

# EASTSPRING INVESTMENTS BOND 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

### Name of Fund

Eastspring Investments Bond Fund (the “Fund”)

### Fund Category/ Type

Bond/income

### Fund Objective

The Fund seeks to provide investors with a steady stream of income\* returns by investing principally\*\* in a portfolio of investment grade fixed income securities with exposure in noninvestment grade fixed income securities which yield above average returns.

**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.

\*\* principally refers to minimum 70% of the Fund’s NAV

### Performance Benchmark

The performance benchmark of the Fund is Quant Shop Malaysian Government Securities Medium Index (“Quant Shop MGS Medium Index”).

**Source:** [www.quantshop.com](http://www.quantshop.com)

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

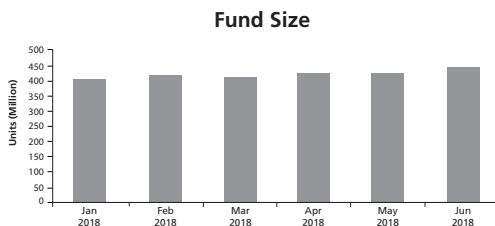
### Fund Income Distribution Policy

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 Bond Fund stood at 444.862 million units.



### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	451	19.63	1,195	0.27
5,001 to 10,000 units	406	17.66	2,985	0.67
10,001 to 50,000 units	903	39.30	21,904	4.92
50,001 to 500,000 units	494	21.50	64,549	14.51
500,001 units and above	44	1.91	354,228	79.63
<b>Total</b>	<b>2,298</b>	<b>100.00</b>	<b>444,861</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
	(%)	(%)	(%)
Unquoted fixed income securities	88.07	84.95	72.36
Cash and other assets	11.93	15.05	27.64
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net Asset Value (NAV) (RM'000)	295,540	240,447	193,009
Units In Circulation (Units '000)	444,862	358,855	287,287
Net Asset Value Per Unit (RM)	0.6643	0.6700	0.6718
Highest Net Asset Value Per Unit (RM)	0.6643	0.6701	0.6718
Lowest Net Asset Value Per Unit (RM)	0.6551	0.6529	0.6540
Total Return (%)			
- Capital Growth	1.44	2.67	2.74
- Income Distribution	-	-	-
Total Return (%)	1.44	2.67	2.74
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	0.57	0.58	0.58
Portfolio Turnover Ratio (PTR) (times)^	0.13	0.11	0.24

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

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

## KEY PERFORMANCE DATA (CONTINUED)

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

Average total return	3.25	3.97	5.20
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Year ended	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
	(%)	(%)	(%)	(%)	(%)

Annual total return	4.51	3.96	11.71	3.96	3.18
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**Source:** The above total return of the Fund was sourced from Lipper for Investment Management.

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

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

NAV<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

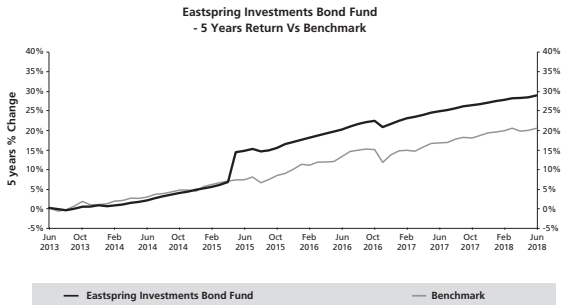
## Fund Performance

Over the 5-year period, the Fund recorded a return of 28.88%, outperforming the benchmark return of 20.45% by 8.43%.

During the period under review, the Fund registered a return of 1.44%, outperforming the benchmark return of 0.98% by 0.46%.

For the period under review, the Fund's outperformance was attributable to the Fund's underweight duration position relative to that of the government bond benchmark as the fund mostly invest in Corporate bonds.

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



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

**Benchmark:** Quant Shop MGS Medium Index

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

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



## MANAGER'S REPORT (CONTINUED)

### Analysis of Fund Performance

For the financial 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	1.44	1.44	0.98

\* 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 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 (%)
Unquoted fixed income securities	88.07	83.30	4.77
Cash and other assets	11.93	16.70	(4.77)

## 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

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.

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

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) did not receive any soft commissions from stockbrokers.

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# EASTSPRING INVESTMENTS BOND 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 49, 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 Bond 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 BOND FUND

We have acted as Trustee for Eastspring Investments Bond 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>			
Unquoted fixed income securities	4	260,203,157	204,293,716
Deposits with licensed financial institutions	5	25,340,000	33,260,000
		<u>285,543,157</u>	<u>237,553,716</u>
<b>OTHER ASSETS</b>			
Amount due from Manager		7,568,973	1,506,814
Interest receivables		2,974,696	2,115,423
Other receivables		9,483	9,483
Bank balance with a licensed bank		41,051	245,388
		<u>10,594,203</u>	<u>3,877,108</u>
<b>TOTAL ASSETS</b>		<u>296,137,360</u>	<u>241,430,824</u>
<b>LIABILITIES</b>			
Amount due to Manager		317,948	718,333
Accrued management fee		235,915	195,309
Amount due to Trustee		18,873	15,625
Other payables and accrued expenses		25,080	54,787
		<u>597,816</u>	<u>984,054</u>
<b>TOTAL LIABILITIES</b>		<u>597,816</u>	<u>984,054</u>
<b>NET ASSETS VALUE</b>		<u>295,539,544</u>	<u>240,446,770</u>
<b>REPRESENTED BY:</b>			
Unit holders' capital		252,935,141	200,944,685
Undistributed income		42,604,403	39,502,085
		<u>295,539,544</u>	<u>240,446,770</u>
<b>NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>295,539,544</u>	<u>240,446,770</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	6	<u>444,862,102</u>	<u>358,854,993</u>
<b>NET ASSETS VALUE ATTRIBUTABLE TO UNIT HOLDERS PER UNIT</b>		<u>0.6643</u>	<u>0.6700</u>

The notes on pages 18 to 49 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
Interest income		6,634,056	5,215,113
Net of amortisation of premium		(383,289)	(349,464)
Net realised gain on sale of investments		13,869	172,061
Net unrealised (loss)/gain from financial instruments at fair value through profit or loss		(773,061)	1,831,551
<b>TOTAL INCOME</b>		<u>5,491,575</u>	<u>6,869,261</u>
Management fee	8	(1,368,332)	(1,074,091)
Trustee's fee	9	(109,467)	(85,927)
Auditors' remuneration		(4,959)	(4,959)
Tax agent's fee		(3,487)	(1,687)
Administrative expenses		(93,006)	(79,935)
<b>TOTAL OPERATING EXPENSES</b>		<u>(1,579,251)</u>	<u>(1,246,599)</u>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>3,912,324</u>	<u>5,622,662</u>
Net income is made up as follows:			
Realised amount		4,685,385	3,791,111
Unrealised amount		(773,061)	1,831,551
		<u>3,912,324</u>	<u>5,622,662</u>

The notes on pages 18 to 49 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

	Note	Unit holders' capital	Undistributed income	Total
		RM	RM	RM
<b>AT 1 JANUARY 2018</b>		225,873,771	38,692,079	264,565,850
Movement in unit holders' contribution				
Creation of units from applications		109,021,721	-	109,021,721
Cancellation of units		(81,960,351)	-	(81,960,351)
Total comprehensive income for the period		-	3,912,324	3,912,324
<b>AT 30 JUNE 2018</b>		<u>252,935,141</u>	<u>42,604,403</u>	<u>295,539,544</u>
<b>AT 1 JANUARY 2017</b>		171,981,571	33,879,423	205,860,994
Movement in unit holders' contribution				
Creation of units from applications		74,012,123	-	74,012,123
Cancellation of units		(45,049,009)	-	(45,049,009)
Total comprehensive income for the period		-	5,622,662	5,622,662
<b>AT 30 JUNE 2017</b>		<u>200,944,685</u>	<u>39,502,085</u>	<u>240,446,770</u>

The notes on pages 18 to 49 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of investments	14,179,100	7,684,641
Purchase of investments	(55,143,645)	(41,533,680)
Movement in deposits with licensed financial institutions	13,860,000	1,680,000
Interest received	6,138,128	4,830,344
Payments for other fee and expenses	(1,585,423)	(1,213,859)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(22,551,840)</u>	<u>(28,552,554)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	106,640,079	73,005,933
Payments for cancellation of units	(83,931,281)	(44,414,342)
Distribution paid	(155,853)	(44,184)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<u>22,552,945</u>	<u>28,547,407</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,105	(5,147)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<u>39,946</u>	<u>250,535</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<u>41,051</u>	<u>245,388</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Bank balance with a licensed bank	<u>41,051</u>	<u>245,388</u>

The notes on pages 18 to 49 are an integral part of these unaudited financial statements.

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

## 1. INFORMATION ON THE FUND AND THE MANAGER

Eastspring Investments Bond 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 portfolio of fixed income securities with a minimum credit rating BBB or P2 by RAM, or its equivalent rating by any other domestic rating agencies. All investments will be subject to the Securities Commission’s (“SC”) Guidelines, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

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

The main objective of the Fund seeks to provide investors with a steady stream of income returns by investing principally in a portfolio of investment-grade fixed-income securities with exposure in non-investment grade fixed-income securities which yield above average returns.

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 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, IC Interpretation 22, Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140 which are not applicable to the Fund.
- The Fund does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Fund.

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

**i. MFRS 15, Revenue from Contracts with Customers**

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

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

## ii. MFRS 9, *Financial Instruments*

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

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

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

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

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

## iii. MFRS 16, *Leases*

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

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



**b. Basis of measurement**

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

**c. Functional and presentation currency**

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

**d. Use of estimates and judgments**

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Financial instruments**

**i. Initial recognition and measurement**

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

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

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

ii. Financial instrument categories and subsequent measurement

The Fund categorises financial instruments as follows:

Financial assets

a. Financial assets at fair value through profit or loss

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

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

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

b. Loans and receivables

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

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

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

Financial liabilities

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

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

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

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

### iii. Regular way purchase or sale of financial assets

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

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

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

### iv. Derecognition

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

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

**b. Cash and cash equivalents**

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

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

**c. Impairment**

Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. 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.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

**d. Income recognition**

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

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. 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	%
<b>2018</b>						
<b>Unlisted Corporate Bonds</b>						
Affin Bank Berhad	A1	05.02.2027	19,000,000	19,214,651	19,314,640	6.54
Affin Bank Berhad	A1	20.09.2027	7,000,000	7,000,000	7,012,390	2.37
Alliance Bank Malaysia Berhad	A2	27.10.2025	5,000,000	5,092,150	5,099,150	1.73
AMMB Holdings Berhad	A1	15.03.2027	7,000,000	7,000,000	7,063,630	2.39
AMMB Holdings Berhad	A1	14.03.2028	5,000,000	5,000,000	5,034,150	1.70
BGSM Management Sdn Berhad	AA3	24.12.2020	2,200,000	2,224,154	2,237,730	0.76
BGSM Management Sdn Berhad	AA3	29.08.2025	3,200,000	3,207,001	3,217,440	1.09
BGSM Management Sdn Berhad	AA3	28.12.2022	5,000,000	5,452,795	5,482,450	1.86
Bumitama Agri Ltd	AA3	18.03.2019	4,500,000	4,522,185	4,522,860	1.53
Government Of Malaysia	NR	15.06.2028	10,000,000	9,626,218	9,620,000	3.26
Government Of Malaysia	NR	07.11.2033	10,000,000	9,995,776	10,010,000	3.39
Gulf Investment Corporation G.S.C	AAA	16.03.2021	10,000,000	10,048,679	10,019,500	3.39
Hong Leong Assurance Berhad	AA3	07.02.2025	8,000,000	7,985,605	7,961,600	2.69
Hong Leong Bank Berhad	AA1	21.06.2024	5,000,000	5,014,876	5,014,000	1.70
Hong Leong Bank Berhad	AA1	21.06.2024	5,100,000	5,100,933	5,104,998	1.73
Hong Leong Islamic Bank Berhad	AA1	17.06.2024	2,100,000	2,105,583	2,107,077	0.71



## 4. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value as at 30.6.2018	Percentage of net assets value
			Unit	RM	RM	%
<b>2018</b> (continued)						
<b>Unlisted Corporate Bonds</b> (continued)						
Jimah Energy Ventures Sdn Berhad	AA3	12.11.2018	1,500,000	1,524,987	1,525,080	0.52
Jimah Energy Ventures Sdn Berhad	AA3	10.05.2019	1,700,000	1,765,451	1,767,745	0.60
Jimah Energy Ventures Sdn Berhad	AA3	12.11.2020	2,500,000	2,730,909	2,754,675	0.93
Jimah Energy Ventures Sdn Berhad	AA3	12.11.2021	2,800,000	3,188,811	3,209,108	1.09
Kimanis Power Sdn Berhad Krung Thai Bank Public Company Limited	AA- IS	08.08.2024	1,000,000	1,008,906	1,016,350	0.34
Lebuhraya Duke Fasa 3 Sdn Berhad	AA2	04.07.2025	7,000,000	7,005,844	7,072,450	2.39
Lebuhraya Duke Fasa 3 Sdn Berhad	AA- IS	23.08.2027	10,800,000	11,121,316	11,050,560	3.74
Lebuhraya Duke Fasa 3 Sdn Berhad	AA- IS	23.08.2029	5,000,000	5,282,176	5,165,600	1.75
Mukah Power Generation Sdn Berhad	AA2 (S)	27.12.2019	3,500,000	3,679,204	3,681,580	1.25
Mumtaz Rakyat Sukuk Berhad	AA3 (S)	19.06.2026	15,000,000	15,132,147	15,047,550	5.09
Northern Gateway Infrastructure Sdn Berhad	AA1	29.08.2022	3,000,000	3,008,978	3,028,350	1.02

## 4. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value as at 30.6.2018	Percentage of net assets value
<b>2018</b> (continued)						
<b>Unlisted Corporate Bonds</b> (continued)						
Perbadanan Kemajuan Negeri Selangor	AA3	29.05.2020	5,000,000	5,009,665	5,013,850	1.70
Perbadanan Tabung Pendidikan Tinggi Nasional	AA3	17.08.2032	4,000,000	4,004,514	4,009,880	1.36
Perbadanan Tabung Pendidikan Tinggi Nasional	AA3	21.01.2033	8,000,000	8,020,345	7,977,520	2.70
Public Bank Berhad	AA1	23.04.2027	5,000,000	5,000,000	5,024,000	1.70
Public Islamic Bank Berhad	AA1	07.06.2024	5,000,000	5,021,592	5,018,900	1.70
Quantum Solar Park (Semenanjung) Sdn Berhad	AA- IS	06.04.2022	3,000,000	3,016,417	3,005,760	1.02
Quantum Solar Park (Semenanjung) Sdn Berhad	AA- IS	06.10.2022	5,000,000	5,030,127	5,010,600	1.70
RHB Bank Berhad	AA3	08.07.2024	8,000,000	8,015,648	8,030,400	2.72
RHB Bank Berhad	AA3	08.05.2025	3,000,000	3,000,000	3,001,650	1.02
RHB Islamic Bank Berhad	AA3	15.05.2024	4,600,000	4,606,715	4,616,330	1.56
Sarawak Energy Berhad Southern Power Generation	AA1	03.12.2032	8,000,000	8,037,219	8,023,600	2.71
Sdn Berhad	AA- IS	30.04.2029	3,000,000	3,000,000	3,020,910	1.02
Talam Transform Berhad	B- IS	28.06.2019	377,726	340,625	367,029	0.12

## 4. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value as at 30.6.2018	Percentage of net assets value
			Unit	RM	RM	%
<b>2018</b> (continued)						
<b>Unlisted Corporate Bonds</b> (continued)						
Tanjung Bin Energy Issuer Berhad	AA3	15.09.2020	2,500,000	2,514,430	2,526,800	0.85
Telekom Malaysia Berhad	AAA	03.09.2027	11,500,000	11,558,775	11,384,770	3.85
Toyota Capital Malaysia Sdn Berhad	AAA (S)	24.01.2023	3,500,000	3,504,991	3,482,570	1.18
UMW Holdings Berhad	AA2	22.06.2020	4,500,000	4,507,035	4,511,475	1.53
UMW Holdings Berhad	AA2	22.06.2022	4,000,000	4,010,848	4,026,360	1.36
YTL Power International Berhad	AA1	10.06.2022	3,000,000	3,006,145	2,991,690	1.01
YTL Power International Berhad	AA1	03.05.2027	5,000,000	5,000,000	5,018,400	1.70
<b>Total Unquoted Fixed Income Securities</b>			<b>257,877,726</b>	<b>260,244,426</b>	<b>260,203,157</b>	<b>88.07</b>

## 4. UNQUOTED FIXED INCOME SECURITIES

Name of counter	Rating	Maturity/ Callable date	Quantity	Cost	Market value as at 30.6.2017	Percentage of net assets value
<b>2017</b>						
<b>Unlisted Corporate Bonds</b>						
Affin Bank Berhad	A1	05.02.2027	8,000,000	8,000,000	8,127,200	3.38
Alliance Bank Malaysia Berhad	A2	27.10.2025	5,000,000	5,129,054	5,124,700	2.13
AmBank (M) Berhad	AA3	29.12.2023	8,600,000	8,621,137	8,684,022	3.61
AmBank Islamic Berhad	AA3	25.03.2024	3,000,000	3,001,759	3,025,080	1.26
AMMB Holdings Berhad	A1	15.03.2027	7,000,000	7,000,000	7,076,440	2.94
BGSM Management Sdn Bhd	AA3	28.12.2022	4,500,000	4,984,435	5,010,525	2.08
BGSM Management Sdn Bhd	AA3	24.12.2020	2,200,000	2,233,091	2,249,324	0.94
BGSM Management Sdn Bhd	AA3	27.12.2019	5,000,000	5,205,662	5,249,700	2.18
Bumitama Agri Ltd.	AA3	18.03.2019	4,500,000	4,552,476	4,553,865	1.89
First Resources Limited	AA2	27.10.2021	5,000,000	5,071,009	5,049,850	2.10
First Resources Limited	AA2	05.06.2020	5,000,000	4,998,113	4,977,500	2.07
Gulf Investment Corporation G.S.C	AAA	16.03.2021	9,000,000	9,062,566	9,015,210	3.75
Hong Leong Assurance Berhad	AA3	07.02.2025	8,000,000	7,977,377	7,945,920	3.30
Hong Leong Bank Berhad	AA2	21.06.2024	5,000,000	5,029,348	5,009,250	2.08
Hong Leong Bank Berhad	AA2	21.06.2024	5,100,000	5,101,907	5,090,769	2.12
Hong Leong Islamic Bank Berhad	AA2	17.06.2024	1,600,000	1,609,841	1,604,672	0.67
Jimah Energy Ventures Sdn Bhd	AA3	12.11.2020	2,500,000	2,820,284	2,854,525	1.19

## 4. 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
				Unit	RM	RM	RM	
<b>2017 (continued)</b>								
<b>Unlisted Corporate Bonds</b>								
Jimah Energy Ventures Sdn Bhd	AA3	12.11.2021	1,970,000		2,309,093	2,336,854		0.97
Jimah Energy Ventures Sdn Bhd	AA3	10.05.2019	1,700,000		1,838,627	1,841,984		0.77
Kimanis Power Sdn Bhd Krung Thai Bank Public Company Limited	AA- IS	08.08.2024	1,000,000		1,010,135	1,026,790		0.43
Lebuhraya Duke Fasa 3 Sdn Bhd	AA2	04.07.2025	7,000,000		7,008,561	7,123,970		2.96
Lebuhraya Duke Fasa 3 Sdn Bhd	AA- IS	23.08.2027	8,700,000		8,977,770	9,017,463		3.75
Mukah Power Generation Sdn Bhd	AA- IS	23.08.2029	5,000,000		5,300,964	5,244,100		2.18
Mumtaz Rakyat Sukuk Berhad	AA2 (S)	27.12.2019	1,500,000		1,617,889	1,629,135		0.68
Perbadanan Kemajuan Negeri Selangor	AA3 (S)	19.06.2026	15,000,000		15,172,813	15,132,600		6.29
Perbadanan Kemajuan Negeri Selangor	AA3	26.10.2018	5,000,000		5,006,922	5,002,000		2.08
Negeri Selangor Public Bank Berhad	AA3 AA1	29.05.2020 23.04.2027	4,600,000 5,000,000		4,612,952 5,000,000	4,611,638 5,028,000		1.92 2.09
Public Islamic Bank Berhad	AA1	07.06.2024	10,000,000		10,087,204	10,079,000		4.19

## 4. 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
			Unit	RM	RM	%
<b>2017 (continued)</b>						
<b>Unlisted Corporate Bonds (continued)</b>						
RHB Bank Berhad	AA3	08.05.2025	3,000,000	3,000,000	3,001,560	1.25
RHB Bank Berhad	AA3	08.07.2024	8,000,000	8,030,337	8,055,600	3.35
RHB Islamic Bank Berhad	AA3	15.05.2024	4,400,000	4,413,081	4,434,364	1.84
Special Port Vehicle Berhad	AAA	28.07.2017	10,000,000	10,000,816	9,954,200	4.14
Talam Transform Berhad	B- ID	28.06.2019	377,726	306,717	351,791	0.15
Tanjung Bin Energy Issuer Berhad	AA3	15.09.2020	2,500,000	2,520,551	2,544,875	1.06
Tanjung Bin Energy Issuer Berhad	AA3	15.03.2024	4,000,000	4,117,026	4,178,160	1.74
UMW Holdings Berhad	AA2	22.06.2022	3,000,000	3,004,238	3,010,740	1.25
UMW Holdings Berhad	AA2	22.06.2020	2,000,000	2,001,815	2,003,260	0.83
YTL Power International Berhad	AA1	03.05.2027	5,000,000	5,000,000	5,030,450	2.09
YTL Power International Berhad	AA1	10.06.2022	3,000,000	3,007,569	3,006,630	1.25
<b>Total Unquoted Fixed Income Securities</b>			200,747,726	203,743,139	204,293,716	84.95

**5. DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION**

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Deposit with a licensed financial institution	25,340,000	33,260,000

**6. 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 2018	403,919,280	315,396,999
Add: Creation of units	165,164,084	111,466,583
Less: Cancellation of units	<u>(124,221,262)</u>	<u>(68,008,589)</u>
At 30 June 2018	<u>444,862,102</u>	<u>358,854,993</u>

**7. FINANCIAL INSTRUMENTS****7.1 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	285,543,157	25,340,000	260,203,157
Amount due from Manager	7,568,973	7,568,973	-
Interest receivables	2,974,696	2,974,696	-
Other receivables	9,483	9,483	-
Bank balance with a licensed bank	41,051	41,051	-
	<u>296,137,360</u>	<u>35,934,203</u>	<u>260,203,157</u>
<b>Financial liabilities</b>			
Amount due to Manager	(317,948)	(317,948)	-
Accrued management fee	(235,915)	(235,915)	-
Amount due to Trustee	(18,873)	(18,873)	-
Other payables and accrued expenses	(25,080)	(25,080)	-
	<u>(597,816)</u>	<u>(597,816)</u>	<u>-</u>



	Carrying amount	L&R/ (FL)	FVTPL- HFT
	RM	RM	RM
<b>2017</b>			
<b>Financial assets</b>			
Investments	237,553,716	33,260,000	204,293,716
Amount due from Manager	1,506,814	1,506,814	-
Interest receivables	2,115,423	2,115,423	-
Other receivables	9,483	9,483	-
Bank balance with a licensed bank	245,388	245,388	-
	<u>241,430,824</u>	<u>37,137,108</u>	<u>204,293,716</u>
<b>Financial liabilities</b>			
Amount due to Manager	(718,333)	(718,333)	-
Accrued management fee	(195,309)	(195,309)	-
Amount due to Trustee	(15,625)	(15,625)	-
Other payables and accrued expenses	(54,787)	(54,787)	-
	<u>(984,054)</u>	<u>(984,054)</u>	<u>-</u>

## 7.2 Net gains and losses arising from financial instruments

	2018	2017
	RM	RM
Net gains arising on:		
Fair value through profit or loss:		
Held for trading - unrealised	(773,061)	1,831,551
- realised	13,869	172,061
Loans and receivables	6,250,767	4,865,649
	<u>5,491,575</u>	<u>6,869,261</u>

### 7.3 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

### 7.4 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 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.

### 7.5 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, interest receivables, other receivables and bank balances/deposits.

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

No financial assets carried at amortised cost were past due or impaired as at date of statement of financial position other than as disclosed in Note 4.

## 7.6 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.

## 7.7 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.

### 7.7.1 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 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>		
Unquoted fixed income securities	260,203,157	204,293,716
Deposits with licensed financial institutions	25,340,000	33,260,000
	<u>285,543,157</u>	<u>237,553,716</u>

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

The Fund accounts for the unquoted fixed income securities and deposit with a licensed financial institution 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:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Unquoted fixed income securities*	4.82	4.81
Deposits with licensed financial institutions**	<u>3.35</u>	<u>3.80</u>

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

\*\* Deposit with a licensed financial institution will mature within one year from the date of the statement of financial position.

## **7.7.2 Other price risk**

### 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 RM26,020,315 (2017: RM20,429,372) as at 30 June 2018. A weakening of bond market price would have resulted in an equal but opposite effect on equity and profit or loss respectively.

## **7.8 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 4 and 7.7.1.

## **7.9 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.

## 7.10 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 unquoted fixed income securities, 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:

### 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 respectively, and 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 registered with the Securities Commission as per the Securities Commission's Guidelines 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 the statement of profit or loss and other comprehensive income.

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

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2		
	RM	RM	RM	RM	RM	RM	RM	RM
<b>2018</b>								
<b>Financial assets</b>								
Unquoted fixed income securities	-	260,203,157	-	260,203,157	-	-	-	260,203,157
<b>2017</b>								
<b>Financial assets</b>								
Unquoted fixed income securities	-	204,293,716	-	204,293,716	-	-	-	204,293,716

### 7.10.1 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.

## 8. MANAGEMENT FEE

The Deed provides that the Manager is entitled to a management fee at a rate not exceeding 2.00% (2017: 2.00%) 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 1.00% (2017: 1.00%) per annum of the Net Assets Value of the Fund, calculated on a daily basis.



## 9. 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 RM30,000 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 RM30,000 per annum.

## 10. TAX EXPENSE

There is no tax expense charge for the current and previous financial period. Income from deposits placement and unquoted fixed income securities are exempted from tax in accordance with Schedule 6, Para 35 and Para 35A of the Income Tax Act (ITA), 1967. Pursuant to Section 61(1)(b) of the ITA, 1967, gains from realisation of investments will not be treated as income of the Fund and hence are not subject to income tax. In accordance with Sections 61 and 63B of the ITA, 1967, interest income and gains on sale of investments are exempted from tax.

## 11. 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	1,354	1,301

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.

## 12. DEALERS' TRANSACTIONS

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

Name of dealers	Value of trades	Percentage of total trades
	RM	%
<u>Financial period ended 30 June 2018</u>		
Standard Chartered Bank Malaysia Berhad	19,615,500	28.30
Hong Leong Bank Berhad	14,179,100	20.45
RHB Investment Bank Berhad	12,375,403	17.85
Malayan Banking Berhad	8,016,800	11.56
Alliance Bank Malaysia Berhad	6,631,287	9.57
Ambank (M) Berhad	5,000,000	7.21
CIMB Bank Berhad	3,504,655	5.06
	<b>69,322,745</b>	<b>100.00</b>

Name of dealers	Value of trades	Percentage of total trades
	RM	%
<u>Financial period ended 30 June 2017</u>		
Ambank (M) Berhad	14,551,439	29.66
Hong Leong Investment Bank Berhad	7,531,625	15.35
AmInvestment Bank Berhad	7,000,000	14.27
Malayan Banking Berhad	5,005,500	10.20
CIMB Bank Berhad	5,000,000	10.19
Public Investment Bank Berhad	5,000,000	10.19
RHB Investment Bank Berhad	4,976,741	10.14
	<b>49,065,305</b>	<b>100.00</b>

All dealers highlighted above are not related to the Manager.

No brokerage fee was incurred for the financial period under review (2017: Nil).

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

	2018	2017
	%	%
MER	0.57	0.58

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

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 RM275,925,867 (2017: RM216,591,658).

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

	<b>2018</b>	<b>2017</b>
PTR (times)	0.13	0.11

PTR is derived from the following calculation:

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

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

Where:

Total acquisitions for the financial period	55,143,645	41,533,680
Total disposals for the financial period	14,179,100	7,531,625

## CORPORATE DIRECTORY

### **THE MANAGER**

NAME

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### **TRUSTEE**

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CLIENT SERVICES

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