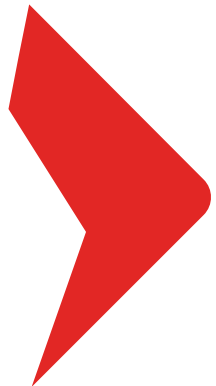


EASTSPRING INVESTMENTS DANA WAFI

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018



Dear Valued Investor,

Greetings from Eastspring Investments Berhad!

First and foremost, we would like to take this opportunity to thank you for choosing to invest with Eastspring Investments Berhad.

We are pleased to enclose a copy of the Annual/Interim/Quarterly Fund Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 March 2018.

You may also download these reports from our website at www.eastspringinvestments.com.my

Should you require any assistance, please do not hesitate to contact our Client Services at 03-2332 1000.

Yours sincerely,

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

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

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FUND INFORMATION

Name of Fund

Eastspring Investments Dana Wafi (the "Fund")

Fund Category/ Type

Sukuk/income

Fund Objective

The Fund seeks to generate stable income* by investing in Shariah-compliant fixed income securities.

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

* Income distributed to a Unit Holder will be reinvested into additional Units unless Unit Holder opts for the distribution to be paid out.

Performance Benchmark

The performance benchmark of the Fund is Quant Shop MGS Medium Index.

Source: www.quantshop.com

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

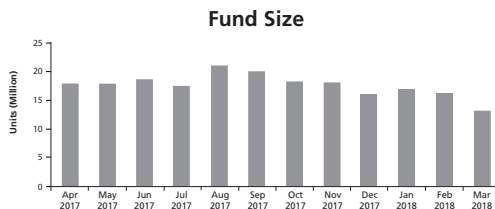
Fund Income Distribution Policy

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

FUND INFORMATION (CONTINUED)

Breakdown of Unit Holdings by Size

As at 31 March 2018, the size of Eastspring Investments Dana Wafi stood at 13.181 million units.



Breakdown of Unit Holdings

Unit Holdings	No. of Unit Holders	%	No. of Units* ('000)	%
5,000 units and below	72	21.88	194	1.47
5,001 to 10,000 units	69	20.97	493	3.74
10,001 to 50,000 units	143	43.47	3,221	24.44
50,001 to 500,000 units	43	13.07	4,720	35.82
500,001 units and above	2	0.61	4,552	34.53
Total	329	100.00	13,180	100.00

* excludes units held by the Manager.

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR ENDED

Category	31.3.2018	31.3.2017	31.3.2016
	(%)	(%)	(%)
Sukuk	93.98	93.26	99.81
Cash and other assets	6.02	6.74	0.19
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	7,585	10,127	11,409
Units In Circulation (Units '000)	13,181	18,205	20,423
Net Asset Value Per Unit (RM)	0.5755	0.5562	0.5587
Highest Net Asset Value Per Unit (RM) [#]	0.5755	0.5563	0.5587
Lowest Net Asset Value Per Unit (RM) [#]	0.5564	0.5559	0.5401
Total Return (%)			
- Capital Growth	3.45	(0.45)	3.46
- Income Distribution	-	4.14	-
Total Return (%)	3.45	3.67	3.46
Gross Distribution Per Unit (RM)	-	0.0230	-
Net Distribution Per Unit (RM)	-	0.0230	-
Management Expense Ratio (MER) (%) [*]	1.50	1.49	1.44
Portfolio Turnover Ratio (PTR) (times) [^]	0.48	0.21	0.46

[#] Figure shown as ex-distribution.

^{*} There were no significant changes to the MER during the period under review.

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

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.4.2017 to 31.3.2018	3 years 1.4.2015 to 31.3.2018	5 years 1.4.2013 to 31.3.2018
	(%)	(%)	(%)
Average total return	3.45	3.53	3.26

Year ended	1.4.2017 to 31.3.2018	1.4.2016 to 31.3.2017	1.4.2015 to 31.3.2016	1.4.2014 to 31.3.2015	1.4.2013 to 31.3.2014
	(%)	(%)	(%)	(%)	(%)
Annual total return	3.45	3.67	3.46	4.35	1.41

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

Bases of calculation and assumptions made in calculating returns:

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

NAV_t = NAV at the end of the period

NAV₀ = NAV at the beginning of the period

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

Adjusted for unit split and distribution paid out for the period

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

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

MANAGER'S REPORT

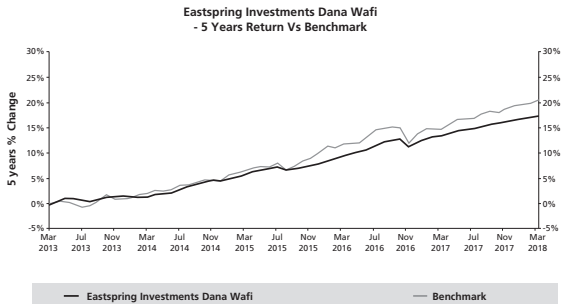
Fund Performance

Over the 5-year period, the Fund recorded a return of 17.42%, underperforming the benchmark return of 20.61% by -3.19%.

For the period under review, the Fund registered a return of 3.45%, underperforming the benchmark return of 5.14% by -1.69%.

For the period under review, the Fund's underperformance was partly attributable to the Fund's underweight duration position relative to that of the government sukuk benchmark.

While the Fund met the investment objective, the quantum achieved was not sufficient to meet the benchmark.



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

Benchmark: Quant Shop MGS Medium Index

Source: Lipper for Investment Management and www.quantshop.com, as at 31 March 2018.

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

MANAGER'S REPORT (CONTINUED)

Analysis of Fund Performance

For the financial year ended 31 March 2018:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	3.45	3.45	5.14

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

Distribution/ Unit Split

No distribution or unit split were declared for the financial year ended 31 March 2018.

Investment Strategy During The Period Under Review

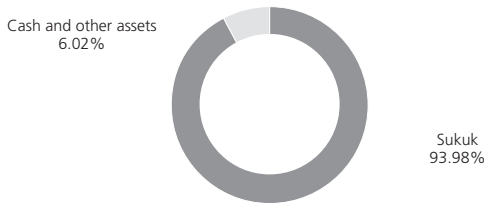
The Fund participated in selected quality sukuk for yield pick-up and traded on market volatility, subject to liquidity constraints.

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-Mar 2018 (%)	31-Mar 2017 (%)	Changes (%)
Sukuk	93.98	93.26	0.72
Cash and other assets	6.02	6.74	(0.72)

Asset Allocation as at 31 March 2018



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

State of Affairs of the Fund

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

Cross-Trade Transaction

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

MARKET REVIEW

Bank Negara Malaysia (“BNM”) maintained the Overnight Policy Rate (“OPR”) at 3.00% throughout FY2017. However, BNM turned slightly hawkish during the last Monetary Policy Committee (“MPC”) meeting of FY2017 on 9 November, citing that they may consider reviewing the current degree of monetary policy accommodation given the strength of the global and domestic macroeconomic conditions. Subsequently, BNM increased the OPR by 25 basis points (“bps”) to 3.25% from 3.00% during its first MPC meeting of 2018 on 25 January. BNM stated that the hike was a pre-emptive move to prevent a build-up of risks that could arise from interest rates being too low for a prolonged period of time. Bank Negara continued to maintain the OPR at 3.25% during March’s MPC meeting and believes that the current level of OPR remains accommodative. There was no change in BNM’s policy tone as the central bank remains positive on global and domestic growth. However, BNM did caution on global trade as trade tension have risen in the recent period.

During the period under review, headline inflation moderated to 1.4% y-o-y in February 2018 from 5.1% y-o-y registered in March 2017. The moderation in inflation was mainly led by a slowdown in Food & Non-Alcoholic Beverage (Mar-17: +3.0% vs Dec-17: +4.1%) and Transport inflation (Mar-18: -0.3% vs Sep-17: +23.0%). Core inflation was also lowered to 1.8% y-o-y (Dec: 2.2%). Meanwhile, core inflation also dropped to 1.8% y-o-y from 2.5% y-o-y.

Malaysia’s economy expanded by 5.9% y-o-y in fourth quarter of 2017 after reaching its peak of 6.2% y-o-y growth in the third quarter of 2017 (since June 2014), bringing 2017 annual growth to 5.9% (vs. 4.2% expansion in 2016). This was the strongest pace of expansion in three years which was attributed mainly to strong demand in private sector with further support from the external sector. Separately, BNM revised its official 2018 real GDP growth forecast to 5.5%-6.0% from 5.0%-5.5% and trimmed its inflation rate forecast to 2.0%-3.0% from 2.5%-3.5%.

On 27 October, the Federal Government unveiled its 2018 national budget with the theme “Prospering an Inclusive Economy, Balancing between Worldly and Hereafter, For The Wellbeing of Rakyat, Towards TN50 Aspirations”. Overall, fiscal consolidation remains on track as the Government remains committed to a budget deficit at 3.0% of GDP in 2017 and expects it to improve further to 2.8% of GDP in 2018. Meanwhile, the Federal Government’s debt to GDP has dropped to 50.9% as at end-June 2017 (2016: 53.2%) in line with continued efforts to embrace prudent debt management efforts.

In 2017, the US Federal Reserve (“Fed”) followed through on their interest rate projections made at the beginning of the year. The key interest rates increased by 75bps in 2017 to between 1.25-1.50% despite subdued inflation, on robust growth and a strong labor

market. The Fed continued to raise its key interest rates in 2018 by 25bps to between 1.50%-1.75% during March's Federal Open Market Committee ("FOMC") meeting. This was the sixth rate increase since late 2015, as the US's central bank backed further away from emergency policies that helped heal the economy after the Great Recession a decade ago. The Fed also maintained its rate hike projections of a total three rate hikes in 2018. The Fed appeared to be slightly hawkish as the Fed continues to remain positive on future growth while raising the Fed Fund Rates projections for 2019 and 2020.

For the period under review, the 3-, 5-, 10- and 15-year Malaysian Government Securities ("MGS") yields decreased by 8bps, 27bps, 19bps and 10bps to close at 3.45%, 3.54%, 3.94% and 4.41% respectively¹. Sovereign yields corrected lower in 2Q2017 after BNM expanded short-selling of MGS and allowing registered non-bank entities to have a net forward hedge position which helped to improve liquidity of the domestic bond market and onshore foreign exchange. In 2H2017, MGS managed to withstand the higher US interest rate environment on the back of improving investor sentiment as Ringgit recovered towards the end of the year. However, Sovereign yields inched slightly higher in 1Q2018 on the bank of BNM's rate hike and rising global yields.

Corporate bond yields generally moved in tandem with sovereign bond yields, albeit at a lag. Activities in the corporate bond market were supported by ample liquidity and a stable credit environment.

On the supply front, total corporate bond issuances in 2017 stood around RM102 billion of which approximately 30% was conventional and 70% was Islamic. New Corporate bond issuances continued to remain healthy in 1Q2018 with total new issuances stood around RM27.9 billion. Major primary issuances during the first quarter of 2018 were mainly government guaranteed bonds and corporates bonds. Notable issuances include RM4.9 billion from Edra Energy (AA3), RM4.0 billion from Danainfra Nasional (GG), RM3.5 billion from Danga Capital (AAA), RM3.0 billion from Cagamas (AAA), RM3.0 billion from Prasarana (GG), and RM1.0 billion from MMC Corporation (AA-).

REBATES AND SOFT COMMISSIONS

During the period under review, the Manager and its delegates (if any) did not receive any soft commissions from stockbrokers.

¹ Source: Bloomberg

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EASTSPRING INVESTMENTS DANA WAFI

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

STATEMENT BY THE MANAGER

We, Tang Chee Kin and Khoo Chuan Keat, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 19 to 54 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 March 2018 and of its financial performance, changes in equity and cash flows for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
EASTSPRING INVESTMENTS BERHAD

TANG CHEE KIN
Executive Director/Chief Executive Officer

KHOO CHUAN KEAT
Director

Kuala Lumpur
Date: 16 May 2018

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DANA WAFI

We have acted as Trustee for Eastspring Investments Dana Wafi (the "Fund") for financial year ended 31 March 2018. To the best of our knowledge, for the financial year under review, Eastspring Investments Berhad (the "Manager") has operated and managed the Fund in accordance with the following:

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

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching
Senior Manager, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur
Date: 16 May 2018

SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DANA WAFI

We have acted as the Shariah Adviser of Eastspring Investments Dana Wafi. Our responsibility is to ensure that the procedures and processes employed by Eastspring Investments Berhad are in accordance with Shariah principles.

In our opinion, Eastspring Investments Berhad has managed and administered Eastspring Investments Dana Wafi in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 March 2018.

In addition, we also confirm that the investment portfolio of Eastspring Investments Dana Wafi comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission ("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.

For and on behalf of the Shariah Adviser

IBFIM

MUHAMMAD KHAIRULNIZAM BIN ALIAS

Consultant (Shariah)/Designated Person Responsible for Shariah Advisory

Kuala Lumpur

Date: 16 May 2018

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS DANA WAFI

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Dana Wafi ("the Fund") give a true and fair view of the financial position of the Fund as at 31 March 2018, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 54.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF1146

Chartered Accountants

Kuala Lumpur

Date: 16 May 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018	2017
		RM	RM
INVESTMENT INCOME			
Profit income from Islamic deposits with licensed financial institutions		25,620	18,286
Profit income from Sukuk		432,449	478,651
Net gain on financial assets at fair value through profit or loss	6	30,386	31,170
		<u>488,455</u>	<u>528,107</u>
EXPENSES			
Management fee	3	(99,789)	(105,016)
Trustee fee	4	(18,002)	(18,002)
Audit fee		(5,800)	(5,800)
Tax agent fee		(5,200)	(3,400)
Other expenses		(13,433)	(16,453)
GST charges		(7,622)	(8,135)
		<u>(149,846)</u>	<u>(156,806)</u>
PROFIT BEFORE TAXATION		338,609	371,301
TAXATION	5	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>338,609</u>	<u>371,301</u>
Profit after taxation is made up of the following:			
Realised amount		587,278	618,048
Unrealised amount		(248,669)	(246,747)
		<u>338,609</u>	<u>371,301</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	2018	2017
		RM	RM
ASSETS			
Cash and cash equivalents	8	616,302	680,272
Amount due from Manager		-	46,298
Financial assets at fair value through profit or loss	6	7,129,142	9,444,178
TOTAL ASSETS		<u>7,745,444</u>	<u>10,170,748</u>
LIABILITIES			
Amount due to Manager		126,023	1,042
Accrued management fee		7,276	8,707
Amount due to Trustee		1,530	1,529
Distribution payable		-	4,861
Other payables and accruals		24,756	27,286
GST charges payable		528	614
TOTAL LIABILITIES		<u>160,113</u>	<u>44,039</u>
NET ASSET VALUE OF THE FUND		<u>7,585,331</u>	<u>10,126,709</u>
EQUITY			
Unit holders' capital		7,213,004	10,092,991
Retained earnings		372,327	33,718
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>7,585,331</u>	<u>10,126,709</u>
NUMBER OF UNITS IN CIRCULATION	10	<u>13,180,835</u>	<u>18,205,330</u>
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		<u>0.5755</u>	<u>0.5562</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Unit holders' capital	Retained earnings	Total
		RM	RM	RM
Balance as at 1 April 2017		10,092,991	33,718	10,126,709
Movement in unit holders' contribution:				
Creation of units from applications		7,513,149	-	7,513,149
Cancellation of units		(10,393,136)	-	(10,393,136)
Total comprehensive income for the financial year		-	338,609	338,609
Balance as at 31 March 2018		<u>7,213,004</u>	<u>372,327</u>	<u>7,585,331</u>
Balance as at 1 April 2016		11,337,821	71,629	11,409,450
Movement in unit holders' contribution:				
Creation of units from applications		1,598,394	-	1,598,394
Creation of units from distribution		404,351	-	404,351
Cancellation of units		(3,247,575)	-	(3,247,575)
Total comprehensive income for the financial year		-	371,301	371,301
Distribution (Gross: 2.30 sen/Net: 2.30 sen)	7	-	(409,212)	(409,212)
Balance as at 31 March 2017		<u>10,092,991</u>	<u>33,718</u>	<u>10,126,709</u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018	2017
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of sukuk		5,896,786	3,171,116
Purchase of sukuk		(3,615,830)	(1,315,810)
Profit income received from Islamic deposits with licensed financial institutions		25,620	18,286
Profit income received from sukuk		496,915	598,323
Management fee paid		(101,220)	(106,211)
Trustee fee paid		(18,002)	(17,989)
Payment for other fees and expenses		(34,670)	(33,152)
Net cash generated from operating activities		<u>2,649,599</u>	<u>2,314,563</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		7,559,447	1,957,047
Payments for cancellation of units		(10,268,155)	(3,271,058)
Distribution paid		(4,860)	(404,351)
Net cash used in financing activities		<u>(2,713,569)</u>	<u>(1,718,362)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(63,970)	596,201
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>680,272</u>	<u>84,071</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	<u>616,302</u>	<u>680,272</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

The Fund has applied the following amendments for the first time for the financial period beginning on 1 April 2017:

- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’ introduce an additional disclosure on changes in liabilities arising from financing activities

Other than the above, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The new standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

a. Financial year beginning on/after 1 April 2018

- 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 cash flow characteristics of the financial asset. Investments in equity instruments¹ 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 instrument² is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest³.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives¹. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate⁴, should be recognised immediately in profit or loss.

¹ For the purposes of the investments made by the Fund, equity instruments and derivatives refers to Shariah-compliant equity instruments and Shariah-compliant derivatives.

² For the purposes of the investments made by the Fund, debt instruments refers to Sukuk.

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

⁴ For the purposes of this Fund, the method used is the original effective profit rate.

MFRS 9 introduces an expected credit loss (“ECL”) 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 Fund has reviewed its financial assets and liabilities and has assessed the impacts from the adoption of the new standard on 1 January 2018 as below:

There will be no impact on the Fund’s accounting for financial assets as the Fund’s debt instrument² currently measured at fair value through profit or loss will continue to be measured on the same basis under MFRS 9.

There will be no impact on the Fund’s accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Fund does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost. Based on the assessments undertaken to date, the Fund does not expect any loss allowance to be recognised upon adoption of MFRS 9.

B. INCOME RECOGNITION

Profit income earned from Islamic deposits with licensed financial institutions and sukuk are recognised on the accrual basis (taking into account the effective yield of the asset).

Realised gain or loss on disposal of sukuk is accounted for as the difference between the net disposal proceeds and the carrying amount of sukuk, which is determined on cost adjusted for accretion of discount and amortisation of premium.

C. TAXATION

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

D. 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 Ringgit Malaysia (“RM”), which is the Fund’s presentation and functional currency.

E. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

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

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

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 receivables comprise amount due from Manager and cash and cash equivalents.

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

The Fund’s financial liabilities include amount due to Manager, accrued management fee, amount due to Trustee, distribution payable, other payables and accruals and GST charges payable.

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 and Shariah-compliant investments are initially recognised at fair value.

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial liability is derecognised when the obligation under the liability is extinguished; i.e. when the obligation specified in the contract is discharged or cancelled or expired.

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

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

Sukuk are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis using the net present value method based on fair value prices quoted by a bond pricing agency (“BPA”) registered with the Securities Commission. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific sukuk differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- a. Records its basis for using non-BPA price;
- b. Obtains necessary internal approvals to use the non-BPA price; and
- c. Keeps an audit trail of all decisions and basis for adopting the market yield.

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

iii. Impairment for assets carried at amortised costs

For assets carried at amortised cost, the Fund assesses at the end of the reporting period 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If "receivables" or a "held-to-maturity investment" have 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 period, 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 the statement of comprehensive income.

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.

F. CASH AND CASH EQUIVALENTS

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

G. UNIT HOLDERS' CAPITAL

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

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

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

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

H. DISTRIBUTION

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the period in which it is approved.

I. SEGMENTAL INFORMATION

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.

J. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

a. Estimate of fair value of sukuk

The Fund uses significant judgment in determining whether an investment is impaired. The Fund evaluates, among other factors, the duration and extent to which the fair value of the investment is less than cost, and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, macroeconomic factors and speculation.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission valuation guidelines.

Sukuk are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the Manager is of the view that the price quoted by BPA for a specific sukuk differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price. This is allowed for under the Securities Commission ("SC") Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

1. INFORMATION ON THE FUND

Eastspring Investments Dana Wafi (the "Fund") was constituted pursuant to the execution of a Master Deed dated 25 July 2002 as amended by a Supplemental Master Deed dated 22 June 2004 and a Second Supplemental Master Deed dated 25 January 2005, followed by Master Supplemental Deed dated 12 July 2007 and Second Supplemental Master Deed dated 30 November 2009 between HSBC (Malaysia) Trustee Berhad ("HSBC Trustee") and Eastspring Investments Berhad (the "Manager"). The Fund replaced HSBC Trustee with Deutsche Trustees Malaysia Berhad (the "Trustee") effective 1 October 2010. A Supplemental Master Deed was entered into between the Manager and the Trustee on 30 July 2010 to effect the change of trustee from HSBC Trustee to the Trustee, followed by a Second Supplemental Master Deed dated 28 January 2011, a Third Supplemental Master Deed dated 9 March 2011, a Fourth Supplemental Master Deed dated 20 January 2012, a Fifth Supplemental Master Deed dated 26 March 2014, a Sixth Supplemental Master Deed dated 2 January 2015, a Seventh Supplemental Master Deed dated 11 July 2016 and an Eighth Supplemental Master Deed dated 25 January 2017 (collectively referred to as the "Deed").

The Fund was launched on 21 February 2005 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund seeks to achieve its objective by investing in a portfolio of sukuk. The main objective of the Fund seeks to generate stable income by investing in Shariah-compliant fixed income securities.

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Financial instruments of the Fund are as follows:

	Note	Receivables	Financial assets at fair value through profit or loss	Total
		RM	RM	RM
<u>2018</u>				
Cash and cash equivalents	8	616,302	-	616,302
Sukuk	6	-	7,129,142	7,129,142
		<u>616,302</u>	<u>7,129,142</u>	<u>7,745,444</u>
<u>2017</u>				
Cash and cash equivalents	8	680,272	-	680,272
Amount due from Manager		46,298	-	46,298
Sukuk	6	-	9,444,178	9,444,178
		<u>726,570</u>	<u>9,444,178</u>	<u>10,170,748</u>

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

Market risk

i. Price risk

Price risk is the risk that the fair value of the Shariah-compliant investment in sukuk will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's net asset value and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and asset allocation whereby the sukuk exposure will be reduced in the event of anticipated market weakness.

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

	2018	2017
	RM	RM
Sukuk designated at fair value through profit or loss*	7,129,142	9,444,178

* Includes profit receivables of RM123,013 (2017: RM99,574).

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

% Change in price of financial assets at fair value through profit or loss	Market value	Increase/(decrease) in profit after tax and net asset value
	RM	RM
<u>2018</u>		
+5%	7,356,435	350,306
-5%	6,655,823	(350,306)
<u>2017</u>		
+5%	9,811,834	467,230
-5%	8,877,374	(467,230)

ii. Exposure to interest rate risk

In general, when interest rates rise, unquoted sukuk prices will tend to fall and vice versa. Therefore, the net asset value of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold an unquoted sukuk till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the net asset value shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that movement in prices of unquoted sukuk and Shariah-compliant money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates. It does not in any way suggest that the Fund will invest in conventional financial instruments. All investments carried out for the Fund including placements and deposits are in accordance with Shariah.

This risk is crucial in an unquoted sukuk fund as unquoted sukuk portfolio management depends on forecasting interest rate movements. Prices of unquoted sukuk move inversely to interest rate movements, therefore as interest rate rise, the prices of unquoted sukuk decrease and vice versa. Furthermore, unquoted sukuk with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to meet obligation under the instrument, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential default by an issuer.

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to movements in interest rate for investments at the end of each reporting year as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% (2017: 1%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Movement in interest rate	2018	2017
	Impact on profit after tax/ net asset value	Impact on profit after tax/ net asset value
	RM	RM
<u>Sukuk</u>		
+1% (2017: +1%)	(11,885)	(14,146)
-1% (2017: -1%)	10,761	15,249

Liquidity risk

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

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

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

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
<u>2018</u>			
Amount due to Manager	126,023	-	126,023
Accrued management fee	7,276	-	7,276
Amount due to Trustee	1,530	-	1,530
Other payables and accruals	-	24,756	24,756
GST charges payable	528	-	528
Contractual cash outflows	135,357	24,756	160,113
<u>2017</u>			
Amount due to Manager	1,042	-	1,042
Accrued management fee	8,707	-	8,707
Amount due to Trustee	1,529	-	1,529
Distribution payable	4,861	-	4,861
Other payables and accruals	-	27,286	27,286
GST charges payable	614	-	614
Contractual cash outflows	16,753	27,286	44,039

Credit/default risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of profit income, principals and proceeds from realisation of Shariah-compliant investments. In the case of the Fund, the Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the Deed.

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

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

	Sukuk	Cash and cash equivalents	Amount due from Manager	Total
	RM	RM	RM	RM
<u>2018</u>				
Finance				
-AAA	-	590,102	-	590,102
-AA1	-	26,200	-	26,200
Sukuk				
-AAA	200,458	-	-	200,458
-AA1	509,768	-	-	509,768
-AA2	1,020,723	-	-	1,020,723
-AA2 (S)	975,457	-	-	975,457
-AA3	2,767,261	-	-	2,767,261
-AA-IS	1,655,475	-	-	1,655,475
	<u>7,129,142</u>	<u>616,302</u>	-	<u>7,745,444</u>
<u>2017</u>				
Finance				
-AAA	-	660,053	-	660,053
-AA1	-	20,219	-	20,219
Sukuk				
-AAA	1,003,196	-	-	1,003,196
-AA2	1,559,116	-	-	1,559,116
-AA3	6,053,217	-	-	6,053,217
-AA-IS	828,649	-	-	828,649
Other				
-NR	-	-	46,298	46,298
	<u>9,444,178</u>	<u>680,272</u>	<u>46,298</u>	<u>10,170,748</u>

None of these assets are past due or impaired.

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 unit holders.

Non-compliance risk

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

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

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM7,213,004 (2017: RM10,092,991) and retained earnings of RM372,327 (2017: RM33,718). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the Shariah-compliant investment activities of the Fund.

Fair value estimation

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

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

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

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

Fair value hierarchy

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2018</u>				
Financial assets at fair value through profit or loss:				
Sukuk	-	7,129,142	-	7,129,142
<u>2017</u>				
Financial assets at fair value through profit or loss:				
Sukuk	-	9,444,178	-	9,444,178

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2 which include sukuk. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund’s policies on valuation of these financial assets are stated in Note E to the financial statements.

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

3. MANAGEMENT FEE

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

For the financial year ended 31 March 2018, the management fee is recognised at a rate of 1.00% (2017: 1.00%) per annum on the net asset value of the Fund, calculated on daily basis.

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

4. TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee, inclusive of custodian fee, at a rate not exceeding 0.20% per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum.

For the financial year ended 31 March 2018, the Trustee fee is recognised at a rate of 0.07% (2017: 0.07%) per annum on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum inclusive of local custodian fee, calculated on daily basis.

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

5. TAXATION

	2018	2017
	RM	RM

Tax charged for the financial year:

Current taxation – local

-

-

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

	2018	2017
	RM	RM
Profit before taxation	338,609	371,301
Tax at Malaysian statutory rate of 24% (2017 : 24%)	81,266	89,112
Tax effect of:		
Investment income exempt from tax	(117,229)	(126,746)
Expenses not deductible for tax purposes	8,964	9,399
Restriction on tax deductible expenses for Unit Trust Funds	26,999	28,235
Taxation	-	-

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RM	RM
Designated at fair value through profit or loss:		
Sukuk	7,129,142	9,444,178
Net gain on financial assets at fair value through profit or loss:		
Realised gain on disposals	34,876	39,267
Change in unrealised fair value loss	(4,490)	(8,097)
	<u>30,386</u>	<u>31,170</u>

Name of counter	Quantity	Carrying cost	Fair value as at 31.3.2018	Percentage of net asset value of the Fund
	Units	RM	RM	%
4.45% Perbadanan Kemajuan Negeri Selangor 26.10.2018 (AA3)	300,000	305,793	305,917	4.03
9.05% Jimah Energy Ventures Sdn Bhd 10.05.2019 (AA3)	300,000	324,700	326,294	4.30
8.20% Mukah Power Generation Sdn Berhad 27.12.2019 (AA2 (S))	900,000	969,951	975,457	12.86
4.85% Perbadanan Kemajuan Negeri Selangor 29.05.2020 (AA3)	200,000	203,670	204,117	2.69
5.25% BGSM Management Sdn Bhd 24.12.2020 (AA3)	200,000	204,671	206,996	2.73
9.30% Jimah Energy Ventures Sdn Bhd 12.11.2021 (AA3)	630,000	740,870	754,161	9.94
4.83% UMW Holdings Berhad 22.06.2022 (AA2)	1,000,000	1,014,393	1,020,723	13.46
5.16% Quantum Solar Park (Semenanjung) Sdn Bhd 06.10.2022 (AA- IS)	800,000	825,227	826,058	10.89
7.10% BGSM Management Sdn Bhd 28.12.2022 (AA3)	500,000	556,672	561,737	7.41
4.95% RHB Islamic Bank Berhad 15.05.2024 (AA3)	200,000	204,475	204,944	2.70

Name of counter	Quantity	Carrying cost	Fair value as at 31.3.2018	Percentage of net asset value of the Fund
	Units	RM	RM	%
4.80% Hong Leong Islamic Bank Berhad 17.06.2024 (AA1)	500,000	508,400	509,768	6.72
4.92% BGSM Management Sdn Bhd 29.08.2025 (AA3)	200,000	201,198	203,095	2.68
5.24% Lebuhraya Duke Fasa 3 Sdn Bhd 23.08.2027 (AA- IS)	800,000	816,147	829,417	10.93
4.58% Telekom Malaysia Berhad 03.09.2027 (AAA)	200,000	201,728	200,458	2.64
TOTAL SUKUK	<u>6,730,000</u>	<u>7,077,895</u>	<u>7,129,142</u>	<u>93.98</u>

**ACCUMULATED
UNREALISED GAIN ON
FINANCIAL ASSETS
AT FAIR VALUE
THROUGH PROFIT
OR LOSS**

51,247

**FAIR VALUE OF
FINANCIAL ASSETS AT
FAIR VALUE
THROUGH PROFIT
OR LOSS**

7,129,142

Name of counter	Quantity	Carrying cost	Fair value	Percentage
			as at 31.3.2017	of net asset value of the Fund
	Units	RM	RM	%
4.45% Perbadanan Kemajuan Negeri Selangor 26.10.2018 (AA3)	300,000	306,185	305,277	3.01
5.25% Bumitama Agri Ltd 18.03.2019 (AA3)	1,600,000	1,605,137	1,620,394	16.00
5.05% Amlslamic Bank Berhad 25.03.2024 (AA3)	1,200,000	1,201,626	1,209,626	11.94
9.05% Jimah Energy Ventures Sdn Bhd 10.05.2019 (AA3)	300,000	336,759	337,733	3.34
4.95% RHB Islamic Bank Berhad 15.05.2024 (AA3)	200,000	205,127	205,244	2.03
8.20% Mukah Power Generation Sdn Berhad 27.12.2019 (AA2 (S))	1,400,000	1,551,221	1,559,116	15.40
5.25% BGSM Management Sdn Berhad 24.12.2020 (AA3)	500,000	513,331	516,235	5.10
5.10% Gulf Investment Corporation G.S.C 16.03.2021 (AAA)	1,000,000	1,005,878	1,003,196	9.91
9.30% Jimah Energy Ventures Sdn Berhad 12.11.2021 (AA3)	630,000	762,485	772,087	7.62
7.10% BGSM Management Sdn Berhad 28.12.2022 (AA3)	500,000	565,390	564,607	5.58

Name of counter	Quantity	Carrying cost	Fair value as at 31.3.2017	Percentage of net asset value of the Fund
	Units	RM	RM	%
5.40% Tanjung Bin Energy Issuer Berhad 15.03.2024 (AA3)	500,000	518,182	522,014	5.15
5.24% Lebuhraya Duke Fasa 3 Sdn Berhad 23.08.2027 (AA-IS)	800,000	817,119	828,649	8.18
TOTAL SUKUK	<u>8,930,000</u>	<u>9,388,440</u>	<u>9,444,178</u>	<u>93.26</u>

**ACCUMULATED
UNREALISED GAIN ON
FINANCIAL ASSETS
AT FAIR VALUE
THROUGH PROFIT
OR LOSS**

9,557,388

**FAIR VALUE OF
FINANCIAL ASSETS AT
FAIR VALUE
THROUGH PROFIT
OR LOSS**

9,444,178

The effective weighted average rate of return of sukuk per annum as at the date of the statement of financial position are as follows:

	2018	2017
	%	%
Sukuk	<u>4.68</u>	<u>4.76</u>

7. DISTRIBUTION

	2017
	RM
Distribution to unit holders is from the following sources:	
Prior years' income:	
Profit income earned	574,581
Net realised gain on sale of Shariah-compliant investments	31,505
Amortisation of premiums net of accretion of discounts	<u>(32,568)</u>
Gross realised income	573,518
Less: Expenses	<u>(164,306)</u>
	<u>409,212</u>
Gross distribution per unit (RM)	<u>0.0230</u>
Net distribution per unit (RM)	<u>0.0230</u>
Ex-date	<u>24 March 2017</u>

Gross distribution is derived using total income less total expenses. The distribution is made from prior year's realised income.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

There were no distribution made for the financial year ended 31 March 2018.

8. CASH AND CASH EQUIVALENTS

	2018	2017
	RM	RM
Bank balance with a licensed bank	26,200	20,219
Islamic deposit with a licensed financial institution	590,102	660,053
	<u>616,302</u>	<u>680,272</u>

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

	2018	2017
	%	%
Islamic deposit with a licensed financial institution	<u>3.15</u>	<u>2.95</u>

For the financial year ended 31 March 2018, the Islamic deposit had an average maturity of 2 days (2017: 3 days).

9. SHARIAH INFORMATION OF THE FUND

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

- i. Sukuk are in order and as per the list of sukuk available at Bond Info Hub and Fully Automated System For Issuing/Tendering of Bank Negara Malaysia; and
- ii. Liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

10. UNITS IN CIRCULATION

	2018	2017
	No. of units	No. of units
At the beginning of the financial year	18,205,330	20,422,591
Creation of units during the financial year:		
Arising from applications	13,329,845	2,783,491
Arising from distribution	-	727,380
Cancellation of units during the financial year	(18,354,340)	(5,728,132)
At the end of the financial year	<u>13,180,835</u>	<u>18,205,330</u>

11. TRANSACTIONS WITH DEALERS

Details of transactions with the dealers are as follows:

Name of dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
<u>2018</u>				
RHB Investment Bank Berhad	3,660,032	38.48	-	-
Hong Leong Bank Berhad	1,727,160	18.16	-	-
CIMB Bank Berhad	1,510,500	15.87	-	-
AmBank (M) Berhad	1,413,364	14.86	-	-
Malayan Banking Berhad	1,201,560	12.63	-	-
	<u>9,512,616</u>	<u>100.00</u>	-	-
<u>2017</u>				
RHB Investment Bank Berhad	1,340,241	29.87	-	-
Alliance Bank Malaysia Berhad	1,229,080	27.39	-	-
CIMB Bank Berhad	813,360	18.13	-	-
Hong Leong Bank Berhad	803,600	17.91	-	-
AmBank (M) Berhad	300,570	6.70	-	-
	<u>4,486,851</u>	<u>100.00</u>	-	-

All dealers highlighted above are not related to the Manager. There are no brokerage fees charged by the dealers for the financial year ended 31 March 2018 and 31 March 2017.

12. MANAGEMENT EXPENSE RATIO ("MER")

	2018	2017
	%	%
MER	1.50	1.49

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (inclusive GST charges)

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

The average net asset value of the Fund for the financial year calculated on a daily basis is RM9,978,562 (2017: RM10,501,217).

13. PORTFOLIO TURNOVER RATIO ("PTR")

	2018	2017
PTR (times)	0.48	0.21

PTR is derived from the following calculation:

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

where:

total acquisitions for the financial year = RM3,615,830 (2017: RM1,315,810)

total disposals for the financial year = RM5,896,786 (2017: RM3,171,041)

14. UNITS HELD BY THE MANAGER

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

Related party	Relationship			
Eastspring Investments Berhad	The Manager			
	2018		2017	
	No. of units	RM	No. of units	RM
Eastspring Investments Berhad	1,185	682	1,185	659

The above units were transacted at the prevailing market price.

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

15. SEGMENTAL INFORMATION

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The CEO, who is the chief operating decision-maker, is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. 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 segment derives its income by seeking Shariah-compliant investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of profit income and gains on the appreciation in the value of Shariah-compliant investments.

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

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 May 2018.

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

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531241-U

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SHARIAH ADVISER

NAME

IBFIM

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ENQUIRIES

CLIENT SERVICES

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