

**RHB GLOBAL FOOD ISLAMIC
EQUITY FUND**

ANNUAL REPORT 2017

**Incorporating The Audited
Financial Statements**

For the financial year ended 31 August 2017

RHB◆Asset Management

RHB Islamic International Asset Management Berhad (879478-A)

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GENERAL INFORMATION ABOUT THE FUND

Commencement Date

RHB Global Food Islamic Equity Fund (“the Fund”) commenced operations on 11 August 2011 (date of inception).

Fund Category and Type

Fund Category - Equity fund (Shariah-compliant)
Fund type - Growth fund

Investment Objective, Policy and Strategy

Objective of the Fund

This Fund aims to achieve medium to long term* capital appreciation, through investments in Shariah-compliant securities of companies that are involved in the food based and/or food-related businesses globally.

* Note: “medium to long term” in this context refers to a period of between 3 – 7 years.

Strategy

This Fund will focus on investing its assets in Shariah-compliant equities and equity-linked securities of companies that are involved in the food based and/ or food related businesses identified by the Manager as having strong potential to outperform the benchmark return of 7% growth per annum in Net Asset Value of a Unit.

As such, this Fund will tap into the massive potential growth in the food industry by investing into:

- (i) companies exposed to the fast growing sub-segment of the food industry in general and/or in particular countries;
- (ii) companies involved in food and food related business; and
- (iii) food companies from developed countries which are global brand names and which are beneficiaries of the growing demand of the emerging economies.

These are companies identified by the Manager that are listed in markets under the supervision of regulatory authorities who are members of the International Organisation of Securities Commissions (IOSCO), which offer growth potential and / or having the potential to pay dividend.

In line with the aspirations of investor who seek to invest in a Shariah-compliant fund, this Fund will only invest in Shariah-compliant companies approved by the Shariah Adviser. This will exclude companies involved in non halal food such as tobacco, pork products and alcohol.

This Fund's portfolio will be structured as follows:

70% to 98% of Net Asset Value

- Investment in Shariah-compliant equities and equity-linked securities of companies that are involved in the food and food-related businesses and which offers growth potential and/or dividend.

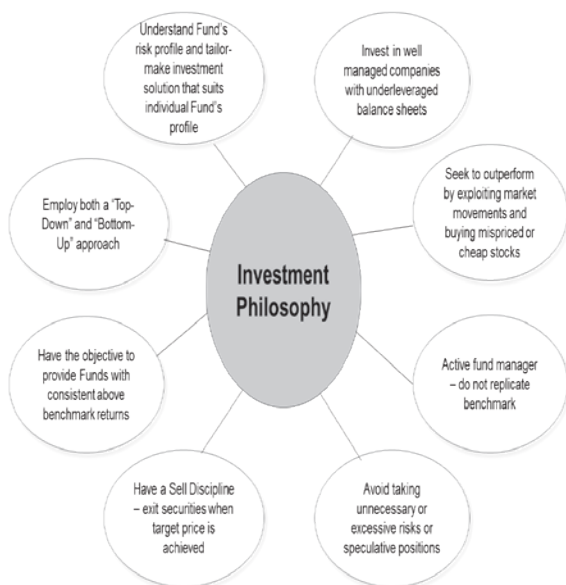
2% to 30% of Net Asset Value

- Investments in sukuk, Islamic money market instruments, cash and Islamic deposits with financial institutions.

Generally, the Fund will have a Shariah-compliant equity exposure of 70% to 98% of the Fund's Net Asset Value to generate returns to the Fund. However, the Manager may lower the Shariah-compliant equity exposure of the Fund in favour of sukuk, Islamic money market instruments and Islamic deposits in order to help achieve the benchmark return and/or to help preserve capital and return. Accordingly, the Fund's exposure to sukuk, Islamic money markets instruments and Islamic deposits may increase up to 100% of the Fund's Net Asset Value until such time when the Manager considers the investment in equity appropriate.

Investment Philosophy

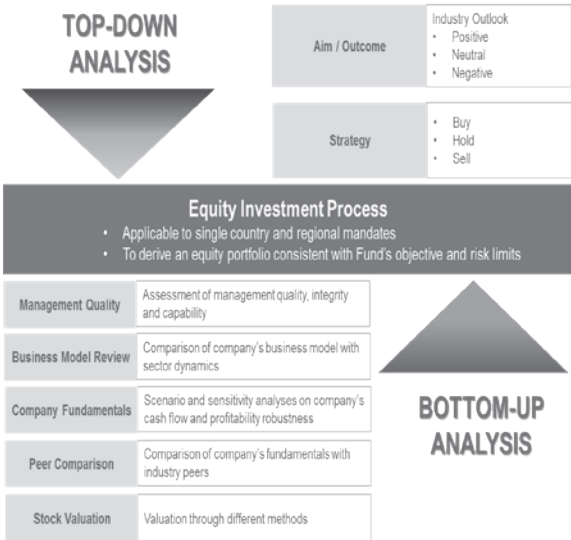
Our investment philosophy describes the approach that the investment team will adhere to when constructing an equity and/or sukuk portfolio. The portfolio managers invest in well-managed companies with strong balance sheets that possess competitive advantages that should enable them to outperform their peers over economic cycles. The portfolio managers are active investors that make high conviction security selection decisions, but at the same time do not take unnecessary or excessive risks nor take speculative positions. The portfolio managers seek to outperform their peers and beat their benchmark by buying mispriced or cheap securities. Following our disciplined sell strategy, they would then exit positions when our target price is reached. Concurrently, the portfolio managers understand the Fund's risk profile and act within the Fund's mandate.



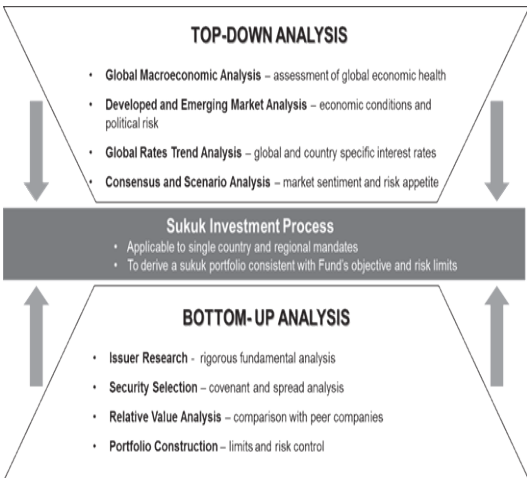
Investment Approach

Whenever the Fund invests in Shariah-compliant equities and/ or sukuk, the Manager’s investment approach will evolve around the following principles:-

Shariah-compliant equities



Sukuk



Performance Benchmark

The performance of the Fund is benchmarked against the targeted 7.00% growth per annum in Net Asset Value ('NAV') of a unit over the medium to long term period.

This is only a measurement of the Fund's performance and is not a guaranteed return. The Fund may not achieve the aforesaid 7% per annum growth rate in any particular financial year but targets to achieve this growth over the medium to long term.

Investment Policies and Restrictions

The Fund may invest or participate in Shariah-compliant securities traded on the Bursa Malaysia or any other market considered as an Eligible Market, Shariah-compliant securities not listed in or traded under the rules of an Eligible Market ("unlisted Shariah-compliant securities"), Islamic collective investment schemes, Islamic financial derivatives, Islamic structured products, Shariah-compliant liquid assets (including Islamic money market instruments and Islamic deposits with any financial institutions) and any other Shariah-compliant investments permitted by the Shariah Advisory Council of Securities Commission Malaysia ("SACSC") and/or the Shariah Adviser from time to time. Consequently, all investments for this Fund are to be designated as Shariah-compliant and in this regard, the Shariah Adviser will advise on the selection of investments to ensure compliance with Shariah requirements

Fund Distribution Policy

Consistent with the Fund's objective which aims to achieve medium to long term capital appreciation, distribution will therefore be of secondary importance. Net distribution, if any, will be reinvested.

MANAGER'S REPORT

MARKET REVIEW

There was positive performance across the equities market globally with Morgan Stanley Capital International ("MSCI") world rose by almost 14% for financial year ended 31 August 2017. Asia Pacific market deliver even better return with MSCI Asia Pacific Index delivered a total return of 16.6% during the period under review. The market momentum was positive with only Shenzhen market recorded negative return of 4.33%. Hong Kong/China and Japan shares delivered the highest return among Asia Pacific market as Hang Seng Index and Tokyo Stock Price Index ("TOPIX") rose by more 21% respectively during the financial year ended 31 August 2017.

In the Foreign Exchange market, there was a strong evident that United States Dollar ("USD") had lost some of its momentum. After a good two strong years of rally, USD finally hit a wall and ended the period under review relatively mixed. During the period under review, USD did strengthen against Philippine Peso ("PHP") (+9.9%), Japanese Yen ("JPY") (+7.1%) and Malaysian Ringgit ("MYR") (5.4%) but fallen short of expectation against Taiwan Dollar ("TWD") (-4.8%), Indian Rupee ("INR") (-4.6%) and Thailand Bhat ("THB") (-4.1%). The countries with high exposure to the export were clearly benefit from recovery in global economic especially in the US and Europe.

Geopolitical risks have gone wild off the script during the period under review after North Korea fired few round of missiles as part of its programmed nuclear test. To make a matter worse, the US President's Donald Trump had crossed the line and engaged the war of words with Kim Jong Un and its affiliates.

Commodities ended relatively weak in a year of two halves. Commodities saw a very weak pricing environment at the beginning of the financial year in September 2016 but recouped some of the losses after strong rebound from May 2017 onwards. West Texas Intermediate ("WTI") Brent closed the financial year under review at USD48 which was down by 3.2% compared to a year earlier. Sugar and Coffee fared even worse as price were down by 21.4 and 17.7% respectively over one-year period. In contrast, iron ore ended its multi-year slump with a sharp price uptick of 25.5% year-on-year despite ongoing concern of oversupply at Chinese ports.

Despite strong global equity market, the food related failed to ride on positive sentiment due multiple headwinds especially in the second part of the year, starting with news of the entrant of Amazon into the segment through acquisition of Whole Food Market. The companies also hit by earning misses on lower margin amidst rising commodity prices since May 2017.

ECONOMIC REVIEW AND OUTLOOK

In the July update of the World Economic Outlook, International Monetary Fund (“IMF”) had forecasted global economic growth of 3.5% for year 2017 and 3.6% for year 2018, unchanged from its April outlook. Echoing this view, the World Bank also predicting stronger real Gross Domestic Product (“GDP”) growth of 2.7% in year 2017 and 2.9% in year 2018 to year 2019. The latest data has been supportive with global manufacturing production rose at the fastest pace in four months, underpinned by the steepest upturn in new work since March.

International trade flows also strengthened, as new export business rose at the fastest pace in almost six-and-a-half years. The upturn in the global manufacturing sector is gathering pace in the third quarter of year 2017, with August seeing the Global Manufacturing Purchasing Managers’ Index (“PMI”) rising to its highest level in over six years. The index rose to 53.1, up from 52.7 in July 2017. It has now remained above the neutral 50.0 mark throughout the past one-and-a-half years.

In detail, developed nations outperformed (on average) emerging markets again. The Euro area Manufacturing PMI matched June’s six-year record, while growth in the United Kingdom (“UK”) was among the best seen since mid-2014. Expansions were also registered in the US, Japan and Canada. Meanwhile, manufacturing growth across the emerging markets also accelerated during August. PMI readings hit six- and four-month highs in China and Taiwan respectively, and moved back into expansion territory in both Brazil and India. Growth slowed slightly in Russia, whereas contractions were seen in Thailand and Myanmar.

For the US, taking aside the impact of Hurricane Harvey’s on a broad swath of the Gulf Coast, and political uncertainty about issues like tax overhaul and a possible increase in infrastructure spending, investors are watching closely on the Federal Reserve next step. The central bank is widely expected to initiate the slow runoff of its USD4.5 trillion portfolios of bonds and other assets and to revise up their macroeconomic projections in the September Federal Open Market Committee (“FOMC”) meeting. At their June meeting, Fed officials pencilled in one more interest-rate increase for this year, which markets expect would happen in December 2017.

The Euro-zone has also shown strong growth on this year’s economic horizon. The region’s output expanded at a 2.5% pace in second quarter of year 2017 (“2Q2017”). Growth is spreading beyond traditional powerhouses like Germany and the Netherlands to Italy and Spain whose economy expanded by 0.9% in the second quarter, the fastest pace in almost two years. Eurozone unemployment has fallen to an eight-year low of 9.1%, and consumers and businesses are buoyant. Forward-looking indicators across the continent suggest even better times ahead.

We see the new Asian growth frontier which include India, Indonesia, the Philippines and Vietnam will continue to unlock their full growth potential and replace the more mature market such as Japan, Korea and Taiwan.

The depreciation pressure on Emerging Markets and Asian currencies to remain in year 2017 as the money flow in favor US Dollar amid accelerating interest rate hike in year 2017 and stronger GDP growth in the US.

MARKET OUTLOOK AND STRATEGY GOING FORWARD

For the year 2017, we expect stock market volatility across all asset class including the equity, fixed income and commodity markets. Investors continue to focus on geopolitical risks especially on rising tension in Korean Peninsula. Elections in France and Germany bring a mixed sentiment to investors. Now election will be focus to South East Asia Market; Malaysia, Thailand and Indonesia which are expected to hold election in year 2018.

After years of outperformance by the US market was due to strong buying on USD on the hope of aggressive monetary tightening policy in US. After four-year-long rally, we are now less bullish on USD. In spite, Donald Trump's policies, if implemented will likely to spurs inflation and pushing interest rate further higher but we think has fully price in current valuation of USD. We have been reducing our exposure in the currency, in favour of emerging market exposures such as China, Korea, Taiwan and Mexico. We are looking to add more stock into emerging countries and undervalued cyclical stocks especially the fertiliser producers to take advantage on more positive outlook in the sector.

REVIEW OF FUND PERFORMANCE DURING THE YEAR

During the financial year under review, the Fund net asset value was down by 4.04%. The Fund net asset value was higher in the first six months for year 2017 but failed to sustained into the second part of the year due to multiple headwinds. All foods producer and food related companies were hit by rising cost of doing business due rising commodities prices. In addition, strong MYR from March 2017 until end of financial year August 2017 led to translation loss for majority of positions outside the Malaysian market.

In view of the current market condition, the Fund had missed to achieve the objective during the financial year under review.

PERFORMANCE REVIEW

For the financial year under review, the Fund registered a loss of 4.04%* in net asset value term compared with the targeted benchmark of 6.99%*. The Fund has not met its investment objective during the year under review.

* Source: Lipper for Investment Management ("Lipper IM"), 16 September 2017

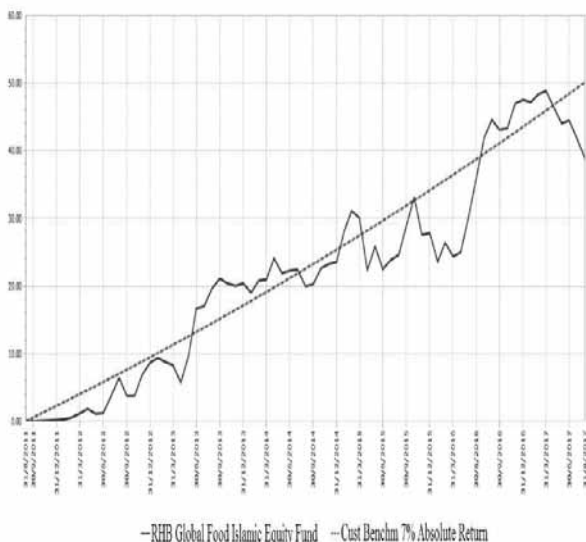
PERFORMANCE DATA

	Total Return				
	1-Month	3-Month	6-Month	9-Month	12-Month
	31.07.2017- 31.08.2017 %	31.05.2017- 31.08.2017 %	28.02.2017- 31.08.2017 %	30.11.2016- 31.08.2017 %	31.08.2016- 31.08.2017 %
RHB Global Food Islamic Equity Fund	(2.09)	(3.66)	(6.42)	(5.56)	(4.04)
Targeted Benchmark Return (Based on 7.00% growth per annum in NAV of a unit)	0.58	1.72	3.47	5.21	6.99

	Average Annual Return			
	1 Year	3 Years	5 Years	Since Launch
	31.08.2016 – 31.08.2017 %	31.08.2014 - 31.08.2017 %	31.08.2012 - 31.08.2017 %	31.08.2011** - 31.08.2017 %
RHB Global Food Islamic Equity Fund	(4.04)	4.98	5.45	5.60
Targeted Benchmark Return (Based on 7.00% growth per annum in NAV of a unit)	6.99	6.99	6.99	6.99

	Annual Total Return				
	Year Ended				
	2017 %	2016 %	2015 %	2014 %	2013 %
RHB Global Food Islamic Equity Fund					
- Capital Return	(4.04)	16.08	(3.59)	(6.64)	(5.22)
- Income Return	-	-	7.71	7.35	18.64
- Total Returns	(4.04)	16.08	3.84	0.22	12.44
Targeted Benchmark Return (Based on 7.00% growth per annum in NAV of a unit)	6.99	6.99	7.00	7.00	7.00

**Performance of RHB Global Food Islamic Equity Fund
for the period from 31 August 2011** to 31 August 2017
Cumulative Return Over The Period (%)**



** Being the last day of the Initial Offer Period

Source: Lipper IM, 16 September 2017

The abovementioned performance figures are indicative returns based on daily Net Asset Value of a unit (as per Lipper Database) since inception.

The calculation of the above returns is based on computation methods of Lipper.

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

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits wherever applicable.

Fund Size	As at 31 August		
	2017	2016	2015
Net Asset Value (RM million)	4.14	0.99	0.84*
Units In Circulation (million)	8.17	1.88	1.86*
Net Asset Value Per Unit (RM)	0.5064	0.5292	0.4543*

Historical Data	Year Ended 31 August		
	2017	2016	2015
Unit Prices			
NAV – Highest (RM)	0.5453	0.5292	0.5191*
– Lowest (RM)	0.5047	0.4456	0.4539*
Distribution and Unit Split			
Gross Distribution Per Unit (sen)	-	-	3.5000
Net Distribution Per Unit (sen)	-	-	3.5000
Ex date	-	-	28.08.2015
NAV before distribution (cum)	-	-	0.4914
NAV after distribution (ex)	-	-	0.4539
Unit Split	-	-	-
Others			
Management Expense Ratio (MER) (%) #	3.41	3.15	4.20
Portfolio Turnover Ratio (PTR) (times) ##	1.74	0.34	1.11

* The figures quoted are ex-distribution

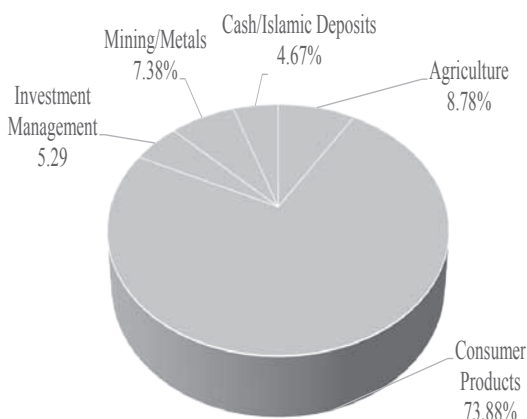
The MER for the financial year was higher compared with the previous financial year due to higher expenses incurred during the financial year under review (refer to Note 11).

The PTR for the financial year was higher compared with previous financial year as there were more investment activities carried out during the financial year (refer to Note 12).

DISTRIBUTION

For the financial year under review, no distribution has been proposed by the Fund.

PORTFOLIO STRUCTURE AS AT 31 AUGUST 2017



The asset allocation of the Fund as at reporting date was as follows:

Sectors	As at 31 August		
	2017 %	2016 %	2015 %
Shariah-compliant equities			
Agriculture	8.78	-	-
Consumer Products	73.88	81.50	77.66
Investment Management	5.29	-	-
Mining/Metals	7.38	-	-
	<hr/>	<hr/>	<hr/>
	95.33	81.50	77.66
Cash/Islamic Deposits	4.67	18.50	22.34
	<hr/>	<hr/>	<hr/>
	100.00	100.00	100.00

The asset allocations have been structured to meet the Fund's intended objective.

FUND SIZE AND PROFILE OF UNIT HOLDINGS BY SIZE

As at 31 August 2017, the Fund's units in circulation stood at 8.17 million units with a total of 19 accounts.

Size of Holdings	Account Holders		No. Of Units Held*	
	No.	%	('000)	%
5,000 and below	4	21.05	9	0.11
5,001 to 10,000	3	15.79	21	0.26
10,001 to 50,000	5	26.32	103	1.26
50,001 to 500,000	5	26.32	933	11.42
500,001 and above	2	10.52	7,106	86.95
Total	19	100.00	8,172	100.00

*Excluding Manager's stock

REBATES AND SOFT COMMISSION

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Fund Manager may only receive soft commission in the form of research and advisory services that assist in the decision-making process relating to the Fund's investments.

During the financial year under review, the soft commission received from the brokers had been retained by the Manager as the goods and services provided are of demonstrable benefit to the unitholders.

RHB GLOBAL FOOD ISLAMIC EQUITY FUND
STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2017

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
ASSETS			
Islamic financial assets at fair value through profit or loss (“FVTPL”)	5	3,945,817	812,853
Dividend receivable		816	3,649
Bank balances		212,807	194,443
TOTAL ASSETS		<u>4,159,440</u>	<u>1,010,945</u>
LIABILITIES			
Accrued management fee		7,247	1,532
Amount due to Trustee		322	68
Other payables and accruals	6	12,942	11,965
TOTAL LIABILITIES		<u>20,511</u>	<u>13,565</u>
NET ASSET VALUE		<u>4,138,929</u>	<u>997,380</u>
UNITHOLDERS’ FUNDS			
Unitholders’ capital		4,139,637	743,413
(Accumulated losses)/retained earnings		(708)	253,967
		<u>4,138,929</u>	<u>997,380</u>
UNITS IN CIRCULATION (UNITS)	7	<u>8,172,493</u>	<u>1,884,694</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.5064</u>	<u>0.5292</u>

The accompanying notes are an integral part of the financial statements.

**RHB GLOBAL FOOD ISLAMIC EQUITY FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
INVESTMENT INCOME			
Dividend income		842,617	19,543
Profit income from Islamic deposits with licensed financial institutions		2,014	153
Net gain from Islamic financial assets at FVTPL	5	(964,821)	165,511
Net loss on foreign currency exchange		(11,646)	(2,948)
		<u>(131,836)</u>	<u>182,259</u>
EXPENSES			
Management fee	8	(43,786)	(17,208)
Trustee's fee	9	(1,946)	(765)
Audit fee		(6,000)	(3,500)
Tax agent's fee		(3,200)	(3,259)
Transaction costs		(28,088)	(1,885)
Other expenses		(28,845)	(5,384)
		<u>(111,865)</u>	<u>(32,001)</u>
(Loss)/profit before taxation		(243,701)	150,258
Taxation	10	(10,974)	(2,057)
(Loss)/profit after taxation and total comprehensive (loss)/income for the financial year		<u>(254,675)</u>	<u>148,201</u>
Profit after taxation is made up as follows:			
Realised amount		(51,558)	46,286
Unrealised amount		(203,117)	101,915
		<u>(254,675)</u>	<u>148,201</u>

The accompanying notes are an integral part of the financial statements.

RHB GLOBAL FOOD ISLAMIC EQUITY FUND
STATEMENT OF CHANGES IN NET ASSET VALUE
AS AT 31 AUGUST 2017

	Unitholders' capital RM	Retained earnings/ (accumulated losses) RM	Total net asset value RM
Balance as at 1 September 2015	738,405	105,766	844,171
Movement in net asset value:			
Total comprehensive income for the financial year	-	148,201	148,201
Creation of units arising from applications	29,647	-	29,647
Creation of units arising from distribution*	65,034	-	65,034
Cancellation of units	(89,673)	-	(89,673)
Balance as at 31 August 2016	<u>743,413</u>	<u>253,967</u>	<u>997,380</u>
Balance as at 1 September 2016	743,413	253,967	997,380
Movement in net asset value:			
Total comprehensive loss for the financial year	-	(254,675)	(254,675)
Creation of units arising from applications	5,524,592	-	5,524,592
Cancellation of units	(2,128,368)	-	(2,128,368)
Balance as at 31 August 2017	<u>4,139,637</u>	<u>(708)</u>	<u>4,138,929</u>

* Creation of units arising from distribution is based on Ex date 28 August 2015 and reinvested on 1 September 2015.

The accompanying notes are an integral part of the financial statements.

RHB GLOBAL FOOD ISLAMIC EQUITY FUND
STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

	<u>2017</u> RM	<u>2016</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of Shariah-compliant investments	1,782,790	332,616
Purchase of Shariah-compliant investments	(5,880,575)	(324,407)
Dividends received	834,476	16,875
Profits received from Islamic deposits with licensed financial institutions	2,014	153
Net realised foreign exchange loss	(25,899)	(1,262)
Manager's fee paid	(38,071)	(17,056)
Trustee's fee paid	(1,692)	(758)
Payment for other fees and expenses	(65,156)	(12,856)
Net cash used in operating activities	<u>(3,392,113)</u>	<u>(6,695)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	5,524,592	29,647
Payment for cancellation of units	(2,128,368)	(89,673)
Net cash generated from/(used in) financing activities	<u>3,396,224</u>	<u>(60,026)</u>
Net increase/(decrease) in cash and cash equivalents	4,111	(66,721)
Foreign currency translation differences	14,253	(1,686)
Cash and cash equivalents at the beginning of the financial year	<u>194,443</u>	<u>262,850</u>
Cash and cash equivalents at the end of the financial year	<u>212,807</u>	<u>194,443</u>
Cash and cash equivalents comprise:		
Bank balances	<u>212,807</u>	<u>194,443</u>

The accompanying notes are an integral part of the financial statements.

RHB GLOBAL FOOD ISLAMIC EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB Global Food Islamic Equity Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Master Deed dated 1 December 2010 as modified via its First Supplemental Master Deed dated 3 October 2013, Second Supplemental Master Deed dated 2 March 2015 and Third Supplemental Master Deed dated 29 April 2015 (hereinafter referred to as “the Deeds”) between RHB Islamic International Asset Management Berhad (“the Manager”) and HSBC (Malaysia) Trustee Berhad (“the Trustee”).

The Fund commenced operations on 11 August 2011 and will continue its operations until terminated according to the conditions as provided in the Deed.

The principal activity of the Fund is to invest in Authorised Investments as defined in the Deed.

The main objective of the Fund is to achieve medium to long term capital appreciation through investments in Shariah-compliant securities of companies that are involved in the food based and/or food-related businesses globally.

The Fund’s activities shall be conducted strictly in accordance with the requirement of the Shariah principles and shall be monitored by the Shariah Adviser of the Fund.

All investments will be subject to the Securities Commission Malaysia’s (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The Manager, a company incorporated in Malaysia is a wholly-owned subsidiary of RHB Asset Management Sdn Bhd, effective from 1 December 2013. Its principal activities include rendering of Islamic fund management services and management of Islamic unit trust funds.

These financial statements were authorised for issue by the Manager on 23 October 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except as disclosed in the summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The preparation of financial statements in conformity with MFRS and IFRS 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 financial period. It also requires the Manager to exercise its judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgement are based on the Manager’s best knowledge of current events and actions, actual results may differ.

- (a) The Fund has applied the following amendments for the first time for the financial year beginning on 1 September 2016:
- Amendments to MFRS 101 “Presentation of Financial Statements Disclosure Initiative” (effective from 1 January 2016)
 - Annual Improvements to MFRS 2012 – 2014 Cycle (effective from 1 January 2016)

The adoption of these amendments did not have any impact on the current year or any prior period and is not likely to affect future periods.

- (b) The new standards and amendments to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows:
- (i) Financial year beginning on/after 1 September 2017
- Amendments to MFRS 107 “Statement of Cash Flows – Disclosure Initiative” (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

(a) The new standards and amendments to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows: (continued)

(ii) Financial year beginning on/after 1 September 2018

- MFRS 15 “Revenue from Contracts with Customers” (effective from 1 January 2018) replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and profit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

(b) The new standards and amendments to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows: (continued)

(ii) Financial year beginning on/after 1 September 2018 (continued)

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The above standards and amendments to published standards are not expected to have a significant impact on the Fund's financial statements.

2.2 Financial assets

Classification

Financial assets are designated as fair value through profit or loss when they are managed and their performance are evaluated on a fair value basis.

The Fund designates its investments in quoted Shariah-compliant investments as financial assets at fair value through profit or loss at inception.

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's financing and receivables comprise cash and cash equivalents and dividend receivable which are all due within 12 months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

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. Investments are initially recognised at fair value. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value.

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as expenses.

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

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss, including the effects of currency translation, are recognised in profit or loss within net gain or loss on financial assets at fair value through profit or loss in the financial year which they arise.

Quoted Shariah-compliant investments are valued at the market price available on the respective stock exchange at the close of the business day, where the last market traded price falls within the bid-ask spread. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

If a valuation based on the market price does not represent the fair value of the 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 securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period from the date of placement to the date of maturity of the respective deposits, which is a reasonable estimate of fair value due to the short-term nature of the deposits.

Financing and receivables are subsequently carried at amortised cost using the effective profit method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Impairment of financial assets

For assets carried at amortised cost, the Fund assesses at the end of the financial year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If 'financing and receivables' has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 “Financial Instruments: Recognition and Measurement”, 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.

The Fund’s financial liabilities which include accrued management fee, amount due to Trustee and other payables and accruals are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective profit method.

A financial liability is de-recognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

2.4 Unitholder’s capital

The unitholders’ 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 unitholders exercise 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Income recognition

Dividend income from quoted Shariah-compliant investments is recognised when the Fund's right to receive payment is established.

Profit income from Islamic deposits with licensed financial institutions is recognised on an accrual basis using the effective profit method.

Realised gain or loss on sale of quoted Shariah-compliant investments is arrived at after accounting for cost of investments, determined on the weighted average cost method.

2.6 Taxation

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable income earned during the financial year.

Tax on dividend income from foreign quoted Shariah-compliant investments is based on the tax regime of the respective countries that the Fund invests in.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances which is subject to an insignificant risk of changes in value.

2.8 Presentation and functional currency

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

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in RM primarily due to the following factors:

- The Fund's cash is denominated in RM for the purpose of making settlement of the creation and cancellation.
- The Fund's units are denominated in RM.
- The Fund's expenses are denominated in RM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Foreign currency translation

Foreign currency transactions in the Fund are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

2.10 Segmental information

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The operating results are regularly reviewed by the Manager and the Investment Committee. The Investment Committee assumes the role of chief operating decision maker, for performance assessment purposes and to make decisions about resources allocated to the investment segment based on the recommendation by the Investment & Security Selection Committee.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include management risk, stock market risk, price risk, profit rate risk, liquidity risk, individual stock risk, currency risk, credit risk, non-compliance risk, Shariah specific risk and capital 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 SC Guidelines on Unit Trust Funds.

Management risk

Poor management of the Fund may jeopardise the investment of each unitholder. Therefore, it is important for the Manager to set the investment policies and appropriate strategies to be in line with the investment objective before any investment activities can be considered. However, there can be no guarantee that these measures will produce the desired results.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Stock market risk

Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in profit or currency rates or

adverse investors' sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. The market price of securities owned by a unit trust fund might go down or up, sometimes rapidly or unpredictably.

Price risk

Price risk is the risk that the fair value of an investment of the Fund will fluctuate because of changes in market prices (other than those arising from profit rate risk).

The Fund's overall exposure to price risk was as follows:

	<u>2017</u> RM	<u>2016</u> RM
Islamic financial assets at fair value through profit or loss	<u>3,945,817</u>	<u>812,853</u>

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The table below summarises the sensitivity of the Fund's profit or loss and net asset value to movements in prices of investments. The analysis is based on the assumption that the price of the investments fluctuates by 5% with all other variables held constant.

	<u>Change in price of investments</u> %	<u>Market value</u> RM	<u>Impact on profit or loss and net asset value</u> RM
<u>2017</u>	-5	3,748,526	(197,291)
	0	3,945,817	-
	+5	4,143,108	197,291
<hr/>			
<u>2016</u>	-5	772,210	(40,643)
	0	812,853	-
	+5	853,496	40,643
<hr/>			

Profit rate risk

Profit rate risk is the risk that the cost or the value of the financial instruments will fluctuate due to changes in market profit rates. The Fund's exposure to the profit rate risk is mainly from short term placements with licensed financial institutions. The Manager overcomes the exposure by way of maintaining deposits on short term basis. Therefore, exposure to profit rate fluctuation is minimal.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

Liquidity risk exists when particular investments are difficult to sell, possibly preventing a unit trust fund from selling such illiquid securities at an advantageous time or price. Unit trust funds with principal investment strategies that involve securities or securities with substantial market and/or credit risk tend to have the greater exposure to liquidity risk. As part of its risk management, the Manager will attempt to manage the liquidity of the Fund through asset allocation and diversification strategies within the portfolio. The Manager will also conduct constant fundamental research and analysis to forecast future liquidity of its investments.

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

	Less than <u>1 month</u> RM	Between 1 month to <u>1 year</u> RM
<u>2017</u>		
Accrued management fee	7,247	-
Amount due to Trustee	322	-
Other payables and accruals	-	12,942
	<u>7,569</u>	<u>12,942</u>
<u>2016</u>		
Accrued management fee	1,532	-
Amount due to Trustee	68	-
Other payables and accruals	-	11,965
	<u>1,600</u>	<u>11,965</u>

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Individual stock risk

The performance of each individual stock that a unit trust fund invests is dependent upon the management quality of the particular company and its growth potential. Hence, this would have an impact on the unit trust fund's prices and its dividend income. The Manager aims to reduce all these risks by using diversification that is expected to reduce the volatility as well as the risk for the Fund's portfolio. In addition, the Manager will also perform continuous fundamental research and analysis to aid its active asset allocation management especially in its stock selection process.

Currency risk

Currency risk is associated with financial instruments that are quoted and/or priced in foreign currency denomination. Malaysian based investor should be aware that if the Ringgit Malaysia appreciates against the currencies in which the portfolio of the investment is denominated, this will have an adverse effect on the net asset value of the fund and vice versa. Investors should note any gains or losses arising from the movement of foreign currencies against its home currency may therefore increase/decrease the capital gains of the financial instruments. Nevertheless, investors should realise that currency risk is considered as one of the major risks to financial instruments in foreign assets due to the volatile nature of the foreign exchange market.

The Manager or its fund management delegate could utilise two pronged approaches in order to mitigate the currency risk; firstly by spreading the investments across different currencies (i.e. diversification) and secondly, by hedging the currencies when it is deemed necessary.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

The following table sets out the foreign currency risk concentrations of the Fund at the end of the financial year:

	Islamic financial assets at fair value through <u>profit or loss</u> RM	Cash and cash <u>equivalents</u> RM	<u>Dividend receivable</u> RM	<u>Total</u> RM
<u>2017</u>				
GBP	55,185	-	-	55,185
HKD	545,455	-	-	545,455
IDR	977,741	186	-	977,927
JPY	387,611	-	-	387,611
KRW	365,587	-	-	365,587
SGD	-	100,787	-	100,787
TWD	471,264	42,209	-	513,473
USD	550,686	269	816	551,771
	3,353,529	143,451	816	3,497,796
<u>2016</u>				
EUR	76,820	-	-	76,820
HKD	72,206	-	-	72,206
IDR	195,265	-	-	195,265
JPY	62,550	-	-	62,550
SGD	-	119,962	-	119,962
THB	126,988	-	3,649	130,637
USD	75,860	-	-	75,860
	609,689	119,962	3,649	733,300

The table below summarises the sensitivity of the Fund's profit or loss and net asset value to changes in foreign exchange movements at the end of each financial year. The analysis is based on the assumption that the foreign exchange rate fluctuates by 5%, with all other variables remain constants.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<u>Change in foreign exchange rate</u>	<u>Impact on profit or loss and net asset value</u>	
		<u>2017</u>	<u>2016</u>
	%	RM	RM
EUR	5	-	3,841
GBP	5	2,759	-
HKD	5	27,273	3,610
IDR	5	48,896	9,763
JPY	5	19,381	3,128
KRW	5	18,279	-
SGD	5	5,039	5,998
THB	5	-	6,532
TWD	5	25,674	-
USD	5	27,589	3,793
		<u>174,890</u>	<u>36,665</u>

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Fund. The credit risk arising from placements of Islamic deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The following table sets out the credit risk concentration of the Fund:

	Cash and cash equivalents	Dividend receivable	Total
	RM	RM	RM
<u>2017</u>			
Financial institutions:			
- AAA	212,807	-	212,807
Others	-	816	816
	<u>212,807</u>	<u>816</u>	<u>213,623</u>
<u>2016</u>			
Financial institutions:			
- AAA	194,443	-	194,443
Others	-	3,649	3,649
	<u>194,443</u>	<u>3,649</u>	<u>198,092</u>

* Comprise dividend receivable.

The financial assets of the Fund are neither past due nor impaired.

Non-compliance risk

This is the risk of the Manager not complying with the internal policies, the Deeds of the Fund, all applicable laws or guidelines issued by the regulators. This may occur as a result of system failure or the inadvertence of the Manager. The magnitude of such risk and its impact on the Fund and/or unitholders are dependent on the nature and severity of the non-compliance. Non-compliance may adversely affect the Fund especially if the investment of the Fund has to be disposed at a lower price to rectify the non-compliance.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Shariah specific risk

The risk that the investments do not conform to the principle of Shariah may result in those investments being not Shariah compliant. Should the situation arise, necessary steps shall be taken to dispose of such investments in accordance with the rules of divestment of non Shariah-compliant investments. If this occurs, the Fund could suffer losses from the disposal and thus, adversely affecting the value of the Fund.

Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital of RM4,139,637 (2016: RM743,413) and accumulated losses of RM708 (2016: retained earnings of RM253,967). 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 unitholders. 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 unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. 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 publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date.

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

4. FAIR VALUE ESTIMATION (CONTINUED)

The fair value of financial assets and financial liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The fair values are based on the following methodologies and assumptions:

- (i) For bank balances, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

4. FAIR VALUE ESTIMATION (CONTINUED)

Fair value hierarchy

The Fund adopted MFRS 13 “Fair Value Measurement” in respect of disclosures about the degree of reliability of fair value measurement. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 judgment 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.

4. FAIR VALUE ESTIMATION (CONTINUED)

Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
2017				
Islamic financial assets at fair value through profit or loss				
- Quoted Shariah-compliant investments	3,945,817	-	-	3,945,817
2016				
Islamic financial assets at fair value through profit or loss				
- Quoted Shariah-compliant investments	812,853	-	-	812,853

Investments in active listed equities, i.e. quoted Shariah-compliant investments whose values are based on quoted market prices in active markets are classified within Level 1. 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 2.2.

5. ISLAMIC FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2017</u>	<u>2016</u>
	RM	RM
Islamic financial assets designated as FVTPL:		
Quoted Shariah-compliant investments	<u>3,945,817</u>	<u>812,853</u>
	<u>2017</u>	<u>2016</u>
	RM	RM
Net (loss)/gain on Islamic financial assets at FVTPL comprised:		
- net realised (loss)/gain on sale of Islamic financial assets at FVTPL	(747,451)	63,596
- net unrealised (loss)/gain on changes in fair value	<u>(217,370)</u>	<u>101,915</u>
	<u>(964,821)</u>	<u>165,511</u>

Financial assets designated as FVTPL as at 31 August 2017 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u>	<u>Fair value as at 31.08.2017</u>	<u>Fair value as at 31.08.2017 expressed as a percentage of value of the Fund</u>
		RM	RM	%
QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL				
<u>MALAYSIA</u>				
Consumer Products				
Cocoaland Holdings Bhd	50,000	143,797	136,000	3.29
Dutch Lady Milk Industries Bhd	4,200	227,884	246,288	5.95
Nestle (Malaysia) Bhd	2,500	190,111	210,000	5.07
TOTAL MALAYSIA		<u>561,792</u>	<u>592,288</u>	<u>14.31</u>

5. ISLAMIC FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 August 2017 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> <u>as at</u> <u>31.08.2017</u> RM	<u>Fair value as</u> <u>at 31.08.2017</u> <u>expressed as</u> <u>a percentage</u> <u>of value of</u> <u>the Fund</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - FOREIGN				
<u>GREAT BRITAIN</u>				
Consumer Products				
Associated British Foods PLC	302	44,990	55,185	1.33
TOTAL GREAT BRITAIN		44,990	55,185	1.33
<u>HONG KONG</u>				
Consumer Products				
Greatview Aseptic Packaging Co Ltd	60,000	134,975	157,083	3.80
Tianyun International Holdings	177,000	83,687	120,676	2.92
Want Want China Holdings Ltd	40,000	119,267	113,013	2.73
Zhou Hei Ya International Holdings	40,000	183,761	154,683	3.73
TOTAL HONG KONG		521,690	545,455	13.18
<u>INDONESIA</u>				
Consumer Products				
Industri Jamu dan Farmasi Sido Muncul	1,970,000	350,639	315,111	7.61
Nippon Indosari Corpindo TBK	915,000	429,578	357,116	8.63
		780,217	672,227	16.24
Mining/Metal				
Timah TBK	1,000,000	254,264	305,514	7.38
TOTAL INDONESIA		1,034,481	977,741	23.62

5. ISLAMIC FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 August 2017 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at 31.08.2017 RM	<u>Fair value as at 31.08.2017 expressed as a percentage of value of the Fund</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
<u>JAPAN</u>				
Consumer Products				
Ajinomoto Co Incorporation	2,000	193,012	168,439	4.07
Investment Management				
Kusuri No Aoki Holdings Co	910	185,049	219,172	5.29
TOTAL JAPAN		378,061	387,611	9.36
<u>KOREA</u>				
Agriculture				
SK Bioland Co Ltd	3,660	255,631	227,186	5.49
Consumer Products				
SPC Samlip	230	160,208	138,401	3.34
TOTAL KOREA		415,839	365,587	8.83
<u>TAIWAN</u>				
Consumer Products				
Grape King Incorporation	11,000	295,153	286,231	6.92
TCI Co Ltd	6,904	189,866	185,033	4.47
TOTAL TAIWAN		485,019	471,264	11.39

5. ISLAMIC FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 August 2017 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u>	<u>Fair value</u>	<u>Fair value as</u>
		<u>RM</u>	<u>31.08.2017</u>	<u>at 31.08.2017</u>
			<u>RM</u>	<u>expressed as</u>
				<u>a percentage</u>
				<u>of value of</u>
				<u>the Fund</u>
				<u>%</u>
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
<u>UNITED STATES OF AMERICA</u>				
Agriculture				
Terra Nitrogen Company	410	164,471	136,050	3.29
Consumer Products				
Hain Celestial Group				
Incorporation	660	103,264	113,322	2.74
Sonoco Products Co	700	156,265	144,215	3.48
Williams Sonoma Incorporation	800	171,991	157,099	3.80
		431,520	414,636	10.02
TOTAL UNITED STATES AMERICA		595,991	550,686	13.31
TOTAL QUOTED SHARIAH-COMPLIANT INVESTMENTS		4,037,863	3,945,817	95.33
ACCUMULATED UNREALISED LOSS		(92,046)		
TOTAL ISLAMIC FINANCIAL ASSETS AT FVTPL		3,945,817		

5. ISLAMIC FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 August 2016 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at <u>31.08.2016</u> RM	<u>Fair value as</u> at 31.08.2016 expressed as a percentage of value of <u>the Fund</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL				
<u>MALAYSIA</u>				
Consumer Products				
Dutch Lady Milk Industries Bhd	1,200	54,944	71,040	7.12
Nestle (Malaysia) Bhd	1,100	74,591	86,724	8.70
		<u>129,535</u>	<u>157,764</u>	<u>15.82</u>
Agriculture				
Felda Global Ventures Holdings Bhd	20,000	<u>33,200</u>	<u>45,400</u>	<u>4.55</u>
TOTAL MALAYSIA		<u>162,735</u>	<u>203,164</u>	<u>20.37</u>

5. ISLAMIC FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 August 2016 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> <u>as at</u> <u>31.08.2016</u> RM	<u>Fair value as at 31.08.2016 expressed as a percentage of value of the Fund</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - FOREIGN				
<u>FRANCE</u>				
Consumer Products				
Danone S.A.	250	55,009	76,820	7.70
TOTAL FRANCE		55,009	76,820	7.70
<u>HONG KONG</u>				
Consumer Products				
China Mengniu Dairy Company Ltd	9,400	89,466	72,206	7.24
TOTAL HONG KONG		89,466	72,206	7.24
<u>INDONESIA</u>				
Consumer Products				
Indofood CBP Sukses Makmur TBK	34,000	50,730	103,441	10.37
Agriculture				
Astra Agro Lestari TBK	7,333	38,529	36,680	3.68
Perusahaan Perkebunan London Sumatra Indonesia TBK PT	113,000	61,937	55,144	5.53
		100,466	91,824	9.21
TOTAL INDONESIA		151,196	195,265	19.58

5. ISLAMIC FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 August 2016 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> <u>as at</u> <u>31.08.2016</u> RM	<u>Fair value as</u> <u>at 31.08.2016</u> <u>expressed as</u> <u>a percentage</u> <u>of value of</u> <u>the Fund</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - FOREIGN (CONTINUED)				
<u>JAPAN</u>				
Consumer Products				
Yakult Honsha Company Ltd	350	70,417	62,550	6.27
TOTAL JAPAN		70,417	62,550	6.27
<u>THAILAND</u>				
Consumer Products				
Ichitan Group PCL-Foreign ORD	40,000	58,644	56,543	5.67
Thai Vegetable Oil PCL	18,000	44,146	70,445	7.06
TOTAL THAILAND		102,790	126,988	12.73
<u>UNITED STATES OF AMERICA</u>				
Consumer Products				
Dr Pepper Snapple Group Incorporation	200	55,916	75,860	7.61
TOTAL UNITED STATES OF AMERICA		55,916	75,860	7.61

5. ISLAMIC FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 August 2016 are as follows: (continued)

<u>Name of Counter</u>	<u>Cost</u> RM	<u>Fair value</u> <u>as at</u> <u>31.08.2016</u> RM	<u>Fair value as</u> <u>at 31.08.2016</u> <u>expressed as</u> <u>a percentage</u> <u>of value of</u> <u>the Fund</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - FOREIGN (CONTINUED)			
TOTAL QUOTED SHARIAH-COMPLIANT INVESTMENTS	687,529	<u>812,853</u>	<u>81.50</u>
ACCUMULATED UNREALISED GAIN	<u>125,324</u>		
TOTAL ISLAMIC FINANCIAL ASSETS AT FVTPL	<u>812,853</u>		

6. OTHER PAYABLES AND ACCRUALS

	<u>2017</u> RM	<u>2016</u> RM
Audit fee payable	8,500	7,000
Tax agent's fee payable	3,200	3,000
Sundry payables and accruals	1,242	1,965
	<u>12,942</u>	<u>11,965</u>

7. UNITS IN CIRCULATION

	<u>2017</u> Units	<u>2016</u> Units
At the beginning of the financial year	1,884,694	1,858,123
Creation of units arising from applications during the financial year	10,405,304	61,704
Creation of units arising from distribution during the financial year	-	145,948
Cancellation of units during the financial year	<u>(4,117,505)</u>	<u>(181,081)</u>
At the end of the financial year	<u>8,172,493</u>	<u>1,884,694</u>

8. MANAGEMENT FEE

In accordance with the Deed, the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 2.5% per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statement is 1.80% (2016: 1.80%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

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

9. TRUSTEE'S FEE

In accordance with the Deed, the Trustee shall be entitled to a fee at a rate agreed between the Trustee which the rate shall not exceed 0.15% per annum of the net asset value, calculated on a daily basis.

The Trustee's fee provided in the financial statement is 0.08% (2016: 0.08%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

There will be no further liability to the Trustee in respect of Trustee's fee other than the amount recognised above.

10. TAXATION

(a) Tax charge for the financial year

	<u>2017</u> RM	<u>2016</u> RM
Current taxation - foreign	<u>10,974</u>	<u>2,057</u>

(b) Numerical reconciliation of income tax expense

The numerical reconciliation between the (loss)/profit before taxation multiplied by the Malaysian statutory income tax rate and the tax expense of the Fund is as follows:

	<u>2017</u> RM	<u>2016</u> RM
(Loss)/profit before taxation	<u>(243,701)</u>	<u>150,258</u>
Tax calculated at a tax rate of 24%	(58,488)	36,062
Tax effects of:		
- Investment loss not deductible for tax purposes/(investment income not subject to tax)	31,641	(43,742)
- Expenses not deductible for tax purposes	14,500	2,710
- Restriction on tax deductible expenses for unit trust funds	12,347	4,970
- Foreign tax on foreign taxable income	<u>10,974</u>	<u>2,057</u>
Tax expense	<u>10,974</u>	<u>2,057</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2017</u> %	<u>2016</u> %
MER	<u>3.41</u>	<u>3.15</u>

Management expense ratio includes management fee, Trustee’s fee, audit fee, tax agent’s fee and other 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 = Audit fee

D = Tax agent’s fee

E = Other expenses excluding GST on transaction cost

F = Average net asset value of the Fund for the financial year, calculated on a daily basis

The average net asset value of the Fund for the financial year, calculated on a daily basis is RM2,428,338 (2016: RM952,861).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2017</u>	<u>2016</u>
The portfolio turnover ratio for the financial year (times)	<u>1.74</u>	<u>0.34</u>

The portfolio turnover ratio is derived from the following calculation:

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

where:

total acquisition for the financial year = RM5,880,575 (2016: RM324,407)

total disposal for the financial year = RM2,547,131 (2016: RM331,702)

13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
RHB Islamic International Asset Management Berhad	The Manager
RHB Asset Management Sdn Bhd	Holding company of the Manager
RHB Investment Bank Berhad	Penultimate holding company of the Manager
RHB Bank Berhad	Ultimate holding company of the Manager

There were no units held by any related party and Director at the end of the financial year.

14. TRANSACTIONS BY THE FUND

Details of transactions with top 10 brokers and financial institutions by the Fund for the financial year ended 31 August 2017 are as follows:

<u>Broker/Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
RHB Securities Hong Kong Ltd*	1,444,559	17.10	3,117	16.18
Daiwa Secs SMBC-Cathay Taipei	1,397,898	16.55	3,495	18.14
Citibank Na Global Corporate Banking	896,135	10.61	1,342	6.97
Bahana Securities Pt, Jakarta	693,894	8.22	1,727	8.97
CIMB Investment Bank Berhad	644,381	7.63	1,822	9.46
Kim Eng Securities P.T.	587,619	6.96	1,475	7.66
Instinet Clearing Serv Inc Ny	477,817	5.66	957	4.97
Daiwa Securities Co Ltd, Seoul	392,839	4.65	981	5.09
Daiwa Securities SMBC Singapore Ltd	382,992	4.53	723	3.75
Macquarie Bank Limited Hong Kong	284,539	3.37	818	4.25
Others	1,243,290	14.72	2,804	14.56
	<u>8,445,963</u>	<u>100.00</u>	<u>19,261</u>	<u>100.00</u>

14. TRANSACTIONS BY THE FUND (CONTINUED)

Details of transactions with brokers and financial institutions by the Fund for the financial year ended 31 August 2016 are as follows:

<u>Broker/Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
UOB Kay Hian Pte Ltd	245,369	47.89	942	64.48
RHB Securities Thailand Plc	182,137	35.54	365	24.98
J.P. Morgan Securities Plc	51,616	10.07	88	6.02
RHB Investment Bank Bhd*	33,315	6.50	66	4.52
	<u>512,437</u>	<u>100.00</u>	<u>1,461</u>	<u>100.00</u>

- * Included in transactions by the Fund are trades with RHB Investment Bank Bhd, the penultimate holding company of the Manager, RHB Securities Hong Kong Ltd, related company of the Manager. The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

15. SEGMENT INFORMATION

The Investment & Security Selection Committee of the Manager recommends strategic resource allocations of the Fund to the Investment Committee of the Manager (collectively referred to as "Committee"). The Investment Committee of the Manager will then endorse the strategic decision recommended by the Investment & Security Selection Committee for adoption on behalf of the Fund. The operating segments are determined based on the recommendation by the Investment & Security Selection Committee and reviewed by the Investment Committee.

The internal reporting provided to the Committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS. The Committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The Committee's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segments derive their income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within each portfolio. These returns consist of profit, dividend and gains on the appreciation in the value of investments, which are derived from quoted Shariah-compliant global equities.

There were no changes in the reportable segments during the financial year.

STATEMENT BY MANAGER

We, Patrick Chin Yoke Chung and Chin Yoong Kheong, being two of the directors of RHB Islamic International Asset Management Berhad, do hereby state that in the opinion of the Manager, the accompanying financial statements set out on pages 14 to 52 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 August 2017 and of its financial performance and cash flows for the financial year ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards

On behalf of the Manager

PATRICK CHIN YOKE CHUNG
DIRECTOR

CHIN YOONG KHEONG
DIRECTOR

Kuala Lumpur
23 October 2017

TRUSTEE'S REPORT

We have acted as Trustee of RHB Global Food Islamic Equity Fund (“the Fund”) for the financial year ended 31 August 2017. To the best of our knowledge, RHB Islamic International Asset Management Berhad (“the Management Company”), has operated and managed the Fund in accordance with the following:

- a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission’s Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Head, Trustee Operations

Kuala Lumpur
23 October 2017

REPORT OF THE SHARIAH ADVISER

We have acted as the Shariah Adviser for RHB Global Food Islamic Equity Fund. Our responsibility is to ensure that the procedures and processes employed by RHB Islamic International Asset Management Berhad and that the provisions of the Deeds are in accordance with Shariah principles.

In our opinion, RHB Islamic International Asset Management Berhad has managed and administered RHB Global Food Islamic Equity Fund in accordance with Shariah principles and complied with the applicable guidelines, rulings and decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial year ended 31 August 2017.

In addition, we also confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia (“SACSC”). As for the securities which are not certified by the SACSC, we have reviewed the said securities and opine that these securities are designated as Shariah-compliant.

I, Dr. Ghazali Jaapar, hereby confirm that all members of the Shariah Committee have been consulted and made aware of all the Shariah issues in relation to this report.

For and on behalf of RHB Islamic Bank Berhad

Dr. Ghazali Jaapar
Chairman
Shariah Committee of RHB Islamic Bank Berhad

Kuala Lumpur
23 October 2017

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
RHB GLOBAL FOOD ISLAMIC EQUITY FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Global Food Islamic Equity Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 August 2017 and of its financial performance and its cash flows 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 August 2017, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 52.

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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
RHB GLOBAL FOOD ISLAMIC EQUITY FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
(CONTINUED)

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 determines 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 to terminate the Fund, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
RHB GLOBAL FOOD ISLAMIC EQUITY FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
(CONTINUED)

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 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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
RHB GLOBAL FOOD ISLAMIC EQUITY FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
(CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (d) Conclude on the appropriateness of the Manager' 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 unitholders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
23 October 2017

CORPORATE INFORMATION

MANAGER

RHB Islamic International Asset Management Berhad

PRINCIPAL AND REGISTERED OFFICE

Level 8, Tower Two & Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

Email address: rhbiam.enquiry@rhbgroup.com

Tel: 03 – 9205 8000

Fax: 03 – 9205 8107

Website: <http://www.rhbgroup.com>

BOARD OF DIRECTORS

Mr Patrick Chin Yoke Chung (Non-Independent Non-Executive Chairman)

Mr Chin Yoong Kheong (Senior Independent Non-Executive Director)

YBhg Datuk Nozilah Bahari (Independent Non-Executive Director)

Puan Sharizad Bt Juma'at (Chief Executive Officer)

Ms Choo Shan (Independent Non-Executive Director)

(Appointed on 3 July 2017)

INVESTMENT COMMITTEE MEMBERS

YBhg Dato' Khairussaleh Ramli (Chairman)

Mr Patrick Chin Yoke Chung

Mr Ong Seng Pheow

YBhg Datuk Haji Faisal Siraj (Appointed on 12 October 2016)

CHIEF EXECUTIVE OFFICER

Puan Sharizad binti Juma'at

SECRETARY Encik Azman Shah Md Yaman (LS No. 0006901)

TRUSTEE HSBC (Malaysia) Trustee Berhad

SHARIAH ADVISER RHB Islamic Bank Berhad

PRINCIPAL BANKER RHB Islamic Bank Berhad

AUDITORS PricewaterhouseCoopers

TAX ADVISER PricewaterhouseCoopers Taxation Services Sdn Bhd

DISTRIBUTORS

CIMB-Principal Asset Management Bhd

iFast Capital Sdn Bhd

Maybank Bhd

Phillip Mutual Bhd

RHB Investment Bank Bhd

United Overseas Bank (Malaysia) Bhd

RHB Asset Management Unit Trust Consultants