



# United Absolute Return Equity Fund

**Annual Report**  
**30 September 2018**



# UNITED ABSOLUTE RETURN EQUITY FUND

## GENERAL INFORMATION ABOUT THE FUND

### Commencement Date

United Absolute Return Equity Fund (the “Fund”) was launched on 28 September 2017 and the initial offer period was 1 days. The Fund commenced investment on 29 September 2017.

### Fund Category and Type

Fund Category - Equity

Fund Type - Growth

### Investment Objective, Policy and Strategy of the Fund

#### Investment Objective of the Fund

The Fund aims to provide investors with Medium to Long Term capital appreciation by investing in equities.

#### Investment Policy and Strategy

The Fund seeks to achieve its objective by investing in a portfolio of equities and equity-related securities (e.g. warrants) which are able to achieve a positive absolute return over the Medium to Long Term regardless of market conditions. The Fund will be investing a minimum of 70% of its NAV in equities and equity-related securities (e.g. warrants) and the balance of the Fund's NAV that is not invested in equities and equity-related securities (e.g. warrants) will be invested in money market instruments or placements in deposits with financial institutions.

Generally, the Manager will focus on equities and equity-related securities (e.g. warrants) traded and/or listed in the Asia Pacific region (excluding Japan), which includes but is not limited to Australia, Hong Kong, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Philippines, Indonesia and Thailand. The Manager may also invest in companies that have substantial business in Asia Pacific region (excluding Japan). These companies are defined as companies that have at least 50% of its revenue or profits derived from Asia Pacific region (excluding Japan) and/or have a least 50% of its business operations located in the Asia Pacific region (excluding Japan). Notwithstanding the above, the Fund can invest in any foreign markets where the regulatory authorities are ordinary or associate members of the IOSCO.

The Fund is actively managed and the Manager employs fundamental and bottom-up analysis as an integral part of its equity investment process. This approach emphasizes the analysis of individual companies including the evaluation of a company's operating and earning prospects, competitive positioning, quality of management, corporate governance standards, valuation, profitability measures and risk factors.

As the Fund's investments may be denominated in foreign currencies, the Fund may use financial derivatives instruments such as options, futures contracts, forward contracts and swaps for the purposes of hedging, where necessary, to reduce the Fund's exposure to foreign exchange fluctuations.

The risk management strategies and techniques employed by the Manager include diversification across various industries, sectors, companies and countries. The Manager may also take temporary defensive positions that may be inconsistent with the Fund's investment strategy in response to adverse economic, political or any market conditions. In such circumstances, the Fund may hold up to 100% of its NAV in liquid assets as a defensive strategy.

### Asset Allocation

- A minimum of 70% of the Fund's NAV in equities and equity-related securities; and
- A minimum of 30% of the Fund's NAV in money market instruments or placement of deposits with financial institutions.

### Performance Benchmark

The performance of this Fund is benchmarked against a target return of 8% per annum.

### Permitted Investments

Unless otherwise prohibited by the relevant regulatory authorities or any relevant law and provided always that there are no inconsistencies with the objective of the Fund, the Fund is permitted under the Deed to invest in the following:

- (1) Equities and equity-related securities traded in or under the rules of an Eligible Market;
- (2) Unlisted securities including securities not listed or quoted on a stock exchange but have been approved by the relevant regulatory authority for such listing or quotation and are offered directly to the Fund by the issuer;
- (3) Money market instruments;
- (4) Deposits;
- (5) Collective investment schemes (both local and foreign);
- (6) Financial derivative instruments, including but not limited to options, futures contracts, forward contracts and swaps, for hedging purposes; and
- (7) Any other form of investments as may be agreed upon by the Manager and the Trustee from time to time.

### Distribution Policy

Subject to the availability of income, distribution is incidental.

### Distribution Mode

Distribution declared (if any) will be automatically reinvested into the unit holders' accounts in the form of additional units in the Fund at no cost.

The distribution declared will be reinvested based on the NAV per unit at the end of the business day of the income declaration date.

## **MANAGER'S REPORT – UNITED ABSOLUTE RETURN EQUITY FUND ANNUAL REPORT**

**[29 September 2017 (Date of commencement) to 30 September 2018]**

### ***Market Review***

During the period under review, the MSCI All Country World Index increased by 7.7% in United States Dollar ("USD") terms. Within the index, there was a significant divergence between the performance of developed markets and emerging markets. The MSCI World Index (for developed markets) was up by 9.2% but the MSCI Emerging Market Index was down by 3.3%.

The United States of America ("U.S.") market was one of the strongest performers during the period, with the Standard and Poor 500 ("S&P 500") Index and Nasdaq Composite Index up by 15.7% and 23.9% respectively. This was driven by the robust U.S. economy, strong earnings growth and returning fund flows. Technology stocks, particularly the FANG names, continued to do well due to their higher growth relative to the other sectors in the market. The stronger than expected wage growth rattled investors' sentiment temporarily in early February, but the market resumed its uptrend as investors refocused on the positive indicators.

Asia markets were muted during the period with the MSCI Asia ex Japan Index down by 0.9%. The region started 2018 strongly but the gains were short-lived with selling pressure from February onwards as the strength of the USD and U.S.-China trade war concerns impacted the region. China was a key laggard with MSCI China down by 3.1%. Apart from the trade war, the market was sold down due to fear of a slowing economy and the weak Renminbi ("RMB"). Additionally, there were concerns about potential contagion in Emerging Markets from the problems in Argentina and Turkey.

Meanwhile, Malaysia's FBM KLCI was up by 2.1% during the period. The market performed well in the earlier part of 2018. Nevertheless, it suffered a sell-down in May and June following the unexpected outcome of the general election. Investors were uncertain about the country's fiscal position as the new government revealed that the country's national debt amounted to Ringgit Malaysia ("RM")1 trillion, reduced good and services tax ("GST") to zero and reintroduced fuel subsidies. The construction sector was significantly affected as the new government signaled its intention to cancel the Kuala Lumpur - Singapore high-speed rail, East Coast Rail Link and Mass Rapid Transit ("MRT") 3 projects. The market rebounded in July and August as investors waded back into big-cap blue chip stocks which were sold down.

*Source: UOB Asset Management (Malaysia) Berhad (UOBAM(M))*

### **FUND PERFORMANCE REVIEW**

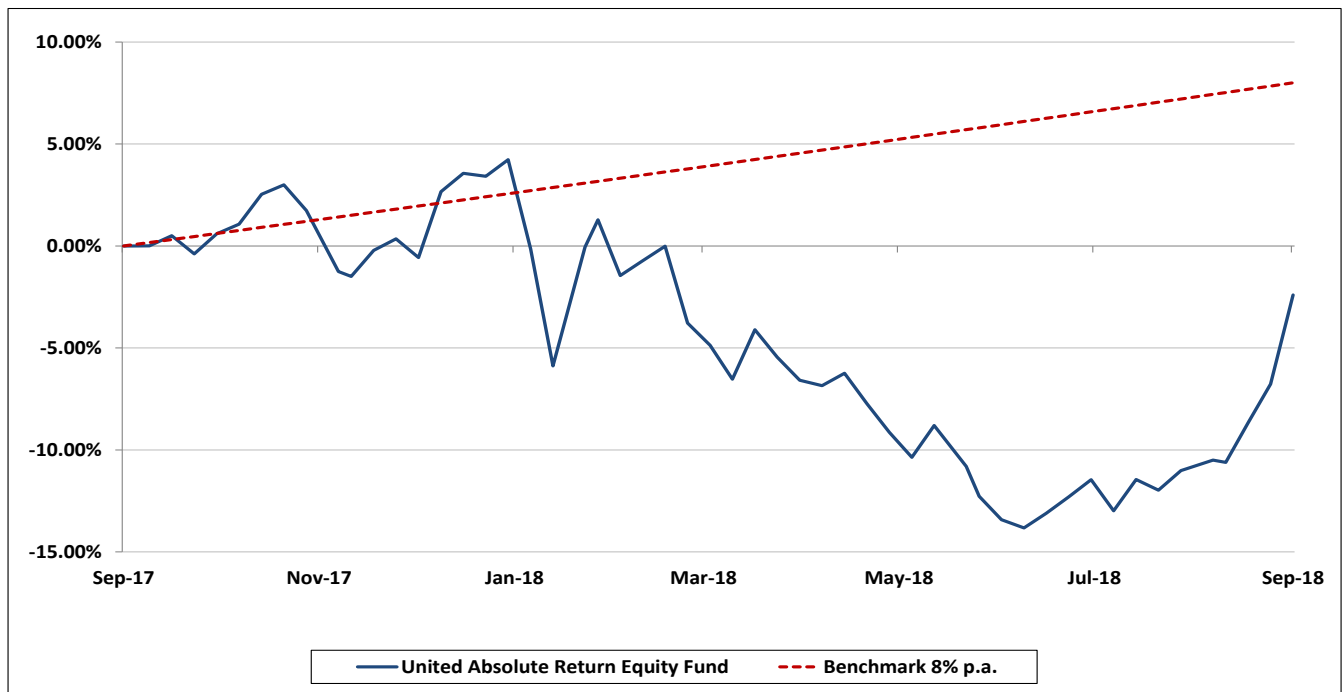
For the financial year under review, the Fund was down by 2.4%, underperforming the absolute benchmark return of 7.7%. The key drags to the Fund were positions in the Malaysia construction sector. We positioned the Fund premised on the scenario that Barisan Nasional would remain in power. This included having some exposure to Malaysian contractors given the significant infrastructure investments that the previous government was implementing. After the unexpected result of the general election, the Fund was hit by the sell-off in construction stocks due to the new government's plan to review mega infrastructure projects. In addition, the Fund's positions in the China market impacted performance. While valuation of Chinese stocks, particularly banks and property developers, was attractive, sentiment in the China market was impacted by the trade war with the US, the slowing economy and the weak Renminbi.

*Source: UOBAM(M)*

**PERFORMANCE DATA** (as at 30 September 2018)

	1 m	3 m	6 m	12 m	YTD	Since inception (29 September 2017)
United Absolute Return Equity Fund	9.68%	12.73%	2.60%	-2.40%	-1.84%	-2.40%
Target return of 8% per annum	0.74%	1.92%	3.84%	7.68%	5.93%	8.00%

Source: UOBAM(M), Lipper as at 30 September 2018



Source: UOBAM(M), Lipper as at 30 September 2018

Note: The performance of the Fund is benchmarked against a target return of 8% per annum.

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

**FINANCIAL REVIEW**

For the period under review, the Fund reported a total investment income of RM 0.008 million. After taking into consideration the Fund’s expenses, the Fund achieved a net income of negative RM 0.043 million.

**PORTFOLIO STRUCTURE**

As at 30 September 2018, the Fund was 96.13% invested in equities and the remaining of 3.87% invested in cash.

## FUND SIZE

As at 30 September 2018, the Fund's units in circulation stood at 1.78 million units.

<b>Fund Size</b>	<b>As at 30-Sep-18</b>
Net Asset Value (RM million)	1.74
Units In Circulation (million)	1.78
Net Asset Value Per Unit (RM)	0.9759
Highest Net Asset Value Per Unit (RM)	1.0423
Lowest Net Asset Value Per Unit (RM)	0.8618



**UNITED ABSOLUTE RETURN EQUITY FUND**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FIRST FINANCIAL PERIOD FROM  
29 SEPTEMBER 2017 (DATE OF COMMENCEMENT) TO 30 SEPTEMBER 2018**

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## **TRUSTEE'S REPORT**

### **TO THE UNIT HOLDERS OF UNITED ABSOLUTE RETURN EQUITY FUND**

We have acted as Trustee for United Absolute Return Equity Fund (the "Fund") for the first financial period from 29 September 2017 (date of commencement) to 30 September 2018. To the best of our knowledge, for the financial period under review, UOB Asset Management (Malaysia) 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

**Ng Hon Leong**  
Head, Trustee Operations

Kuala Lumpur, Malaysia  
23 November 2018

## **UNITED ABSOLUTE RETURN EQUITY FUND**

### **STATEMENT BY MANAGER**

We, **Lim Suet Ling** and **Seow Lun Hoo**, being two of the directors of UOB Asset Management (Malaysia) Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 14 to 40 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of **United Absolute Return Equity Fund** as at 30 September 2018 and of its financial performance, changes in net asset value and cash flows for the first financial period from 29 September 2017 (date of commencement) to 30 September 2018 and comply with requirements of the Deed(s).

For and on behalf of the Manager,  
**UOB Asset Management (Malaysia) Berhad**

**LIM SUET LING**  
Executive Director/  
Chief Executive Officer

**SEOW LUN HOO**  
Director

Kuala Lumpur, Malaysia  
23 November 2018

## **Independent auditors' report to the unitholders of United Absolute Return Equity Fund**

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of United Absolute Return Equity Fund ("the Fund"), which comprise the statement of financial position as at 30 September 2018, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the first financial period from 29 September 2017 (date of commencement) to 30 September 2018, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 40.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 September 2018 and of its financial performance and cash flows for the first financial period from 29 September 2017 (date of commencement) to 30 September 2018 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

#### *Basis for opinion*

We conducted our audit in accordance with approved standards of 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 is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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.

## **Independent auditors' report to the unitholders of United Absolute Return Equity Fund (Continued)**

### *Information other than the financial statements and auditors' report thereon (Continued)*

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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Manager of the Fund and take appropriate action.

### *Responsibilities of the Manager and Trustee for the financial statements*

The Manager is responsible for the preparation and fair presentation of the financial statements of the Fund in accordance with MFRS and IFRS. 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 intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

### *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 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.

## **Independent auditors' report to the unitholders of United Absolute Return Equity Fund (Continued)**

### *Auditors' responsibilities for the audit of the financial statements (Continued)*

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

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of 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.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund 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.

**Independent auditors' report to the unitholders of  
United Absolute Return Equity Fund (Continued)**

**Other matters**

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Chan Hooi Lam  
No. 02844/02/2020 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
23 November 2018

# UNITED ABSOLUTE RETURN EQUITY FUND

## STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	2018 RM
<b>ASSETS</b>		
Investments	3	1,747,977
Dividend receivables		2,160
Cash at banks		67,543
<b>TOTAL ASSETS</b>		<u>1,817,680</u>
<b>LIABILITIES</b>		
Amount due to Trustee	4	1,233
Amount due to Brokers		49,916
Accruals		25,065
<b>TOTAL LIABILITIES</b>		<u>76,214</u>
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' capital	5	1,784,623
Accumulated loss	5	(43,157)
<b>TOTAL EQUITY, REPRESENTING NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNITHOLDERS</b>	5	<u>1,741,466</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,817,680</u>
<b>UNITS IN CIRCULATION</b>	5(a)	<u>1,784,483</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.9759</u>

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



## UNITED ABSOLUTE RETURN EQUITY FUND

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST FINANCIAL PERIOD FROM 29 SEPTEMBER 2017 (DATE OF COMMENCEMENT) TO 30 SEPTEMBER 2018

	Note	2018 RM
<b>INVESTMENT INCOME</b>		
Dividend income from quoted equities		28,479
Income distribution from financial assets at fair value through profit or loss ("FVTPL")		2,003
Interest income from deposits with licensed financial institutions		8,060
Net gain on investments at FVTPL:	5	
- net realised loss on sale of investments at FVTPL		(214,415)
- net unrealised gain on changes in fair value	5(c)	213,187
Net realised loss on forward foreign currency contracts		(10,321)
Net realised loss on foreign currency exchange		(18,865)
Net unrealised gain on foreign currency exchange	5(c)	5
		<u>8,133</u>
<b>EXPENSES</b>		
Trustee's fee	7	15,083
Auditors' remuneration		9,300
Tax agent's fee		4,800
Other expenses		20,456
		<u>49,639</u>
<b>NET LOSS BEFORE TAXATION</b>		(41,506)
Tax expense	8	<u>(1,651)</u>
<b>NET LOSS AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD</b>		<u>(43,157)</u>
Net loss after taxation is made up of the following:		
Realised amount	5(b)	(256,349)
Unrealised amount	5(c)	213,192
		<u>(43,157)</u>

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

## UNITED ABSOLUTE RETURN EQUITY FUND

### STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FIRST FINANCIAL PERIOD FROM 29 SEPTEMBER 2017 (DATE OF COMMENCEMENT) TO 30 SEPTEMBER 2018

	Note	Unitholders' capital RM	Accumulated loss RM	Total net asset value RM
Balance as at 29 September 2017 (date of commencement)		-	-	-
Movement in net asset value:				
Total comprehensive loss for the financial period		-	(43,157)	(43,157)
Creation of units	5(a)	1,784,623	-	1,784,623
Balance as at 30 September 2018		<u>1,784,623</u>	<u>(43,157)</u>	<u>1,741,466</u>

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

## UNITED ABSOLUTE RETURN EQUITY FUND

### STATEMENT OF CASH FLOWS

FOR THE FIRST FINANCIAL PERIOD FROM 29 SEPTEMBER 2017  
(DATE OF COMMENCEMENT) TO 30 SEPTEMBER 2018

2018  
RM

#### CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES

Proceeds from sale of investments	5,411,640
Purchase of investments	(7,110,899)
Dividend received from quoted equities	26,824
Income distribution received from financial assets at FVTPL	1,498
Interest received from deposits with licensed financial institutions	8,060
Trustee's fee paid	(13,850)
Payment of other fees and expenses	(9,516)
Net realised loss on forward foreign currency contracts	(10,321)
Net realised loss on foreign currency exchange	(18,865)
Foreign withholding tax paid	(1,651)
Net cash used in operating and investing activities	<u>(1,717,080)</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from creation of units	<u>1,784,623</u>
Net cash generated from financing activities	<u>1,784,623</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 67,543

#### CASH AND CASH EQUIVALENTS AT THE DATE OF COMMENCEMENT

-

#### CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD

67,543

Cash and cash equivalents comprise:

Cash at banks	<u>67,543</u>
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The accompanying notes form an integral part of the financial statements.

# UNITED ABSOLUTE RETURN EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 1. INFORMATION ON THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The United Absolute Return Equity Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of the Deed dated 24 August 2017 between UOB Asset Management (Malaysia) Berhad (“the Manager”) and Deutsche Trustees Malaysia Berhad (“the Trustee”).

The Fund aims to provide investors with medium to long term capital appreciation by investing in equities. The Fund was launched on 28 September 2017 and commenced for operations on 29 September 2017. As provided in the Deed, the accrual period or financial year shall end on 30 September.

The Manager is a subsidiary of UOB Asset Management Limited, headquartered in Singapore.

The financial statements were authorised for issue by the Manager on 23 November 2018.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation of the financial statements

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on a historical-cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia (“RM”).

#### 2.2 Changes in accounting policies and disclosures

##### *Standards issued but not yet effective*

The Fund has not yet adopted the MFRS and amendments to MFRS that have been issued but not yet effective as at the reporting date. The Manager expects that the adoption of these MFRS and amendments which have been issued but not yet effective will have no material impact on the financial statements in the period of initial application except as described below. The Fund is in the process of assessing financial implication for adopting the MFRS 9.

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

### **2.2 Changes in accounting policies (continued)**

#### *Standards issued but not yet effective (continued)*

##### ***MFRS 9 Financial Instruments (“MFRS 9”)***

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

##### ***MFRS 9 Financial Instruments: Classification and measurement***

MFRS 9 has three measurement categories - amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income (without recycling to profit or loss). All equity instruments are measured at fair value. 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 financial 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 fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

##### ***MFRS 9 Financial Instruments: Impairment***

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income (with recycling to profit or loss) and certain loan commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses ('ECL'). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

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

### **2.2 Changes in accounting policies (continued)**

#### *Standards issued but not yet effective (continued)*

#### ***MFRS 9 Financial Instruments: Hedge Accounting***

The Fund has not applied hedge accounting under MFRS 139 nor will it apply hedge accounting under MFRS 9.

### **2.3 Summary of significant accounting policies**

#### **(a) Financial assets**

Financial assets 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable incremental costs of acquisition or issue.

The Fund determines the classification of its financial assets at initial recognition, and the categories may include financial assets at FVTPL and loans and receivables.

#### **(i) Financial assets at FVTPL**

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading by the Fund include fixed income securities acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in 'Net unrealised gain/(loss) on changes in fair value of investments at FVTPL'. Dividend revenue and interest earned elements of such instruments are recorded separately in 'Dividend income from quoted equities', 'Income distribution from financial assets at FVTPL' and 'Interest income from deposits with licensed financial institutions', respectively.

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

### **2.3 Summary of significant accounting policies (continued)**

#### **(a) Financial assets (continued)**

##### **(i) Financial assets at FVTPL (continued)**

For investments in local quoted securities, market value is determined based on the closing price quoted on Bursa Malaysia Securities Berhad and for investments in foreign listed securities, which are quoted in the respective stock exchanges, market value will be determined based on the published market price quoted by the respective stock exchanges at the end of each business day. For investments in foreign collective investment schemes, fair value is determined based on the closing net asset value per unit of the foreign collective investment schemes. The difference between the cost and fair value is treated as unrealised gain or loss and is recognised in the profit or loss. Unrealised gains or losses recognised in the profit or loss are not distributable in nature.

On disposal of investments, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The net realised gain or loss is recognised in the profit or loss.

##### **(ii) Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Fund includes dividend receivables and cash at banks in this classification.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in the profit or loss.

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

### **2.3 Summary of significant accounting policies (continued)**

#### **(b) Impairment of financial assets**

The Fund assesses at each reporting date whether there is any objective evidence that its financial assets carried at amortised cost is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

#### **(c) Classification of realised and unrealised gains and losses**

Unrealised gains and losses comprise changes in the fair value of financial instruments at FVTPL. Realised gains and losses on disposals of financial instruments at FVTPL are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Return on investments, income distribution from collective investment schemes, foreign exchange translation differences of cash at bank balances denominated in foreign currencies and accrued interest on deposits which have not matured as at the reporting date are classified as realised income in the financial statements.



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

### **2.3 Summary of significant accounting policies (continued)**

#### **(d) Financial liabilities**

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

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.

The Fund's financial liabilities which include the amount due to Trustee and amount due to Brokers, 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 derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process.

#### **(e) Derivative financial instruments**

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

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives 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 2.3(a)(i).

#### **(f) Functional and presentation currency**

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

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

### **2.3 Summary of significant accounting policies (continued)**

#### **(g) Foreign currency translation**

Transactions in currencies other than the Fund's functional currency (foreign currencies) are recorded in the functional currency using exchange rates prevailing at the transaction dates. At each reporting date, foreign currency monetary items are translated into RM at exchange rates ruling at the reporting date. All exchange gains or losses are recognised in the profit or loss.

#### **(h) Unitholders' capital**

Unitholders' capital of the Fund meets the definition of puttable instruments classified as equity instruments under the revised MFRS 132 Financial Instruments: Presentation and is classified as equity instruments. Any distribution to unitholders is recorded as reduction from retained earnings within equity.

#### **(i) Distribution of income**

Distribution of income is made at the discretion of the Manager. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved.

#### **(j) Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks which have an insignificant risk of changes in value.

#### **(k) Income recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Dividend income and income distribution from collective investment schemes are recognised when the Fund's right to receive payment is established.

Interest income from deposits with licensed financial institutions are recognised using the effective interest method.

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

### **2.3 Summary of significant accounting policies (continued)**

#### **(l) Net asset value attributable to unitholders**

Net asset value attributable to unitholders represents the redemption amount that would be payable if the unitholders exercised the right to redeem units of the Fund at the end of the reporting period.

#### **(m) Income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

No deferred tax is recognised as there are no material temporary differences.

#### **(n) Segment reporting**

For internal management reporting purposes, all of the investments of the Fund are managed as one portfolio and reviewed as such by the Manager. The Manager is the decision maker for performance assessment purposes and makes decisions about resource allocation. Accordingly, the Fund does not have any operating segment information to be disclosed in the financial statements.

#### **(o) Significant accounting estimates and judgments**

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

No major judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 3. INVESTMENTS

	<b>2018</b>
	<b>RM</b>
Investments designated as FVTPL:	
- foreign collective investment schemes	325,629
- quoted investments - local	1,287,543
- quoted investments - foreign	134,805
	<u>1,747,977</u>

	<b>2018</b>
	<b>RM</b>
Net (loss)/gain on investments at FVTPL comprised:	
- net realised loss on sale of investments at FVTPL	(214,415)
- net unrealised gain on changes in fair values	213,187
	<u>(1,228)</u>

Investments designated as FVTPL as at 30 September 2018 are as follows:

Name of Counter	Quantity	Cost RM	Fair value RM	Fair value expressed as a percentage of value of the Fund %
<b>COLLECTIVE INVESTMENT SCHEMES - FOREIGN</b>				
<b><u>United States</u></b>				
<b>Exchange-Traded Funds</b>				
Invesco Qqq Trust Series 1	215	154,430	165,252	9.49
iShares Russell 2000 ETF	230	155,917	160,377	9.21
<b>TOTAL COLLECTIVE INVESTMENT SCHEMES - FOREIGN</b>		<u>310,347</u>	<u>325,629</u>	<u>18.70</u>

#### QUOTED INVESTMENTS - LOCAL

<b>Consumer Products</b>				
Guan Chong Berhad	22,000	49,916	53,240	3.06

### 3. INVESTMENTS (CONTINUED)

Investments designated as FVTPL as at 30 September 2018 are as follows: (continued)

Name of Counter	Quantity	Cost RM	Fair value RM	Fair value expressed as a percentage of value of the Fund %
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#### QUOTED INVESTMENTS - LOCAL (CONTINUED)

##### Industrial Products

Chemical Company of Malaysia Berhad	49,000	97,350	99,470	5.71
Comfort Gloves Berhad	30,000	30,276	30,000	1.72
Dufu Technology Corp. Berhad	25,000	38,411	65,500	3.76
Supermax Corporation Berhad	15,200	50,203	49,248	2.83
TA Ann Holdings Berhad	13,000	32,553	34,710	1.99
Top Glove Corporation Bhd.	5,000	47,719	53,300	3.06
		296,512	332,228	19.07

##### Technology

D & O Green Technologies Berhad	130,000	95,070	117,650	6.76
KESM Industries Berhad	2,000	33,018	34,000	1.95
Kronologi Asia Berhad	400,000	253,600	284,000	16.31
Pentamaster Corporation Berhad	27,500	79,293	101,750	5.84
		460,981	537,400	30.86

##### Trading/Services

Kelington Group Berhad	80,000	62,400	81,600	4.69
QES Group Berhad	845,000	216,124	283,075	16.25
		278,524	364,675	20.94

#### TOTAL QUOTED INVESTMENTS - LOCAL

	1,085,933	1,287,543	73.93
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#### QUOTED INVESTMENTS - FOREIGN

##### Hong Kong

##### Information Technology

Pentamaster International Limited	68,000	43,746	40,654	2.33
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##### Materials

West China Cement Limited	44,000	30,770	34,220	1.97
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### 3. INVESTMENTS (CONTINUED)

Investments designated as FVTPL as at 30 September 2018 are as follows: (continued)

Name of Counter	Quantity	Cost RM	Fair value RM	Fair value expressed as a percentage of value of the Fund %
<b>QUOTED INVESTMENTS - FOREIGN (CONTINUED)</b>				
<b><u>Indonesia</u></b>				
<b>Energy</b>				
PT United Tractors Tbk	3,200	31,340	29,314	1.68
<b><u>United States</u></b>				
<b>Telecommunication Services</b>				
Facebook, Inc.	45	32,654	30,617	1.76
<b>TOTAL QUOTED INVESTMENTS - FOREIGN</b>		<b>138,510</b>	<b>134,805</b>	<b>7.74</b>
<b>TOTAL INVESTMENTS</b>		<b>1,534,790</b>	<b>1,747,977</b>	<b>100.37</b>
<b>EXCESS OF FAIR VALUE OVER ADJUSTED COST</b>		<b>213,187</b>		

### 4. AMOUNT DUE TO TRUSTEE

	<b>2018 RM</b>
Trustee's fee payable	<b>1,233</b>

Amount due to Trustee represents Trustee's fee payable.

## 5. UNITHOLDERS' EQUITY

Net asset value attributable to unitholders is represented by:

	Note	2018 RM
Unitholders' capital	(a)	1,784,623
Retained earnings		
- Realised loss	(b)	(256,349)
- Unrealised gain	(c)	213,192
Total equity, representing NAV attributable to unitholders		<u>1,741,466</u>

### (a) UNITHOLDERS' CAPITAL/ UNITS IN CIRCULATION

	Units	2018 RM
At the date of commencement	-	-
Creation of units during the financial period	<u>1,784,483</u>	<u>1,784,623</u>
At the end of the financial period	<u>1,784,483</u>	<u>1,784,623</u>

The Manager and parties related to the Manager did not hold any units in the Fund as at 30 September 2018.

### (b) RETAINED EARNINGS - REALISED

	2018 RM
At the date of commencement	-
Total comprehensive loss for the financial period	(43,157)
Net unrealised loss attributable to investments and others held transferred to unrealised reserve	(213,192)
Net decrease in realised reserve for the financial period	(256,349)
At the end of the financial period	<u>(256,349)</u>

## 5. UNITHOLDERS' EQUITY (CONTINUED)

### (c) RETAINED EARNINGS - UNREALISED

	<b>2018</b>
	<b>RM</b>
At the date of commencement	-
Net unrealised gain attributable to investments and others held transferred to unrealised reserve:	
- Investments at FVTPL	213,187
- Foreign currency exchange	5
At the end of the financial period	<u>213,192</u>

## 6. MANAGER'S FEE

Schedule 8 of the Deed provides that the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 2.00% per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statements is NIL per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

There will be no further liability to the Manager in respect of Manager's fee other than the amount recognised in the financial statements.

## 7. TRUSTEE'S FEE

Schedule 9 of the Deed provides that the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.20% per annum of the net asset value of the Fund, calculated on a daily basis; subject to a minimum fee of RM15,000 per annum (excluding foreign sub-custodian fees and charges).

The Trustee's fee provided in the financial statements is based on a minimum fee of RM15,000 per annum.

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



## 8. INCOME TAX EXPENSE

Income from deposit placements is exempted from tax in accordance with Schedule 6, Paragraph 35 of the Income Tax Act ("ITA"), 1967. Distribution income derived from sources outside Malaysia and received in Malaysia is exempted from tax in accordance with Schedule 6, Paragraph 28 of the ITA, 1967. Pursuant to Section 61(1)(b) of the ITA, 1967, gains from realisation of investment will not be treated as income of the Fund and hence are not subject to income tax. In accordance with Sections 61 and 63B of the ITA, 1967, interest income and gain on sale of investment are exempted from tax.

A reconciliation of income tax expense applicable to net income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	<b>2018</b>
	<b>RM</b>
Net loss before taxation	(41,506)
Taxation at Malaysian statutory rate of 24%	(9,961)
Tax effects of:	
Income not subject to tax	(60,416)
Loss not deductible for tax purposes	58,464
Restriction on tax deductible expenses for unit trust funds	4,632
Expenses not deductible for tax purposes	7,281
	-
Foreign withholding tax	1,651
Tax expense for the financial period	<u>1,651</u>

## 9. MANAGEMENT EXPENSE RATIO ("MER")

	<b>2018</b>
	<b>%</b>
Trustee's fee	0.89
Other expenses	2.03
Total MER	<u>2.92</u>

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund to the average NAV of the Fund calculated on a daily basis.

## 10. PORTFOLIO TURNOVER RATIO (“PTR”)

2018

PTR (times) 3.70

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial period to the average NAV of the Fund calculated on a daily basis.

## 11. TRANSACTIONS WITH BROKERS AND FINANCIAL INSTITUTIONS

Details of transactions with brokers and financial institutions by the Fund for the financial period from 29 September 2017 to 30 September 2018 are as follows:

<b>Brokers/Financial institutions</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 Berhad	2,313,983	16.21	8,295	21.71
CLSA Securities Malaysia Sdn. Bhd.	1,788,119	12.53	6,081	15.92
Malayan Banking Berhad	1,700,000	11.91	-	-
Deutsche Bank (Malaysia) Bhd.	1,599,660	11.21	2,774	7.26
Kenanga Investment Bank Berhad	1,271,743	8.91	3,920	10.26
UOB Kay Hian Securities (M) Sdn. Bhd.*	1,263,046	8.85	4,245	11.11
Maybank Investment Bank Berhad	864,719	6.06	2,758	7.22
CLSA Limited (Hong Kong)	724,160	5.07	2,704	7.08
JP Morgan Securities (Asia Pacific)	701,895	4.92	977	2.56
RHB Investment Bank Berhad	624,980	4.38	2,045	5.35
Others	1,420,150	9.95	4,408	11.53
	<u>14,272,455</u>	<u>100.00</u>	<u>38,207</u>	<u>100.00</u>

\* A company related to the Manager.

The Directors of the Manager are of the opinion that any transactions with related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. These dealings with the related parties have been transacted at arm’s length basis.

## 12. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

The Fund's financial assets and financial liabilities are measured on an ongoing basis based on their respective classification. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expenses are recognised:

- (i) the Fund's investments, comprising collective investment schemes and quoted equities, are classified as financial assets at FVTPL which are measured at fair value;
- (ii) the Fund's financial assets, comprising amount due from Manager, amount due from brokers, dividend receivables and cash at banks, are classified as loans and receivables which are measured at amortised cost; and
- (iii) the Fund's financial liabilities, comprising amount due to Trustee, is classified as other financial liabilities which are measured at amortised cost; and

	<b>Financial assets at FVTPL RM</b>	<b>Loans and receivables at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2018</b>				
<b>Assets</b>				
Investments	1,747,977		-	1,747,977
Dividend receivables	-	2,160	-	2,160
Cash at banks	-	67,543	-	67,543
<b>Total financial assets</b>	<b>1,747,977</b>	<b>69,703</b>	<b>-</b>	<b>1,817,680</b>
<b>Liabilities</b>				
Amount due to Trustee	-	-	1,233	1,233
Amount due to Brokers	-	-	49,916	49,916
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>51,149</b>	<b>51,149</b>

## 12. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial instruments that are carried at fair value

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2018</b>				
<b>Financial assets at FVTPL</b>				
Foreign collective investment schemes	-	1,422,348	-	1,422,348
Quoted investments	325,629	-	-	325,629
	<u>325,629</u>	<u>1,422,348</u>	<u>-</u>	<u>1,747,977</u>

### (c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short period to maturity or short credit period:

- Dividend receivables
- Cash at banks
- Amount due to Trustee
- Amount due to Brokers

There were no financial instruments which are not carried at fair value and whose carrying amounts are not reasonable approximation of their respective fair value.

### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks including market risk, manager risk, inflation risk, non-compliance risk, warrant risk, currency risk, liquidity risk, credit risk, interest rate risk and geographical risk. Whilst these are the most important types of financial risks inherent in each type of financial instrument, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

#### (a) Market risk

Market risk refers to potential losses that may arise from changes in the market conditions which may affect the market prices of the investments of the Fund and hence NAV of the Fund. Market conditions are generally affected by, amongst others, social environment, political and economic stability. The Fund that seeks to invest in various geographical markets will be subjected to risks arising from general and sector specific economic conditions in the markets in which the Fund invests. However, if one of the markets which the Fund invests in suffers a downturn or instability due to economic and/or political conditions, the possible adverse impact on the Fund's value may be softened by the fact that the Fund is also invested in other markets that are not experiencing similar downturn or instability. In the event the downturn or instability affects multiple markets within the region or globally, the benefits of diversification in multiple markets enjoyed by the Fund will be reduced as each of the markets it invests in experiences the downturn or instability.

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

	<b>2018</b> <b>RM</b>
Investments at FVTPL	<u>1,747,977</u>

The table below summarises the sensitivity of the Fund's net asset value and net income after taxation 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.

### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Change in price of investments %	Market value RM	Impact on net income after taxation and net asset value RM
<b>2018</b>			
	-5	1,660,578	(87,399)
	0	1,747,977	-
	5	1,835,376	87,399

**(b) Manager risk**

The performance of the Fund is affected by the experience, expertise and investment strategy of the Manager. A lack of experience, knowledge and expertise, as well as poor execution of the investment strategy of the Fund may affect the returns of the Fund and may result in a loss of the capital invested.

**(c) Inflation risk**

Inflation risk is a risk of an investor's investment not growing at a rate that keeps pace with the inflation rate, thereby decreasing the investor's purchasing power even though the investment in monetary terms may have increased.

**(d) Non-compliance risk**

Non-adherence with laws, rules, regulations, prescribed practices, internal policies and procedures may adversely affect the Fund's investment when the Manager takes action to rectify the non-compliance. Investment goals may also be affected should the Manager not adhere to the investment mandate (such as the Fund's investment objective and investment policy and strategy). The non-adherence may be the outcome from human error (for instance the oversight of the Manager) or system failure (causing unnecessary downtime). 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. In order to mitigate this risk, the Manager has stringent internal controls and ensures that compliance monitoring processes are undertaken.

### **13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### **(e) Equity risk**

As the Fund will be investing in equities and equity-related securities such as warrants, the Fund will be affected by equity risk. Generally, equity risk may arise in the following forms, i.e. equity risks related to external factors and equity risks related to company-specific factors. All of these related equity risks can adversely affect the prices of equities, which would negatively impact the performance of the Fund.

Equity risks related to external factors include economic, political or general market factors which impact equities generally. For example, adverse political developments may cause the economy of the country in which the Fund invest to become unstable, which in turn affects the profitability of a company that operates in that country due to weakening of the economy.

Equity risks related to company-specific factors include how the companies in which the Fund invests are managed; the performance of any given company depends on the quality of its management. A company that has competent management with the necessary experience and skill sets will contribute to the effectiveness of the operations of the company as indicated by such metrics as revenue growth and profitability. Company specific factors also include how the company is doing relative to its competitors or other companies in its industry or related industries.

These types of equity risks can work individually or in combination to negatively affect the value of equities held by the Fund.

#### **(f) Warrant risk**

The price, performance and liquidity of warrants are typically linked to the underlying stock. However, the price and performance of such warrants will generally fluctuate more than the underlying stock because of the greater volatility of the warrants market. As such, the Fund's investment in warrants will be facing high volatility as well.

#### **(g) Country risk**

When the Fund invests in foreign markets, the foreign investment portion of the Fund may be affected by risks specific to the countries in which it invests in. These risks which could be due to the change in economic conditions, political conditions or regulations of the countries may have an impact on the prices of the Fund's investment in those countries and consequently may also adversely affect the Fund's NAV.

### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (h) Currency risk

This risk is associated with investments denominated in currencies different from the base currency of the Fund. As the Fund is denominated in Ringgit Malaysia, investments in countries other than Malaysia will cause the Fund to be exposed to currency risks. When foreign currencies move unfavourably against the Ringgit Malaysia, these investments may face currency loss in addition to any capital gains or losses, which will affect the NAV of the Fund, and consequently the NAV per Unit of the Fund. The Manager may mitigate this risk by hedging the foreign currency exposure. However, by employing this hedging, it will limit the potential upside of these currencies where investors would not be able to enjoy the additional returns when these currencies move favourably against the RM.

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

	<b>2018</b>	
	<b>Percentage of net</b>	
	<b>asset value</b>	
	<b>RM</b>	<b>%</b>
<b>Hong Kong Dollar ("HKD")</b>		
Quoted investments	74,874	4.30
Dividend receivables	315	0.02
	<u>75,189</u>	<u>4.32</u>
<b>Indonesian Rupiah ("IDR")</b>		
Quoted investments	<u>29,314</u>	<u>1.68</u>
<b>Japanese Yen ("JPY")</b>		
Cash at a bank	<u>232</u>	<u>0.01</u>
<b>United States Dollar ("USD")</b>		
Quoted investments	356,246	20.46
Dividend receivables	505	0.03
Cash at a bank	748	0.04
	<u>357,499</u>	<u>20.53</u>



### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (h) Currency risk (continued)

The table below summarises the sensitivity of the Fund's net asset value and profit after tax 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 remaining 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.

	<b>Change in foreign exchange rate %</b>	<b>Impact on net income after taxation and net asset value RM</b>
HKD	+5	3,759
	-5	(3,759)
IDR	+5	1,466
	-5	(1,466)
JPY	+5	12
	-5	(12)
USD	+5	17,875
	-5	(17,875)

### **13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### **(h) Concentration risk**

In order to achieve the objective of the Fund, the Fund may invest significantly in a single sector/country/industry. Due to the sector/country/industry concentration, the Fund may be more volatile than other Funds and therefore its portfolio value can increase or decrease more rapidly compared to other Funds.

#### **(i) Liquidity risk**

This is the risk that where there is insufficient cash available to meet redemption requirements, the Manager may be required to prematurely unwind positions in longer term placements resulting in foregone interest.

### **14. CAPITAL MANAGEMENT**

The capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund's units in issue at the end of the financial period are disclosed in Note 5 (a).

No changes were made to the Fund's objectives, policies or processes during the current financial period.

## **CORPORATE INFORMATION**

<b>Manager</b>	UOB Asset Management (Malaysia) Berhad (219478-X)
<b>Registered &amp; Principal Office</b>	Level 22, Vista Tower The Intermark 348, Jalan Tun Razak 50400 Kuala Lumpur  Tel: 03-2732 1181 Fax: 03-2164 8188
<b>Board of Directors</b>	Mr Wong Kim Choong Mr Thio Boon Kiat (alternate to Mr Wong Kim Choong) Mr Seow Lun Hoo Mr Seow Voon Ping (alternate to Mr Seow Lun Hoo) Dato' Dr Choong Tuck Yew Mr Khoo Chock Seang En Syed Naqiz Shahabuddin Bin Syed Abdul Jabbar Ms Lim Suet Ling (Executive Director & CEO)
<b>Trustee</b>	Deutsche Trustees Malaysia Berhad (763590-H)
<b>Auditor of the Fund</b>	Ernst & Young (AF0039)
<b>Tax Agent of the Fund</b>	Deloitte Tax Services Sdn Bhd
<b>Solicitor</b>	Wei Chien & Partners

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