

# EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020



**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 Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 May 2020.**

You may also download these reports from our website at [www.eastspring.com/my](http://www.eastspring.com/my)

Should you require any assistance, please do not hesitate to contact our Client Services at 03-2778 1000.

Yours sincerely,

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

**Raymond Tang Chee Kin**

Non-Independent, Executive Director and Chief Executive Officer

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## FUND INFORMATION

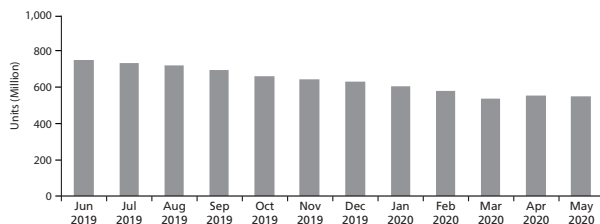
<b>Name of Fund</b>	Eastspring Investments Islamic Small-cap Fund (the "Fund")
<b>Fund Category/ Type</b>	Equity (small-cap Shariah/Growth)
<b>Fund Objective</b>	<p>The Fund seeks to provide capital appreciation by investing in small market capitalisation Shariah-compliant securities of companies with growth potential.</p> <p><b>ANY MATERIAL CHANGES TO THE FUND'S OBJECTIVE WOULD REQUIRE UNIT HOLDERS' APPROVAL.</b></p>
<b>Performance Benchmark</b>	<p>80% FTSE Bursa Malaysia Small Cap Shariah Index + 20% FTSE Bursa Malaysia EMAS Shariah Index.</p> <p>The composite benchmark index is a reflection of the Fund's average asset allocation over the long term as the Fund invests in small-cap companies which are listed in both FTSE Bursa Malaysia Small Cap Shariah Index and FTSE Bursa Malaysia EMAS Shariah Index.</p> <p><b>Source:</b> <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a></p> <p><b>Note:</b> The risk profile of the Fund is different from the risk profile of the performance benchmark.</p>
<b>Fund Income Distribution Policy</b>	<p>Subject to the availability of income, distribution of income, if any, will be incidental, after deduction of taxation and expenses.</p>

## FUND INFORMATION (CONTINUED)

### Breakdown of Unit Holdings by Size

As at 31 May 2020, the size of Eastspring Investments Islamic Small-cap Fund stood at 547.045 million units.

#### Fund Size



#### Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No of Units* ('000)	%
5,000 units and below	1,588	23.63	4,005	0.73
5,001 to 10,000 units	1,468	21.85	11,237	2.05
10,001 to 50,000 units	2,501	37.22	58,480	10.69
50,001 to 500,000 units	1,105	16.45	131,922	24.12
500,001 units and above	57	0.85	341,399	62.41
<b>Total</b>	<b>6,719</b>	<b>100.00</b>	<b>547,043</b>	<b>100.00</b>

\* excludes units held by the Manager.

## KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	2020	2019	Since commencement 15.6.2017 to 31.5.2018
	(%)	(%)	(%)
<b>Quoted Shariah-compliant securities</b>			
Construction	13.83	17.23	18.40
Consumer	-	-	10.48
Consumer Products & Services	19.31	12.72	2.72
Energy	-	1.43	-
Financial Services	3.54	1.25	-
Health Care	10.33	8.84	5.72
Industrial Products & Services	17.15	14.88	15.32
Infrastructure Project Company	-	-	1.09
Islamic REITS	1.01	-	-
Manufacturing	-	-	0.01
Plantation	2.98	1.86	2.33
Property	1.00	-	1.54
Technology	9.44	13.39	10.91
Telecommunications & Media	-	0.64	-
Trading/Services	-	-	3.17
Transportation & Logistics	2.09	1.40	-
Utilities	3.64	2.68	-
	84.32	76.32	71.69
Cash and other assets	15.68	23.68	28.31
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## KEY PERFORMANCE DATA (CONTINUED)

Category	2020	2019	Since commencement 15.6.2017 to 31.5.2018
Net Asset Value (NAV) (RM'000)	265,122	361,384	391,315
Units In Circulation (Units '000)	547,045	758,279	845,231
Net Asset Value Per Unit (RM)	0.4846	0.4766	0.4630
Highest Net Asset Value Per Unit (RM)	0.5277	0.5101	0.5615
Lowest Net Asset Value Per Unit (RM)	0.3384	0.4241	0.4630
Total Return (%)			
- Capital Growth	1.70	2.94	(7.40)
- Income Distribution	-	-	-
Total Return (%)	1.70	2.94	(7.40)
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (MER) (%)*	1.58	1.57	1.70
Portfolio Turnover Ratio (PTR) (times)^	0.27	0.34	0.76

\* 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 1.6.2019 to 31.5.2020	Since commencement 15.6.2017 to 31.5.2020
	(%)	(%)
Average total return	1.70	(1.04)

Year ended	1.6.2019 to 31.5.2020	1.6.2018 to 31.5.2019	Since commencement 15.6.2017 to 31.5.2018
	(%)	(%)	(%)
Annual total return	1.70	2.94	(7.40)

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

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

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

$\text{NAV}_t$  = NAV at the end of the period

$\text{NAV}_0$  = 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

$$n = \text{Number of years}$$

**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

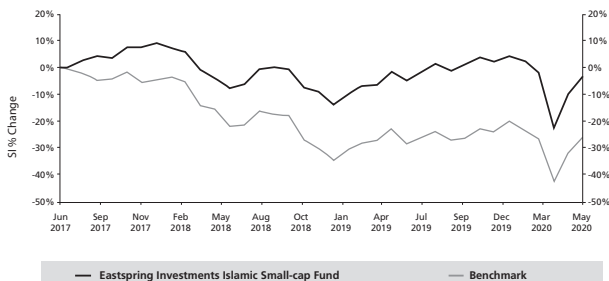
Since inception, the Fund recorded a return of -3.06%, outperforming the benchmark return of -25.36% by 22.30%.

During the period under review the Fund recorded a return of 1.70%, underperforming the benchmark return of 3.62% by 1.92%.

The underperformance was mainly due run-up in large cap Shariah-compliant stocks in recent months. Our benchmark consists of 20% FTSE Bursa Malaysia EMAS Shariah Index. The fund is unable to invest in Shariah-compliant stocks of more than RM5bn in market capitalization.

The Fund met its investment objective of providing investors with capital appreciation by actively investing in Shariah-compliant equities with market capitalization less than RM5bn during the period under review.

**Eastspring Investments Islamic Small-cap Fund  
- Since Inception (SI) Return Vs Benchmark**



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

**Benchmark:** 80% FTSE Bursa Malaysia Small Cap Shariah Index + 20% FTSE Bursa Malaysia EMAS Shariah Index.

**Source:** Lipper for Investment Management and [www.bursamalaysia.com](http://www.bursamalaysia.com), as at 31 May 2020.

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

## MANAGER'S REPORT (CONTINUED)

### Analysis of Fund Performance

For the financial year ended 31 May 2020:

<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	1.70	1.70	3.62

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

### Distribution/ Unit Split

No distribution or unit split were declared for the financial year ended 31 May 2020.

### Investment Strategy During the Period Under Review

The Fund maintained relatively high cash level throughout the period under review despite the adverse market conditions. The year was plagued with US-China trade war, change in government and Covid-19. Uncertainties revolving these events has heightened volatility in domestic equity market. We adopted a more cautious stance by staying invested in healthcare and consumer names. We like technology Shariah-compliant stocks over the longer term as well.

We continue to adopt a bottoms-up approach in selecting Shariah-compliant stocks. We prefer Shariah-compliant stocks with healthy earnings growth and strong balance sheet.

## MANAGER'S REPORT (CONTINUED)

### Asset Allocation

Asset Allocation	31-May 2020 (%)	31-May 2019 (%)	Changes (%)
Quoted Shariah-compliant securities	84.32	76.32	8.00
Cash and other assets	15.68	23.68	(8.00)

### Asset Allocation as at 31 May 2020



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

### State of Affairs of the Fund

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

## MARKET REVIEW

Regional markets rebounded in the month of June, with news of US and China restarting their trade talks post the G20 meeting held in Japan at the end of the month. Regional markets were driven by the potential rate cuts in the US and easing US-China trade tensions. The KLCI rose 1.3% mom in June 2019 to close at 1672 points, but still was the worst performer in the region, as our peers registered gains of between 2.4% - 6.8%. Domestically, sentiment improved in the second half of the month when news flow turned positive with lower than expected passive outflow from the MSCI index rebalancing for Tenaga Berhad. In addition, Gamuda Berhad surprised the market with an offer from Ministry of Finance to buyout 4 of their toll concessions for RM6.2bn.

The Malaysian equity market remained weak in light of the external headwinds faced from the US-China trade tensions, oil shock from the drone attack on Saudi's oil facilities. Domestically, the Malaysian ringgit depreciated by about 1.34% for the 3Q2019, given its correlation with the China's CNY which depreciated 4.1% against the USD. Brent crude oil prices declined by 8.67% for the 3Q2019 on concerns of slowing global growth and demand. 3Q2019 recorded net equity outflow of RM3.1bn, bringing the total equity outflow for 2019 at RM7.8bn YTD. The June 2019 results season reported was uninspiring yet again with more downgrades in earnings by consensus. Investor sentiment domestically weakened following the end to Axiata and Telenor Asia merger talks due to "complexities", which led to profit taking activities.

Global equity markets ended the year with solid gains in general, as the US agreed to a Phase 1 trade deal with China, and cancelled tariffs on US\$160bn of Chinese goods due to take effect on 15 December 2019. While details of the deal were hard to come by, the agreement in principle lifted a cloud that had been hanging the global economy all year. In addition, the decisive win by the ruling Conservative Party in the UK elections, almost guarantees the UK will leave the EU on 31 January, albeit with a 23-month transitory period, providing clarity on Brexit. Domestically, Malaysian equities continued to be one of the worst performers in the region. During the 4Q2019, the Budget 2020 announced measures aimed at promoting jobs, FDIs and structural reforms, rather than the traditional mega infrastructure pump-priming, and offered tax incentives that should benefit the electronic and manufacturing sectors. Malaysian equities were also subject to foreign outflows due to various index rebalancing activities. In November 2019, the MSCI Emerging Market Index saw an estimated net outflow of USD300-400m. Results reporting for 3Q2019 was uninspiring, which will likely see the KLCI earnings for 2019 report another year of negative growth (2018: -2.8%).

The start of 1Q2020 began with initial bouts of optimism with the phase 1 US-China trade deal having been signed. However, the month of January was plagued by persistent bushfires in Australia, heightened geopolitical risk after US ordered an airstrike that killed Iran's General Qassem Soleimani, Iran's missiles striking a US military base in Iraq in retaliation, a passenger plane shot down in the aftermath, volcanoes erupting in the Philippines, and the outbreak of the COVID-19. In response to the virus outbreak, China locked down 10 cities (70 million people), extended the Chinese New Year holiday and banned package travel to stem the contagion. 4Q2019 corporate earnings reported during the month disappointed, resulting in 2019 KLCI earnings declining by 9%, the second consecutive year of negative earnings growth. February ended with political upheaval as the Pakatan Harapan government saw the departure of Bersatu from their coalition, to find support from Barisan Nasional and PAS political parties. Investors endured a week of uncertainty, with Tun Mahathir resigning as the Prime Minister to then being appointed as interim PM, and then finally the appointment by the King of Tan Sri Muhyiddin Yassin as Malaysia's Prime Minister. Global equity markets corrected in the months of February and March as global recessionary pressures strengthened with the alarming rise in infections from COVID-19 outside of China, especially in the US and Europe. Industrial shutdowns wreaked havoc on supply chains whilst social distancing continues to depress consumption. Oil prices recorded a historical decline as OPEC and Russia failed to come to an agreement on extended production cuts. Malaysia was not spared from the COVID-19 outbreak, resulting in the need for the government to implement a Movement Control Order (MCO) on the population of Malaysia effective 18 March 2020 in an effort to slow the spread of COVID-19. The Malaysian government announced a stimulus package worth RM250bn to help cushion the economic fallout from this pandemic.

Global equity markets rebounded for the month of April 2020 as most countries look like they are close to their peak in the COVID-19 outbreak, and investors start to look towards economies re-opening. Governments globally launched fiscal and monetary stimulus packages in response to the COVID-19 outbreak, which has started to filter into the economies.

Malaysia extended the movement control order ("MCO") twice during the month, and the government announced the fourth stimulus package of RM10b to assist the Small and Medium Enterprises ("SME"). In April, OPEC+ announced a record deal to slash global output collectively by 9.7mbpd off the market. Nevertheless, WTI prices plunged into negative territory as a result of a demand shock and dwindling storage capacity.

Malaysia bucked the trend in May 2020 registering a gain for the month of 4.65% mom, whilst the MSCI ex-Japan Index was down 0.56%. Malaysian equities rallied on the back of strong retail investor interest and the strong price performance of the Malaysian glove players, given Malaysian glove players cater to 63% of global glove demand, and is poised to benefit from this COVID-19 pandemic. During the month, the Malaysian government announced the Conditional Movement Control Order effective 4 May which saw relaxed movement control rules and extended the CMCO period to 9 June 2020. BNM cut the Overnight Policy Rates by 50 bps to 2% which was expected by the market. Malaysia's positive performance ignored external headwinds in the form of renewed US-China trade tensions.

The FBM KLCI closed the year under review at 1473.24 points, down 10.75%. The broader FBM Emas ("FBMEmas") Index closed the period under review down by 9.7%. The FBM Small Cap Shariah Index closed the period under review down by 1.29%.<sup>1</sup>

## REBATES AND SOFT COMMISSIONS

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

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

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

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# EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020



## STATEMENT BY THE MANAGER

We, Tang Chee Kin and Iskander Bin Ismail Mohamed Ali, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 21 to 62 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 May 2020 and of its financial performance, changes in equity and cash flows for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,  
**EASTSPRING INVESTMENTS BERHAD**

**TANG CHEE KIN**  
Executive Director/Chief Executive Officer

**ISKANDER BIN ISMAIL MOHAMED ALI**  
Independent, Non-Executive Director

Kuala Lumpur  
Date: 10 July 2020

## TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND

We have acted as Trustee for Eastspring Investments Islamic Small-cap Fund (the "Fund") for financial year ended 31 May 2020. To the best of our knowledge, for the financial year under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:

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

For Deutsche Trustees Malaysia Berhad

**Ng Hon Leong**  
Head, Trustee Operations

**Richard Lim Hock Seng**  
Chief Executive Officer

Kuala Lumpur  
Date: 10 July 2020

# SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND

We have acted as the Shariah Adviser of **Eastspring Investments Islamic Small-cap Fund** ("the Fund") managed by **Eastspring Investments Berhad** ("the Manager") for the financial year ended 31 May 2020.

Our responsibility is to ensure that the procedures and processes employed by the Manager as well as the provisions of the Fund's Deed dated 28 March 2017 and the Tenth Supplemental Master Deed dated 4 June 2018 are all in accordance with Shariah principles.

In our opinion, based on the periodic reports submitted to us, the Manager has managed and administered the Fund in accordance with Shariah principles and has complied with applicable guidelines, rulings and decisions issued by the Shariah Advisory Council ("SAC") of the Securities Commission ("SC") for the financial year ended 31 May 2020.

We confirm that the investment portfolio of the Fund comprises securities cited in the latest "List of Shariah-Compliant Securities" issued by the SAC of the SC and instruments which have been classified as Shariah-compliant by the SAC of Bank Negara Malaysia ("BNM"). As for securities and instruments which have not been classified by the SAC of the SC nor by the SAC of BNM, we have reviewed and determined the Shariah status of the said securities and instruments.

For and on behalf of Shariah Adviser,  
**BIMB SECURITIES SDN BHD**

**IR. DR. MUHAMAD FUAD ABDULLAH**  
Designated Shariah Person

Kuala Lumpur  
Date: 10 July 2020

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Eastspring Investments Islamic Small-cap Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 May 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 62.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Fund or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect

a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- d. Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## OTHER MATTERS

This report is made solely to the unit holder of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### **PRICEWATERHOUSECOOPERS PLT**

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur

Date: 10 July 2020

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Note	2020 RM	2019 RM
<b>INVESTMENT INCOME</b>			
Gross dividend income		7,867,261	8,282,807
Profit income from Islamic deposits with licensed financial institutions		1,410,031	3,409,037
Net gain on financial assets at fair value through profit or loss	6	4,218,712	5,037,585
		<u>13,496,004</u>	<u>16,729,429</u>
<b>EXPENSES</b>			
Management fee	3	(4,782,576)	(5,862,916)
Trustee fee	4	(207,245)	(254,060)
Audit fee		(7,300)	(7,600)
Tax agent fee		(3,400)	(3,400)
Transaction costs		(436,803)	(608,931)
Other expenses		(42,252)	(22,897)
		<u>(5,479,576)</u>	<u>(6,759,804)</u>
<b>PROFIT BEFORE TAXATION</b>		8,016,428	9,969,625
<b>TAXATION</b>	5	-	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME</b>		<u>8,016,428</u>	<u>9,969,625</u>
Profit after taxation is made up of the following:			
Realised amount		9,493,367	(12,537,873)
Unrealised amount		(1,476,939)	22,507,498
		<u>8,016,428</u>	<u>9,969,625</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.



## STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2020

	Note	2020	2019
		RM	RM
<b>ASSETS</b>			
Cash and cash equivalents	7	41,932,098	88,893,248
Amount due from broker		163,284	-
Amount due from Manager		373,636	723,552
Dividends receivable		283,553	135,387
Financial assets at fair value through profit or loss	6	223,606,153	275,766,733
<b>TOTAL ASSETS</b>		<u>266,358,724</u>	<u>365,518,920</u>
<b>LIABILITIES</b>			
Amount due to brokers		-	2,849,157
Amount due to Manager		873,704	777,809
Accrued management fee		325,490	465,441
Amount due to Trustee		14,105	20,169
Other payables and accruals		22,942	21,968
<b>TOTAL LIABILITIES</b>		<u>1,236,241</u>	<u>4,134,544</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>265,122,483</u>	<u>361,384,376</u>
<b>EQUITY</b>			
Unit holders' capital		290,413,357	394,691,678
Accumulated losses		(25,290,874)	(33,307,302)
<b>NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>265,122,483</u>	<u>361,384,376</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>547,045,238</u>	<u>758,279,013</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.4846</u>	<u>0.4766</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Unit holders' capital	Accumulated losses	Total
	RM	RM	RM
Balance as at 1 June 2019	394,691,678	(33,307,302)	361,384,376
Movement in unit holders' contribution:			
Creation of units from applications	53,738,338	-	53,738,338
Cancellation of units	(158,016,659)	-	(158,016,659)
Total comprehensive income for the financial year	-	8,016,428	8,016,428
Balance as at 31 May 2020	<u>290,413,357</u>	<u>(25,290,874)</u>	<u>265,122,483</u>
Balance as at 1 June 2018	434,591,899	(43,276,927)	391,314,972
Movement in unit holders' contribution:			
Creation of units from applications	64,871,050	-	64,871,050
Cancellation of units	(104,771,271)	-	(104,771,271)
Total comprehensive income for the financial year	-	9,969,625	9,969,625
Balance as at 31 May 2019	<u>394,691,678</u>	<u>(33,307,302)</u>	<u>361,384,376</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Note	2020	2019
		RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of Shariah-compliant investments		114,278,544	142,148,048
Purchase of Shariah-compliant investments		(61,348,492)	(127,120,760)
Dividends received		7,719,095	8,273,550
Profit income received from Islamic deposits with licensed financial institutions		1,410,031	3,409,037
Management fee paid		(4,922,527)	(5,902,524)
Trustee fee paid		(213,309)	(255,776)
Payment for other fees and expenses		(51,982)	(87,172)
Net cash generated from operating activities		<u>56,871,360</u>	<u>20,464,403</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		54,088,254	70,302,352
Payments for cancellation of units		(157,920,764)	(104,472,950)
Net cash used in financing activities		<u>(103,832,510)</u>	<u>(34,170,598)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(46,961,150)	(13,706,195)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<u>88,893,248</u>	<u>102,599,443</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	7	<u>41,932,098</u>	<u>88,893,248</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

#### A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), as modified by financial assets at fair value through profit or loss.

The preparation of financial statements is in conformity with the MFRS and IFRS which requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note J.

- i. Standards, amendments to published standards and interpretations that are effective:

The Fund has applied the following amendments for the first time for the financial year beginning on 1 June 2019:

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity<sup>1</sup> is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised.

<sup>1</sup> For the purposes of the investments made by the Fund, equity refers to Shariah-compliant equity instruments.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity<sup>1</sup> merely on the basis that it is related to a distribution to owners.

This standard is not expected to have a significant impact on the Fund's financial statements.

ii. Standards, amendments that have been issued but not yet effective:

Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108) effective 1 January 2020.

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments also:

- clarify that an entity assess materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it have the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

<sup>1</sup> For the purposes of the investments made by the Fund, equity refers to Shariah-compliant equity instruments.

**B. INCOME RECOGNITION**

Profit income earned from Islamic deposits is recognised on the accrual basis, using the effective profit rate method.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that are subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Dividend income is recognised on the ex-dividend date, when the right to receive the dividend has been established.

Realised gain or loss on disposal of Shariah-compliant securities is accounted for as the difference between the net disposal proceeds and the carrying amount of Shariah-compliant securities, which is determined on a weighted average cost basis.

**C. TAXATION**

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable income earned during the financial year.

**D. FUNCTIONAL AND PRESENTATION CURRENCY**

Items included in the financial statements of the Fund are measured using the currency as the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Fund's functional and presentation currency.

## E. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### i. Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund’s debt instruments<sup>2</sup> are solely principal and interest<sup>3</sup>, however, these instruments are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies amount due from broker, amount due from Manager, dividends receivable and cash and cash equivalents as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager, accrued management fee, amount due to Trustee and other payables and accruals as financial liabilities measured at amortised cost.

<sup>2</sup> For the purposes of the investments made by the Fund, debt instruments refer to sukuk.

<sup>3</sup> For the purposes of this Fund, interest refers to profits earned from Shariah-compliant investments.

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Shariah-compliant investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the Shariah-compliant investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when it is extinguished; i.e when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the financial year in which they arise. Any unrealised gains however are not distributable.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Quoted Shariah-compliant securities in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the Shariah-compliant securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the Shariah-compliant securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the Shariah-compliant securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.



Islamic deposits with licensed financial institutions are stated at cost plus accrued profit rate calculated on the effective profit method over the period from the date of placement to the date of maturity of the respective Islamic deposits.

Financial assets and other financial liabilities are subsequently carried at amortised cost using the effective profit rate method.

iii. Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 months expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of obligor's sources of income or assets to generate sufficient future cash flows to pay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

## **F. CASH AND CASH EQUIVALENTS**

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

## **G. UNIT HOLDERS' CAPITAL**

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net assets value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

## **H. AMOUNT DUE FROM/(TO) BROKERS**

Amount due from and to brokers represent receivables for Shariah-compliant securities sold and payables for Shariah-compliant securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-months expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, profit income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Any contractual payment which is more than 90 days past due is considered credit impaired.

## **I. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

**J. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal to the related actual results. To enhance the information contents on the estimates, certain key variables that are anticipated to have material impacts to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the Manager and the Trustee and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's Shariah-compliant investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with Securities Commission Guidelines on Unit Trust Funds.

However, the Manager is of the opinion that in applying the accounting policies, no significant judgment was required.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

### 1. INFORMATION ON THE FUND

Eastspring Investments Islamic Small-cap Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 28 March 2017 (the “Deed”) entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”) (collectively referred to as the “Deed”).

The Fund was launched on 25 May 2017 and will continue its operations until terminated by the Trustee or the Manager as provided under Part 12 of the Deed.

The Fund invests in Shariah-compliant equities and Shariah-compliant equity-related securities, such as rights and Shariah-compliant warrants of small-cap companies listed in Malaysia with market capitalisation up to RM5 billion. All Shariah-compliant investments will be subjected to the Securities Commission (the “SC”) Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

The Fund seeks to provide capital appreciation by investing in small market capitalisation Shariah-compliant securities of companies with growth potential.

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

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and exposure to interest rate risk), stock/issuer risk, liquidity risk, fund management risk, non-compliance risk, Shariah status reclassification risk, capital risk and credit/default risk.

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

Financial instruments of the Fund are as follows:

	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2020</u>				
Cash and cash equivalents	7	41,932,098	-	41,932,098
Amount due from Manager		373,636	-	373,636
Amount due from brokers		163,284	-	163,284
Dividends receivable		283,553	-	283,553
Quoted Shariah-compliant securities	6	-	223,606,153	223,606,153
		<u>42,752,571</u>	<u>223,606,153</u>	<u>266,358,724</u>
<u>2019</u>				
Cash and cash equivalents	7	88,893,248	-	88,893,248
Amount due from Manager		723,552	-	723,552
Dividends receivable		135,387	-	135,387
Quoted Shariah-compliant securities	6	-	275,766,733	275,766,733
		<u>89,752,187</u>	<u>275,766,733</u>	<u>365,518,920</u>

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

**Market risk**

## i. Price risk

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

The table below shows assets of the Fund as at 31 May which are exposed to price risk:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Quoted Shariah-compliant securities designated at fair value through profit or loss	<u>223,606,153</u>	<u>275,766,733</u>

The following table summarises the sensitivity of the Fund's net asset value and profit after tax to movements in prices of quoted Shariah-compliant securities at the end of each reporting financial year. The analysis is based on the assumptions that the market price of the quoted Shariah-compliant securities increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted Shariah-compliant securities, having regard to the historical volatility of the price.

% Change in price	Market value	Increase/(decrease) in profit after tax and net asset value
	RM	RM
<u>2020</u>		
+5%	234,786,461	11,180,308
-5%	212,425,845	(11,180,308)
<u>2019</u>		
+5%	289,555,070	13,788,337
-5%	261,978,396	(13,788,337)

ii. Exposure to interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk refers to interest rate movements, which will affect the returns on the Shariah-compliant investments held by the Fund.

The above interest rate is a general economic indicator that will have an impact on the management of the Fund regardless whether it is an Islamic Unit Trust Fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments. All the investments are carried out for the Fund are in accordance with Shariah requirements.



As at the date of the statement of financial position, all the financial assets and financial liabilities no exposure to interest rate movement.

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

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable profit rate.

### **Stock/Issuer risk**

The Fund is restricted to investment in Shariah-compliant securities issued by and Shariah-compliant securities relating to any issuer of not more than fifteen percent (15%) of its net asset value. Furthermore, the Fund is restricted to invest in Shariah-compliant securities issued by and Shariah-compliant securities relating to any group of companies of not more than twenty percent (20%) of its net asset value. Under such restrictions, the exposure risk to the Shariah-compliant securities of any single issuer or any one group of companies is minimised.

### **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Fund Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The Fund maintains sufficient level of Islamic liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Islamic liquid assets comprise cash, Islamic deposits with licensed financial institutions and other Shariah-compliant instruments which are capable of being converted into cash within 7 days.

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

	<b>Less than 1 month</b>	<b>Between 1 month to 1 year</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>2020</u>			
Amount due to Manager	873,704	-	873,704
Accrued management fee	325,490	-	325,490
Amount due to Trustee	14,105	-	14,105
Other payables and accruals	-	22,942	22,942
Contractual cash outflows	1,213,299	22,942	1,236,241
<u>2019</u>			
Amount due to Manager	777,809	-	777,809
Accrued management fee	465,441	-	465,441
Amount due to Trustee	20,169	-	20,169
Amount due to brokers	2,849,157	-	2,849,157
Other payables and accruals	-	21,968	21,968
Contractual cash outflows	4,112,576	21,968	4,134,544

### Fund management risk

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

### **Non-compliance risk**

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

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

### **Shariah Status Reclassification risk**

The risk that the currently held Shariah-compliant equity securities in the portfolio of Islamic funds may be reclassified as Shariah non-compliant in the periodic review of the securities by the Shariah Advisory Council of the Securities Commission or the Shariah Adviser. If this occurs, the Manager will take the necessary steps to dispose of such securities.

Opportunity loss could occur due to the restriction on the Fund to retain the excess capital gains derived from the disposal of the reclassified Shariah non-compliant securities. In such an event, the Fund is required:

- i. to dispose such securities with immediate effect or within one (1) calendar month if the value of the securities exceeds or is equal to the investment cost on the effective date of Reclassification of the List of Shariah-compliant securities ("Reclassification") by the SAC of the SC or the Shariah Adviser. The Fund is allowed to keep dividends received and capital gains from the disposal of the securities up to the effective date of Reclassification. However, any dividends received and excess capital gains from the disposal of the Shariah non-compliant securities after the effective date of Reclassification should be channelled to *baitulmal* and/or approved charitable bodies;
- ii. to hold such securities if the value of the said securities is below the investment cost on the effective date of Reclassification until the total subsequent dividends received (if any) and the market price of the securities is equal to the cost of investment at which time disposal has to take place within one (1) calendar month, capital gains (if any) from the disposal of the securities should be channelled to *baitulmal* and/or approved charitable bodies; or
- iii. to dispose such securities at a price lower than the investment cost which will result in a decrease in the Fund's value.

**Capital risk**

The capital of the Fund is represented by equity consisting of unit holders' capital of RM290,413,357 (2019: RM394,691,678) and accumulated losses of RM25,290,874 (2019: RM33,307,302). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the Shariah-compliant investment activities of the Fund.

**Credit/Default risk**

Credit risk refers to the ability of an issuer or a counter party to make timely payments of profit, principals and proceeds from realisation of Shariah-compliant investments.

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

The credit/default risk is minimal as all transactions in quoted Shariah-compliant securities are settled/paid upon delivery using approved brokers.

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

	Cash and cash equivalents	Dividends receivable	Amount due from Manager	Amount due from broker	Total
	RM	RM	RM	RM	RM
<u>2020</u>					
<u>Financial Services</u>					
- AAA	41,886,540	-	-	-	41,886,540
- AA1	45,558	-	-	-	45,558
<u>Utilities</u>					
- NR	-	283,553	-	-	283,553
<u>Other</u>					
- NR	-	-	373,636	163,284	536,920
	<u>41,932,098</u>	<u>283,553</u>	<u>373,636</u>	<u>163,284</u>	<u>42,752,571</u>
<u>2019</u>					
<u>Financial Services</u>					
- AAA	88,647,043	-	-	-	88,647,043
- AA1	246,205	-	-	-	246,205
<u>Energy</u>					
- NR	-	62,143	-	-	62,143
<u>Industrial Products &amp; Services</u>					
- NR	-	41,324	-	-	41,324
<u>Transportation &amp; Logistics</u>					
- NR	-	31,920	-	-	31,920
<u>Other</u>					
- NR	-	-	723,552	-	723,552
	<u>88,893,248</u>	<u>135,387</u>	<u>723,552</u>	<u>-</u>	<u>89,752,187</u>

None of these assets are past due or impaired.

## Fair value estimation

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

The fair value of financial assets traded in active market (such as trading Shariah-compliant securities) are based on quoted market prices at the close of trading on the year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is representative of the fair value.

An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

## Fair value hierarchy

- i. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:
  - Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
  - Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
  - Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2020</u>				
Financial assets at fair value through profit or loss:				
Quoted Shariah-compliant securities	223,606,153	-	-	223,606,153
<u>2019</u>				
Financial assets at fair value through profit or loss:				
Quoted Shariah-compliant securities	275,766,733	-	-	275,766,733

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed Shariah-compliant securities. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note E to the financial statements.

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

### **3. MANAGEMENT FEE**

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

For the financial year ended 31 May 2020, the management fee is recognised at a rate of 1.50% (2019: 1.50%) per annum on the net asset value of the Fund, calculated on daily basis.

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

### **4. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.065% per annum on the net asset value of the Fund, subject to a minimum fee of RM15,000 per annum.

For the financial year ended 31 May 2020, the Trustee fee is recognised at a rate of 0.065% (2019: 0.065%) per annum on the net asset value of the Fund, inclusive of local custodian fee, calculated on daily basis.

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



**5. TAXATION**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial year:		
Current taxation – local	-	-

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

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Profit before taxation	8,016,428	9,969,625
Tax at Malaysian statutory rate of 24% (2019: 24%)	1,923,943	2,392,710
Tax effect of:		
Investment income exempt from tax	(3,239,041)	(4,015,063)
Expenses not deductible for tax purposes	165,528	213,429
Restriction on the tax deductible expenses for Unit Trust Funds	1,149,570	1,408,924
Taxation	-	-

**6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2020	2019
	RM	RM
Designated at fair value through profit or loss:		
Quoted Shariah-compliant securities	223,606,153	275,766,733
Net gain on financial assets at fair value through profit or loss:		
Realised gain/(loss) on disposals	5,695,651	(17,469,913)
Change in unrealised fair value (loss)/gain	(1,476,939)	22,507,498
	<u>4,218,712</u>	<u>5,037,585</u>

Quoted Shariah-compliant securities

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.5.2020	of net asset value of the Fund
	Units	RM	RM	%
<u>Construction</u>				
Gabungan AQRS Berhad	3,530,730	5,835,488	3,354,194	1.27
Kerjaya Prospek Group Berhad	13,840,200	22,946,987	14,117,004	5.32
Kimlun Corporation Berhad	2,811,837	6,281,630	2,052,641	0.77
Muhibbah Engineering (M) Bhd	3,269,500	9,100,021	2,909,855	1.10
Pintaras Jaya Bhd	1,188,000	4,678,519	3,148,200	1.19
Sunway Construction Group Berhad	3,038,700	6,253,573	5,712,756	2.15
WCT Holdings Berhad	10,040,192	16,762,514	5,371,503	2.03
	<u>37,719,159</u>	<u>71,858,732</u>	<u>36,666,153</u>	<u>13.83</u>

Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.5.2020	of net asset value of the Fund
	Units	RM	RM	%
<u>Consumer Products &amp; Services</u>				
AEON Co. (M) Berhad	1,848,300	2,772,450	1,866,783	0.70
Bermaz Auto Berhad	4,255,300	9,448,731	5,319,125	2.01
Cocoaland Holdings Berhad	1,643,800	4,739,154	3,188,972	1.20
DRB-HICOM Berhad	3,206,700	6,255,491	5,291,055	2.00
Hong Leong Industries Berhad	487,900	5,061,669	4,064,207	1.53
Hup Seng Industries Berhad	1,986,800	1,985,608	1,947,064	0.73
InNature Berhad	313,600	106,624	119,168	0.04
Magni-Tech Industries Berhad	5,962,400	15,414,510	11,745,928	4.43
NTPM Holdings Berhad	3,864,600	2,835,869	2,202,822	0.83
Padini Holdings Berhad	909,100	3,258,803	2,227,295	0.84
Power Root Berhad	4,495,320	4,516,861	11,732,785	4.43
Three-A Resources Berhad	1,893,000	2,326,042	1,514,400	0.57
	<u>30,866,820</u>	<u>58,721,812</u>	<u>51,219,604</u>	<u>19.31</u>
<u>Financial Services</u>				
Syarikat Takaful Malaysia Keluarga Berhad	2,183,900	11,179,431	9,390,770	3.54
<u>Health Care</u>				
Kossan Rubber Industries Berhad	2,901,900	10,263,855	25,246,530	9.52
KPJ Healthcare Berhad	2,397,200	2,320,334	2,145,494	0.81
	<u>5,299,100</u>	<u>12,584,189</u>	<u>27,392,024</u>	<u>10.33</u>

Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value	Percentage
			as at 31.5.2020	of net asset value of the Fund
	Units	RM	RM	%
<u>Industrial Products &amp; Services</u>				
ATA IMS Berhad	3,220,100	5,441,969	3,220,100	1.21
Cahaya Mata Sarawak Berhad	1,024,400	3,494,293	1,741,480	0.66
Chemical Company of Malaysia Berhad	1,784,600	3,398,187	2,623,362	0.99
Chin Hin Group Berhad	2,236,000	1,319,240	1,386,320	0.52
Chin Well Holdings Berhad	1,454,200	2,654,957	1,403,303	0.53
Dufu Technology Corp. Berhad	1,526,220	2,463,998	7,478,478	2.82
Pestech International Berhad	5,684,800	10,156,949	5,485,832	2.07
Scientex Berhad	464,900	3,857,625	3,849,372	1.45
SKP Resources Bhd	5,736,700	8,353,704	6,195,636	2.34
SLP Resources Berhad	1,599,500	1,833,785	1,343,580	0.51
Thong Guan Industries Berhad	808,200	2,847,546	2,893,356	1.09
Uchi Technologies Berhad	3,124,400	5,565,276	7,842,244	2.96
	<u>28,664,020</u>	<u>51,387,529</u>	<u>45,463,063</u>	<u>17.15</u>
<u>Plantation</u>				
Sarawak Oil Palms Berhad	2,464,400	9,417,885	7,910,724	2.98
<u>Property</u>				
Malaysian Resources Corporation Berhad	2,900,000	2,325,000	1,624,000	0.61
Sime Darby Property Berhad	1,533,000	1,111,425	1,042,440	0.39
	<u>4,433,000</u>	<u>3,436,425</u>	<u>2,666,440</u>	<u>1.00</u>

Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2020	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Islamic REITS</u>				
Axis Real Estate Investment Trust	1,292,457	2,222,603	2,675,385	1.01
<u>Technology</u>				
Globetronics Technology Berhad	1,817,000	3,807,241	3,561,320	1.34
Inari Amertron Berhad	7,498,800	11,690,666	11,173,212	4.21
Malaysian Pacific Industries Berhad	142,200	1,568,099	1,564,200	0.59
MY E.G. Services Berhad	553,800	621,544	747,630	0.28
Vitrox Corporation Berhad	929,600	4,975,817	7,994,560	3.02
	10,941,400	22,663,367	25,040,922	9.44
<u>Transportation &amp; Logistics</u>				
Lingkarans Trans Kota Holdings Berhad	1,000,000	5,106,500	3,970,000	1.50
MMC Corporation Berhad	1,798,000	1,740,120	1,564,260	0.59
	2,798,000	6,846,620	5,534,260	2.09

## Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2020	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Utilities</u>				
Gas Malaysia Berhad	1,277,000	3,697,310	3,575,600	1.35
Malakoff Corporation Berhad	6,899,100	6,370,947	6,071,208	2.29
	<u>8,176,100</u>	<u>10,068,257</u>	<u>9,646,808</u>	<u>3.64</u>
<b>TOTAL QUOTED SHARIAH - COMPLIANT SECURITIES</b>	<u>134,838,356</u>	<u>260,386,850</u>	<u>223,606,153</u>	<u>84.32</u>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>(36,780,697)</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>223,606,153</u>		

Quoted Shariah-compliant securities

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2019	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Consumer Products &amp; Services</u>				
Ajinomoto (Malaysia) Berhad	13,700	235,640	238,928	0.07
Bermaz Auto Berhad	4,255,300	9,448,731	9,787,190	2.71
Cocoaland Holdings Berhad	1,643,800	4,739,154	3,073,906	0.85
DRB-HICOM Berhad	4,120,900	8,038,873	8,571,472	2.37
Hup Seng Industries Berhad	1,986,800	1,985,608	1,897,394	0.53
Magni-Tech Industries Berhad	2,235,900	15,414,510	10,285,140	2.85
NTPM Holdings Berhad	6,379,200	4,681,099	2,679,264	0.74
Padini Holdings Berhad	333,100	1,242,263	1,239,132	0.34
Power Root Berhad	4,495,320	4,516,861	6,383,354	1.77
Power Root Berhad-Warrant	749,220	-	221,020	0.06
Three-A Resources Berhad	1,893,000	2,326,042	1,552,260	0.43
	<u>28,106,240</u>	<u>52,628,781</u>	<u>45,929,060</u>	<u>12.72</u>
<u>Construction</u>				
Gabungan AQRS Berhad	3,530,730	5,835,488	4,625,256	1.28
Kerjaya Prospek Group Berhad	13,840,200	22,946,987	17,023,446	4.71
Kerjaya Prospek Group Berhad-Warrant	1,887,300	-	405,770	0.11
Kimlun Corporation Berhad	2,731,000	6,180,584	3,768,780	1.04
Muhibbah Engineering (M) Berhad	3,269,500	9,100,021	8,991,125	2.49
Pintaras Jaya Berhad	1,188,000	4,678,519	3,005,640	0.83
Sunway Construction Group Berhad	6,479,900	13,335,482	12,700,604	3.51
WCT Holdings Berhad	12,399,600	21,115,675	11,779,620	3.26
	<u>45,326,230</u>	<u>83,192,756</u>	<u>62,300,241</u>	<u>17.23</u>

Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2019	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Energy</u>				
Sapura Energy Berhad	15,589,300	4,524,558	4,598,844	1.27
Wah Seong Corporation Berhad	837,300	1,039,904	560,991	0.16
	<u>16,426,600</u>	<u>5,564,462</u>	<u>5,159,835</u>	<u>1.43</u>
<u>Financial Services</u>				
Syarikat Takaful Malaysia Keluarga Berhad	720,200	2,726,452	4,530,058	1.25
<u>Health Care</u>				
Kossan Rubber Industries Berhad	6,578,400	23,267,426	26,050,464	7.21
KPJ Healthcare Berhad	2,697,200	2,610,715	2,508,396	0.69
Supermax Corporation Berhad	2,089,200	3,232,822	3,384,504	0.94
	<u>11,364,800</u>	<u>29,110,963</u>	<u>31,943,364</u>	<u>8.84</u>
<u>Industrial Products &amp; Services</u>				
Ann Joo Resources Berhad	4,079,600	13,924,488	5,752,236	1.59
ATA IMS Berhad	3,220,100	5,441,969	5,377,567	1.49
Cahaya Mata Sarawak Berhad	700,000	2,491,897	2,163,000	0.60
Chemical Company of Malaysia Berhad	2,066,200	3,934,402	4,049,752	1.12
Chin Well Holdings Berhad	1,454,200	2,654,957	2,559,392	0.71
Comfort Gloves Berhad	8,404,200	7,984,938	6,723,360	1.86
Dufu Technology Corp. Berhad	1,186,920	1,846,472	1,744,772	0.48
Pestech International Berhad	5,684,800	10,156,949	5,912,192	1.64
Scientex Berhad	364,900	3,026,225	3,068,809	0.85
SKP Resources Berhad	5,736,700	8,353,704	7,457,710	2.06
Uchi Technologies Berhad	3,124,400	5,565,276	8,967,028	2.48
	<u>36,022,020</u>	<u>65,381,277</u>	<u>53,775,818</u>	<u>14.88</u>



Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2019	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Plantation</u>				
Sarawak Oil Palms Berhad	2,853,700	10,905,623	6,734,732	1.86
<u>Technology</u>				
D&O Green Technologies Berhad	5,007,300	3,249,743	3,104,526	0.86
Globetronics Technology Berhad	4,311,200	9,347,550	6,811,696	1.88
Inari Amertron Berhad	7,498,800	11,690,666	11,548,152	3.20
Mi Technovation Berhad	1,423,000	3,177,268	2,376,410	0.66
MMS Ventures Berhad	1,965,125	2,262,097	1,395,239	0.39
Pentamaster Corporation Berhad	4,001,512	8,483,702	16,606,275	4.60
Vitrox Corporation Berhad	929,600	4,975,817	6,497,904	1.80
	25,136,537	43,186,843	48,340,202	13.39
<u>Telecommunications &amp; Media</u>				
TIME dotCom Berhad	259,900	2,024,077	2,307,912	0.64
<u>Transportation &amp; Logistics</u>				
Lingkar Trans Kota Holdings Berhad	1,000,000	5,106,500	4,220,000	1.17
MMC Corporation Berhad	798,000	804,480	837,900	0.23
	1,798,000	5,910,980	5,057,900	1.40

## Quoted Shariah-compliant securities (continued)

Name of counter	Quantity	Aggregate cost	Fair value as at 31.5.2019	Percentage of net asset value of the Fund
	Units	RM	RM	%
<u>Utilities</u>				
Gas Malaysia Berhad	1,675,300	4,897,330	4,791,358	1.33
Malakoff Corporation Berhad	5,899,100	5,540,947	4,896,253	1.35
	<u>7,574,400</u>	<u>10,438,277</u>	<u>9,687,611</u>	<u>2.68</u>
<b>TOTAL QUOTED SHARIAH - COMPLIANT SECURITIES</b>	<u>175,588,627</u>	<u>311,070,491</u>	<u>275,766,733</u>	<u>76.32</u>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>(35,303,758)</u>	
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>275,766,733</u>	

## 7. CASH AND CASH EQUIVALENTS

	2020	2019
	RM	RM
Bank balance with a licensed bank	45,558	246,205
Islamic deposit with a licensed financial institution	41,886,540	88,647,043
	<u>41,932,098</u>	<u>88,893,248</u>

The effective weighted average rate of return of Islamic deposit with a licensed financial institution per annum as at the date of the statement of financial position are as follows:

	2020	2019
	%	%
Islamic deposit with a licensed financial institution	<u>1.90</u>	<u>2.90</u>

The Islamic deposit has an average maturity of 1 day (2019: 3 days).

## 8. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises:

- Securities listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia; and
- Liquid assets in local market which are placed in Shariah-compliant instruments.

## 9. UNITS IN CIRCULATION

	<b>2020</b>	<b>2019</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	758,279,013	845,231,115
Creation of units arising from applications during the financial year	110,531,793	134,252,895
Cancellation of units during the financial year	(321,765,568)	(221,204,997)
At the end of the financial year	<u>547,045,238</u>	<u>758,279,013</u>

**10. TRANSACTIONS WITH BROKERS**

Details of transactions with the top 10 brokers are as follows:

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2020</u>				
CGS – CIMB Securities Sdn Bhd	31,113,056	17.98	77,620	20.52
Maybank Investment Bank Berhad	19,088,416	11.03	40,395	10.68
RHB Investment Bank Berhad	18,922,021	10.93	40,120	10.61
Affin Hwang Investment Bank Berhad	17,195,078	9.94	36,454	9.64
CLSA Securities Malaysia Sdn Bhd	17,151,328	9.91	36,361	9.61
UOB Kay Hian Securities (M) Sdn Bhd	11,571,602	6.68	24,532	6.48
J.P. Morgan Securities (Malaysia) Sdn Bhd	10,413,511	6.02	22,077	5.84
Hong Leong Investment Bank Berhad	8,885,724	5.13	18,838	4.98
Macquarie Capital Securities (Malaysia) Sdn Bhd	8,421,083	4.87	17,853	4.72
Kenanga Investment Bank Berhad	8,388,377	4.85	17,783	4.70
Others	21,910,539	12.66	46,206	12.22
	<u>173,060,735</u>	<u>100.00</u>	<u>378,239</u>	<u>100.00</u>

Name of brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2019</u>				
CLSA Securities Malaysia Sdn Bhd	28,894,215	10.92	60,274	11.64
UOB Kay Hian Securities (M) Sdn Bhd	26,018,834	9.83	54,319	10.49
CIMB Investment Bank Berhad	24,346,468	9.20	53,912	10.41
Nomura Securities Malaysia Sdn Bhd	23,771,006	8.98	50,463	9.75
Maybank Investment Bank Berhad	19,669,209	7.43	40,285	7.78
Affin Hwang Investment Bank Berhad	17,534,002	6.63	36,457	7.04
Kenanga Investment Bank Berhad	17,261,451	6.52	35,256	6.81
KAF Seagroatt & Campbell Securities Sdn Bhd	15,556,089	5.88	33,243	6.42
RHB Investment Bank Berhad	13,543,249	5.12	27,522	5.31
Credit Suisse Securities (Malaysia) Sdn Bhd	11,962,656	4.52	26,195	5.06
Other	66,058,804	24.97	99,908	19.29
	<u>264,615,983</u>	<u>100.00</u>	<u>517,834</u>	<u>100.00</u>

All brokers highlighted above are not related to the Manager.

## 11. UNITS HELD BY THE MANAGER

The related party of and its relationship with the Fund are as follows:

<b>Related party</b>	<b>Relationship</b>			
Eastspring Investments Berhad	The Manager			
	<b>2020</b>		<b>2019</b>	
	<b>No. of units</b>	<b>RM</b>	<b>No. of units</b>	<b>RM</b>
Eastspring Investments Berhad	2,000	969	2,000	953

The above units were transacted at the prevailing market price.

The units are held legally by the Manager and are within the prescribed limit allowed by SC's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the Directors or parties related to the Manager.

**12. MANAGEMENT EXPENSE RATIO (“MER”)**

	2020	2019
	%	%
MER	1.58	1.57

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (excluding transaction cost)

F = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM318,824,793 (2019: RM390,844,288).

**13. PORTFOLIO TURNOVER RATIO (“PTR”)**

	2020	2019
PTR (times)	0.27	0.34

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM58,340,722 (2019: RM127,759,291)

total disposals for the financial year = RM114,720,013 (2019: RM136,856,692)



#### **14. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, has resulted in the deterioration of the Fund's Net Asset Value/unit as of the date of this report. This is mainly due to the decrease in fair value of the Fund's investments at fair value through profit or loss.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

#### **15. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 10 July 2020.

# CORPORATE DIRECTORY

## **THE MANAGER**

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

200001028634 (531241-U)

REGISTERED OFFICE

Level 25, Menara Hong Leong

No. 6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

BUSINESS OFFICE

Level 22, Menara Prudential

Persiaran TRX Barat

55188 Tun Razak Exchange

Kuala Lumpur

TELEPHONE NO.

603-2778 3888

FAX NO.

603-2789 7220

EMAIL

cs.my@eastspring.com

WEBSITE

www.eastspring.com/my

## **TRUSTEE**

NAME

DEUTSCHE TRUSTEES MALAYSIA BERHAD

COMPANY NO.

763590-H

REGISTERED OFFICE & BUSINESS OFFICE

Level 20, Menara IMC

No. 8, Jalan Sultan Ismail

50250 Kuala Lumpur

TELEPHONE NO.

603-2053 7522

FAX NO.

603-2053 7526

## **SHARIAH ADVISER**

NAME

BIMB SECURITIES SDN BHD

COMPANY NO.

290163-X

REGISTERED ADDRESS

& BUSINESS ADDRESS

Level 32, Menara Multi Purpose

Capital Square

No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur

TELEPHONE NO.

603-2613 1600

FAX NO.

603-2613 1799

EMAIL

shariah@bimbsec.com.my

WEBSITE

www.bimbsec.com.my

**SALE & PURCHASE OF UNITS**

**Eastspring Investments Berhad**

Level 22, Menara Prudential  
Persiaran TRX Barat  
55188 Tun Razak Exchange  
Kuala Lumpur

TELEPHONE NO.  
603-2778 1000

**BRANCHES**

**Petaling Jaya**

Eastspring Investments Berhad  
A-17-P1 & M  
Block A, Jaya One  
72A, Jalan Universiti  
46200 Petaling Jaya, Selangor

TELEPHONE NO.  
603-7948 1288

**Kota Kinabalu**

Eastspring Investments Berhad  
Suite E3, 9<sup>th</sup> Floor  
CPS Tower, Centre Point Sabah  
No. 1, Jalan Centre Point  
88000 Kota Kinabalu, Sabah

TELEPHONE NO.  
6088-238 613

**ENQUIRIES**

CLIENT SERVICES  
603-2778 1000

Eastspring Investments Berhad 200001028634 (531241-U)  
Level 22, Menara Prudential, Persiaran TRX Barat  
55188 Tun Razak Exchange, Kuala Lumpur  
T: (603) 2778 3888 F: (603) 2789 7220  
[eastspring.com/my](http://eastspring.com/my)

Client Services  
T: (603) 2778 1000  
[cs.my@eastspring.com](mailto:cs.my@eastspring.com)