# United Global Durable Equity Fund

**Annual Report**
**31 January 2018**

UOB Asset Management

# UNITED GLOBAL DURABLE EQUITY FUND

## GENERAL INFORMATION ABOUT THE FUND

**Commencement Date**

United Global Durable Equity Fund (the "Fund") was launched on 15 July 2015 and the initial offer period was 21 days, up to 4 August 2015. The Fund commenced investment on 5 August 2015.

**Fund Category and Type**

| | | |
|---|---|---|
| Fund Category | - | Wholesale (Feeder Fund) |
| Fund Type | - | Income and Growth |

**Name of Target Fund**

| | | |
|---|---|---|
| Target Fund | - | United Global Durable Equities Fund (the "Target Fund") |

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

Investment Objective of the Fund

The Fund seeks to provide income and capital appreciation by investing in the United Global Durable Equities Fund ("Target Fund") which invests in equity and equity-related securities of companies listed and traded on stock exchanges globally.

Investment Policy and Strategy

The Fund seeks to achieve its investment objective by investing a minimum of 90% of the Fund's net asset value ("NAV") in the Target Fund at all times. Accordingly, this Fund will have a passive strategy as all the investment decisions will be made at the Target Fund level.

Asset Allocation

- A minimum of 90% of the Fund's NAV in the Target Fund; and
- Up to 10% of the Fund's NAV in liquid assets.

Performance Benchmark

Morgan Stanley Capital Investment All Country World Index ("MSCI AC World Index"), which is also the performance benchmark of the Target Fund.

Classes of Units

(1) MYR Class; (2) MYR hedged Class; (3) USD Class; (4) AUD hedged Class; (5) GBP hedged Class and (6) SGD hedged Class.

Distribution Policy

Subject to the availability of income, distribution will be made at least twice a year. Distribution of income will only be made from realized gains or realized income.

MANAGER'S REPORT – UNITED GLOBAL DURABLE EQUITY FUND
ANNUAL REPORT
[1 FEBRUARY 2017 TO 31 JANUARY 2018]

## United Global Durable Equity Fund - MYR hedged Class

### Fund Performance Review

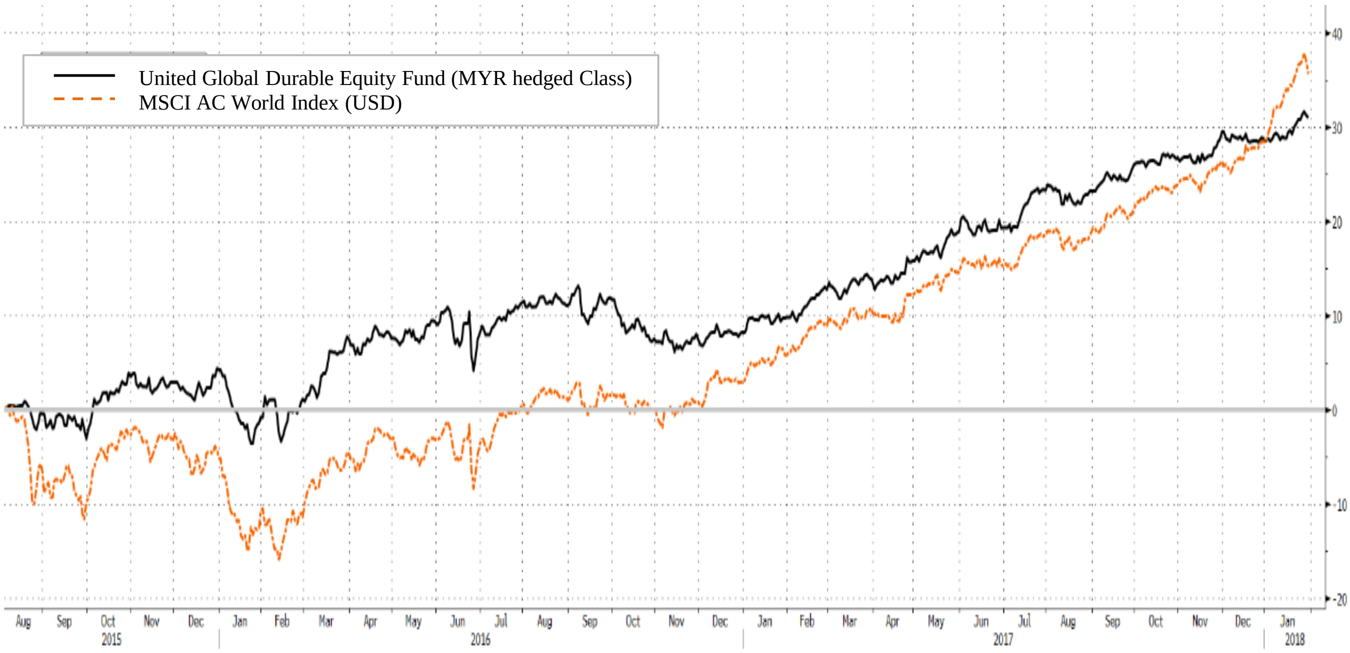
For the period under review, the United Global Durable Equity Fund (MYR hedged Class) registered a return of 19.17%, underperforming the benchmark return of 28.13%.

The Fund is 92.58% invested in the Target Fund as at end of January 2018.

### Fund Performance Data (as at 31 January 2018)

| | 1 m | 3 m | 6 m | 12 m | YTD | Since commencement (5 August 2015) |
|---|---|---|---|---|---|---|
| United Global Durable Equity Fund (MYR hedged Class) | 1.80% | 3.38% | 6.25% | 19.17% | 1.80% | 30.94% |
| Benchmark: MSCI AC World Index (USD) | 5.62% | 9.50% | 14.51% | 28.13% | 5.62% | 35.63% |

*Source: UOBAM(M), Bloomberg as at 31 January 2018*




*Source: UOBAM(M), Bloomberg as at 31 January 2018*

Note: The performance of the Fund is benchmarked against the MSCI AC World Index.

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

| United Global Durable Equity Fund - MYR hedged Class | As at 31 January 2018 |
|---|---|
| Net Asset Value (RM million) | 64.52 |
| Units In Circulation (million) | 98.54 |
| Net Asset Value Per Unit (RM) | 0.6547 |
| Highest Net Asset Value Per Unit (RM) | 0.6582 |
| Lowest Net Asset Value Per Unit (RM) | 0.4826 |

## United Global Durable Equity Fund - USD Class

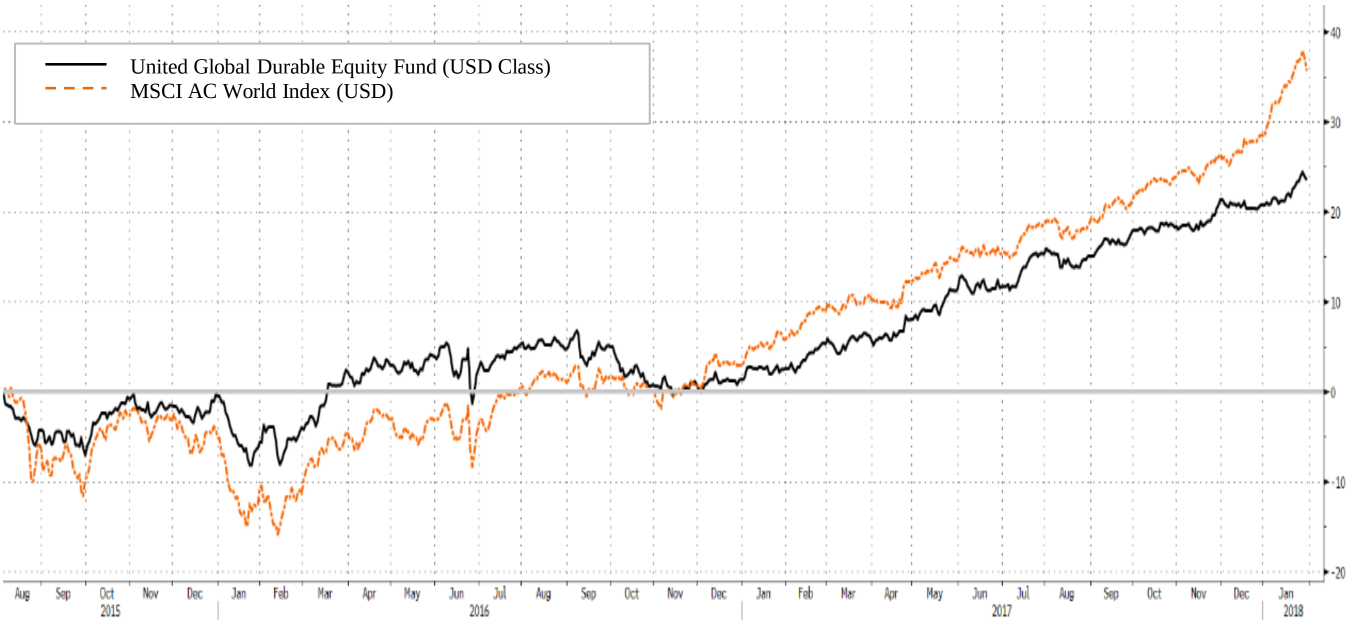
### Fund Performance Review

For the period under review, the United Global Durable Equity Fund (USD Class) registered a return of 20.33%, underperforming the benchmark return of 28.13%.

### Fund Performance Data (as at 31 January 2018)

| | 1 m | 3 m | 6 m | 12 m | YTD | Since commencement (5 August 2015) |
|---|---|---|---|---|---|---|
| United Global Durable Equity Fund (USD Class) | 2.32% | 4.36% | 7.15% | 20.33% | 2.32% | 23.48% |
| Benchmark: MSCI AC World Index (USD) | 5.62% | 9.50% | 14.51% | 28.13% | 5.62% | 35.63% |

*Source: UOBAM(M), Bloomberg as at 31 January 2018*




*Source: UOBAM(M), Bloomberg as at 31 January 2018*

Note: The performance of the Fund is benchmarked against the MSCI AC World Index.

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

| United Global Durable Equity Fund - USD Class | As at 31 January 2018 |
|---|---|
| Net Asset Value (USD million) | 4.81 |
| Units In Circulation (million) | 7.79 |
| Net Asset Value Per Unit (USD) | 0.6174 |
| Highest Net Asset Value Per Unit (USD) | 0.6217 |
| Lowest Net Asset Value Per Unit (USD) | 0.4592 |

## United Global Durable Equity Fund - AUD hedged Class

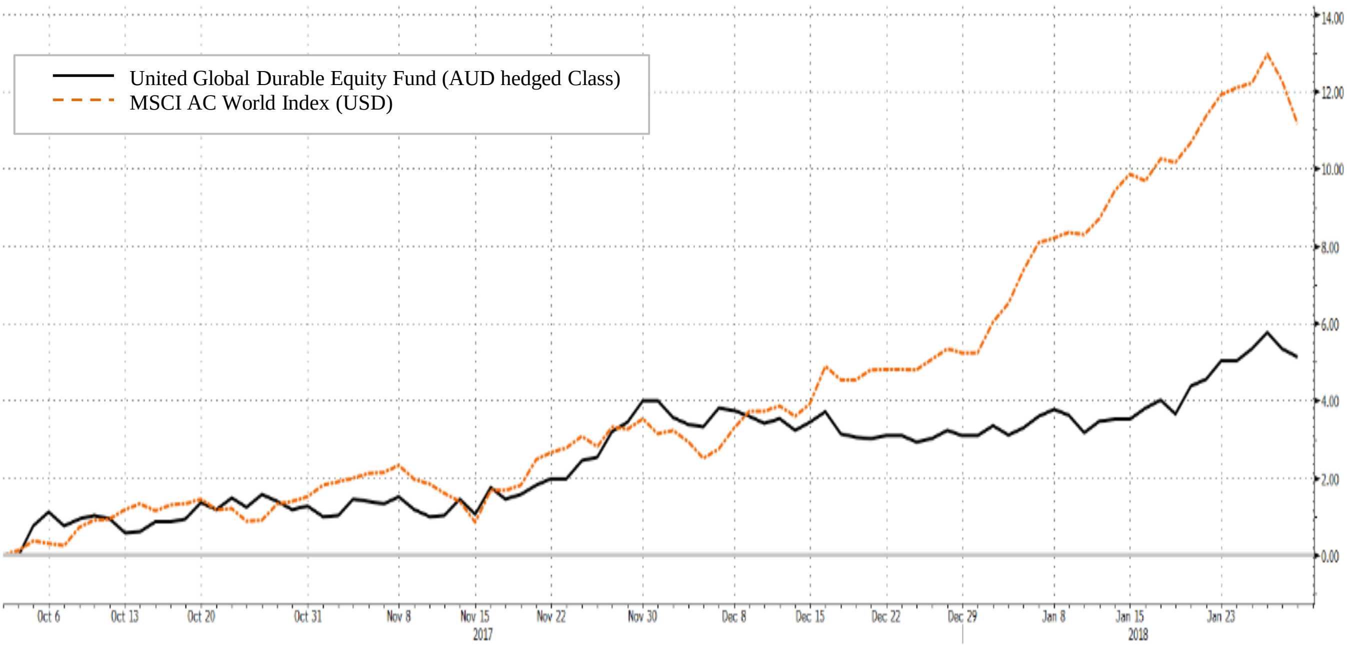
### Fund Performance Review

For the period under review, the United Global Durable Equity Fund (AUD hedged Class) registered a return of 5.12%, underperforming the benchmark return of 11.17%.

### Fund Performance Data (as at 31 January 2018)

| | 1 m | 3 m | 6 m | 12 m | YTD | Since commencement (3 October 2017) |
|---|---|---|---|---|---|---|
| United Global Durable Equity Fund (AUD hedged Class) | 1.94% | 3.79% | N/A | N/A | 1.94% | 5.12% |
| Benchmark: MSCI AC World Index (USD) | 5.62% | 9.50% | N/A | N/A | 5.62% | 11.17% |

*Source: UOBAM(M), Bloomberg as at 31 January 2018*




*Source: UOBAM(M), Bloomberg as at 31 January 2018*

Note: The performance of the Fund is benchmarked against the MSCI AC World Index.

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

| United Global Durable Equity Fund - AUD hedged Class | As at 31 January 2018 |
|---|---|
| Net Asset Value (AUD million) | 5.67 |
| Units In Circulation (million) | 10.80 |
| Net Asset Value Per Unit (AUD) | 0.5256 |
| Highest Net Asset Value Per Unit (AUD) | 0.5288 |
| Lowest Net Asset Value Per Unit (AUD) | 0.5000 |

## United Global Durable Equity Fund - SGD hedged Class

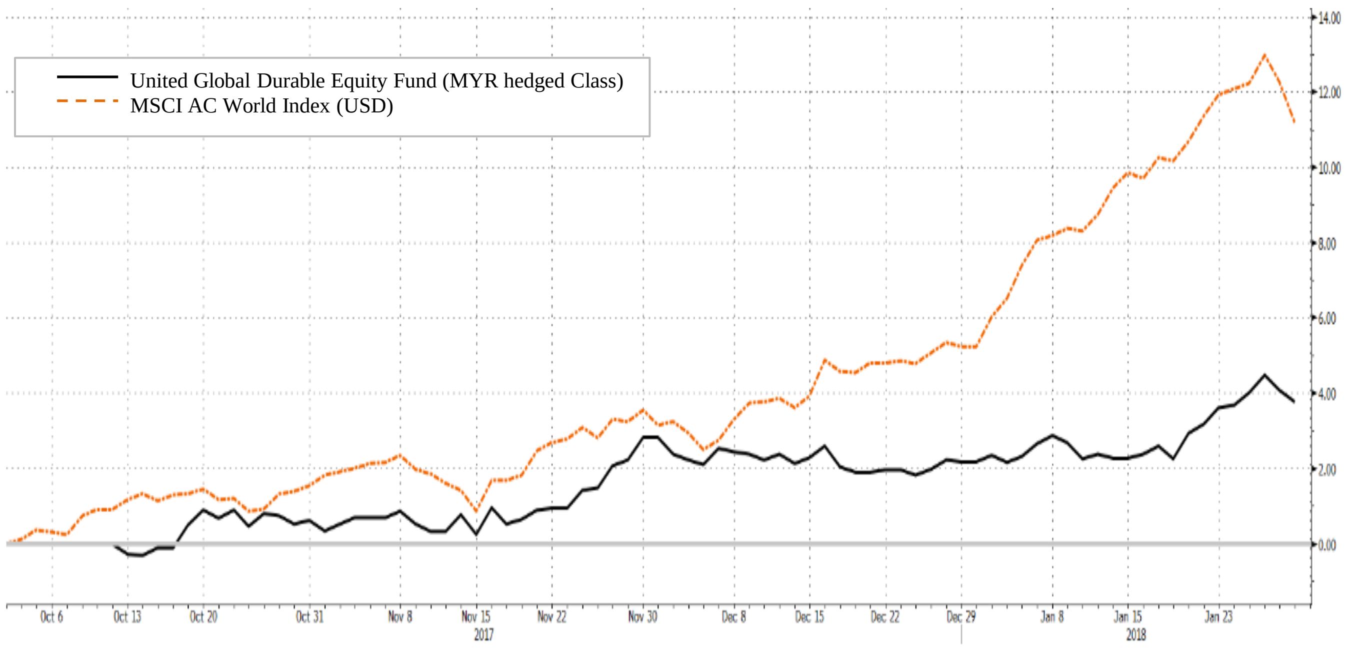
### Fund Performance Review

For the period under review, the United Global Durable Equity Fund (SGD hedged Class) registered a return of 3.76%, underperforming the benchmark return of 11.17%.

### Fund Performance Data (as at 31 January 2018)

| | 1 m | 3 m | 6 m | 12 m | YTD | Since commencement (3 October 2017) |
|---|---|---|---|---|---|---|
| United Global Durable Equity Fund (SGD hedged Class) | 1.55% | 3.14% | N/A | N/A | 1.55% | 3.76% |
| Benchmark: MSCI AC World Index (USD) | 5.62% | 9.50% | N/A | N/A | 5.62% | 11.17% |

*Source: UOBAM(M), Bloomberg as at 31 January 2018*




*Source: UOBAM(M), Bloomberg as at 31 January 2018*

Note: The performance of the Fund is benchmarked against the MSCI AC World Index.

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

| United Global Durable Equity Fund - SGD hedged Class | As at 31 January 2018 |
|---|---|
| Net Asset Value (SGD million) | 1.89 |
| Units In Circulation (million) | 3.65 |
| Net Asset Value Per Unit (SGD) | 0.5188 |
| Highest Net Asset Value Per Unit (SGD) | 0.5223 |
| Lowest Net Asset Value Per Unit (SGD) | 0.4984 |

## United Global Durable Equities Fund (Target Fund)

### Target Fund Performance Review

Since inception to 31 January 2018, the Target Fund has returned 11.99%, underperfoming the benchmark MSCI AC World Index by 0.91%. For the period 1 February 2017 to 31 January 2018, the Target Fund has returned 24.73%, underperforming the benchmark MSCI AC World Index by 3.42%. The top contributors to returns were the Target Fund's positions in American Tower, Irish Continental, Vidrala, Cerved Information Solutions, and Daito Trust Construction. The top detractors of returns were DISH Network, KapStone Paper, KDDI, Clean Harbors, and AutoZone.

The Target Fund believes the primary determinants of portfolio performance over the long-term will continue to be company specific:

1) stability of cash flows across the business cycle;
2) prudent capital allocation decisions by management; and
3) moderate valuations that increase the probability of higher long-term investment returns.

Investment performance will be negatively impacted if companies held in the portfolio deliver cash flows that are less stable than they expect or make capital allocation decisions that destroy rather than create shareholder value. The Target Fund's fundamental research is focused in these areas and they aim to avoid such outcomes.

In addition to the company specific factors outlined above impacting absolute returns, the Target Fund would expect relative returns versus a broad market index to be challenged during certain periods including but not limited to:

1) Significant acceleration in or above trend level of global economic growth;
2) Short-term earnings expectations that prove too low for the broad market; and
3) Rapidly rising commodity prices.

*Source: UOB Asset Management Ltd*

### Target Fund Performance Data (as at 31 January 2018)

| | 1 m | 3 m | 6 m | 12 m | YTD | Since 6 August 2015 (annualised) |
|---|---|---|---|---|---|---|
| United Global Durable Equities Fund (USD) | 2.60% | 4.66% | 7.65% | 21.10% | 2.60% | 11.13% |
| Benchmark: MSCI AC World Index (USD) | 5.64% | 9.46% | 14.29% | 27.48% | 5.64% | 12.56% |

*Source: UOB Asset Management Ltd, Fund Factsheet as at 31 January 2018*

**Investment Policy and Strategy employed by the Target Fund**

Our goal is to maximize the rate of value creation of the portfolio across a full business cycle without assuming undue valuation risk. To accomplish this goal, the External Investment Manager (i.e. UOB Asset Management Ltd) choose to invest in companies that possess two key characteristics:

(a) stable cash flows to serve as a platform for long-term compounding; and

(b) prudent capital allocation to create value through growth (organic or acquisition) and/or return of capital (dividends, share repurchase, debt reduction).

The External Investment Manager continues to target companies that can create value at ~10% per annum.

The External Investment Manager believes some companies with these characteristics may be purchased at reasonable valuation multiples because:

(a) they carry one or more financial characteristics (moderate ROIC, no or low dividends, moderate financial leverage) that disqualifies them from traditional high quality investment approaches; and/or

(b) they operate in areas of the market not conventionally associated with stability (small-mid cap, volatile sectors, disfavored geographies).

The External Investment Manager expects the companies they hold to grow and/or distribute value at a moderate rate in most years and avoid big drawdowns in profitability during difficult economic or market environments. Ideally, their companies will also take advantage of occasional opportunities to create exceptional value through acquisition or internal initiatives. Companies with this profile are unlikely to be top quartile growers (or stocks) in any single year but may deliver superior growth and value over the long-term. To be successful, the External Investment Manager must be accurate in their assessments of business durability and management skill. Also, the External investment Manager must have the courage to be patient and evaluate value creation and investment returns across the entire business cycle.

The External Investment Manager strongly believe that a portfolio of businesses that create value at ~10% per annum across a business cycle, purchased at reasonable valuations, can deliver attractive investment returns to their clients - both absolute and relative to the broad market. The External Investment Manager is mindful that value creation was unusually low for the broad market for the 4 years 2013 - 2016 (in fact, close to zero) and that the very strong growth experienced in 2017 may extend for some time. To wit, current economic conditions are robust in most major economies as they enter 2018. On one hand, the External Investment manager is forcing themselves to be flexible and open-minded about businesses that may meet their fundamental criteria; ideally, portfolio diversification by business type should increase over time. On the other hand, the External Investment Manager will remain focused on identifying and owning shares in businesses that the External Investment Manager believes can grow value at an attractive rate across a business cycle, not only during very healthy environments like today.

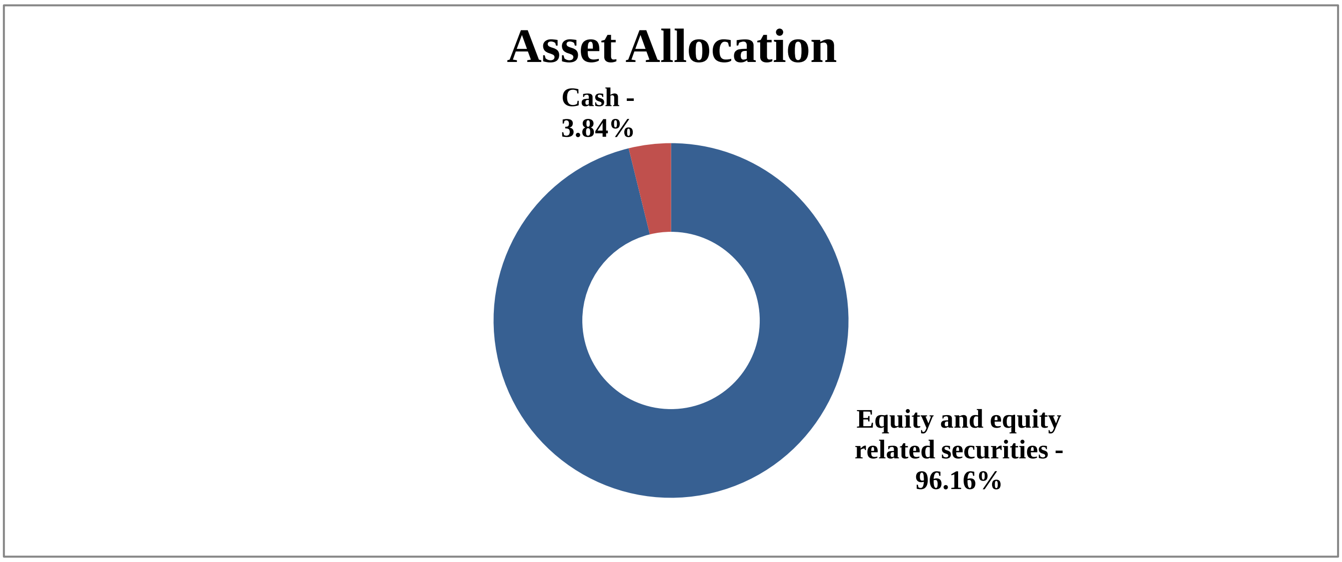
*Source: UOB Asset Management Ltd*

**PORTFOLIO STRUCTURE**

The table below is the asset allocation of the Fund for the financial period under review.

| | **As at 31 January 2018**<br>**%** |
|---|---|
| Foreign collective investment scheme | 92.58 |
| Cash and others | 7.42 |
| **Total** | **100.00** |

The pie chart below shows the asset allocation of the Target Fund as at 31 January 2018




*Source: UOB Asset Management Ltd*

**OTHER MATTER**

(a) As at 31 January 2018, there was no subscription of units in MYR Class and GBP hedged Class. As such, for the period under review, there was no return for MYR Class and GBP hedged Class.

(b) With effect from 17 January 2018, Mr. Seow Voon Ping was appointed to be the alternate director of Mr. Seow Lun Hoo.

**Market Review**

Global equities rallied in the first quarter of 2017 as the "animal spirits" dynamic remained intact. Despite escalating European political risk and uncertainty surrounding President Trump's protectionist trade agenda, investors bid up risk assets amid increasing optimism about economic growth. The French presidential election was a source of anxiety as political rhetoric in France grew raucous with anti-establishment and anti-globalization themes. However, solid fourth quarter European Gross Domestic Product ("GDP") growth and strengthening global manufacturing data helped to boost appetites. On the monetary policy front, the market was unfazed by the United States of America ("U.S.") Federal Reserve ("Fed") raising rates by 25 basis points ("bps"), a well-telegraphed move and only the third hike in the last decade. While risks stemming from Donald Trump's ambitious U.S. legislative agenda and European elections were at the top of everyone's minds, economic data releases across most major economies remained robust, helping the rally to roll on.

Global equities continued its rally into the second quarter of 2017, ending the first half of the year with a near double-digit gain. Despite heightened geopolitical risk and European political uncertainty, risk assets remained resilient as solid global economic data and strong year-over-year corporate earnings growth bolstered investors' optimism. Market participants heaved a sigh of relief in May after independent centrist Emmanuel Macron won the French presidential election by a large margin, a victory widely seen as supportive for the stability of the European Union. Continued evidence of an upswing in global growth helped to maintain bullish sentiment. European growth indicators signalled strong regional momentum. Chinese manufacturing and services data surprised to the upside. Meanwhile, U.S. fiscal stimulus hopes faded near the end of the quarter after a vote on the health care reform bill was delayed due to insufficient support from Senate Republicans.

Global equities posted positive results in the third quarter. A broad-based expansion of global economic growth, supportive monetary policy, and benign inflation helped drive the equity markets higher during the quarter. Eurozone confidence reached a decade-high level during the month of September on the back of solid employment and manufacturing data and a re-acceleration in the service sector. The U.S. economy continued on an upward trajectory, and signs of firming inflation increased investor's expectation of further monetary policy tightening at the end of the year. As the global economy continued to gain momentum, central banks began to normalize their long-standing loose monetary policies. Angela Merkel was re-elected for a fourth term as German Chancellor. Her center-right Christian Democratic Party was weakened after the far-right alternative for Germany party won seats in Parliament. Merkel, along with French President Emmanuel Macron, now face a more difficult task of deepening the Eurozone integration. Global geopolitical tensions were elevated in response to North Korean missile tests and a new Russia sanctions bill signed by U.S. President Donald Trump.

In the last quarter of 2017, global equities again posted positive results, ending the year with a gain of over 20%. Political concerns dominated headlines globally, while economic data across most major economies remained largely positive. Oil hit a two-year high following an extended Organization of the Petroleum Exporting Countries ("OPEC") supply-cut agreement through the end of 2018. While global merger and acquisition ("M&A") volumes declined from 2016 by 1%, 2017's United States Dollar ("US$") 3.5 trillion in announced deals marked the fourth straight year that M&A levels surpassed US$3 trillion, a record streak. On the monetary policy front, during its October meeting the European Central Bank ("ECB") announced a reduction in its monthly asset purchases beginning in January, but extended the purchase program through September 2018. The U.S. Fed raised the benchmark federal funds rate by 25 bps in December. The persistence of low inflation in developed countries continued to confound central bankers and increased anxiety over interest rate policy in light of a global acceleration in growth and low unemployment.

**Market Review (continued)**

Global equities extended their upward trend to fifteen consecutive months in the beginning of 2018. Positive global economic momentum continued against a backdrop of rising volatility and a hawkish tone from major central banks. On the U.S. political front, the U.S. House of Representatives passed a short-term spending bill to reopen the government after a three-days shutdown, and U.S. companies began to respond to new tax law. Strong earnings announcements led the Standard & Poor's ("S&P") 500 to a record high on January 26. Boosted primarily by export demand, market participants were also encouraged by better-than-expected fourth-quarter Chinese GDP (+6.8% annualized versus +6.7% forecast), the fastest level of growth since 2010. Brent oil broke above US$70 per barrel, a new three-year high. Oil prices rose amid anti-government protests in Iran, ongoing OPEC-led production cuts, and a drawdown in U.S. crude inventory.

*Source: UOB Asset Management Ltd*

**UNITED GLOBAL DURABLE EQUITY FUND**

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018**

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## TRUSTEE'S REPORT

### TO THE UNIT HOLDERS OF UNITED GLOBAL DURABLE EQUITY FUND

We have acted as Trustee for United Global Durable Equity Fund (the "Fund") for the financial year ended 31 January 2018. To the best of our knowledge, for the financial year 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 Unlisted Capital Market Products under The Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;

(b) valuation and pricing for the Fund has been carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements; and

(c) creation and cancellation of units for the Fund have been carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements.

For Deutsche Trustees Malaysia Berhad

**Soon Lai Ching**
Senior Manager, Trustee Operations

**Richard Lim Hock Seng**
Chief Executive Officer

Kuala Lumpur, Malaysia
23 March 2018

## STATEMENT BY MANAGER

We, **Lim Suet Ling** and **Khoo Chock Seang**, 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 18 to 45 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 Global Durable Equity Fund** as at 31 January 2018 and of its financial performance, changes in net asset value and cash flows for the financial year then ended 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

**KHOO CHOCK SEANG**
Director

Kuala Lumpur, Malaysia
23 March 2018

**Independent auditors' report to the unitholders of United Global Durable Equity Fund**

## Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of United Global Durable Equity Fund ("the Fund"), which comprise the statement of financial position as at 31 January 2018, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 18 to 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 January 2018 and of its financial performance and cash flows for the financial year then ended 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 Global Durable 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 Global Durable 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 Global Durable 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 | Chan Hooi Lam |
| AF: 0039 | No. 02844/02/2020 J |
| Chartered Accountants | Chartered Accountant |

Kuala Lumpur, Malaysia
23 March 2018

**UNITED GLOBAL DURABLE EQUITY FUND**

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 JANUARY 2018**

| | Note | 2018<br>RM | 2017<br>RM |
|---|---|---|---|
| **ASSETS** | | | |
| Investments | 3 | 98,531,796 | 110,212,840 |
| Forward foreign currency contracts | 4 | 3,441,757 | 821,347 |
| Amount due from Manager | 5 | 644,536 | 579,812 |
| Cash at banks | | 4,425,878 | 4,431,011 |
| **TOTAL ASSETS** | | 107,043,967 | 116,045,010 |
| | | | |
| **LIABILITIES** | | | |
| Amount due to Trustee | 6 | 5,238 | 5,871 |
| Accruals | | 24,765 | 33,997 |
| **TOTAL LIABILITIES** | | 30,003 | 39,868 |
| | | | |
| **UNITHOLDERS' EQUITY** | | | |
| Unitholders' capital | 7 | 80,149,911 | 103,417,710 |
| Retained earnings | 7 | 26,864,053 | 12,587,432 |
| **TOTAL EQUITY, REPRESENTING NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNITHOLDERS** | 7 | 107,013,964 | 116,005,142 |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | 107,043,967 | 116,045,010 |
| | | | |
| **NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS** | | | |
| - AUD HEDGED CLASS | | 18,112,579 | - |
| - MYR HEDGED CLASS | | 64,517,143 | 88,827,420 |
| - SGD HEDGED CLASS | | 5,624,462 | - |
| - USD CLASS | | 18,759,780 | 27,177,722 |
| | | 107,013,964 | 116,005,142 |
| | | | |
| **UNITS IN CIRCULATION** | | | |
| - AUD HEDGED CLASS | 7(a) | 10,932,952 | - |
| - MYR HEDGED CLASS | 7(b) | 98,540,623 | 161,673,749 |
| - SGD HEDGED CLASS | 7(c) | 3,645,770 | - |
| - USD CLASS | 7(d) | 7,792,203 | 11,960,841 |

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

UNITED GLOBAL DURABLE EQUITY FUND

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 JANUARY 2018

| | 2018 RM | 2017 RM |
|---|---|---|
| **NET ASSET VALUE PER UNIT IN MYR** | | |
| - AUD HEDGED CLASS | 1.6567 | - |
| - MYR HEDGED CLASS | 0.6547 | 0.5494 |
| - SGD HEDGED CLASS | 1.5427 | - |
| - USD CLASS | 2.4075 | 2.7222 |
| **NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES** | | |
| - AUD HEDGED CLASS | 0.5256 | - |
| - MYR HEDGED CLASS | 0.6547 | 0.5494 |
| - SGD HEDGED CLASS | 0.5188 | - |
| - USD CLASS | 0.6174 | 0.5131 |

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

## UNITED GLOBAL DURABLE EQUITY FUND

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

| | Note | 2018<br>RM | 2017<br>RM |
|---|---|---|---|
| **INVESTMENT INCOME** | | | |
| Interest income from deposits with a licensed financial institution | | 33,893 | 46,667 |
| Income distribution from financial assets at fair value through profit or loss ("FVTPL") | | 996,986 | 2,372,726 |
| Net gain on investments at FVTPL: | 3 | | |
| - net realised gain on sale of investments at FVTPL | | 5,211,678 | 1,240,507 |
| - net unrealised (loss)/gain on changes in fair value | 7(f) | (521,395) | 13,020,563 |
| Net realised foreign currency exchange gain/(loss) | | 294,716 | (47,216) |
| Net realised gain on forward foreign currency contracts | | 5,990,706 | 446,371 |
| Net unrealised gain/(loss) on forward foreign currency contracts | 7(f) | 2,620,409 | (2,187,178) |
| Net unrealised foreign currency exchange gain | 7(f) | 204 | - |
| | | 14,627,197 | 14,892,440 |
| **EXPENSES** | | | |
| Manager’s fee | 8 | (153,190) | (129,510) |
| Trustee’s fee | 9 | (56,844) | (65,175) |
| Auditors’ remuneration | | (7,000) | (9,000) |
| Tax agent’s fee | | (4,200) | (4,200) |
| Other expenses | | (129,342) | (137,792) |
| | | (350,576) | (345,677) |
| **NET INCOME BEFORE TAXATION** | | 14,276,621 | 14,546,763 |
| Tax expense | 10 | - | - |
| **NET INCOME AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | | 14,276,621 | 14,546,763 |
| Net income after taxation is made up of the following: | | | |
| Realised amount | 7(e) | 12,177,403 | 3,713,378 |
| Unrealised amount | 7(f) | 2,099,218 | 10,833,385 |
| | | 14,276,621 | 14,546,763 |

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

**UNITED GLOBAL DURABLE EQUITY FUND**

**STATEMENT OF CHANGES IN NET ASSET VALUE**
**FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018**

| | Note | Unitholders' capital RM | Retained earnings RM | Total net asset value RM |
|---|---|---|---|---|
| Balance as at 1 February 2016 | | 123,537,924 | (1,959,331) | 121,578,593 |
| Movement in net asset value: | | | | |
| Total comprehensive income for the financial period | | - | 14,546,763 | 14,546,763 |
| Creation of units | | | | |
| - AUD HEDGED CLASS | 7(a) | - | - | - |
| - MYR HEDGED CLASS | 7(b) | 49,709,158 | - | 49,709,158 |
| - SGD HEDGED CLASS | 7(c) | - | - | - |
| - USD CLASS | 7(d) | 18,461,676 | - | 18,461,676 |
| Cancellation of units | | | | |
| - AUD HEDGED CLASS | 7(a) | - | - | - |
| - MYR HEDGED CLASS | 7(b) | (80,638,865) | - | (80,638,865) |
| - SGD HEDGED CLASS | 7(c) | - | - | - |
| - USD CLASS | 7(d) | (7,652,183) | - | (7,652,183) |
| Balance as at 31 January 2017 | | 103,417,710 | 12,587,432 | 116,005,142 |
| Balance as at 1 February 2017 | | 103,417,710 | 12,587,432 | 116,005,142 |
| Movement in net asset value: | | | | |
| Total comprehensive income for the financial year | | - | 14,276,621 | 14,276,621 |
| Creation of units | | | | |
| - AUD HEDGED CLASS | 7(a) | 17,880,858 | - | 17,880,858 |
| - MYR HEDGED CLASS | 7(b) | 29,972,599 | - | 29,972,599 |
| - SGD HEDGED CLASS | 7(c) | 5,611,820 | - | 5,611,820 |
| - USD CLASS | 7(d) | 8,606,662 | - | 8,606,662 |
| Cancellation of units | | | | |
| - AUD HEDGED CLASS | 7(a) | - | - | - |
| - MYR HEDGED CLASS | 7(b) | (66,874,749) | - | (66,874,749) |
| - SGD HEDGED CLASS | 7(c) | - | - | - |
| - USD CLASS | 7(d) | (18,464,989) | - | (18,464,989) |
| Balance as at 31 January 2018 | | 80,149,911 | 26,864,053 | 107,013,964 |

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

**UNITED GLOBAL DURABLE EQUITY FUND**

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018**

| | 2018 RM | 2017 RM |
|---|---|---|
| **CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES** | | |
| Proceeds from sale of investments | 41,824,010 | 47,114,098 |
| Purchase of investments | (29,376,328) | (31,991,029) |
| Cash received from capital reduction | 3,923,644 | 3,407,997 |
| Income distribution from financial assets at FVTPL | 996,986 | 2,372,726 |
| Interest received from deposits with a licensed financial institution | 33,893 | 46,667 |
| Manager's fee paid | (148,197) | (129,153) |
| Trustee's fee paid | (57,477) | (65,598) |
| Auditors' remuneration paid | (9,000) | (9,000) |
| Tax agent's fee paid | (4,200) | (4,200) |
| Payment of other fees and expenses | (136,573) | (140,265) |
| Net realised foreign currency exchange gain/(loss) | 294,716 | (47,216) |
| Net realised gain on forward foreign currency contracts | 5,990,706 | 446,371 |
| Net cash generated from operating and investing activities | 23,332,180 | 21,001,398 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from creation of units | 61,516,511 | 67,569,643 |
| Payment for cancellation of units | (84,853,824) | (88,280,426) |
| Net cash used in financing activities | (23,337,313) | (20,710,783) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | (5,133) | 290,615 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR** | 4,431,011 | 4,140,396 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | 4,425,878 | 4,431,011 |
| Cash and cash equivalents comprises the following: | | |
| Cash at banks | 4,425,878 | 4,431,011 |

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

**UNITED GLOBAL DURABLE EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

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

The United Global Durable Equity Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of the Deed dated 23 June 2015 between UOB Asset Management (Malaysia) Berhad ("the Manager") and Deutsche Trustees Malaysia Berhad ("the Trustee").

The Fund seeks to provide income and capital appreciation by investing in the United Global Durable Equities Fund which invests in equity and equity-related securities of companies listed and traded on stock exchanges globally. The Fund was launched on 15 July 2015 and commenced for operation on 5 August 2015. As provided in the Master Deed, the accrual period or financial year shall end on 31 January.

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 March 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 and effective***

The accounting policies adopted that could have material impact to the financial statements are consistent with those of the previous financial year.

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

MFRS 9 will only be effective from 1 January 2018 i.e. from 1 February 2018 for the Fund. Unless the Fund has early adopted the standard, the normal disclosure about future standards should be made here.

## 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 ("MFRS 9")***

***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 gain or loss on investments at FVTPL', and 'Net unrealised gain/(loss) on forward foreign currency contracts'.

For investment in collective investment scheme, fair value is determined based on the closing net asset value per unit of the collective investment scheme. The difference between the cost and fair value is treated as unrealised gain or loss and is recognised in the statement of comprehensive income. Unrealised gains or losses recognised in the statement of comprehensive income 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.

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

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

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

(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 amount due from Manager 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.

#### (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.

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

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

#### (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, distribution from collective investment schemes, foreign exchange translation differences of cash at banks 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.

#### (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 is 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).

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

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

#### (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.

#### (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. The financial statements are presented in RM, which is also the Fund's functional currency.

#### (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 a reduction from retained earning within equity.

#### (i) Cash and cash equivalents

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

#### (j) 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.

Interest income from deposits with a licensed financial institution is recognised using the effective interest method. Distribution income from investments is recognised when it has been declared with the right to receive the income established.

#### (k) 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 year.

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

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

#### (l) 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.

#### (m) 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.

#### (n) 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

| | **2018** | **2017** |
|---|---|---|
| | **RM** | **RM** |
| Investments designated as FVTPL: | | |
| - foreign collective investment schemes | 98,531,796 | 110,212,840 |

| | **2018** | **2017** |
|---|---|---|
| | **RM** | **RM** |
| Net gain on investments at FVTPL comprised: | | |
| - net realised gain on sale of investments at FVTPL | 5,211,678 | 1,240,507 |
| - net unrealised (loss)/gain on changes in fair value | (521,395) | 13,020,563 |
| | 4,690,283 | 14,261,070 |

## 3. INVESTMENTS (CONTINUED)

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value expressed as a percentage of value of the Fund % |
|---|---|---|---|---|
| **COLLECTIVE INVESTMENT SCHEMES - FOREIGN** | | | | |
| United Global Durable Equities Fund - USD Distribution Class ("Target Fund") | 21,972,002 | 89,136,639 | 98,531,796 | 92.07 |
| **TOTAL COLLECTIVE INVESTMENT SCHEMES** | | 89,136,639 | 98,531,796 | 92.07 |
| **EXCESS OF FAIR VALUE OVER COST:** | | | | |
| **- UNREALISED FAIR VALUE GAIN** | | 14,812,629 | | |
| **- UNREALISED FOREIGN EXCHANGE LOSS** | | (5,417,472) | | |
| **TOTAL FINANCIAL ASSETS AT FVTPL** | | 98,531,796 | | |

## 4. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 20 (2017: 11) forward foreign currency contracts outstanding.

The notional principal amount of the outstanding forward foreign currency contracts amounted to RM62,031,724 (2017: RM86,189,141).

The forward foreign currency contracts entered into were for hedging against the currency exposure arising from the investments denominated in USD (2017: USD).

As the Fund has not adopted hedge accounting, the changes in fair value of the forward foreign currency contracts are recognised immediately in the profit or loss.

## 5. AMOUNT DUE FROM MANAGER

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Creation of units during the financial year | 1,157,087 | 601,191 |
| Cancellation of units during the financial year | (496,801) | (10,622) |
| Manager's fee payable | (15,750) | (10,757) |
| | 644,536 | 579,812 |

The normal credit period for the Manager's fee payable is one month (2017: one month).

## 6. AMOUNT DUE TO TRUSTEE

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Trustee's fee payable | 5,238 | 5,871 |

## 7. UNITHOLDERS' EQUITY

Unitholders should note that the NAV of the Fund is determined by deducting the value of all the Fund's liabilities from the value of all the Fund's assets, at a particular valuation point.

The NAV per Unit of a Class of Units is the NAV of the Fund attributable to a Class of Units divided by the number of units in circulation for that particular Class of Units, at the same valuation point. The valuation of the Fund will be carried out in the base currency (Ringgit Malaysia). Accordingly, the assets denominated in USD will be translated to MYR for valuation purposes. The net gain/loss arising from forward foreign currency contracts used for hedging purpose is included in MYR Hedged Class's NAV.

Due to multiple Classes of Units in the Fund, the income and/or expenses for the Fund are apportioned by using the multi-class ratio, which is based on the value of the Class of Units of the Fund (quoted in the base currency) relative to the value of the whole Fund (quoted in the base currency). As at 31 January 2018, the multi-class ratio used in apportionment for AUD Hedged Class is 16.93 (2017: nil), MYR Hedged Class is 60.29 (2017: 76.55),SGD Hedged Class is 5.26 (2017: nil), and USD Class is 17.53 (2017: 23.45).

## 7. UNITHOLDERS' EQUITY (CONTINUED)

Net asset value attributable to unitholders is represented by:

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| Unitholders' capital | | | |
| - AUD HEDGED CLASS | (a) | 17,880,858 | - |
| - MYR HEDGED CLASS | (b) | 42,471,437 | 79,373,587 |
| - SGD HEDGED CLASS | (c) | 5,611,820 | - |
| - USD CLASS | (d) | 14,185,796 | 24,044,123 |
| | | 80,149,911 | 103,417,710 |
| Retained earnings | | | |
| - Realised gain | (e) | 14,026,935 | 1,849,532 |
| - Unrealised gain | (f) | 12,837,118 | 10,737,900 |
| | | 26,864,053 | 12,587,432 |
| Total equity, representing NAV attributable to unitholders | | 107,013,964 | 116,005,142 |

### (a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION - AUD HEDGED CLASS

| | 2018 Units | 2018 RM | 2017 Units | 2017 RM |
|---|---|---|---|---|
| At the beginning of the financial year | - | - | - | - |
| Creation of units during the financial year | 10,932,952 | 17,880,858 | - | - |
| At the end of the financial year | 10,932,952 | 17,880,858 | - | - |

### (b) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION - MYR HEDGED CLASS

| | 2018 Units | 2018 RM | 2017 Units | 2017 RM |
|---|---|---|---|---|
| At the beginning of the financial year | 161,673,749 | 79,373,587 | 219,044,563 | 110,303,294 |
| Creation of units during the financial year | 48,850,975 | 29,972,599 | 91,260,340 | 49,709,158 |
| Cancellation of units during the financial year | (111,984,101) | (66,874,749) | (148,631,154) | (80,638,865) |
| At the end of the financial year | 98,540,623 | 42,471,437 | 161,673,749 | 79,373,587 |

## 7. UNITHOLDERS' EQUITY (CONTINUED)

### (c) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION - SGD HEDGED CLASS

| | Units | 2018 RM | Units | 2017 RM |
|---|---|---|---|---|
| At the beginning of the financial year | - | - | - | - |
| Creation of units during the financial year | 3,645,770 | 5,611,820 | - | - |
| At the end of the financial year | 3,645,770 | 5,611,820 | - | - |

### (d) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION - USD CLASS

| | Units | 2018 RM | Units | 2017 RM |
|---|---|---|---|---|
| At the beginning of the financial year | 11,960,841 | 24,044,123 | 6,595,267 | 13,234,630 |
| Creation of units during the financial year | 3,510,916 | 8,606,662 | 8,882,407 | 18,461,676 |
| Cancellation of units during the financial year | (7,679,554) | (18,464,989) | (3,516,833) | (7,652,183) |
| At the end of the financial year | 7,792,203 | 14,185,796 | 11,960,841 | 24,044,123 |

The Manager and parties related to the Manager did not hold any units in the Fund as at 31 January 2018.

### (e) RETAINED EARNING - REALISED

| | 2018 RM | 2017 RM |
|---|---|---|
| At the beginning of the financial year | 1,849,532 | (1,863,846) |
| Total comprehensive income for the financial year | 14,276,621 | 14,546,763 |
| Net unrealised gain attributable to investments and others held transferred to unrealised reserve | (2,099,218) | (10,833,385) |
| Net increase in realised reserve for the financial year | 12,177,403 | 3,713,378 |
| At the end of the financial year | 14,026,935 | 1,849,532 |

## 7. UNITHOLDERS' EQUITY (CONTINUED)

### (f) RETAINED EARNING - UNREALISED

| | 2018 RM | 2017 RM |
|---|---|---|
| At the beginning of the financial year | 10,737,900 | (95,485) |
| Net unrealised gain attributable to investments and others held transferred from realised reserve | | |
| - Investments at FVTPL | (521,395) | 13,020,563 |
| - Forward foreign currency contracts | 2,620,409 | (2,187,178) |
| - Foreign currency exchange | 204 | - |
| | 2,099,218 | 10,833,385 |
| At the end of the financial year | 12,837,118 | 10,737,900 |

## 8. 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% (2017: 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 1.80% (2017: 1.80% per annum) based on the net asset value of the Fund, calculated on a daily basis for the financial year.

As the Fund is investing in the Target Fund, the Target Fund Manager's fee is charged at 1.75% (2017: 1.75%) per annum of the net asset value of the Target Fund and maximum 2.50% (2017: 2.50%) per annum of the net asset value of the Target Fund. There will be no double charging of annual management fee.

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

## 9. 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 0.06% (2017: 0.06%) per annum of the net asset value of the Fund, calculated on a daily basis; subject to a minimum fee of RM15,000 (2017: RM15,000) per annum (excluding foreign custodian fee and charges).

The Trustee's fee provided in the financial statements is 0.06% (2017: 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 in the financial statements.

## 10. 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 Income Tax Act (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 Income Tax Act, 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:

| | **2018**<br>**RM** | **2017**<br>**RM** |
|---|---|---|
| Net income before taxation | 14,276,621 | 14,546,763 |
| Taxation at Malaysian statutory rate of 24% | 3,426,389 | 3,491,223 |
| Tax effects of: | | |
| Income not subject to tax | (3,510,527) | (3,574,185) |
| Restriction on tax deductible expenses for unit trust funds | 38,925 | 34,442 |
| Expenses not deductible for tax purposes | 45,213 | 48,520 |
| Tax expense for the financial year | - | - |

## 11. TRANSACTIONS WITH INVESTMENT MANAGER OF THE TARGET FUND

Details of transactions with Investment Manager of the Target Fund for the financial year ended 31 January 2018 are as follows:

| Investment Manager of the Target Fund | Value of Trade RM | Percentage of Total Trade % | Brokerage Fees RM | Percentage of Total Brokerage Fees % |
|---|---|---|---|---|
| UOB Asset Management Ltd, Singapore** | 71,200,338 | 100.00 | - | - |

** 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. MANAGEMENT EXPENSE RATIO ("MER")

| | 2018 % | 2017 % |
|---|---|---|
| Manager's fee | 0.16 | 0.12 |
| Trustee's fee | 0.06 | 0.06 |
| Other expenses | 0.15 | 0.14 |
| Total MER | 0.37 | 0.32 |

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.

## 13. PORTFOLIO TURNOVER RATIO ("PTR")

| | 2018 | 2017 |
|---|---|---|
| PTR (times) | 0.38 | 0.36 |

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

## 14. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

The Fund's financial assets and financial liability 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 scheme, and forward foreign currency contracts are classified as financial asset at FVTPL which are measured at fair value;

(ii) the Fund's other financial assets, comprising amount due from Manager and cash at banks are classified as loans and receivables which are measured at amortised cost; and

(iii) the Fund's amount due to Trustee is classified as other financial liability which is measured at amortised cost.

| | Financial assets at FVTPL RM | Loans and receivables at amortised cost RM | Financial liability at amortised cost RM | Total RM |
|---|---|---|---|---|
| **2018** | | | | |
| **Assets** | | | | |
| Investments | 98,531,796 | - | - | 98,531,796 |
| Forward foreign currency contracts | 3,441,757 | - | - | 3,441,757 |
| Amount due from Manager | - | 644,536 | - | 644,536 |
| Cash at banks | - | 4,425,878 | - | 4,425,878 |
| Total financial assets | 101,973,553 | 5,070,414 | - | 107,043,967 |
| **Liability** | | | | |
| Amount due to Trustee | - | - | 5,238 | 5,238 |
| Total financial liability | - | - | 5,238 | 5,238 |

## 14. FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Classification of financial instruments (continued)

| | Financial assets at FVTPL RM | Loans and receivables at amortised cost RM | Financial liability at amortised cost RM | Total RM |
|---|---|---|---|---|
| **2017** | | | | |
| **Assets** | | | | |
| Investments | 110,212,840 | - | - | 110,212,840 |
| Forward foreign currency contracts | 821,347 | - | - | 821,347 |
| Amount due from Manager | - | 579,812 | - | 579,812 |
| Cash at banks | - | 4,431,011 | - | 4,431,011 |
| Total financial assets | 111,034,187 | 5,010,823 | - | 116,045,010 |
| **Liability** | | | | |
| Amount due to Trustee | - | - | 5,871 | 5,871 |
| Total financial liability | - | - | 5,871 | 5,871 |

### (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.

## 14. FINANCIAL INSTRUMENTS (CONTINUED)

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

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 |
|---|---|---|---|---|
| **2018** | | | | |
| **Financial instruments** | | | | |
| Foreign collective investment schemes | 98,531,796 | - | - | 98,531,796 |
| Forward foreign currency contracts | - | 3,441,757 | - | 3,441,757 |
| Total financial instruments | 98,531,796 | 3,441,757 | - | 101,973,553 |
| **2017** | | | | |
| **Financial instruments** | | | | |
| Foreign collective investment schemes | 110,212,840 | - | - | 110,212,840 |
| Forward foreign currency contracts | - | 821,347 | - | 821,347 |
| Total financial instruments | 110,212,840 | 821,347 | - | 111,034,187 |

### (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:

- Amount due from Manager
- Cash at banks
- Amount due to Trustee

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

## 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks including market risk, inflation risk, non-compliance risk, loan financing risk, credit risk, passive strategy risk, currency risk and liquidity 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 financial instruments of the Fund and hence the NAV of the Fund. Market conditions are generally affected by, amongst others, social environment, political and economic stability.

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

| | **2018 RM** | **2017 RM** |
|---|---|---|
| Investments at fair value through profit or loss | 98,531,796 | 110,212,840 |

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.

| | **Change in price of investments/ %** | **Market value RM** | **Impact on net income after taxation and net asset value RM** |
|---|---|---|---|
| **2018** | | | |
| | -5 | 93,605,206 | (4,926,590) |
| | 0 | 98,531,796 | - |
| | 5 | 103,458,386 | 4,926,590 |
| **2017** | | | |
| | -5 | 104,702,198 | (5,510,642) |
| | 0 | 110,212,840 | - |
| | 5 | 115,723,482 | 5,510,642 |

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

### (b) 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 eventhough the investment in monetary terms may have increased.

### (c) 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.

### (d) Loan financing risk

This risk occurs when an investor takes a loan or financing to finance his or her purchase of investments. The inherent risk of investing with borrowed money includes the inability of an investor servicing the loan repayments and the adverse impact of an increase in interest rates on the loan repayments. An investor may be subjected to higher loan repayments in the event interest rates increase, which may be greater than the returns on investments in the Fund. In the event units are used as collateral, an investor may be required by the lender to provide additional collateral if the unit prices fall beyond a certain level due to market conditions. If the investor fails to honour the additional collateral within the prescribed time, the units may be sold towards settling the loan.

### (e) Credit risk

Credit concentration risk is associated with the number of underlying investments or financial institutions which a Fund invests in or places deposits with. For example a Fund which invests its assets in a single underlying instrument or places deposits with a single institution is more risky compared to a Fund with two or more underlying investments or institutions. This is because if the single issuer/ financial institution default, it would have a significant impact to that Fund.

At the reporting date, the Fund’s maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

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

### (e) Credit risk (continued)

Analysis of cash and cash equivalents by rating agency designation are as follows:

| | Cash at banks RM | Total RM |
|---|---|---|
| **2018** | | |
| - AA1 | 4,425,878 | 4,425,878 |
| **2017** | | |
| - AA1 | 4,431,011 | 4,431,011 |

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

### (f) Passive strategy risk

The Fund adopts a passive strategy of investing a minimum of 90% of its NAV into the Target Fund at all times. This passive strategy would result in the Fund being exposed to the risk of its NAV declining when the Target Fund's net asset value declines. All investment decisions on the Target Fund are left with the Target Fund's Investment Manager.

### (g) Currency risk

This risk is associated with investments denominated in currencies different from the base currency. As the Fund is denominated in RM, investments in other currencies other than RM will cause the Fund to be exposed to currency risks. Fluctuations in the exchange rates of other currencies against the RM may affect the NAV of the Fund and consequently the NAV per unit of the Fund.

<u>For the MYR Class</u>

As the Fund is investing in the Class USD Distribution of the Target Fund which is denominated in USD, hence unitholders in this MYR Class will be exposed to currency risk. When USD fluctuates against the RM, the NAV of the MYR Class will be affected. The Manager will not hedge the foreign currency exposure for the MYR Class.

<u>For the AUD hedged Class/MYR hedged Class/SGD hedged Class</u>

Investors in the AUD hedged Class/MYR hedged Class/SGD hedged Class are subject to minimal currency risk as the Manager will as much as practicable mitigate this risk by hedging these currencies against the denominated of the Target Fund, which is USD. Investors should note that by employing this hedging, investors would not be able to enjoy the additional currency gains when USD moves favourably against these currencies. Additional transaction costs of hedging will also be borne by investors in these Class(es) of Units.

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

### (g) Currency risk (continued)

For the USD Class

Additionally, as the currency of denomination for USD Class is different from the base currency of the Fund, changes in the exchange rate between the denominated currency of the Fund and the currency of denomination of the USD Class may adversely affect the value of the units of the USD Class.

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

| | **Total RM** |
|---|---|
| **2018** | |
| AUD | |
| Amount due from Manager | 356,911 |
| Cash at a bank | 1,176,596 |
| | 1,533,507 |
| SGD | |
| Cash at a bank | 463,452 |
| USD | |
| Financial assets at fair value through profit or loss | 98,531,796 |
| Forward foreign currency contracts | 3,441,757 |
| Cash at a bank | 702,179 |
| Amount due to Manager | (50,383) |
| | 102,625,349 |
| **2017** | |
| USD | |
| Financial assets at fair value through profit or loss | 110,212,840 |
| Forward foreign currency contracts | 821,347 |
| Cash at a bank | 418,871 |
| | 111,453,058 |

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.

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

### (g) Currency risk (continued)

| | Change in foreign exchange rate % | Impact in profit after tax/net asset value RM |
|---|---|---|
| **2018** | | |
| AUD | +5 | 76,675 |
| | -5 | (76,675) |
| SGD | +5 | 23,173 |
| | -5 | (23,173) |
| USD | +5 | 5,131,267 |
| | -5 | (5,131,267) |
| **2017** | | |
| USD | +5 | 5,572,653 |
| | -5 | (5,572,653) |

### (h) Liquidity risk

In the event of unexpectedly large realisations of units, there may be a possibility that the assets of the Target Fund may be forced to be liquidated at below their fair and expected value, especially in illiquid public exchanges or over-the-counter markets. The Investment Manager of the Target Fund will ensure that a sufficient portion of the Target Fund will be in liquid assets such as cash and cash-equivalents to meet expected realisations, net of new subscriptions.

Investments by the Target Fund in some Asian and/or emerging markets often involve a greater degree of risk due to the nature of such markets which do not have fully developed services such as custodian and settlement services often taken for granted in more developed markets. There may be a greater degree of volatility in such markets because of the speculative element, significant retail participation and lack of liquidity which are inherent characteristics of these markets.

The natures of undiscounted contractual cash flows for financial assets of the Fund are:

(i) The investments have no maturity period; and

(ii) Other financial assets and financial liabilities will contractually mature less than one year from the reporting date at amounts not significantly different from that presented on the statement of financial position.

## 16. 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 year are disclosed in Note 7.

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

## CORPORATE INFORMATION

| | |
|---|---|
| **Manager** | **UOB Asset Management (Malaysia) Berhad (219478-X)** |
| **Registered & Principal Office** | **Level 22, Vista Tower<br>The Intermark<br>348, Jalan Tun Razak<br>50400 Kuala Lumpur<br><br>Tel: 03-2732 1181 Fax: 03-2164 8188<br><br>Website: www.uobam.com.my** |
| **Board of Directors** | **Mr Wong Kim Choong<br>Mr Thio Boon Kiat<br>(alternate to Mr Wong Kim Choong)<br>Mr Seow Voon Ping<br>(alternate to Mr Seow Lun Hoo)<br>Dato' Dr Choong Tuck Yew<br>Mr Khoo Chock Seang<br>En Izlan Bin Izhab<br>Ms Lim Suet Ling (Executive Director & CEO)** |
| **Trustee** | **Deutsche Trustees Malaysia Berhad (763590-H)** |
| **Fund Valuation Service Provider** | **Deutsche Bank (Malaysia) Berhad (312552-W)** |
| **Auditor of the Fund** | **Ernst & Young** |
| **Tax Advisers of the Fund** | **Deloitte Tax Services Sdn Bhd** |
| **Solicitor** | **Wei Chien & Partners** |
| **Investment Manager of the Target Fund** | **UOB Asset Management Ltd, Singapore** |
| **Sub-Manager of the Target Fund** | **Wellington Management Singapore Pte Ltd** |

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