concerns coupled with rising US Treasury yields. Corporate bond yields generally moved in tandem with sovereign bond yields, albeit at a lag. Activities in the corporate bond market were supported by ample liquidity and a stable credit environment.

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

REBATES AND SOFT COMMISSIONS

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

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

EASTSPRING INVESTMENTS BALANCED 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 18 to 56, 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 Balanced 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 BALANCED FUND

We have acted as Trustee for Eastspring Investments Balanced 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	27,674,373	54,868,805
Unquoted fixed income securities	5	20,799,873	19,550,219
Deposits with licensed financial institutions	6	13,550,000	8,460,000
		<u>62,024,246</u>	<u>82,879,024</u>
OTHER ASSETS			
Amount due from Manager		268,382	228,053
Other receivables	7	360,571	246,592
Tax recoverable		27,858	27,858
Bank balance with a licensed bank		39,263	62,275
		<u>696,074</u>	<u>564,778</u>
TOTAL ASSETS		<u>62,720,320</u>	<u>83,443,802</u>
LIABILITIES			
Amount due to Manager		9,094	33,332
Accrued management fee		77,554	102,564
Amount due to Trustee		4,136	5,470
Other payables and accrued expenses		22,071	40,946
		<u>112,855</u>	<u>182,312</u>
TOTAL LIABILITIES		<u>112,855</u>	<u>182,312</u>
NET ASSETS VALUE		<u>62,607,465</u>	<u>83,261,490</u>
REPRESENTED BY:			
Unit holders' capital		26,715,724	43,646,670
Undistributed income		35,891,741	39,614,820
		<u>62,607,465</u>	<u>83,261,490</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS		<u>62,607,465</u>	<u>83,261,490</u>
NUMBER OF UNITS IN CIRCULATION	8	<u>63,625,386</u>	<u>79,614,672</u>
NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT		<u>0.9840</u>	<u>1.0458</u>

The notes on pages 22 to 58 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		473,851	532,320
Interest income		662,060	595,959
Other income		-	38,011
Net realised gain/(loss) on sale of investments		3,492,358	(1,551,789)
Net amortisation of premium		(36,955)	(34,257)
Net unrealised (loss)/gain from financial instruments at fair value through profit or loss		(9,156,922)	8,828,217
TOTAL (LOSS)/INCOME		(4,565,608)	8,408,461
Management fee	10	(496,709)	(605,869)
Trustee's fee	11	(26,491)	(32,313)
Auditors' remuneration		(2,976)	(2,976)
Tax agent's fee		(1,687)	(1,687)
Administrative expenses		(45,736)	(49,896)
Transaction cost		(162,326)	(70,619)
TOTAL OPERATING EXPENSES		(735,925)	(763,360)
NET (LOSS)/INCOME BEFORE TAX EXPENSE		(5,301,533)	7,645,101
Tax expense	12	(3,795)	(1,100)
NET (LOSS)/ INCOME AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(5,305,328)	7,644,001
Net (loss)/income is made up as follows:			
Realised amount		3,851,594	(1,184,216)
Unrealised amount		(9,156,922)	8,828,217
		(5,305,328)	7,644,001

The notes on pages 22 to 58 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	30,903,790	41,197,069	72,100,859
Movement in unit holders' contribution			
Creation of units from applications	2,849,275	-	2,849,275
Cancellation of units	(7,037,341)	-	(7,037,341)
Total comprehensive loss for the period	-	(5,305,328)	(5,305,328)
AT 30 JUNE 2018	<u>26,715,724</u>	<u>35,891,741</u>	<u>62,607,465</u>
AT 1 JANUARY 2017	46,963,518	31,970,819	78,934,337
Movement in unit holders' contribution			
Creation of units from applications	6,699,367	-	6,699,367
Cancellation of units	(10,016,215)	-	(10,016,215)
Total comprehensive income for the period	-	7,644,001	7,644,001
AT 30 JUNE 2017	<u>43,646,670</u>	<u>39,614,820</u>	<u>83,261,490</u>

The notes on pages 22 to 58 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	35,723,121	12,981,828
Purchase of investments	(20,333,557)	(14,444,907)
Movement in deposits with licensed financial institutions	(11,070,000)	4,480,000
Dividends received	457,647	626,939
Interest received	655,734	534,201
Payment for other fees and expenses	(760,880)	(717,060)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>4,672,065</u>	<u>3,461,001</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	2,617,131	6,585,490
Payments for cancellation of units	(7,285,118)	(9,983,883)
Distribution paid	(25,998)	(24,764)
NET CASH USED IN FINANCING ACTIVITIES	<u>(4,693,985)</u>	<u>(3,423,157)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(21,920)	37,844
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>61,183</u>	<u>24,431</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>39,263</u>	<u>62,275</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Bank balance in a licensed bank	<u>39,263</u>	<u>62,275</u>

The notes on pages 22 to 58 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 Balanced 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 in a balanced portfolio consisting of equities, equity-related securities and fixed income securities. 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 capital appreciation and a reasonable level of current income by investing in a mixed portfolio of companies with good dividend yield and low price volatility and a portfolio of investment-grade fixed income securities.

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 equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise 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. 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. The carrying amount for determining the realised gain/(loss) on sale of investments is based on the weighted average cost method and where applicable, adjusted for accretion for discount and amortisation of premium.

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>				
IJM Corporation Berhad	145,000	374,796	259,550	0.41
MGB Bhd	1,479,700	1,109,775	1,376,121	2.20
	1,624,700	1,484,571	1,635,671	2.61
<u>Finance</u>				
CIMB Group Holdings Berhad	453,668	3,120,233	2,472,491	3.95
Malayan Banking Berhad	260,200	2,726,844	2,341,800	3.74
Public Bank Berhad	150,000	3,674,490	3,504,000	5.60
	863,868	9,521,567	8,318,291	13.29
<u>Health Care</u>				
Top Glove Corporation Bhd	82,500	387,703	1,001,550	1.60
<u>Infrastructure Project</u>				
<u>Company</u>				
Digi.Com Berhad	150,000	672,495	622,500	0.99
<u>Manufacturing</u>				
Pecca Group Berhad	708,400	1,109,764	616,308	0.98
<u>Properties</u>				
LBS Bina Group Berhad	2,704,800	1,796,668	2,366,700	3.78
LBS Bina Group Berhad				
- Preference Share	320,000	352,000	320,000	0.51
S P Setia Berhad	235,594	720,764	730,341	1.17
Sentoria Group Berhad	941,700	858,739	527,352	0.84
Sentoria Group Berhad				
- Warrant	640,000	160,000	112,000	0.18
	4,842,094	3,888,171	4,056,393	6.48

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>REITS</u>				
KIP Real Estate				
Investment Trust	1,100,000	1,100,000	880,000	1.41
<u>Technology</u>				
Inari Amertron Berhad	706,731	589,992	1,597,212	2.55
Unisem (M) Berhad	293,100	507,413	677,061	1.08
Vitrox Corporation Berhad	427,800	572,178	2,387,124	3.81
	1,427,631	1,669,583	4,661,397	7.44
<u>Trading/Services</u>				
Dialog Group Berhad	390,900	768,000	1,207,881	1.93
Genting Berhad	72,600	635,976	610,566	0.98
Genting Malaysia Berhad	15,700	73,928	76,616	0.12
Petronas Dagangan				
Berhad	25,000	629,080	620,000	0.99
Tenaga Nasional Berhad	230,000	3,652,676	3,367,200	5.38
	734,200	5,759,660	5,882,263	9.40
TOTAL QUOTED EQUITIES				
	11,533,393	25,593,514	27,674,373	44.20

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>				
Malaysian Resources Corporation Berhad	400,000	506,671	552,000	0.66
ML Global Berhad	2,500,000	1,875,000	2,775,000	3.33
	2,900,000	2,381,671	3,327,000	3.99
<u>Consumer</u>				
Salutica Berhad	726,300	622,938	1,125,765	1.35
<u>Finance</u>				
Syarikat Takaful Malaysia Berhad	304,900	458,708	1,265,335	1.52
<u>Health Care</u>				
IHH Healthcare Berhad	203,500	1,191,493	1,170,125	1.41
Karex Berhad	1,594,537	2,403,576	2,710,713	3.26
Kossan Rubber Industries Berhad	300,900	1,920,345	1,916,733	2.30
Top Glove Corporation Bhd	657,100	3,087,994	3,778,325	4.54
	2,756,037	8,603,408	9,575,896	11.51
<u>Industrial Product</u>				
Cahaya Mata Sarawak Berhad	519,700	2,210,765	2,089,194	2.51
Coastal Contracts Berhad	610,900	1,926,868	806,388	0.97
	1,130,600	4,137,633	2,895,582	3.48
<u>Manufacturing</u>				
Pecca Group Berhad	708,400	1,109,764	1,140,524	1.37

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>Properties</u>				
Eastern & Oriental				
Berhad	617,051	1,359,940	1,048,987	1.26
LBS Bina Group Berhad	1,600,000	2,338,166	3,216,000	3.86
UEM Sunrise Berhad	729,000	822,166	874,800	1.05
Sentoria Group Berhad	1,600,000	1,604,949	1,392,000	1.67
	4,546,051	6,125,221	6,531,787	7.84
<u>REITS</u>				
KIP Real Estate				
Investment Trust	1,100,000	1,100,000	1,012,000	1.22
<u>Technology</u>				
Inari Amertron Berhad	1,625,354	2,035,313	3,429,497	4.12
N2N Connect Berhad	1,485,000	1,259,122	1,113,750	1.34
Unisem (M) Berhad	947,900	1,641,000	3,393,482	4.08
Vitrox Corporation				
Berhad	663,200	1,774,046	5,345,392	6.42
	4,721,454	6,709,481	13,282,121	15.96

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>Trading/Services</u>				
Axiata Group Berhad	283,800	1,356,710	1,370,754	1.65
Genting Berhad	178,900	1,424,110	1,683,449	2.02
MY E.G. Services Berhad	1,947,900	2,112,756	4,265,901	5.12
Pos Malaysia Berhad	290,700	1,516,498	1,540,710	1.85
Sapura Energy Berhad	1,815,800	2,772,685	2,887,122	3.47
Telekom Malaysia Berhad	128,600	788,138	855,190	1.03
Uzma Berhad	774,900	1,549,063	1,239,840	1.49
Texchem Resources Berhad	616,900	1,011,418	869,829	1.04
	6,037,500	12,531,378	14,712,795	17.67
TOTAL QUOTED EQUITIES	24,931,242	43,780,202	54,868,805	65.91

5. UNQUOTED FIXED INCOME SECURITIES

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value as at 30.6.2018	Percentage of net assets value
			Unit	RM	RM	%
2018						
Unlisted Corporate Bonds						
Affin Bank Berhad	A1	05.02.2027	2,000,000	2,010,215	2,033,120	3.25
AMMB Holdings Berhad	A1	15.03.2027	2,000,000	2,000,000	2,018,180	3.22
Hong Leong Bank Berhad	AA1	21.06.2024	1,400,000	1,400,015	1,401,372	2.24
RHB Islamic Bank Berhad	AA3	15.05.2024	200,000	200,916	200,710	0.32
Jimah Energy Ventures Sdn Berhad	AA3	12.11.2021	400,000	455,561	458,444	0.73
Hong Leong Islamic Bank Berhad	AA1	17.06.2024	5,000,000	5,015,422	5,016,850	8.01
Perbadanan Kemajuan Negeri Selangor Gulf Investment	AA3	26.10.2018	4,500,000	4,500,549	4,501,260	7.19
Corporation G.S.C Jimah Energy Ventures	AAA	16.03.2021	4,000,000	4,006,600	4,007,800	6.40
Sdn Berhad	AA3	10.05.2019	1,000,000	1,041,431	1,039,850	1.66
Talam Transform Berhad	B-IS	28.06.2019	125,851	113,490	122,287	0.20
Total Unquoted Fixed Income Securities			20,625,851	20,744,199	20,799,873	33.22

5. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value as at 30.6.2017	Percentage of net assets value
2017						
Unlisted Corporate Bonds						
Affin Bank Berhad	A1	05.02.2027	1,500,000	1,500,000	1,523,850	1.83
AmBank (M) Berhad	AA3	29.12.2023	100,000	100,894	100,977	0.12
AmBank Islamic Berhad	AA3	25.03.2024	600,000	600,954	605,016	0.73
AMMB Holdings Berhad Gulf Investment	A1	15.03.2027	2,000,000	2,000,000	2,021,840	2.43
Corporation G.S.C	AAA	16.03.2021	1,000,000	1,008,338	1,001,690	1.20
Hong Leong Bank Berhad	AA2	21.06.2024	1,400,000	1,400,049	1,397,466	1.68
Hong Leong Islamic Bank Berhad	AA2	17.06.2024	5,000,000	5,030,739	5,014,600	6.02
Jimah Energy Ventures Sdn Bhd	AA3	12.11.2021	400,000	470,341	474,488	0.57
Jimah Energy Ventures Sdn Bhd	AA3	10.05.2019	1,000,000	1,087,882	1,083,520	1.30
Perbadanan Kemajuan Negeri Selangor	AA3	26.10.2018	2,000,000	2,002,769	2,000,800	2.40
Perbadanan Kemajuan Negeri Selangor	AA3	25.05.2018	2,000,000	2,000,919	2,003,940	2.41
RHB Islamic Bank Berhad	AA3	15.05.2024	200,000	201,934	201,562	0.24
Talam Transform Berhad	B-ID	28.06.2019	125,851	102,192	117,210	0.14
UMW Holdings Berhad	AA2	22.06.2020	2,000,000	2,001,815	2,003,260	2.41
Total Unquoted Fixed Income Securities			19,325,851	19,508,826	19,550,219	23.48

6. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2018	2017
	RM	RM
Deposits with licensed financial institutions	13,550,000	8,460,000

7. OTHER RECEIVABLES

	2018	2017
	RM	RM
Dividend receivables	143,160	86,445
Interest receivables	198,437	141,173
Other receivable	18,974	18,974
	<u>360,571</u>	<u>246,592</u>

8. NUMBER OF UNITS IN CIRCULATION

	2018	2017
	No. of units	No. of units
As at 1 January	67,558,262	82,966,219
Add: Creation of units	2,769,169	6,563,212
Less: Cancellation of units	(6,702,045)	(9,914,759)
At 30 June	<u>63,625,386</u>	<u>79,614,672</u>

9. FINANCIAL INSTRUMENTS

9.1 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	62,024,246	13,550,000	48,474,246
Amount due from Manager	268,382	268,382	-
Other receivables	360,571	360,571	-
Bank balance with a licensed bank	39,263	39,263	-
	62,692,462	14,218,216	48,474,246
2018			
Financial liabilities			
Amount due to Manager	(9,094)	(9,094)	-
Accrued management fee	(77,554)	(77,554)	-
Amount due to Trustee	(4,136)	(4,136)	-
Other payables and accrued expenses	(22,071)	(22,071)	-
	(112,855)	(112,855)	-

	Carrying amount	L&R/ (FL)	FVTPL/ HFT
	RM	RM	RM
2017			
Financial assets			
Investments	82,879,024	8,460,000	74,419,024
Amount due from Manager	228,053	228,053	-
Other receivables	246,592	246,592	-
Bank balance with a licensed bank	62,275	62,275	-
	<u>83,415,944</u>	<u>8,996,920</u>	<u>74,419,024</u>
2017			
Financial liabilities			
Amount due to Manager	(33,332)	(33,332)	-
Accrued management fee	(102,564)	(102,564)	-
Amount due to Trustee	(5,470)	(5,470)	-
Other payables and accrued expenses	(40,946)	(40,946)	-
	<u>(182,312)</u>	<u>(182,312)</u>	<u>-</u>

9.2 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	(9,156,922)	8,828,217
- realised	3,929,254	(1,015,715)
Loans and receivables	662,060	595,959
	<u>(4,565,608)</u>	<u>8,408,461</u>

9.3 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

9.4 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.

Investment risks for fixed income funds are in the form of interest rate and credit risks. To manage these risks, investments will be in investment grade bonds.

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.

9.5 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.

9.6 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 other liquidity risk arises principally from its amount due to Manager, accrued management fee, amount due to Trustee 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.

9.7 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.

9.7.1 Interest rate risk

The Fund's investments in fixed rate debt securities 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>		
Unquoted fixed income securities	20,799,873	19,550,219
Deposit with licensed financial institutions	13,550,000	8,460,000
	<u>34,349,873</u>	<u>28,010,219</u>

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Fund accounts for the unquoted fixed income securities and deposits with licensed financial institutions at fair value through profit or loss, and at amortised cost, respectively.

A change in interest rates at the end of the reporting period would not significantly affect profit or loss.

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

	2018	2017
	%	%
Unquoted fixed income securities*	4.84	4.77
Deposits with licensed financial institutions**	3.33	3.80

* Interest rate for unquoted fixed income securities is fixed throughout the duration until maturity.

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

9.7.2 Other price risk

Equity price risk and bond price risk arises from the Fund's investments in equity securities and unquoted fixed income instruments respectively.

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 RM2,767,437 (2017: RM5,486,881). A 10% weakening in the quoted equity's market prices would have had equal but opposite effect on equity and profit or loss respectively.

Bond price risk sensitivity analysis

All investments in unquoted fixed income instruments are corporate bonds and have maturities of more than one year. Considering the possible bond market price increase of 10% (2017: 10%), the effect on the Fund's post-tax profit or loss and net assets attributable to unit holders is an increase of RM2,079,987 (2017: RM1,955,022) as at 30 June 2018. A weakening of bond market price would have resulted in an equal but opposite effect.

9.8 Effective interest rates and maturity dates

The effective interest rates and the maturity dates of the financial instruments of the Fund are disclosed in Notes 5 and 9.7.1.

9.9 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.

9.10 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 and unquoted fixed income securities, together with the carrying amounts shown in the statement of financial position, are already disclosed in Note 4 and Note 5 respectively.

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 done market 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.

Unquoted fixed income securities

Unquoted fixed income securities issued by Malaysian and foreign corporations are rated by the Rating Agency of Malaysia Berhad or Malaysian Rating Corporation Berhad and an independent bond pricing agency company respectively are carried at cost adjusted for the amortisation of any premium or accretion of any discount over their par values at the time of acquisition. The premium or discount is amortised or accreted on a yield to maturity basis over the remaining term of the investments from the date of acquisition.

This adjusted cost (carrying value) is then revalued to reflect its fair value (indicative market value) using the fair price quoted by a bond pricing agency company registered with the Securities Commission as per the Securities Commission's Guidance on Unit Trust Funds. If such quotations are not available, the value shall be determined by reference to the last available quote provided the quote obtained is within the previous 30 days. Surplus or deficit on revaluation is transferred 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	RM
2018									
Financial assets									
Investments	27,674,373	20,799,873	-	48,474,246	-	-	-	48,474,246	48,474,246
2017									
Financial assets									
Investments	54,868,805	19,550,219	-	74,419,024	-	-	-	74,419,024	74,419,024

9.10.1 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.

10. 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.

11. 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% per annum (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.

12. TAX EXPENSE

	Note	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017
		RM	RM
Tax charged for the financial period		3,795	1,100
Reconciliation of tax expense			
(Loss)/income before tax		(5,301,533)	7,645,101
Income tax using Malaysian tax rate of 24%		(1,272,368)	1,834,824
Non-assessable income	12.1	1,104,854	(2,015,391)
Non-deductible expenses		56,698	37,084
Restriction on the tax deductible expenses for unit trust funds		119,924	146,123
Income subject to different tax rate		(5,313)	(1,540)
Tax expense		3,795	1,100

12.1 Non-assessable income

Income from deposits placement and unquoted fixed income securities are exempted from tax in accordance with Schedule 6, Para 35A and Para 35 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.

13. 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	1,364	1,303

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

14. STOCKBROKERS' TRANSACTIONS

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

Name of brokers/ dealers	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	10,373,535	18.67	29,331	21.73
J.P. Morgan Securities (Malaysia) Sdn Bhd	7,838,076	14.11	20,771	15.39
RHB Investment Bank Berhad	7,606,586	13.69	14,166	10.50
CIMB Investment Bank Berhad	5,048,041	9.09	10,149	7.52
CLSA Securities Malaysia Sdn. Bhd	4,264,086	7.68	10,064	7.46
Affin Hwang Investment Bank Berhad	4,187,365	7.54	9,748	7.22
UOB Kay Hian Securities (M) Sdn Bhd	3,744,664	6.73	9,923	7.36
Nomura Securities Malaysia Sdn Bhd	2,700,351	4.86	7,157	5.30
KAF Seagroatt & Campbell Securities Sdn Bhd	2,195,106	3.95	5,817	4.31
Kenanga Investment Bank Berhad	1,892,684	3.41	5,016	3.72
Others	5,706,185	10.27	12,826	9.49
	55,556,679	100.00	134,968	100.00

Name of brokers/ dealers	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	4,578,786	16.69	14,590	20.66
UOB Kay Hian Securities (M) Sdn Bhd	3,375,744	12.31	10,819	15.32
Affin Hwang Investment Bank Berhad	3,061,010	11.16	9,988	14.14
Maybank Investment Bank Berhad	2,809,090	10.24	9,737	13.79
RHB Investment Bank Berhad	2,703,437	9.86	8,424	11.93
Malayan Banking Berhad	2,001,600	7.30	-	-
AmInvestment Bank Berhad	2,000,000	7.29	-	-
AmBank (M) Berhad	1,500,000	5.47	-	-
Nomura Securities Malaysia Sdn Bhd	1,455,274	5.31	4,919	6.97
Hong Leong Investment Bank Berhad	1,338,202	4.88	4,572	6.47
Others	2,603,592	9.49	7,570	10.72
	27,426,735	100.00	70,619	100.00

All brokers and dealers highlighted above are not related to the Manager.

15. MANAGEMENT EXPENSE RATIO ("MER")

	2018	2017
	%	%
MER	0.86	0.85

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 RM66,773,749 (2017: RM81,448,206).

16. PORTFOLIO TURNOVER RATIO ("PTR")

	2018	2017
PTR (times)	0.42	0.17

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	20,333,558	14,444,907
Total disposals for the financial period	35,223,121	12,981,828

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THE MANAGER

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