

Prudential Country Selection Fund



INTERIM REPORT

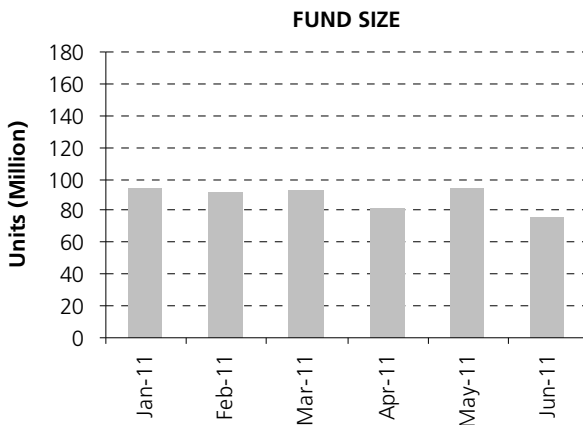
For the 6 months financial period ended
30 June 2011

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FUND INFORMATION

Name of Fund	Prudential Country Selection Fund (PRUCSF)
Fund Category/ Type	Fund of Funds / Growth
Fund Objective	The Fund seeks to achieve steady capital growth in the medium-to-long-term through investments in a diversified portfolio of ETFs.
Fund Benchmark	MSCI AC World Index Source: www.msci.com
Fund Income Distribution Policy	Incidental
Breakdown of Unit Holding by Size	As at 30 June 2011, the size of PRUCSF stood at 75.897 million units.



FUND INFORMATION (CONTINUED)

Breakdown of Unit Holding by Size	BREAKDOWN OF UNITHOLDINGS				
	Unitholdings	No. of Unit Holders	%	No. of Units* ('000)	%
	5,000 units and below	92	22.38	319	0.42
	5,001 to 10,000 units	62	15.09	464	0.61
	10,001 to 50,000 units	185	45.01	4,244	5.59
	50,001 to 500,000 units	63	15.33	8,624	11.37
	500,001 units and above	9	2.19	62,215	82.01
	Total	411	100.00	75,866	100.00

* exclude units held by the Manager.

FUND PERFORMANCE

For the financial period ended

Category	30.06.2011	30.06.2010	30.06.2009
	(%)	(%)	(%)
Collective investment scheme	99.39	97.76	99.41
Cash and cash equivalents	0.61	2.24	0.59
Total	100.00	100.00	100.00
Net Asset Value (RM'000)	14,221	19,484	29,932
Units In Circulation (Units '000)	75,897	127,689	180,797
Net Asset Value Per Unit (RM)	0.1874	0.1526	0.1656
Highest Net Asset Value	0.1939	0.1988	0.1721
Lowest Net Asset Value	0.1704	0.1526	0.1192
Return of the fund (%)			
- Capital Growth	5.10	(21.42)	14.21
- Income Return	-	-	-
Total Return (%)	5.10	(21.42)	14.21
Gross Distribution Per Unit (RM)	-	-	-
Net Distribution Per Unit (RM)	-	-	-
Management Expense Ratio (%)*	1.06	1.02	1.02
Portfolio Turnover Ratio (times)^	1.92	1.69	2.30

* 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.

FUND PERFORMANCE

For the financial period ended (continued)

	1 Year 1.7.10 to 30.6.11	3 years 1.7.08 to 30.6.11
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Average total return 22.80 (6.99)

Year ended	1.1.10 to 31.12.10	1.1.09 to 31.12.09	Since launch 18.3.08 to 31.12.08
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Annual total return (8.19) 33.93 (41.99)

Source: Lipper Hindsight 5 as at 30 June 2011

Bases of calculation and assumptions made in calculating returns:

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

NAV_t = NAV at the end of the period

NAV_0 = NAV at the beginning of the period

$$\text{Performance annualized} = (1 + \text{Percentage Growth})^{1/n} - 1$$

n = Number of years

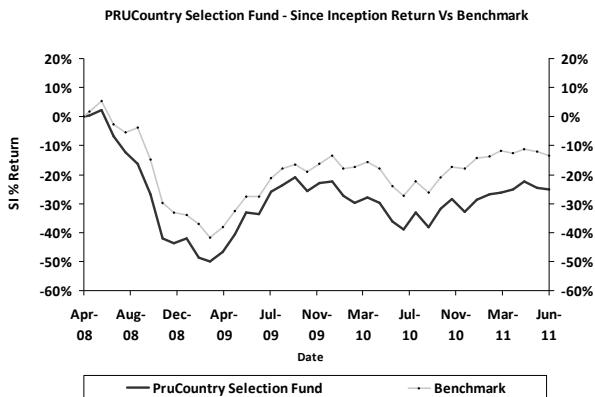
The unit price of the Fund may go down as well as up and the past performance figures shown are not indicative of future performance.

MANAGER'S REPORT

Fund Performance

Since inception, the Fund recorded a return of -25.04%, underperforming the benchmark return of -13.36%.

For the half-year period under review, the Fund registered a return of 5.10% and outperforming the benchmark return of 1.23% by 3.87%.



Benchmark for PRUCSF : MSCI AC World Index (MSEUACWF)

Source: Lipper Hindsight 5 and Bloomberg, 30 June 2011

Past performance is no indication of future performance of the Fund.

Analysis of Fund Performance

For the financial period ended 30 June 2011

Income Return	Capital Return*	Total Return	Total return of benchmark
(%)	(%)	(%)	(%)
0.00	5.10	5.10	1.23

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

- 1) Collective investment scheme
- 2) Cash and cash equivalents

MANAGER'S REPORT (CONTINUED)

Distribution/ Unit Splits	No distribution or unit splits were declared for the financial period ended 30 June 2011.																			
Investment Strategy During Period Under Review	As the Fund is structured as a fund-of-funds, at all times, the Fund will be investing in at least 5 different ETFs chosen from 22 pre-selected ETFs. The Fund is rebalanced every month based on the quant model developed by Citi Investment Research.																			
Asset Allocation	<table border="1"> <thead> <tr> <th style="background-color: #e0e0e0;">Asset Allocation</th> <th style="background-color: #e0e0e0;">30 June 2011</th> <th style="background-color: #e0e0e0;">30 June 2010</th> <th style="background-color: #e0e0e0;">Changes</th> </tr> <tr> <th style="background-color: #e0e0e0;"></th> <th style="background-color: #e0e0e0;">(%)</th> <th style="background-color: #e0e0e0;">(%)</th> <th style="background-color: #e0e0e0;">(%)</th> </tr> </thead> <tbody> <tr> <td>Collective investment scheme</td> <td>99</td> <td>98</td> <td>1</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>1</td> <td>2</td> <td>(1)</td> </tr> </tbody> </table>				Asset Allocation	30 June 2011	30 June 2010	Changes		(%)	(%)	(%)	Collective investment scheme	99	98	1	Cash and cash equivalents	1	2	(1)
Asset Allocation	30 June 2011	30 June 2010	Changes																	
	(%)	(%)	(%)																	
Collective investment scheme	99	98	1																	
Cash and cash equivalents	1	2	(1)																	
State of Affairs of the Fund	There have been no significant changes to the asset allocation of the Fund's last report.																			
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 (1 January 2011 to 30 June 2011).																			

MARKET REVIEW

Inflationary fears at the start of the year, as commodity prices soared, saw emerging markets correcting sharply on disappointing policy makers' response (or lack of) to inflation. China continued their tightening stance, which seem to have little effect to reign in the inflationary pressures. Investor sentiment became more fragile with the political instability in the MENA region, which saw a reversal of funds flow from emerging markets to the developed markets.

The devastating earthquake and resulting tsunami which hit Japan in March added uncertainty when global equity markets were already jittery.

After a sharp sell down, global equity markets recovered quickly, as did commodity prices, in particular crude oil, whilst economies deal with the implications regarding the supply chain impact to global goods from the Japanese quake.

By the month of May, focus was back on the European debt crisis, which became complicated with the sudden change in the IMF Managing Director position.

Investors ended the 1H contemplating the impact of the end of quantitative easing in the US and concerned over Greece debt woes.

REBATES AND SOFT COMMISSIONS

The Manager and its delegates (if any) are not entitled to any rebates or to share in any commission from any broker in consideration for direct dealings in the investments of the Funds. Accordingly, any rebates and shared commissions are directed to the account of the relevant Funds.

Notwithstanding the aforesaid, the Manager may receive goods or services by way of soft commissions provided always that the goods or services are of demonstrable benefit to the Funds and that the execution of a transaction is consistent with the best execution standards.

During the period under review (1 January 2011—30 June 2011), the Manager did not receive any soft commissions from stockbrokers.

Prudential Country Selection Fund

UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011

STATEMENT BY THE MANAGER

We, Ho Yik and Dato' Tharmaratnam s/o Kanagaratnam, two of the Directors of Prudential Fund Management Berhad, do hereby state that, in the opinion of the Manager, the unaudited financial statements set out on pages 12 to 53 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the state of affairs of the Fund as at 30 June 2011 and of its results, changes in net assets attributable to unitholders and cash flows of the Fund for the six months financial period ended on that date in accordance with the Financial Reporting Standards in Malaysia.

For and on behalf of the Manager,
PRUDENTIAL FUND MANAGEMENT BERHAD

HO YIK
Director

DATO' THARMARATNAM S/O KANAGARATNAM
Director

Kuala Lumpur
Date: 25 August 2011

TRUSTEE'S REPORT TO THE UNITHOLDERS OF PRUDENTIAL COUNTRY SELECTION FUND

We have acted as Trustee for Prudential Country Selection Fund (Fund) for the financial period ended 30 June 2011. To the best of our knowledge, for the period under review, Prudential Fund Management Berhad (Manager) has operated and managed the Fund in accordance with the following:-

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

For Deutsche Trustees Malaysia Berhad

JACQUELINE WILLIAM

Chief Executive Officer

RICHARD LIM

Head, Client Management
& Business Support

Kuala Lumpur

Date: 25 August 2011

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the six months financial period ended 30 June 2011

	Note	6-Months Financial Period Ended 30.06.2011 (RM)	6-Months Financial Period Ended 30.06.2010 (RM)
INVESTMENT INCOME			
Interest from deposits with licensed financial institutions		7,438	2,849
Gross dividend income		229,318	266,515
Net realised gain/(loss) on sale of financial assets at fair value through profit or loss	3	1,368,177	(3,294,689)
Net realised loss on foreign currency exchange		(779,746)	(341,581)
Net unrealised gain/(loss) on foreign currency exchange		442,130	(1,071,360)
Unrealised loss on changes in financial assets at fair value through profit or loss		(348,141)	-
		919,176	(4,438,266)
EXPENSES			
Management fee	4	(149,077)	(215,644)
Trustee's fee	5	(6,626)	(9,584)
Auditors' remuneration		(6,585)	(2,728)
Tax agent's fee		(4,071)	(1,887)
Other expenses		(10,670)	(15,676)
		(177,029)	(245,519)
NET INCOME/(LOSS) BEFORE TAXATION		742,147	(4,683,785)
TAXATION	6	(92,874)	(79,955)
NET INCOME/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		649,273	(4,763,740)

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

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the six months financial period ended 30 June 2011 (continued)

	6-Months Financial Period Ended 30.06.2011	6-Months Financial Period Ended 30.06.2010
Note		
	(RM)	(RM)
Net income/(loss) after taxation is made up of the following:		
Realised amount	555,284	(3,692,380)
Unrealised amount	93,989	(1,071,360)
	<u>649,273</u>	<u>(4,763,740)</u>

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

UNAUDITED STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	Note	2011	2010 Restated
		(RM)	(RM)
INVESTMENT			
Financial assets at fair value through profit or loss	7	14,133,436	-
Collective investment scheme - foreign	8	-	19,046,815
		<u> </u>	<u> </u>
LIQUID ASSETS			
Deposits with licensed financial institutions	9	-	270,000
Bank balance with a licensed bank	9	179,538	205,097
		<u> </u>	<u> </u>
		179,538	475,097
		<u> </u>	<u> </u>
OTHER ASSETS			
Amount due from Manager		-	12,626
Interest receivable		-	18
		<u> </u>	<u> </u>
		-	12,644
		<u> </u>	<u> </u>
TOTAL ASSETS		<u>14,312,974</u>	<u>19,534,556</u>
LIABILITIES			
Amount due to Manager		56,523	14,470
Accrued management fee		22,633	30,245
Amount due to trustee		1,006	1,344
Other payables and expenses		12,281	4,663
		<u> </u>	<u> </u>
TOTAL LIABILITIES		<u>92,443</u>	<u>50,722</u>
NET ASSET VALUE OF THE FUND	10	<u>14,220,531</u>	<u>19,484,082</u>

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

UNAUDITED STATEMENT OF FINANCIAL POSITION

as at 30 June 2011 (continued)

	Note	2011	2010
		(RM)	Restated
			(RM)
EQUITY			
Unitholders' capital		28,734,255	38,002,042
Retained earnings		(14,513,724)	(18,517,960)
		<u>14,220,531</u>	<u>19,484,082</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
		<u>14,220,531</u>	<u>19,484,082</u>
NUMBER OF UNITS IN CIRCULATION	10	<u>75,896,803</u>	<u>127,688,672</u>
NET ASSET VALUE PER UNIT		<u>0.1874</u>	<u>0.1526</u>

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

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months financial period ended 30 June 2011

	Note	Unitholders' capital	Retained earnings	Fair value reserve	Total
		(RM)	(RM)	(RM)	(RM)
Balance as at 1 January 2011, as previously stated		-	-	-	-
Prior year adjustment for adoption of amendments to FRS 132	16(a)	32,561,129	(15,162,996)	-	17,398,133
Balance as at 1 January 2011, restated after adoption of amendments to FRS 132		32,561,129	(15,162,996)	-	17,398,133
Adjustment for adoption of FRS 139	16(b)	-	-	-	-
Balance as at 1 January 2011, restated after adoption of FRS 139		32,561,129	(15,162,996)	-	17,398,133
Movement in unitholders' contribution:					
Creation of units arising from application	10	9,640,524	-	-	9,640,524
Cancellation of units	10	(13,467,398)	-	-	(13,467,398)
Total comprehensive income for the financial period		-	649,272	-	649,272
Balance as at 30 June 2011, restated		28,734,255	(14,513,724)	-	14,220,531

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

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months financial period ended 30 June 2011 (continued)

	Note	Unitholders' capital	Retained earnings	Fair value reserve	Total
		(RM)	(RM)	(RM)	(RM)
Balance as at 1 January 2010, as previously stated		-	-	-	-
Prior year adjustment for adoption of amendments to FRS 132	16	42,963,473	(12,670,530)	(241,181)	30,051,762
Balance as at 1 January 2010, as restated		42,963,473	(12,670,530)	(241,181)	30,051,762
Movement in unitholders' contribution:					
Creation of units arising from application	10	353,465	-	-	353,465
Cancellation of units	10	(5,314,896)	-	-	(5,314,896)
Total comprehensive loss for the financial period		-	(4,763,740)	-	(4,763,740)
Change in fair value reserve		-	-	(842,509)	(842,509)
Prior year adjustment for adoption of FRS 139		-	(1,083,690)	1,083,690	-
Balance as at 30 June 2010, restated		38,002,042	(18,517,960)	-	19,484,082

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

UNAUDITED STATEMENT OF CASH FLOWS

for the six months financial period ended 30 June 2011

	6-Months Financial Period Ended 30.06.2011	6-Months Financial Period Ended 30.06.2010
Note	(RM)	(RM)
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	34,424,954	43,144,888
Purchase of investments	(29,703,826)	(38,280,815)
Dividend received	311,797	495,172
Interest received	7,479	2,855
Management fee paid	(156,260)	(232,232)
Trustee's fee paid	(6,945)	(10,321)
Payment for other fees and expenses	(110,823)	(24,576)
Net foreign exchange loss	(61,137)	-
Net cash inflow from operating activities	<u>4,705,239</u>	<u>5,094,971</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from units created	9,641,328	345,582
Payments for cancellation of units	(15,123,524)	(5,442,999)
Net cash (outflow)/inflow from financing activities	<u>(5,482,196)</u>	<u>(5,097,417)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(776,957)	(2,446)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>956,495</u>	<u>477,543</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>179,538</u></u>	<u><u>475,097</u></u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the six months financial period ended 30 June 2011

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 of the Fund have been prepared under the historical cost convention, unless otherwise indicated and in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Securities Commission's Guidelines on Unit Trust Funds.

- (i) The new accounting standards that are effective for the Fund's financial period beginning on or after 1 January 2011 is as follows.
 - Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.
 - IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
- (ii) There are no new standards, amendments and interpretations to published standards which are relevant to the Fund and have not been early adopted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the six months financial period ended 30 June 2011 (continued)

B INCOME RECOGNITION

Interest income from short term deposits is recognised on the accrual basis.

Dividend income is recognised on the ex-dividend date.

Realised gain or loss on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost method.

C TAXATION

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

Tax on dividend income from foreign collective investment scheme is based on tax regime of the respective countries that the Fund is invested.

D PRESENTATION AND FUNCTIONAL 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, which is the Fund's presentation and functional currency.

E FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification

The Fund designates its investment in collective investment scheme as financial assets at fair value through profit or loss at inception.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the six months financial period ended 30 June 2011 (continued)

E FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(i) Classification (continued)

Loans 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 loans and receivables comprise cash and cash equivalents which are all due within 12 months.

The Fund classifies amount due to Manager, accrued management fee, amount due to Trustee, auditors' remuneration and other payables and accruals as other financial liabilities.

(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. 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 investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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 and loss' in the period in which they arise.

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.

Collective investment schemes are valued based on the last published net asset value per unit or share of such collective investment schemes or, if unavailable, on the average of the last published buying price and the last published selling price of such unit or share (excluding any sales charge included in such selling price).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the six months financial period ended 30 June 2011 (continued)

E FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(ii) Recognition and measurement (continued)

Unrealised gains or losses on change in fair value of financial assets at fair value through profit or loss are accounted for in the statement of comprehensive income, any unrealised gains however are not distributable.

Foreign exchange gains and losses on the derivative financial instrument are recognised in statement of comprehensive income when settled or at date of the Statement of Assets and Liabilities at which time they are included in the measurement of the derivative financial instrument.

F CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

G FOREIGN CURRENCY TRANSLATION

Foreign currency transactions in the Fund are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The principal closing rates used in the translation of foreign currencies were as follows:

Foreign currency	2011	2010
	(RM)	(RM)
1 US Dollar	3.018	3.242

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the six months financial period ended 30 June 2011 (continued)

H CREATION AND CANCELLATION OF UNITS

The Fund issues cancellable units, which are cancelled at the unit holder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units is carried at the redemption amount that is payable at the net asset value if the holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the holder's option at prices based on the Fund's net 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 unitholder with the total number of outstanding units.

I PROCEEDS AND PAYMENTS ON CREATION AND CANCELLATION OF UNITS

The net asset value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as equity in the statement of financial position and are stated at fair value representing the price at which unit holders can redeem the units from the Fund.

J SEGMENTAL INFORMATION

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Fund's manager that undertakes strategic decisions for the Fund.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the six months financial period ended 30 June 2011 (continued)

K FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the statement of financial position date.

30 June 2011	Note	Loans and receivables	Financial assets at fair value through profit or loss	Total
		(RM)	(RM)	(RM)
Financial assets at fair value through profit or loss	7	-	14,133,436	14,133,436
Cash and cash equivalents	9	179,538	-	179,538
		<u>179,538</u>	<u>14,133,436</u>	<u>14,312,974</u>

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

L FAIR VALUE

The Fund adopted the amendment to FRS 7. 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 markets for identical assets and 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 or liability that are not based on observable market data (that is unobservable inputs)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the six months financial period ended 30 June 2011 (continued)

L FAIR VALUE (CONTINUED)

The fair value of collective investment scheme is based on published NAV at the day end.

The carrying amounts approximately fair value in respect of cash and cash equivalents, receivables and payables due to the relatively short term nature of these financial instruments.

The following table analyses within the fair value hierarchy the Fund's financial assets measured at fair value at 30 June 2011:

	Level 1	Total
	(RM)	(RM)
<u>At 30 June 2011</u>		
Financial assets at fair value through profit or loss	14,133,436	14,133,436
Contractual cash out flows	14,133,436	14,133,436

M CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the financial period. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011

1 INFORMATION ON THE FUND

Prudential Country Selection Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 30 July 2010 (the "Deed") entered into between Prudential Fund Management Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee") on 30 July 2010.

The Fund was launched on 18 March 2008 and will continue its operations until terminated by the Trustee or the Manager as provided under Clause 12 of the Deed.

The Fund invests in Exchange Traded Fund (ETF) that are liquid and registered with recognised exchanges and/or authorities. The respective ETF chosen are from 22 pre-selected ETFs. The fund is rebalanced every month as advised by CITI Institutional Consulting Group.

All investments will be subject to the SC Guidelines, the SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The main objective of the Fund is to achieve steady capital growth in the medium to long-term through investments in a diversified portfolio of ETFs.

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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

2 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk inclusive of price risk, interest rate risk and foreign exchange/currency risk, stock/issuer risk, liquidity risk, credit/default risk, fund management risk and non-compliance risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC Guidelines on Unit Trust Funds.

Market risk

(a) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the Ringgit Malaysia, the price initially expressed in foreign currency and then converted into Ringgit Malaysia will also fluctuate because of changes in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

The table below shows assets of the Fund as at 30 June 2011 which are exposed to price risk.

	2011
	(RM)
Collective investment schemes designated at fair value through profit or loss	<u><u>14,133,436</u></u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

2 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(a) Price risk (continued)

The following table summarises the sensitivity of the Fund's net asset value to movements in prices of collective investment scheme as at 30 June 2011. The analysis is based on the assumptions that the market price of the collective investment scheme increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

% Change in price of collective investment scheme	Market value	Change in net asset value
	(RM)	(RM)
+5%	14,840,108	706,672
-5%	13,426,764	(706,672)

(b) Interest Rate Risk

The Fund is exposed to interest rate risk. To the extent the Fund invests in the Underlying Fund, it is exposed to the risk of interest rate changes. If the markets' interest change, the price of these securities may be deeply affected and this applies to a greater degree if the Underlying Fund holds securities with high correlation to the interest rates. Changes in interest rates will affect the value of the investments and its returns. To manage the risk, investments will be concentrated in investment grade issues by financial institutions and companies determined by the Manager.

Interest rate risk is a general economic indicator that will have an impact on the management of the fund. The reason for this is because a high level of interest rates will inevitably affect corporate profits and this will have an impact on the value of investments.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

2 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(c) Foreign Exchange/Currency Risk

As the Fund may invest its assets in collective investment schemes denominated in a wide range of currencies other than Ringgit Malaysia, the net asset value of the fund expressed in Ringgit Malaysia may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between Ringgit Malaysia and such other currencies. The risk is minimised through investing in a wide range of foreign currencies denominated assets and thus, diversifying the risk of single currency exposure.

In the normal course of investment, the Fund Manager will usually not hedge foreign currency exposure. The Fund Manager may however depending on prevailing market circumstances at a particular point in time, choose to use forward or option contracts for hedging and risk reduction purposes.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

2 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(c) Foreign Exchange/Currency Risk (continued)

The following table sets out the foreign exchange/currency risk concentrations and counterparties of the Fund.

	Collective investment scheme (RM)	Bank balance and deposits (RM)	Other assets (RM)	Interest receivable (RM)	Total (RM)
<u>As at 30 June 2011</u>					
Malaysia	-	179,538	-	-	179,538
United States of America	14,133,436	-	-	-	14,133,436
	<u>14,133,436</u>	<u>179,538</u>	<u>-</u>	<u>-</u>	<u>14,312,974</u>
<u>As at 30 June 2010</u>					
Malaysia	-	288,883	12,626	18	301,527
United States of America	19,046,815	186,214	-	-	19,233,029
	<u>19,046,815</u>	<u>475,097</u>	<u>12,626</u>	<u>18</u>	<u>19,534,556</u>

All financial assets of the Fund as at 30 June 2011 are neither past due nor impaired.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

2 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Stock/issuer risk

The performance of equities and money market instruments held by the Underlying Fund is also dependent on company specific factors like the issuer's business situation. If the company-specific factors deteriorate, the price of the specific security may drop significantly and permanently, possibly even regardless of an otherwise generally positive stock market trend. Risks include but are not limited to competitive operating environments, changing industry conditions and poor management.

Liquidity risk

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other 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.

	Less than 1 month	1 month and above	Total
	(RM)	(RM)	(RM)
<u>As at 30 June 2011</u>			
Amount due to Manager:			
- release of units	56,523	-	56,523
- management fee	22,633	-	22,633
Amount due to Trustee	1,006	-	1,006
Auditors' remuneration	-	2,728	2,728
Tax agent's fee	-	5,087	5,087
Other payables	-	4,466	4,466
	<hr/>	<hr/>	<hr/>
Contractual cash out flows	80,162	12,281	92,443
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

2 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit/Default risk

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

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

Credit/default risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

2 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit/Default risk (continued)

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

	Collective investment scheme	Bank balance and deposits	Interest receivable	Amount due from Manager	Total
	(RM)	(RM)	(RM)	(RM)	(RM)
<u>As at 30 June 2011</u>					
Finance	-	179,538	-	-	179,538
Exchange Traded Funds	14,133,436	-	-	-	14,133,436
Others	-	-	-	-	-
	<u>14,133,436</u>	<u>179,538</u>	<u>-</u>	<u>-</u>	<u>14,312,974</u>
<u>As at 30 June 2010</u>					
Finance	-	475,097	18	-	475,115
Exchange Traded Funds	19,046,815	-	-	-	19,046,815
Others	-	-	-	12,626	12,626
	<u>19,046,815</u>	<u>475,097</u>	<u>18</u>	<u>12,626</u>	<u>19,534,556</u>

All financial assets of the Fund as at 30 June 2011 are neither past due nor impaired.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

2 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 have an oversight function over management of the Fund by the management company to safeguard the interests of unitholder.

Non-compliance risk

Non-adherence with laws, rules, regulations, prescribed practices, internal policies and procedures may result in tarnished reputation, limited business opportunities and reduced expansion potential for the management company. Unitholders' investment goals may also be affected should the fund manager not adhere to the investment mandate. Such risk is mitigated by the compliance unit of the management company which oversees the entire compliance matters of the management company.

3 NET REALISED GAIN/(LOSS) ON SALE OF INVESTMENTS

Note	6-Months Financial Period Ended 30.06.2011 (RM)	6-Months Financial Period Ended 30.06.2010 (RM)
Realised gain on sale of investments	1,653,442	690,685
Realised loss on sale of investments	(285,265)	(3,985,374)
	<u>1,368,177</u>	<u>(3,294,689)</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

4 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 1.80% per annum on the net asset value of the Fund calculated on a daily basis.

For the financial period ended 30 June 2011, the management fee is recognised at a rate of 1.80% (2010: 1.80%) per annum on the net asset value of the Fund, calculated at a daily basis.

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

5 TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to an annual fee, inclusive of custodian fee, at a rate not exceeding 0.08% per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum.

For the financial period ended 30 June 2011, the Trustee's fee is recognised at a rate of 0.08% (2010:0.08%) 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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

6 TAXATION

	6-Months Financial Period Ended 30.06.2011	6-Months Financial Period Ended 30.06.2010
	(RM)	(RM)
Current taxation		
- Local	-	-
- Foreign	92,874	79,955
	<u>92,874</u>	<u>79,955</u>

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

	6-Months Financial Period Ended 30.06.2011	6-Months Financial Period Ended 30.06.2010
	(RM)	(RM)
Net income/(loss) before taxation	741,147	(4,683,785)
Tax at Malaysian statutory rate of 25% (2010:25%)	185,537	(1,170,946)
Tax effect of:		
Income exempt from tax	(229,794)	1,109,566
Expenses not deductible for tax purposes	2,164	5,150
Restriction on the tax deductible expenses for unit trust fund	42,093	56,230
Foreign income subject to tax	92,874	79,955
Tax expense	<u>92,874</u>	<u>79,955</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011
	(RM)
Designated at fair value through profit or loss:	
- Collective investment scheme	14,133,436
	<u>14,133,436</u>
Net gain on assets at fair value through profit or loss	
- Realised	588,431
- Unrealised	93,989
	<u>682,420</u>

Name of counter	Notional value	Aggregate cost	Market value as at 30.062011	Percentage of value of the Fund
	(RM)	(RM)	(RM)	(%)
<u>EXCHANGE TRADED FUNDS</u>				
IShares Inc MSCI South Korea	15,000	2,475,355	2,942,550	20.69
IShares Inc MSCI France	33,800	2,563,181	2,819,512	19.83
IShares Inc MSCI Germany	34,500	2,447,443	2,799,814	19.69
IShares Inc MSCI Netherlands	36,000	2,809,373	2,830,280	19.90
IShares Inc MSCI United Kingdom	51,000	2,855,280	2,741,280	19.28
	<u>170,300</u>	<u>13,150,632</u>	<u>14,133,436</u>	<u>99.39</u>
Unrealised gain on financial assets at fair value through profit or loss		<u>982,804</u>		
Fair value of financial assets at fair value through profit or loss		<u>14,133,436</u>		

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The iShares Exchange Traded Funds are distributed by SEI Investment Distribution Co. Barclays Global Fund Advisors (BGFA) serves as the investment advisor to the Funds.

The Fund invested in ETFs that are liquid and registered with recognised exchanges and/or authorities. As the Fund is structured as a fund-of-funds, at all times, the Fund will be investing in at least 5 different ETFs. The respective ETFs are chosen from 22 pre selected ETFs. The fund is rebalanced every month as advised by Citi Institutional Consulting Group. The ETFs invested vary from month-to-month. The Top-5 ranked ETFs will be selected from the model and will be updated.

Based on the research report of Citi Investment Research & Analysis, the Fund shall invest in the Top 5 ranked and selected ETFs. The 22 pre-selected ETFs are:

- | | |
|-----------------------------------|-------------------------------------|
| 1. S&P 500 Depository Receipts | 12. iShares MSCI Japan Index FD |
| 2. iShares MSCI United Kingdom | 13. iShares MSCI Italy Index FD |
| 3. iShares MSCI Taiwan Index FD | 14. iShares MSCI Hong Kong Index |
| 4. iShares MSCI Switzerland Index | 15. iShares MSCI Germany Index |
| 5. iShares MSCI Sweden Index FD | 16. iShares MSCI France Index FD |
| 6. iShares MSCI Spain Index FD | 17. iShares MSCI Canada |
| 7. iShares MSCI Singapore | 18. iShares MSCI Brazil |
| 8. iShares MSCI Netherlands Index | 19. iShares MSCI Belgium |
| 9. iShares MSCI Mexico | 20. iShares MSCI Austria Index |
| 10. iShares MSCI Malaysia | 21. iShares MSCI Australia Index |
| 11. iShares MSCI South Korea | 22. iShares MSCI South Africa Index |

The ETFs, denominated in US Dollars, are listed on the New York Stock Exchange and designed to track MSCI All Countries World Index.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

8 COLLECTIVE INVESTMENT SCHEME-FOREIGN

Name of counter	Notional value	Aggregate cost	Market value as at 30.06.2009	Percentage of value of the Fund
	(RM)	(RM)	(RM)	(%)
<u>EXCHANGE TRADED FUNDS</u>				
IShares Inc MSCI Belgium	105,000	3,818,217	3,693,448	18.95
IShares Inc MSCI German	63,000	4,120,060	3,821,443	19.62
IShares Inc MSCI Netherland	69,000	4,618,076	3,827,473	19.64
IShares Inc MSCI South Korea	27,000	4,274,378	3,913,645	20.09
IShares Inc MSCI United Kingdom	87,000	4,125,188	3,790,806	19.46
	<u>351,000</u>	<u>20,955,919</u>	<u>19,046,815</u>	<u>97.76</u>
Net unrealised gains on change in value of investments		(825,414)		
Net unrealised losses on foreign currency exchange		(1,083,690)		
		<u>19,046,815</u>		

The IShares Exchange Traded Funds are distributed by SEI Investment Distribution Co. Barclays Global Fund Advisors (BGFA) serves as the investment advisor to the Funds.

The Fund invested in ETFs that are liquid and registered with recognised exchanges and/or authorities. As the Fund is structured as a fund-of-funds, at all times, the Fund will be investing in at least 5 different ETFs. The respective ETFs are chosen from 22 pre selected ETFs. The fund is rebalanced every month as advised by Citi Institutional Consulting Group. The ETFs invested vary from month-to-month. The Top-5 ranked ETFs will be selected from the model and will be updated.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

8 COLLECTIVE INVESTMENT SCHEME-FOREIGN (CONTINUED)

Based on Citi Institutional Consulting group's advice, the Fund shall invest in the Top 5 ranked and selected ETFs. The 22 pre-selected ETFs are:

- | | |
|-----------------------------------|-------------------------------------|
| 1. S&P 500 Depository Receipts | 12. iShares MSCI Japan Index FD |
| 2. iShares MSCI United Kingdom | 13. iShares MSCI Italy Index FD |
| 3. iShares MSCI Taiwan Index FD | 14. iShares MSCI Hong Kong Index |
| 4. iShares MSCI Switzerland Index | 15. iShares MSCI Germany Index |
| 5. iShares MSCI Sweden Index FD | 16. iShares MSCI France Index FD |
| 6. iShares MSCI Spain Index FD | 17. iShares MSCI Canada |
| 7. iShares MSCI Singapore | 18. iShares MSCI Brazil |
| 8. iShares MSCI Netherlands Index | 19. iShares MSCI Belgium |
| 9. iShares MSCI Mexico | 20. iShares MSCI Austria Index |
| 10. iShares MSCI Malaysia | 21. iShares MSCI Australia Index |
| 11. iShares MSCI Korea | 22. iShares MSCI South Africa Index |

The ETFs, denominated in US Dollar, are listed on the New York Stock Exchange and designed to track MSCI All Countries World Index.

9 CASH AND CASH EQUIVALENTS

	2011	2010
	(RM)	(RM)
Bank balance with a licensed bank	179,538	205,097
Deposit with licensed financial institutions	-	270,000
	<u>179,538</u>	<u>475,097</u>

There is no deposit placement with any licensed financial institutions as at the date of the statement of financial position. The effective weighted average interest rate of short term deposit with a licensed financial institution per annum as at 30 June 2010 was 2.48%.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

10. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2011		2010	
	No. of units	(RM)	No. of units	(RM)
At beginning of the financial period	96,746,564	17,398,133	154,710,798	30,051,762
Creation of units during the financial period	52,655,701	9,640,524	2,052,688	353,465
Release of units during the financial period	(73,505,462)	(13,467,398)	(29,074,814)	(5,314,898)
Total comprehensive income/(loss) for the financial period	-	649,272	-	(4,763,740)
Net change in fair value reserve	-	-	-	(842,507)
At end of the financial period	<u>75,896,803</u>	<u>14,220,531</u>	<u>127,688,672</u>	<u>19,484,082</u>
Approved size of Fund	<u>1,200,000,000</u>		<u>1,200,000,000</u>	

In accordance with the Deed, the Manager may increase the size of the Fund from time to time with the approval of the Trustee and the SC. The maximum number of units that can be issued out for circulation by the Fund is 1,200,000,000. As at 30 June 2011, the number of units not yet issued by the Fund is 1,124,103,197 (2010: 1,072,311,328).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

11 TRANSACTIONS WITH BROKERS

Details of transactions with brokers are as follows:

Name of brokers	Value of trade (RM)	Percentage of total trades (%)	Brokerage fees (RM)	Percentage of total brokerage fees (%)
<u>Financial period ended</u>				
<u>30 June 2011</u>				
Citigroup Global Markets Inc	29,319,946	45.69	55,403	29.63
DBS Securities (S) Pte Ltd	6,333,214	9.87	17,080	9.13
OCBC Securities Pte Ltd	28,511,436	44.44	114,471	61.24
	<u>64,164,596</u>	<u>100.00</u>	<u>186,954</u>	<u>100.00</u>
<u>Financial period ended</u>				
<u>30 June 2010</u>				
Citigroup Global Markets Inc	41,889,699	51.42	104,724	43.05
DBS Securities (S) Pte Ltd	21,413,304	26.28	74,947	30.81
OCBC Securities Pte Ltd	18,164,588	22.30	63,576	26.14
	<u>81,467,591</u>	<u>100.00</u>	<u>243,247</u>	<u>100.00</u>

The brokers highlighted above is not related to the Manager.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

12 UNITS HELD BY THE MANAGER

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

<u>Related party</u>	<u>Relationship</u>
Prudential Fund Management Berhad	The Manager

	2011		2010	
	No. of units	(RM)	No. of units	(RM)
Prudential Fund Management Berhad	31,575	5,917	17,563	2,680

The above units were transacted at the prevailing market price.

The units are held beneficially by the manager for bookings purpose. Other than the above, there were no units held by the Directors or parties related to the Manager.

13 MANAGEMENT EXPENSE RATIO ("MER")

	2011	2010
	(%)	(%)
MER	1.06	1.02

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

13 MANAGEMENT EXPENSE RATIO ("MER") (CONTINUED)

MER is derived from the following calculation:

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

A = Management
 B = Trustee's fees
 C = Auditors' remuneration
 D = Tax agent's fee
 E = Other expenses
 F = Average net asset value of Fund calculated on daily basis

The average net asset value of the Fund for the financial period calculated on daily basis is RM16,700,499 (2010: RM24,130,329).

14 PORTFOLIO TURNOVER RATIO ("PTR")

	2011	2010
	(%)	(%)
PTR (times)	1.92	1.69

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial period = RM34,424,954 (2010 : RM38,280,815)

total disposals for the financial period = RM29,618,882 (2010 : RM43,170,933)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

15 SEGMENT INFORMATION

The Investment committee of the Investment Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee that are used to make strategic decisions.

The committee considers the business from both a geographic and investment perspective. Geographically, the committee considers the performance of investment in collective investment scheme in United States; and the performance of placements in deposits in Malaysia. The two sub-portfolios of collective investment scheme and deposits are managed by separate specialist teams at the Investment Manager.

The reportable operating segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest, foreign exchange gains/losses and gains on the appreciation in the value of investments.

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

15 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the investment committee for the reportable segments is as follows:

	Collective investment scheme portfolio	Deposit portfolio	Total
	(RM)	(RM)	(RM)
<u>For the financial period ended</u>			
<u>30 June 2011</u>			
<u>Segment results</u>			
Interest income	-	7,438	7,438
Dividend Income	229,318	-	229,318
Net realised gain on sale of financial assets at fair value through profit or loss	1,368,177	-	1,368,177
Net realised loss on foreign currency exchange	(779,746)	-	(779,746)
Net unrealised gain on changes in financial assets at fair value through profit or loss	(348,141)	-	(348,141)
Net unrealised loss on foreign currency exchange	442,130	-	442,130
Total segment (loss)/income	<u>911,738</u>	<u>7,438</u>	<u>919,176</u>
Financial assets at fair value through profit or loss	14,133,436	-	14,133,436
Interest receivable	-	-	-
Total segment assets	<u>14,133,436</u>	<u>-</u>	<u>14,133,436</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

15 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the investment committee for the reportable segments is as follows: (continued)

	Collective investment scheme portfolio	Deposit portfolio	Total
	(RM)	(RM)	(RM)
<u>For the financial period ended</u>			
<u>30 June 2010</u>			
<u>Segment results</u>			
Interest income	-	2,849	2,849
Dividend income	266,515	-	266,515
Net realised gain on sale of investment	(3,294,689)	-	(3,294,689)
Net realised loss on foreign currency exchange	(341,581)	-	(341,581)
Net unrealised loss on foreign currency exchange	(1,071,360)	-	(1,071,360)
Total segment (loss)/income	<u>(4,441,115)</u>	<u>2,849</u>	<u>(4,438,266)</u>
Financial assets at fair value through profit or loss	19,046,815	270,000	19,316,815
Interest receivable	-	18	18
Total segment assets	<u>19,046,815</u>	<u>270,018</u>	<u>19,316,833</u>

The fund's management fee, trustee's fees and other expenses are not considered to be segment expenses.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

15 SEGMENT INFORMATION (CONTINUED)

A reconciliation of total segmental income/(loss) to the total comprehensive income/(loss) is provided as follows:

	2011	2010
	(RM)	(RM)
Total segmental loss	919,176	(4,438,266)
Other fees and expenses	(177,029)	(245,519)
	<hr/>	<hr/>
Net income/(loss) before taxation	742,147	(4,683,785)
Taxation	(92,874)	(79,955)
	<hr/>	<hr/>
Net income/(loss) after taxation and total comprehensive income/(loss)	<u>649,273</u>	<u>(4,763,740)</u>

Reportable operating segment's assets and liabilities are reconciled to total assets and total liabilities as follows:

	2011	2010
	(RM)	(RM)
Total segment assets	14,133,436	19,316,833
Amount due from Manager	-	12,626
Cash and cash equivalents	179,538	205,097
	<hr/>	<hr/>
Total assets	<u>14,312,974</u>	<u>19,534,556</u>
Total segment liabilities		-
Amount due to Manager	56,523	14,470
Accrued management fee	22,633	30,245
Amount due to trustee	1,006	1,344
Other payables and accrued expenses	12,281	4,663
	<hr/>	<hr/>
Total liabilities	<u>92,443</u>	<u>50,722</u>

The Fund's other receivables and other payables and accrued expenses are not considered to be segment assets and segment liabilities respectively and are managed by the administration function.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

16 CHANGES IN ACCOUNTING POLICIES

(a) Amendment FRS 132, "Financial Instruments: Presentation"

In the previous financial period, the Fund had classified its puttable instruments as liabilities in accordance with FRS 132, 'Financial instruments: Presentation'. However, the FRS 132 (amendment), 'Financial instruments: Presentation', and FRS 101 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2010) (the 'amendment') requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. As a result, distribution to unitholders of these puttable instruments shall be debited by the entity directly to equity.

Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and that class's features must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As a result, the prior year financial statements are restated from amounts previously reported to conform with the amendment. The amendment has been applied retrospectively.

The effects as a result of adoption of the amendment on the statement of financial position and statement of comprehensive income for the prior years are set out below.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

16 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Amendments to FRS 132 “Financial Instruments: Presentation” (continued)

	As previously stated	Adjustment	As Restated
	(RM)	(RM)	(RM)
1 January 2010			
Statement of financial position			
Financial liability	30,051,762	(30,051,762)	-
	<u>30,051,762</u>	<u>(30,051,762)</u>	<u>-</u>
Unitholders' capital	-	42,963,473	42,963,473
Retained earnings	-	(12,670,530)	(12,670,530)
Fair value reserve	-	(241,181)	(241,181)
	<u>-</u>	<u>30,051,762</u>	<u>30,051,762</u>
Statement of comprehensive income			
Finance cost	-	-	-
Total comprehensive income for the financial period	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2010			
Statement of financial position			
Financial liability	19,484,082	(19,484,082)	-
	<u>19,484,082</u>	<u>(19,484,082)</u>	<u>-</u>
Unitholders' capital	-	38,002,042	38,002,042
Retained earnings	-	(18,517,960)	(18,517,960)
	<u>-</u>	<u>19,484,082</u>	<u>19,484,082</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

16 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- (a) Amendments to FRS 132 “Financial Instruments: Presentation” (continued)

	As previously stated	Adjustment	As Restated
	(RM)	(RM)	(RM)
30 June 2010			
Statement of comprehensive income			
Finance cost	-	-	-
Total comprehensive income for the financial year	-	-	-
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

16 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) FRS 139 “Financial Instruments: Recognition and Measurement”

In the previous financial period, unrealised gains or losses from the financial instruments are recognised in the statement of financial position as investments while the corresponding effect are transferred to the fair value reserve included in the capital and reserves attributable to equity holders of the fund.

However, the FRS 139 (new standard) ‘Financial Instruments: Recognition and Measurement’ (effective 1 January 2010) (the ‘standard’) requires the Fund to recognise all investments in its statement of financial position as assets and shall measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably) at the beginning of the financial period in which this standard is initially applied. The unrealised gains or losses transferred to the fair value reserve in the previous financial period shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial period in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument).

The effects as a result of adoption of the new standard on the opening balances of the statement of financial position at the beginning of the financial period are set out below.

	As restated after adoption of amendments to FRS 132 (Note 16(a))	Adjustment	As Restated
	(RM)	(RM)	(RM)
1 January 2010			
Unitholders' capital	42,963,473	-	42,963,473
Retained earnings	(12,670,530)	(241,181)	(12,911,711)
Fair value reserve	(241,181)	241,181	-
	<u>30,051,762</u>	<u>-</u>	<u>30,051,762</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months financial period ended 30 June 2011 (continued)

16 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- (b) FRS 139 “Financial Instruments: Recognition and Measurement” (continued)

Effects of changes in accounting policy on the statement of financial position as at 30 June 2011 and statement of comprehensive income for the financial period ended 30 June 2011 are set out below:

	Previous accounting policy	Change in accounting policy	Revised accounting policy
	(RM)	(RM)	(RM)
Statement of financial position			
Financial assets at fair value through profit or loss	-	14,133,436	14,133,436
Collective investment scheme	14,133,436	(14,133,436)	-
Fair value reserve	982,804	(982,804)	-
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CORPORATE DIRECTORY

THE MANAGER

NAME

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MANAGEMENT BERHAD

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BERHAD

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BOARD OF DIRECTORS

Dato' Tharmaratnam a/l Kanagaratnam
(independent)
Ho Yik (independent)
Tan Sri Datuk Abdul Rahim bin Haji Din
(non-independent)
Julian Christopher Vivian Pull
(non-independent)
Cheah Lee Ling (non-independent)

INVESTMENT COMMITTEE

Ho Yik (independent)
Robert Yap Yen Choon (independent)
Abdul Khalil bin Abdul Hamid
(independent, for Shariah-compliant
Funds only)
Tan Sri Datuk Abdul Rahim bin Haji Din
(non-independent)
Cheah Lee Ling (non-independent)

AUDIT & COMPLIANCE COMMITTEE

Dato' Tharmaratnam a/l Kanagaratnam
Ho Yik
Lakshman Kumar
Andrew Brian Sims

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