

**RHB ENTREPRENEUR FUND**

**ANNUAL REPORT 2017**

**Incorporating The Audited  
Financial Statements**

For the financial year ended 31 October 2017

**RHB**◆Asset Management

**RHB Asset Management Sdn Bhd** (174588-X)

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## GENERAL INFORMATION ABOUT THE FUND

### Commencement Date

RHB Entrepreneur Fund (“the Fund”) commenced operations on 14 October 2014.

### Fund Category and Type

Fund Category - Equity fund

Fund Type - Growth fund

### Investment Objective, Policy and Strategy

#### Objective of the Fund

The Fund aims to achieve long term\* capital appreciation through investments in securities of companies that possess entrepreneurial characteristics as determined by the Manager.

*\*Note: “long term” in this context refers to a period of between 5 – 7 years.*

#### Strategy

This Fund seeks to achieve its objective through investments in a portfolio of securities issued by companies listed in Japan, and other Asian countries such as Hong Kong, China, South Korea, Taiwan, India, Indonesia, Thailand, Malaysia, Singapore and Philippines. The Fund’s portfolio will consist of at least 50% of investments in securities of companies listed in Japan.

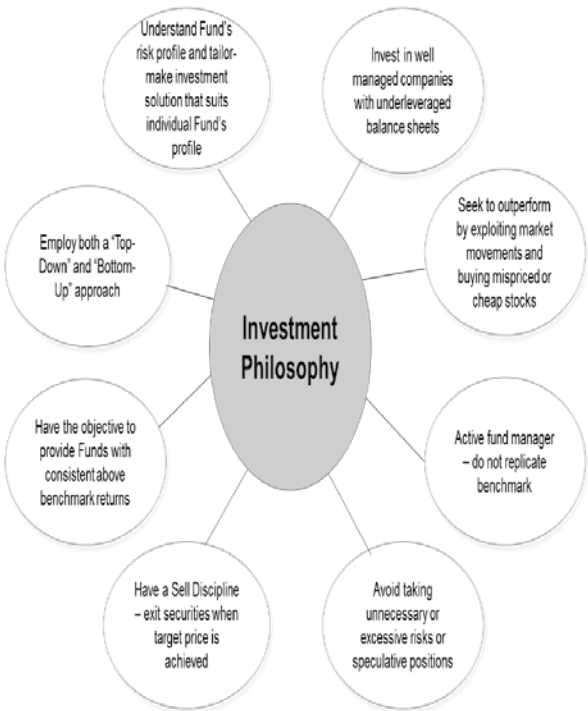
The Fund’s portfolio will be structured as follows:

70% to 98% of Net Asset Value - Investments in securities of companies that are listed on the stock exchanges of Japan and other Asian markets.

2% to 5% of Net Asset Value - Investments in liquid assets including money market instruments and deposits.

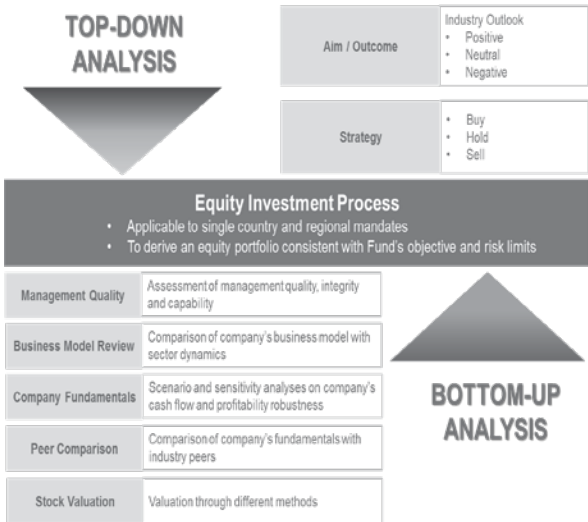
## Investment Philosophy

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



## Investment Approach

Whenever the Fund invests in equities, the Manager’s investment approach will evolve around the following principles:-



## Performance Benchmark

Effective from 6 October 2017, the performance of the Fund is benchmarked against Tokyo Stock Price Index (“TOPIX”) (RM). Prior to 6 October 2017, the performance of the Fund is benchmarked against MSCI AC Asia Index (“MXAS Index”) (RM).

## Permitted Investments and Restrictions

This Fund may invest in securities listed on the Bursa Malaysia or any other market considered as an Eligible Market, securities not listed in or traded under the rules of an Eligible Market (“unlisted securities”), collective investment schemes, financial derivatives, structured products, liquid assets (including money market instruments and deposits), participate in the lending of securities, and any other investments permitted by the Securities Commission Malaysia from time to time.

## Fund Distribution Policy

Consistent with the Fund’s objective which aims to achieve capital growth over the long term, distributions will therefore be of secondary importance. Distributions, if any, after deduction of taxation and expenses will be reinvested.

## **MANAGER'S REPORT**

### **MARKET REVIEW**

Global equities rallied strongly throughout the reporting period, with many markets touching record highs amid growing optimism over the outlook for global growth. Emerging market equities led the rally, posting double-digit returns, followed by Euro-zone shares. Almost all sectors advanced, with information technology stocks the strongest performers, followed by healthcare companies. However, energy stocks retreated as oil prices slid to their lowest levels this year although it recovered towards the end of the financial year under review.

United States (“US”) equities posted robust gains, with major indices touching a series of fresh highs. Shares were boosted by strong corporate earnings growth and hopes of tax and regulatory reform. However, the rally appeared to run out of steam in the second quarter amid signs of moderating economic activity. Almost all sectors rallied, with technology stocks the strongest performers, although they gave back some of their gains during June 2017. Healthcare companies came a close second, boosted by hopes that President Trump would resist cracking down on drug prices. In contrast, energy companies fell sharply as oil prices fell to their lowest levels this year.

Japanese equities delivered solid gains over the reporting period, boosted by generally positive economic news. The ruling Liberal Democratic Party (“LDP”) and Komeito coalition scored a landslide victory in 48th Lower House election. The LDP's landslide victory is likely to boost Japan's political stability and allow Prime Minister Abe to consolidate power. While the policy focus is likely to shift toward constitutional reform / national security, enhanced political stability should be fundamentally positive for the equity market though we could see some profit taking. In the foreign exchange (“FX”) space, United States Dollar (“USD”)/ Japanese Yen (“JPY”) positioning may be relatively light. As the likelihood of Governor Kuroda's reappointment or replacement by a similar dove has grown, JPY is likely to remain as a preferred funding currency in the global financial markets. With the key domestic risk behind us, USD/JPY and Nikkei Index (“NKY”) could recouple if the US yields start to rise.

Equity markets in the Pacific Ex Japan rallied strongly over the first months of the year, buoyed by optimism over the outlook for the global economy as well as by signs of stronger-than-expected economic activity in China. All countries in the region gained, with China and Hong Kong leading the advance.

## **REVIEW OF FUND PERFORMANCE AND STRATEGY DURING THE YEAR**

The Fund registered positive return of 25.34% during the year under review, underperforming the benchmark of Morgan Stanley Capital International All-Country (“MSCI AC”) Asia Index which increased 26.84%. The marginal underperformance was mainly due to country exposure where the Fund overweight Japan market. Asia Ex Japan markets in particular China, South Korea and Taiwan performed better than Japan market during the financial year under review.

The Fund was overweight in equities with about 95% invested in equities during the year under review. During the year, the Fund overweight Japan market and underweight Asia Ex Japan. Within North Asia, Korea and Taiwan has performed better compared to Japan.

Going forward, we are building up exposure in North Asia and will increase more allocation into Hong Kong/China market as we believe the region is still cheap and China fundamental has improved after few years of painful adjustment.

*\* Source: Lipper Investment Management (“Lipper IM”), 15 November 2017*

## **MARKET OUTLOOK AND STRATEGY GOING FORWARD**

The global equity markets are currently pricing in a pick-up in growth, which means that there is a chance of further price increases. However, while the economic data are indeed favourable, investors are currently not paying enough attention to risks, such as geopolitical tensions. The equity markets might enter choppy waters if the global economic data weaken, a development which appears possible and the international central banks gradually normalise their monetary policies. In the US, the Federal Reserve (“Fed”) is likely to start reducing its Treasury and Mortgage Backed Securities holdings by the end of year 2017. The European Central Bank (“ECB”) will probably act a bit later than its US counterpart. We continue to expect a reduction in the bond purchase volume and a first rate hike later in year 2018.

The ECB kept interest rates on hold and maintained its bond-buying programme. However, in June 2017, the ECB dropped its easing bias, saying it now judged risks to be “broadly balanced”, and raised its growth forecasts. During the month, speculation grew that the ECB was considering tapering its asset-purchase programme when Mario Draghi described the recent weakness in inflation as temporary, saying “deflationary forces have been replaced by reflationary ones”.

In Japan, we see the Bank of Japan (“BoJ”) succession issue is by far the most important issue for markets. Our long base case sees Governor Kuroda being reappointed and the monetary policy status quo being sustained for the foreseeable future. The LDP’s landslide victory in lower house election raises the likelihood of this scenario, since it adds to chances that Prime Minister Abe will win a third term as LDP leader, paving the way for him to stay in power through year 2021.

In our view, changes in Japanese companies will be critical to the outlook for Japanese equities. Our focus is on the proportion of companies able to sustain organic growth even as corporate profit growth as a whole slows. One potential driver is reform of corporate governance and we expect debate on this subject to heat up ahead of revisions to the Japan Corporate Governance Code due out in mid of year 2018. In particular we are interested in the approaches taken to (1) leaving behind the old style of Japanese company, by such means as eliminating counselor/advisor systems, (2) unwinding cross-shareholdings, cited as one reason for low Price to Book (“P/Bs”), and (3) the persistent rising trend in retained earnings.

The Fund will adopt a bottom up approach to identify growth stocks and would only buy on dip.

## PERFORMANCE REVIEW

For the financial year under review, the Fund generated a total return of 25.34%\* compared to the benchmark gain of 26.84%\*. The Fund has achieved its investment objective for the financial year under review.

\* Source: Lipper IM, 15 November 2017

## PERFORMANCE DATA

	Total Return				
	1-month	3-month	6-month	9-month	12-month
	30.09.2017- 31.10.2017 %	31.07.2017- 31.10.2017 %	30.04.2017- 31.10.2017 %	31.01.2017- 31.10.2017 %	31.10.2016- 31.10.2017 %
RHB Entrepreneur Fund	5.62	8.12	18.34	20.94	25.34
Entrepreneur Index**	5.84	5.96	14.16	18.28	26.84

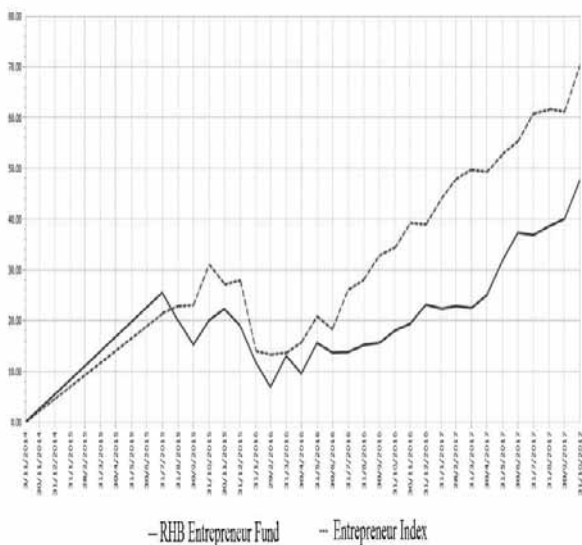
	Average Total Return	
	1 Year 31.10.2016- 31.10.2017 %	Since Inception 03.11.2014^*- 31.10.2017 %
RHB Entrepreneur Fund	25.34	13.96
Entrepreneur Index**	26.84	19.49

	Total Return Financial Year/Period Ended 31 October		
	2017 %	2016 %	2015** %
	RHB Entrepreneur Fund		
- Capital Return	11.66	(1.70)	20.04
- Income Return	12.25	-	-
- Total Return	25.34	(1.70)	20.04
Entrepreneur Index**	26.84	2.54	31.04

\*\* For the financial period since last day of Initial Offer Period



**Performance of RHB Entrepreneur Fund  
for the period from 3 November 2014<sup>^</sup> to 31 October 2017  
Cumulative Return Over The Year (%)**



<sup>^</sup> Being the last day of Initial Offer Period

Source: Lipper IM, 15 November 2017

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

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

\*\* Effective from 6 October 2017, the Fund’s composite benchmark (Entrepreneur Index) was changed from MSCI AC Asia Index (“MXAS Index”) (RM) to Tokyo Stock Price Index (“TOPIX”) (RM). The Fund’s composite benchmark performance has been adjusted to reflect the new benchmark.

A combination of benchmark/composite benchmark has been used for the performance computation as follows:

From 3 November 2014 to 5 October 2017	MSCI AC Asia Index (“MXAS Index”) (RM)
From 6 October 2017 onwards	Tokyo Stock Price Index (“TOPIX”) (RM)

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

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

Fund Size	As at 31 October		
	2017	2016	2015
Net Asset Value (RM million)	43.59*	92.12	108.61
Units In Circulation (million)	66.16*	156.13	180.97
Net Asset Value Per Unit (RM)	0.6588*	0.5900	0.6002

Historical Data	Financial Year/Period Ended 31 October		
	2017	2016	2015
<b>Unit Prices</b>			
NAV - Highest (RM)	0.7345*	0.6147	0.6455
NAV - Lowest (RM)	0.5671*	0.5010	0.4942
<b>Distribution and Unit Split</b>			
Gross/Net Distribution Per Unit (Sen)	8.0000	-	-
Distribution Date	26.10.2017	-	-
NAV before distribution (cum)	0.7329	-	-
NAV after distribution (ex)	0.6529	-	-
Unit Split	-	-	-
<b>Others</b>			
Management Expense Ratio (MER) (%) #	2.07	2.02	2.10
Portfolio Turnover Ratio (PTR) (times) ##	0.74	0.43	1.41

\* The figures quoted are ex-distribution

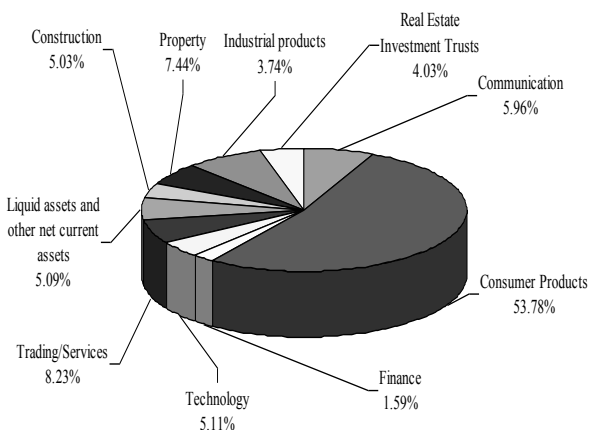
# The MER for the financial year was higher compared with previous financial year due to lower average net asset value for the financial year under review (refer to Note 14).

## The PTR for the financial year was higher compared with previous financial year due to more investment activities for the financial year under review (refer to Note 15).

## DISTRIBUTION

During the financial year under review, the Fund has declared total net distribution of 8.0000 sen per unit, which is equivalent to a net yield of 12.41% based on the average net asset value for the financial year.

## PORTFOLIO STRUCTURE AS AT 31 OCTOBER 2017



The asset allocations of the Fund as at reporting date were as follows:

Sectors	As at 31 October		
	2017 %	2016 %	2015 %
<b>Equities</b>			
Communication	5.96	13.81	7.77
Construction	5.03	3.03	-
Consumer Products	53.78	46.23	39.03
Energy	-	7.15	-
Finance	1.59	5.96	3.93
Industrial Products	3.74	-	-
Property	7.44	3.45	-
Technology	5.11	6.81	9.99
Trading/Services	8.23	13.78	18.08
	90.88	100.22	78.80
<b>Real Estate Investment Trusts</b>	4.03	-	-
<b>Liquid assets and other net current assets/(liabilities)</b>	5.09	(0.22)*	21.20
	100.00	100.00	100.00

## PORTFOLIO STRUCTURE AS AT 31 OCTOBER 2017 (CONTINUED)

The asset allocation was reflective of the Manager's stance to risk manage its portfolio in an environment of volatile markets.

*\* The excess over 100% of total net asset value is attributable to amount due to Manager, which has not been paid as at the reporting date.*

## FUND SIZE AND PROFILE OF UNIT HOLDINGS BY SIZE

As at 31 October 2017, the Fund's units in circulation stood at 66.16 million units with a total of 104 accounts.

Size of Holdings	Account Holders		No. Of Units Held*	
	No.	%	('000)	%
5,000 and below	25	24.04	52	0.09
5,001 to 10,000	14	13.46	112	0.19
10,001 to 50,000	37	35.58	1,128	1.92
50,001 to 500,000	21	20.19	3,059	5.19
500,001 and above	7	6.73	54,507	92.61
Total	104	100.00	58,858	100.00

\* Excluding Manager's stock

## REBATES AND SOFT COMMISSION

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

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

During the financial year under review, the Manager did not receive or utilise any soft commission from brokers/dealers in consideration for directing dealings in the investment of the Fund. However, in the event the Manager were to receive any soft commission in the future, these will only be retained by the Manager if they were in the form of goods and services which were of demonstrable benefit to the unitholders.

**RHB ENTREPRENEUR FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 OCTOBER 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss (“FVTPL”)	5	41,371,789	92,335,915
Forward foreign currency contracts	6	293,749	286,590
Deposits with a licensed financial institution	7	733,069	-
Bank balances	7	1,015,992	1,571,110
Amount due from Manager		140,019	46,262
Dividends receivable		131,093	315,053
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		43,685,711	94,554,930
		<hr/>	<hr/>
<b>LIABILITIES</b>			
Amount due to Manager		-	2,263,745
Accrued management fee		68,239	153,267
Amount due to Trustee		2,274	5,109
Other payables and accruals	8	26,776	13,155
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		97,289	2,435,276
		<hr/>	<hr/>
<b>NET ASSET VALUE</b>		43,588,422	92,119,654
		<hr/> <hr/>	<hr/> <hr/>
<b>UNITHOLDERS’ FUNDS</b>			
Unitholders’ capital		22,402,983	79,392,630
Retained earnings		21,185,439	12,727,024
		<hr/>	<hr/>
		43,588,422	92,119,654
		<hr/> <hr/>	<hr/> <hr/>
<b>UNITS IN CIRCULATION (UNITS)</b>	9	66,161,260	156,126,000
		<hr/> <hr/>	<hr/> <hr/>
<b>NET ASSET VALUE PER UNIT (RM)</b>		0.6588	0.5900
		<hr/> <hr/>	<hr/> <hr/>

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

**RHB ENTREPRENEUR FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>INVESTMENT INCOME</b>			
Dividend income		597,402	1,358,154
Interest income from deposits with licensed financial institutions		20,096	216,313
Net gain on financial assets at FVTPL	5	9,915,439	5,589,925
Net foreign currency exchange loss		(709,422)	(414,586)
Net fair value gain/(loss) on forward foreign currency contracts at FVTPL	6	5,031,659	(5,761,084)
		<u>14,855,174</u>	<u>988,722</u>
<b>EXPENSES</b>			
Management fee	10	(1,129,043)	(1,822,476)
Trustee's fee	11	(37,635)	(60,749)
Audit fee		(6,350)	(6,000)
Tax agent's fee		(27,005)	(1,319)
Transaction costs		(275,711)	(239,040)
Other expenses		(107,684)	(161,804)
		<u>(1,583,428)</u>	<u>(2,291,388)</u>
Profit/(loss) before taxation		13,271,746	(1,302,666)
Taxation	12	(110,771)	(136,759)
Profit/(loss) after taxation and total comprehensive income/(loss) for the financial year		<u>13,160,975</u>	<u>(1,439,425)</u>
Profit/(loss) after taxation is made up as follows:			
Realised amount		23,022,934	(4,444,267)
Unrealised amount		(9,861,959)	3,004,842
		<u>13,160,975</u>	<u>(1,439,425)</u>

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

**RHB ENTREPRENEUR FUND**  
**STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2017**

	<b>Unitholders' capital</b>	<b>Retained earnings</b>	<b>Total net asset value</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance as at 1 November 2015	94,446,458	14,166,449	108,612,907
Movement in net asset value:			
Total comprehensive loss for the financial year	-	(1,439,425)	(1,439,425)
Creation of units arising from applications	22,914,750	-	22,914,750
Cancellation of units	(37,968,578)	-	(37,968,578)
Balance as at 31 October 2016	<u>79,392,630</u>	<u>12,727,024</u>	<u>92,119,654</u>
Balance as at 1 November 2016	79,392,630	12,727,024	92,119,654
Movement in net asset value:			
Total comprehensive income for the financial year	-	13,160,975	13,160,975
Creation of units arising from distribution	4,702,560	-	4,702,560
Creation of units arising from applications	1,645,992	-	1,645,992
Cancellation of units	(63,338,199)	-	(63,338,199)
Distribution (Note 13)	-	(4,702,560)	(4,702,560)
Balance as at 31 October 2017	<u>22,402,983</u>	<u>21,185,439</u>	<u>43,588,422</u>

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

**RHB ENTREPRENEUR FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		86,426,759	45,346,718
Purchase of investments		(25,967,201)	(46,746,690)
Dividends received		655,927	1,273,290
Interest received from deposits with licensed financial institutions		20,096	216,313
Management fee paid		(1,214,071)	(1,838,707)
Trustee's fee paid		(40,470)	(61,290)
Payment for other fees and expenses		(127,418)	(176,731)
Net realised foreign exchange loss		(550,463)	(371,383)
Net realised gain/(loss) on foreign currency contracts		5,024,500	(7,284,568)
		<u>64,227,659</u>	<u>(9,643,048)</u>
Net cash generated from/(used in) operating activities		<u>64,227,659</u>	<u>(9,643,048)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		1,552,235	24,346,358
Payment for cancellation of units		(65,601,944)	(35,950,609)
		<u>(64,049,709)</u>	<u>(11,604,251)</u>
Net cash used in financing activities		<u>(64,049,709)</u>	<u>(11,604,251)</u>
Net increase/(decrease) in cash and cash equivalents		177,950	(21,247,299)
Foreign currency translation differences		1	(43,203)
Cash and cash equivalents at the beginning of the financial year		1,571,110	22,861,612
		<u>1,571,110</u>	<u>22,861,612</u>
Cash and cash equivalents at the end of the financial year		<u>1,749,061</u>	<u>1,571,110</u>
Cash and cash equivalents comprise:			
Deposits with a licensed financial institution	7	733,069	-
Bank balances	7	1,015,992	1,571,110
		<u>1,749,061</u>	<u>1,571,110</u>

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



**RHB ENTREPRENEUR FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2017**

**1 THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

The RHB Entrepreneur Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 24 March 2014 and as modified via its first supplemental deed dated 25 February 2015 and second supplemental deed dated 3 August 2015 (collectively referred to as “the Deeds”) between RHB Asset Management Sdn Bhd (“the Manager”) and TMF Trustees Malaysia Berhad (“the Trustee”).

The Fund was launched on 14 October 2014 and will continue its operations until terminated according to the conditions provided in the Deeds. The principal activity of the Fund is to invest in ‘Permitted Investments’ as defined in the Deeds.

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

The main objective of the Fund is to achieve long term capital appreciation through investments in securities of companies that possess entrepreneurial characteristics as determined by the Manager.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of RHB Investment Bank Berhad, effective 6 January 2003. Its principal activities include rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services.

These financial statements were authorised for issue by the Manager on 22 December 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of the financial statements

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of the financial statements (continued)

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

(ii) Financial year beginning on/after 1 November 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 contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Financial assets

#### Classification

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

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

Derivatives are financial assets/liabilities at fair value through profit or loss categorised as held for trading unless they are designated hedges.

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, amount due from Manager and dividends receivable which are all due within 12 months.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value.

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

Unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including the effects of currency translation are recognised in statement of comprehensive income in the financial year in which they arise.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Financial assets (continued)

#### Recognition and measurement (continued)

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

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

Derivative investment is a currency forward contract. Financial derivative position will be “marked to market” at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Financial assets (continued)

#### Impairment of financial assets

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

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

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

### 2.3 Financial liabilities

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

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

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.3 Financial liabilities (continued)**

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

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

### **2.4 Unitholder's capital**

The unitholders' contributions to the Fund meet the criteria of the definition of puttable instruments 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 unitholder 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 unitholders with the total number of outstanding units.

### **2.5 Distribution**

Distribution to the Fund's unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the period in which it is approved by the Trustee.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.6 Income recognition**

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

Interest income from deposits with licensed financial institutions is recognised on an accrual basis using the effective interest method.

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

Realised gain or loss on forward foreign currency contracts are measured by the difference between the net settlement amount and the nominal amount as per the forward foreign currency contract.

### **2.7 Taxation**

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

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

### **2.8 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits with a licensed financial institution which are subject to an insignificant risk of changes in value.

### **2.9 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, which is the Fund's presentation and functional currency.



## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.9 Presentation and functional currency (continued)**

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

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

### **2.10 Foreign currency translation**

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

### **2.11 Segmental information**

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

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.12 Derivative financial instruments**

The Fund's derivative financial instruments comprise unquoted forward currency contracts. Derivative financial instruments are initially recognised at fair value on the date derivative contracts are entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of the statement of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and the nature of the item being hedged. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.2.

## **3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund is exposed to a variety of risks, which include management risk, stock market risk, price risk, interest rate risk, currency risk, country risk, liquidity risk, credit risk, regulatory 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 SC Guidelines on Unit Trust Funds.

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Management risk

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

#### Stock market risk

Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in profit or currency rates or adverse investors' sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. The market price of securities owned by a unit trust fund might go down or up, sometimes rapidly or unpredictably.

#### Price risk

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

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

	<u>2017</u> RM	<u>2016</u> RM
Financial assets at fair value through profit or loss	<u>41,371,789</u>	<u>92,335,915</u>

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Price risk (continued)

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

	<u>Change in price of investments</u> %	<u>Market value</u> RM	<u>Impact on profit or loss and net asset value</u> RM
<b><u>2017</u></b>			
	-5	39,303,200	(2,068,589)
	0	41,371,789	-
	+5	43,440,378	2,068,589
	<u>=====</u>	<u>=====</u>	<u>=====</u>
<b><u>2016</u></b>			
	-5	87,719,119	(4,616,796)
	0	92,335,915	-
	+5	96,952,711	4,616,796
	<u>=====</u>	<u>=====</u>	<u>=====</u>

#### Interest rate risk

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

#### Currency risk

The Fund is exposed to currency risk. Fluctuation in foreign exchange rates will affect the value of the Fund's foreign investments when converted into the base currency of the Fund i.e. RM and subsequently the value of unitholders' investments.

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Currency risk (continued)

The following table sets out the foreign currency risk concentration of the Fund at the end of the financial year.

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Forward foreign currency contracts RM</b>	<b>Bank balances RM</b>	<b>Dividends receivable RM</b>	<b>Total RM</b>
<b><u>2017</u></b>					
HKD	1,568,350	-	-	15,565	1,583,915
IDR	-	-	-	1,248	1,248
JPY	36,538,439	293,749	-	114,279	36,946,467
KRW	-	-	-	1	1
USD	-	-	979,314	-	979,314
	<u>38,106,789</u>	<u>293,749</u>	<u>979,314</u>	<u>131,093</u>	<u>39,510,945</u>
<b><u>2016</u></b>					
HKD	16,485,221	-	-	-	16,485,221
IDR	3,439,960	-	-	1,288	3,441,248
JPY	66,331,800	286,590	-	313,765	66,932,155
KRW	1,883,515	-	-	-	1,883,515
PHP	2,112,879	-	-	-	2,112,879
USD	-	-	296,283	-	296,283
	<u>90,253,375</u>	<u>286,590</u>	<u>296,283</u>	<u>315,053</u>	<u>91,151,301</u>

The table below summarises the sensitivity of the Fund's profit or loss and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables remain constant. Any increase/decrease in foreign exchange rate will result in a corresponding decrease/increase in the net assets attributable to unitholders by approximately 5%. Disclosures below are shown in absolute terms, changes and impact could be positive or negative.

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Currency risk (continued)

The following table sets out the foreign currency risk concentrations of the Fund.

	<b>Change in foreign <u>exchange rate</u> %</b>	<b>Impact on profit or loss and <u>net asset value</u> RM</b>
<b><u>2017</u></b>		
HKD	5	79,196
IDR	5	62
JPY	5	1,847,323
USD	5	48,966
		<hr/>
		1,975,547
		<hr/> <hr/>
<b><u>2016</u></b>		
HKD	5	824,261
IDR	5	172,062
JPY	5	3,346,608
KRW	5	94,176
PHP	5	105,644
USD	5	14,814
		<hr/>
		4,557,565
		<hr/> <hr/>

#### Country risk

The Fund invests in foreign markets. The foreign investments portion of the Fund may be affected by risks specific to the country that the Fund invests in. Such risks include changes in the country's economic fundamentals, social and political stability, currency movements and foreign investment policies. These factors may have an impact on the prices of the securities that the Fund invested in and ultimately lower the net asset value. Such risk can be diversified by investing in different countries.

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk

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

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

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

	<b>Less than 1 month RM</b>	<b>Between 1 month to 1 year RM</b>
<b><u>2017</u></b>		
Accrued management fee	68,239	-
Amount due to Trustee	2,274	-
Other payables and accruals	-	26,776
	<u>70,513</u>	<u>26,776</u>
<b><u>2016</u></b>		
Amount due to Manager	2,263,745	-
Accrued management fee	153,267	-
Amount due to Trustee	5,109	-
Other payables and accruals	-	13,155
	<u>2,422,121</u>	<u>13,155</u>

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk

Credit risk refers to the possibility that the issuer of a security will not be able to make timely payments of interest or principal repayment on the maturity date. This may lead to a default in the payment of principal and interest and ultimately a reduction in the value of the Fund.

The credit risk arising from placements of deposit in a licensed financial institution 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 respective foreign stock exchange. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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

	<u>Cash and cash equivalents</u> RM	<u>Forward foreign currency contracts</u> RM	<u>Other financial assets*</u> RM	<u>Total</u> RM
<b><u>2017</u></b>				
Financial institutions:				
AAA	1,749,061	293,749	-	2,042,810
Others	-	-	271,112	271,112
	<u>1,749,061</u>	<u>293,749</u>	<u>271,112</u>	<u>2,313,922</u>
<b><u>2016</u></b>				
Financial institutions:				
A+	-	249,097	-	249,097
AAA	1,571,110	302,821	-	1,873,931
AA2	-	(265,328)	-	(265,328)
Others	-	-	361,315	361,315
	<u>1,571,110</u>	<u>286,590</u>	<u>361,315</u>	<u>2,219,015</u>

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



### **3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### Regulatory risk

Any changes in national policies and regulations may have an effect on the capital markets in which the Fund is investing. If this occurs, there is a possibility that the unit price of the Fund may be adversely affected.

#### Non-compliance risk

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

#### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital of RM22,402,983 (2016: RM79,392,630) and retained earnings of RM21,185,439 (2016: RM12,727,024). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### **4 FAIR VALUE ESTIMATION**

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

The fair value of financial assets and liabilities traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date.

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

#### 4 FAIR VALUE ESTIMATION (CONTINUED)

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

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

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

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

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

- (i) For bank balances, deposits and placements with financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

## 4 FAIR VALUE ESTIMATION (CONTINUED)

### Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant 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 and liabilities (by class) measured at fair value:

#### 4 FAIR VALUE ESTIMATION (CONTINUED)

##### Fair value hierarchy (continued)

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<b><u>2017</u></b>				
Financial assets at fair value through profit or loss:				
- Quoted investments	41,371,789	-	-	41,371,789
Derivative financial instruments:				
- Forward foreign currency contracts	-	293,749	-	293,749
	<u>41,371,789</u>	<u>293,749</u>	<u>-</u>	<u>41,665,538</u>
<b><u>2016</u></b>				
Financial assets at fair value through profit or loss:				
- Quoted investments	92,335,915	-	-	92,335,915
Derivative financial instruments:				
- Forward foreign currency contracts	-	286,590	-	286,590
	<u>92,335,915</u>	<u>286,590</u>	<u>-</u>	<u>92,622,505</u>

Investments in active listed equities, i.e. quoted investments whose values are based on quoted market prices in active markets are classified within Level 1. The Fund does not adjust the quoted prices for these instruments.

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. Level 2 instruments include forward foreign currency contracts. 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 2.2.

## 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2017</u> RM	<u>2016</u> RM
Financial assets designated as FVTPL:		
- Quoted investments - local	3,265,000	2,082,540
- Quoted investments - foreign	38,106,789	90,253,375
	<u>41,371,789</u>	<u>92,335,915</u>

	<u>2017</u> RM	<u>2016</u> RM
Net gain on financial assets at FVTPL comprised:		
- Net realised gain on sale of financial assets at FVTPL	19,784,558	4,065,364
- Net unrealised (loss)/gain on changes in fair values	(9,869,119)	1,524,561
	<u>9,915,439</u>	<u>5,589,925</u>

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at 31.10.2017 RM	<u>Fair value as</u> <u>at 31.10.2017</u> <u>expressed as</u> <u>a percentage</u> <u>of value of</u> <u>the Fund</u> %
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### QUOTED INVESTMENTS

#### - LOCAL

#### MALAYSIA

#### Consumer Products

Karex Bhd	850,000	1,272,025	1,394,000	3.20
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#### Property

Titijaya Land Bhd	700,000	1,018,780	1,071,000	2.46
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## 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at 31.10.2017 RM	<u>Fair value as</u> at 31.10.2017 expressed as a percentage of value of the Fund %
<b>QUOTED INVESTMENTS</b>				
<b>- LOCAL (CONTINUED)</b>				
<b><u>MALAYSIA (continued)</u></b>				
<b>Trading/Services</b>				
Sapura Energy Bhd	500,000	770,550	800,000	1.83
		<hr/>	<hr/>	<hr/>
<b>TOTAL QUOTED</b>		3,061,355	3,265,000	7.49
<b>INVESTMENTS - LOCAL</b>		<hr/>	<hr/>	<hr/>
<b>QUOTED INVESTMENTS</b>				
<b>- FOREIGN</b>				
<b><u>HONG KONG</u></b>				
<b>Finance</b>				
Sun Hung Kai Properties Ltd	10,000	454,479	692,103	1.59
		<hr/>	<hr/>	<hr/>
<b>Property</b>				
Skyworth Digital Holdings Ltd	450,000	1,042,239	876,247	2.01
		<hr/>	<hr/>	<hr/>
<b>TOTAL HONG KONG</b>		1,496,718	1,568,350	3.60
		<hr/>	<hr/>	<hr/>

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

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at 31.10.2017 RM	<u>Fair value as</u> at 31.10.2017 expressed as a percentage of value of the Fund %
<b>QUOTED INVESTMENTS</b>				
<b>- FOREIGN (CONTINUED)</b>				
<b><u>JAPAN</u></b>				
<b>Communication</b>				
GMO Internet Inc	40,000	2,278,801	2,596,373	5.96
<b>Construction</b>				
Maeda Kosen Co Ltd	30,000	1,246,954	2,193,064	5.03
<b>Consumer Products</b>				
Adastria Co Ltd	22,000	2,378,126	2,021,983	4.64
Fast Retailing Co Ltd	1,600	1,955,196	2,240,954	5.14
FP Corporation	5,000	553,489	1,107,890	2.54
Kusuri No Aoki Co Ltd	7,000	924,471	1,642,284	3.77
Nitori Holdings	3,000	647,640	1,838,353	4.22
Paramount Bed Holdings	11,000	1,305,428	2,042,055	4.68
Rakuten Inc	40,000	1,755,343	1,800,927	4.13
Resort Trust Inc	26,000	1,945,329	2,154,334	4.94
Rohto Pharmaceutical Co Ltd	10,100	456,408	982,060	2.25
Saizeriya Co Ltd	14,000	1,355,541	1,822,153	4.18
Tosho Co Ltd	20,000	1,185,797	2,331,224	5.35
Yaoko Co Ltd	10,000	1,703,111	2,066,820	4.74
		<u>16,165,879</u>	<u>22,051,037</u>	<u>50.58</u>

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

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at 31.10.2017 RM	<u>Fair value as</u> at 31.10.2017 expressed as a percentage of value of the Fund %
<b>QUOTED INVESTMENTS</b>				
<b>- FOREIGN (CONTINUED)</b>				
<b><u>JAPAN</u> (continued)</b>				
<b>Industrial Products</b>				
Fukushima Industries Corp	10,000	1,528,351	1,631,112	3.74
<b>Property</b>				
Lifull Co Ltd	40,000	1,294,396	1,294,462	2.97
<b>Real Estate Investment Trusts</b>				
Shinoken Group Co Ltd	17,000	1,276,269	1,756,164	4.03
<b>Technology</b>				
OBIC Co Ltd	8,000	1,273,810	2,225,462	5.11
<b>Trading/Services</b>				
Fuji Seal International Inc	12,000	639,259	1,660,159	3.81
H.I.S Co Ltd	8,000	1,046,262	1,130,606	2.59
		1,685,521	2,790,765	6.40
<b>TOTAL JAPAN</b>		26,749,981	36,538,439	83.82



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

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

<u>Name of Counter</u>	<u>Cost</u> RM	<u>Fair value</u> <u>as at</u> <u>31.10.2017</u> RM	<u>Fair value as</u> <u>at 31.10.2017</u> <u>expressed as</u> <u>a percentage</u> <u>of value of</u> <u>the Fund</u> %
<b>QUOTED INVESTMENTS</b>			
<b>- FOREIGN (CONTINUED)</b>			
<b>TOTAL QUOTED</b>			
<b>INVESTMENTS - FOREIGN</b>	28,246,699	38,106,789	87.42
	<hr/>	<hr/>	<hr/>
<b>TOTAL INVESTMENTS</b>	31,308,054	41,371,789	94.91
		<hr/> <hr/>	<hr/> <hr/>
<b>ACCUMULATED</b>			
<b>UNREALISED GAIN</b>	10,063,735		
	<hr/>		
<b>TOTAL FINANCIAL</b>			
<b>ASSETS AT FVTPL</b>	41,371,789		
	<hr/> <hr/>		

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

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> <u>as at</u> <u>31.10.2016</u> RM	<u>Fair value as</u> <u>at 31.10.2016</u> <u>expressed as</u> <u>a percentage</u> <u>of value of</u> <u>the Fund</u> %
<b>QUOTED INVESTMENTS</b>				
<b>- LOCAL</b>				
<b><u>MALAYSIA</u></b>				
<b>Consumer Products</b>				
Karex Bhd	853,500	1,454,565	2,082,540	2.26
<b>TOTAL QUOTED</b>				
<b>INVESTMENTS - LOCAL</b>		1,454,565	2,082,540	2.26
<b>QUOTED INVESTMENTS</b>				
<b>- FOREIGN</b>				
<b><u>HONG KONG</u></b>				
<b>Consumer Products</b>				
BYD Company Ltd	76,000	1,706,778	2,099,242	2.28
Tencent Holdings Ltd	30,000	2,167,637	3,343,838	3.63
Yue Yuen Industrial Holding	200,000	2,620,167	3,200,856	3.47
		6,494,582	8,643,936	9.38
<b>Energy</b>				
GCL-Poly Energy Holdings Ltd	5,000,000	3,549,029	2,843,400	3.09
Xinyi Solar Holdings Ltd	2,400,000	4,146,702	3,743,539	4.06
		7,695,731	6,586,939	7.15

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

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at <u>31.10.2016</u> RM	<u>Fair value as</u> <u>at 31.10.2016</u> <u>expressed as</u> <u>a percentage</u> <u>of value of</u> <u>the Fund</u> %
<b>QUOTED INVESTMENTS</b>				
<b>- FOREIGN (CONTINUED)</b>				
<b><u>HONG KONG (continued)</u></b>				
<b>Finance</b>				
Sun Hung Kai Properties Ltd	20,000	908,959	1,254,346	1.36
<b>TOTAL HONG KONG</b>		15,099,272	16,485,221	17.89
<b><u>INDONESIA</u></b>				
<b>Consumer Products</b>				
Kino Indonesia	2,220,000	2,595,005	2,416,159	2.62
<b>Finance</b>				
Ciputra Development TBK PT	2,012,345	787,900	1,023,801	1.11
<b>TOTAL INDONESIA</b>		3,382,905	3,439,960	3.73

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

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at 31.10.2016 RM	<u>Fair value as at 31.10.2016 expressed as a percentage of value of the Fund</u> %
<b>QUOTED INVESTMENTS</b>				
<b>- FOREIGN (CONTINUED)</b>				
<b><u>JAPAN</u></b>				
<b>Communication</b>				
GMO Internet Inc	70,000	3,987,902	3,924,558	4.26
Softbank Corp	18,000	3,691,385	4,742,032	5.15
Usen Corporation	160,000	2,095,092	2,164,393	2.35
		<u>9,774,379</u>	<u>10,830,983</u>	<u>11.76</u>
<b>Consumer Products</b>				
Fast Retailing Co Ltd	4,000	4,598,250	5,659,983	6.14
FP Corporation	14,000	1,549,769	3,161,993	3.43
Kusuri No Aoki Co Ltd	10,000	1,320,673	2,138,854	2.32
Nitori Holdings	6,000	1,295,279	3,009,560	3.27
Paramount Bed Holdings	29,100	3,453,451	4,644,826	5.04
Rohto Pharmaceutical Company	40,100	1,812,074	2,950,677	3.20
Saizeriya Co Ltd	30,000	2,904,731	3,314,825	3.60
Tosho Co Ltd	20,000	2,371,595	3,631,264	3.94
		<u>19,305,822</u>	<u>28,511,982</u>	<u>30.94</u>
<b>Construction</b>				
Maeda Kosen Co. Ltd	60,000	2,493,908	2,789,290	3.03

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

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at 31.10.2016 RM	<u>Fair value as at 31.10.2016 expressed as a percentage of value of the Fund</u> %
<b>QUOTED INVESTMENTS</b>				
<b>- FOREIGN (CONTINUED)</b>				
<b><u>JAPAN (continued)</u></b>				
<b>Finance</b>				
Suruga Bank	20,000	1,405,010	2,047,075	2.22
<b>Property</b>				
Next Co Ltd	90,000	2,993,617	3,174,762	3.45
<b>Trading/Services</b>				
Fuji Seal International	18,000	1,917,777	3,113,709	3.38
H.I.S Company Ltd	20,000	2,714,516	2,288,894	2.48
Informart Corporation	80,300	2,681,834	3,995,751	4.34
Sundrug	10,000	1,523,842	3,300,061	3.58
		8,837,969	12,698,415	13.78
<b>Technology</b>				
Obic Co Ltd	16,000	2,547,620	3,486,013	3.78
Otsuka Corporation	14,000	1,652,176	2,793,280	3.03
		4,199,796	6,279,293	6.81
<b>TOTAL JAPAN</b>		49,010,501	66,331,800	71.99

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

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

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair value</u> as at 31.10.2016 RM	<u>Fair value as</u> at 31.10.2016 expressed as a percentage of value of the Fund %
<b>QUOTED INVESTMENTS</b>				
<b>- FOREIGN (CONTINUED)</b>				
<b><u>SOUTH KOREA</u></b>				
<b>Communication</b>				
Naver Corp	600	1,463,150	1,883,515	2.05
		<hr/>	<hr/>	<hr/>
<b>TOTAL SOUTH KOREA</b>		1,463,150	1,883,515	2.05
		<hr/>	<hr/>	<hr/>
<b><u>PHILIPPINES</u></b>				
<b>Consumer Products</b>				
Universal Robina	60,000	1,042,264	946,764	1.03
		<hr/>	<hr/>	<hr/>
<b>Finance</b>				
SM Prime Holdings Inc	500,000	950,404	1,166,115	1.27
		<hr/>	<hr/>	<hr/>
<b>TOTAL PHILIPPINES</b>		1,992,668	2,112,879	2.30
		<hr/>	<hr/>	<hr/>
<b>TOTAL QUOTED</b>				
<b>INVESTMENTS - FOREIGN</b>		70,948,496	90,253,375	97.96
		<hr/>	<hr/>	<hr/>
<b>TOTAL INVESTMENTS</b>		72,403,061	92,335,915	100.22
			<hr/> <hr/>	<hr/> <hr/>
<b>ACCUMULATED</b>				
<b>UNREALISED GAIN</b>		19,932,854		
		<hr/>		
<b>TOTAL FINANCIAL</b>				
<b>ASSETS AT FVTPL</b>		92,335,915		
		<hr/> <hr/>		

## 6 FORWARD FOREIGN CURRENCY CONTRACTS

As at 31 October 2017, there were two (2016: seven) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM31,813,134 (2016: RM64,136,747).

The forward foreign currency contracts entered into are for hedging against the currency exposure arising from the investment in the quoted investments denominated in JPY.

As the Fund has not adopted hedge accounting, the change in the fair value of the forward foreign currency contract is recognised immediately in profit or loss:

	<u>2017</u> RM	<u>2016</u> RM
Realised gain/(loss) on forward foreign currency contracts	5,024,500	(7,284,568)
Unrealised gain on forward foreign currency contracts	7,159	1,523,484
	<hr/>	<hr/>
Net fair value gain/(loss) on forward foreign currency contracts	<u>5,031,659</u>	<u>(5,761,084)</u>

## 7 CASH AND CASH EQUIVALENTS

	<u>2017</u> RM	<u>2016</u> RM
Deposits with a licensed financial institution	733,069	-
Bank balances	1,015,992	1,571,110
	<hr/>	<hr/>
	<u>1,749,061</u>	<u>1,571,110</u>

Deposits with a licensed financial institution include interest receivable of RM59 (2016: Nil).

	<u>2017</u>	<u>2016</u>
Weighted average effective interest rate	2.95%	-
	<hr/>	<hr/>
Average maturity	1 day	-
	<hr/>	<hr/>

## 8 OTHER PAYABLES AND ACCRUALS

	<u>2017</u> RM	<u>2016</u> RM
Audit fee payable	6,350	6,000
Tax agent's fee payable	19,300	3,800
Sundry payables and accruals	1,126	3,355
	<u>26,776</u>	<u>13,155</u>

## 9 UNITS IN CIRCULATION

	<u>2017</u> Units	<u>2016</u> Units
At the beginning of the financial year	156,126,000	180,969,000
Creation of units arising from distribution during the financial year	7,165,260	-
Creation of units arising from applications during the financial year	2,417,000	40,263,000
Cancellation of units during the financial year	<u>(99,547,000)</u>	<u>(65,106,000)</u>
At the end of the financial year	<u>66,161,260</u>	<u>156,126,000</u>

## 10 MANAGEMENT FEE

In accordance with the Deeds, the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 2.50% per annum of the net asset value of the Fund.

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

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



## 11 TRUSTEE'S FEE

In accordance with the Deeds, the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.15% per annum of the net asset value of the Fund, calculated on a daily basis for the financial year ended.

The Trustee's fee provided in the financial statements is 0.06% (2016: 0.06%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

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

## 12 TAXATION

### (a) Tax charge for the financial year

	<u>2017</u> RM	<u>2016</u> RM
Current taxation - foreign	110,771	136,759

### (b) Numerical reconciliation of income tax expense

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

	<u>2017</u> RM	<u>2016</u> RM
Profit/(loss) before taxation	13,271,746	(1,302,666)
Tax calculated at a tax rate of 24%	3,185,219	(312,640)
Tax effects of:		
- Investment income not subject to tax	(3,565,242)	(237,293)
- Expenses not deductible for tax purposes	90,886	110,379
- Restriction on tax deductible expenses for unit trust funds	289,137	439,554
Foreign tax in other countries	110,771	136,759
Tax expense	110,771	136,759

### 13 DISTRIBUTION

Distribution to unitholders is from the following sources:

	<u>2017</u> RM
Dividend income	478,288
Interest income from deposits with licensed financial institutions	19,936
Prior financial years' realised income	5,762,716
	<hr/>
	6,260,940
Less: Expenses	(1,558,380)
	<hr/>
Net distribution amount	4,702,560
	<hr/> <hr/>

The net distribution consists of the following:

	<u>2017</u> RM
Reinvestment	4,702,560
	<hr/> <hr/>

#### Distribution on 26 October 2017

Gross distribution per unit (sen)	8.00000
Net distribution per unit (sen)	8.00000
	<hr/> <hr/>

Net distribution above is an amount of RM5,762,716 (2016: Nil) derived from prior financial year's realised income.

Gross distribution is derived using total income less total expenses.

Gross distribution per unit is derived from gross realised income less expense 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.

## 14 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2017</u>	<u>2016</u>
	%	%
MER	2.07	2.02

Management expense ratio includes management fee, Trustee’s fee, audit fee, tax agent’s fee and other administrative expenses which is calculated as follows:

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

A = Management fee

B = Trustee’s fee

C = Audit fee

D = Tax agent’s fee

E = Other expenses excluding Goods and Services Tax (GST) on transaction costs

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

The average net asset value of the Fund for the financial year, calculated on a daily basis is RM62,470,571 (2016: RM101,195,208).

## 15 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2017</u>	<u>2016</u>
The portfolio turnover ratio for the financial year (times)	0.74	0.43

The portfolio turnover ratio is derived from the following calculation:

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

where:

total acquisition for the financial year = RM25,947,118  
(2016: RM46,625,640)

total disposal for the financial year = RM67,042,125  
(2016: RM41,399,344)

## 16 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

<u>Related parties</u>	<u>Relationship</u>
RHB Asset Management Sdn Bhd	The Manager
RHB Investment Bank Berhad	Holding company of the Manager
RHB Bank Berhad	Ultimate holding company of the Manager
RHB Securities Hong Kong Ltd	Related company of the Manager
RHB Securities (Thailand) PCL	Related company of the Manager

The number of units held by the Manager is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Units</u>	<u>RM</u>	<u>Units</u>	<u>RM</u>
The Manager	<u>7,303,575</u>	<u>4,811,595</u>	<u>4,530</u>	<u>2,673</u>

The units are held beneficially by the Manager for booking purposes. The Manager is of the opinion that all transactions with the related parties have been entered into in the normal course of business at agreed terms between the related parties.

Other than the above, there were no units held by Directors or parties related to the Manager.

## 17 TRANSACTIONS BY THE FUND

Details of transactions by the Fund for the financial year ended 31 October 2017 are as follows:

<u>Broker</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
Affin Hwang Investment Bank Bhd	35,945,717	31.87	60,305	26.30
Macquarie Bank Ltd Hong Kong Branch	25,371,202	22.50	56,906	24.82
Instinet Europe Ltd	23,897,727	21.19	47,915	20.90
CIMB Investment Bank Bhd	7,602,903	6.74	25,509	11.13
BOCI Securities Ltd	4,764,234	4.22	9,528	4.16
RHB Securities Hong Kong Ltd *	4,493,925	3.99	6,741	2.94
China International Capital Corporation (Hong Kong) Ltd	3,086,445	2.74	7,716	3.37
Credit Suisse (Hong Kong) Ltd	3,024,986	2.68	4,537	1.98
CIMB Securities Ltd Korea Branch	1,850,618	1.64	4,627	2.02
Kenanga Investment Bank Bhd	1,230,422	1.09	2,461	1.07
Others*	1,508,487	1.34	3,017	1.31
	<u>112,776,666</u>	<u>100.00</u>	<u>229,262</u>	<u>100.00</u>

## 17 TRANSACTIONS BY THE FUND (CONTINUED)

Details of transactions (including money market placements) by the Fund for the financial year ended 31 October 2016 are as follows:

<b>Broker/ financial institution</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
Hong Leong Investment Bank Bhd	26,843,847	21.76	-	-
Affin Hwang Investment Bank Bhd	25,495,257	20.67	47,931	24.95
Macquarie Bank Ltd				
Hong Kong Branch	14,484,362	11.74	32,357	16.84
Boci Securities Ltd	12,915,962	10.47	25,832	13.44
Instinet Europe Ltd	12,540,155	10.17	25,080	13.05
Affin Bank Bhd	5,747,000	4.66	-	-
RHB Investment Bank Bhd*	5,716,952	4.63	11,434	5.95
RHB Securities Hong Kong Ltd*	3,814,083	3.09	8,692	4.52
J.P. Morgan Securities (Asia Pacific) Ltd	3,422,629	2.77	7,888	4.11
CIMB Securities Ltd				
Taiwan Branch	3,083,826	2.50	9,251	4.81
Others*	9,280,064	7.54	23,676	12.33
	<u>123,344,137</u>	<u>100.00</u>	<u>192,141</u>	<u>100.00</u>

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

## 18 SEGMENT INFORMATION

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

The internal reporting provided to the Committee for the Fund’s assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS. The Committee considers the business from both a geographic and investment perspective. Geographically, the Committee considers the performance of investments in overall basis.

The reportable operating segments derive their income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in the value of investments derived from Malaysia and outside Malaysia.

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

## STATEMENT BY MANAGER

We, Patrick Chin Yoke Chung and Abdul Aziz Peru Mohamed, two of the Directors of RHB Asset Management Sdn Bhd, do hereby state that in the opinion of the Directors of the Manager, the accompanying financial statements set out on pages 12 to 54 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as of 31 October 2017 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

On behalf of the Manager

PATRICK CHIN YOKE CHUNG  
DIRECTOR

ABDUL AZIZ PERU MOHAMED  
DIRECTOR

Kuala Lumpur  
22 December 2017



## TRUSTEE'S REPORT

We have acted as Trustee of RHB Entrepreneur Fund (“the Fund”) for the financial year ended 31 October 2017. To the best of our knowledge, RHB Asset Management Sdn Bhd (“the Management Company”), has operated and managed the Fund in accordance with the following:-

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

During the financial year, a total distribution of 8.0000 sen per unit has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objectives of the fund.

For TMF Trustees Malaysia Berhad  
(Company No: 610812-W)

NORHAYATI BINTI AZIT  
DIRECTOR – FUND SERVICES

Kuala Lumpur  
22 December 2017

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB ENTREPRENEUR FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of RHB Entrepreneur Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 October 2017 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 October 2017, and the statement of comprehensive income, statement of changes in net asset value 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 12 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.

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB ENTREPRENEUR FUND (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

#### Responsibilities of the Manager for the financial statements

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

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

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB ENTREPRENEUR FUND (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
RHB ENTREPRENEUR FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS  
(CONTINUED)

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

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
22 December 2017

**MANAGER**

RHB Asset Management Sdn Bhd

**REGISTERED AND PRINCIPAL OFFICE**

Level 8, Tower 2 & 3, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

**BUSINESS OFFICE AND OFFICE OF THE REGISTRAR**

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Website : www.rhbgroup.com

**BOARD OF DIRECTORS**

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

Encik Abdul Aziz Peru Mohamed (*Senior Independent Non-Executive Director*)

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

Ms Ong Yin Suen (*Managing Director*)

Dr. Ngo Get Ping (*Independent Non-Executive Director*)

Ms Choo Shan (*Independent Non-Executive Director*)

(*Appointed on 3 July 2017*)

**INVESTMENT COMMITTEE MEMBERS**

Mr Patrick Chin Yoke Chung (*Chairman*) (*Re-designated on 1 November 2017*)

Encik Abdul Aziz Peru Mohamed (*Appointed on 1 November 2017*)

Ms Choo Shan (*Appointed on 1 November 2017*)

YBhg Dato' Darawati Hussain (*Appointed on 1 December 2017*)

YBhg Dato' Khairussaleh Ramli (*Chairman*) (*Resigned on 1 November 2017*)

Mr Ong Seng Pheow (*Resigned on 1 November 2017*)

YBhg Datuk Haji Faisal Siraj (*Resigned on 1 December 2017*)

**CHIEF EXECUTIVE OFFICER**

Mr Ho Seng Yee

**SECRETARY**

Encik Azman Shah Md Yaman (LS No. 0006901)

## BRANCH OFFICE

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Kuching Office	Lot 172, Section 49, K.T.L.D Jalan Chan Chin Ann 93100 Kuching, Sarawak Tel: 082-245 611 Fax: 082-242 712
<b>TRUSTEE</b>	TMF Trustees Malaysia Berhad
<b>BANKER</b>	RHB Bank Berhad
<b>AUDITORS</b>	PricewaterhouseCoopers
<b>TAX ADVISER</b>	PricewaterhouseCoopers Taxation Services Sdn Bhd
<b>DISTRIBUTORS</b>	Areca Capital Sdn Bhd iFast Capital Sdn Bhd OCBC Bank (Malaysia) Berhad Phillip Mutual Berhad RHB Bank Berhad RHB Investment Bank Berhad