



United Japan Discovery Fund

**Annual Report
30 April 2018**

UNITED JAPAN DISCOVERY FUND

GENERAL INFORMATION ABOUT THE FUND

Commencement Date

United Japan Discovery Fund (the “Fund”) was launched on 12 October 2015 and the initial offer period was 21 days, up to 1 November 2015. The Fund commenced investment on 2 November 2015.

Fund Category and Type

Fund Category - Wholesale (Feeder Fund)

Fund Type - Growth

Name of Target Fund

Target Fund - United Japan Small and Mid Cap Fund (the “Target Fund”)

Investment Objective, Policy and Strategy of the Fund

Investment Objective of the Fund

The Fund seeks to provide investors with long term capital appreciation by investing in the United Japan Small and Mid Cap Fund (the “Target Fund”) which has an investment focus in Japan.

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 United Japan Small and Mid Cap Fund (“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 Japan Small Mid Cap Index (“MSCI Japan SMID Cap Index”), which is also the performance benchmark of the Target Fund.

(Bloomberg Ticker: MXJPSM Index)

Classes of Units

(1) MYR hedged Class and (2) MYR Class.

MYR hedged Class and MYR Class were launched on 12 October 2015.

Distribution Policy

Subject to the availability of income, distribution is incidental. Distribution of income will only be made from realized gains or realized income.

**MANAGER'S REPORT – UNITED JAPAN DISCOVERY FUND
ANNUAL REPORT
(1 MAY 2017 TO 30 APRIL 2018)**

United Japan Discovery Fund - MYR hedged Class

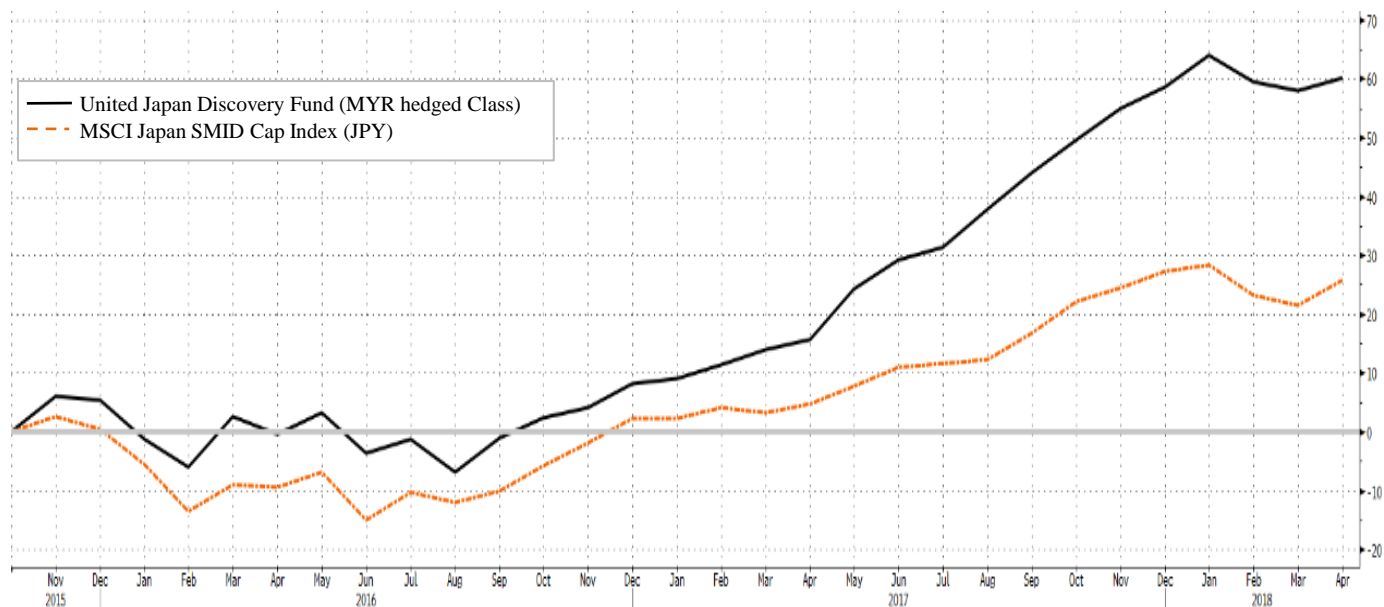
Fund Performance Review

For the period under review, the United Japan Discovery Fund (MYR hedged Class) registered a return of 38.41%, outperforming the benchmark return of 17.65%.

The Fund is 97.32% invested in the Target Fund as at end April 2018.

Fund Performance Data (as at 30 April 2018)

	1 m	3 m	6 m	12 m	YTD	Since inception (2 November 2015)
United Japan Discovery Fund (MYR hedged Class)	1.31%	-2.39%	6.91%	38.41%	0.85%	60.00%
Benchmark: MSCI Japan SMID Cap Index (JPY)	3.48%	-3.92%	1.74%	17.65%	-2.12%	19.65%



Source: UOBAM(M), Bloomberg as at 30 April 2018

Note: The performance of the Fund is benchmarked against the MSCI Japan SMID Cap Index.

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

United Japan Discovery Fund - MYR hedged Class	As at 30 April 2018
Net Asset Value (RM million)	52.65
Units In Circulation (million)	82.26
Net Asset Value Per Unit (RM)	0.6401
Highest Net Asset Value Per Unit (RM)	0.6635
Lowest Net Asset Value Per Unit (RM)	0.3420

United Japan Small and Mid Cap Fund (Target Fund)

Target Fund Performance Review

During the period from May 2017 to April 2018, the Target Fund generated the excess return as intended. Unlike the previous year (May 2016 to April 2017), the market fairly priced in the strong earnings results of the stocks invested in the Target Fund which was the situation that the Target Fund can show attractive performance.

The market was essentially stable throughout the period except for February to March 2018 when the market corrected heavily globally. However, the Target Fund's performance was strong even under the market correction. The only month that the Target Fund heavily underperformed the index was April 2018 which was the month that the market showed sharp recovery after the correction.

Source: UOB Asset Management Ltd

Target Fund Performance Data (as at 30 April 2018)

	1 m	3 m	6 m	1 year	3 years (annualised)	Since inception (10 March 2014) (annualised)
United Japan Small and Mid Cap Fund (JPY Class)	1.33%	-2.32%	6.43%	38.89%	17.33%	20.75%
Benchmark: MSCI Japan SMID Cap Index (JPY)	3.49%	-2.33%	2.62%	19.53%	7.88%	13.25%

Source: UOB Asset Management Ltd, Fund Factsheet as at 30 April 2018

Investment Policy and Strategy employed by the Target Fund

In terms of stock selection, the Target Fund focused on investing in companies which are left undervalued compared to the target price derived from their "EV (Enterprise Value)" analysis.

Investment Policy and Strategy employed by the Target Fund (Continued)

The Target Fund has a large exposure toward domestic demand related sectors such as "Services", "Information & Communication" and "Retail Trade", which they believe it will benefit more for both short and mid-term from the growth strategies such as foster of new industries led by deregulations.

Outlook and Strategy of the Target Fund

Throughout the year (2018), the volatility was essentially created by the geopolitical risks in the market globally. The Japanese stock market has been in the same situation and the Target Fund sees this market condition to continue for a while. In contrast, on the economic front, the Target Fund sees that the fundamentals of global economy as notably sound which may create investors' risk appetite all over the world.

The Target Fund is mainly investing in the stocks that are related to Japan domestic demand to mitigate risks that are difficult to accurately forecast results. The geopolitical risks described above, foreign exchange ("FX") rates, commodity prices are the key examples of risks that the Target Fund intends to minimize the effect.

Investment strategy for next twelve months is as same as the one for last twelve months. The Target Fund utilizes "Earned Value ("EV") analysis" and selects the stocks that their current share prices are not evaluating their future earnings growth.

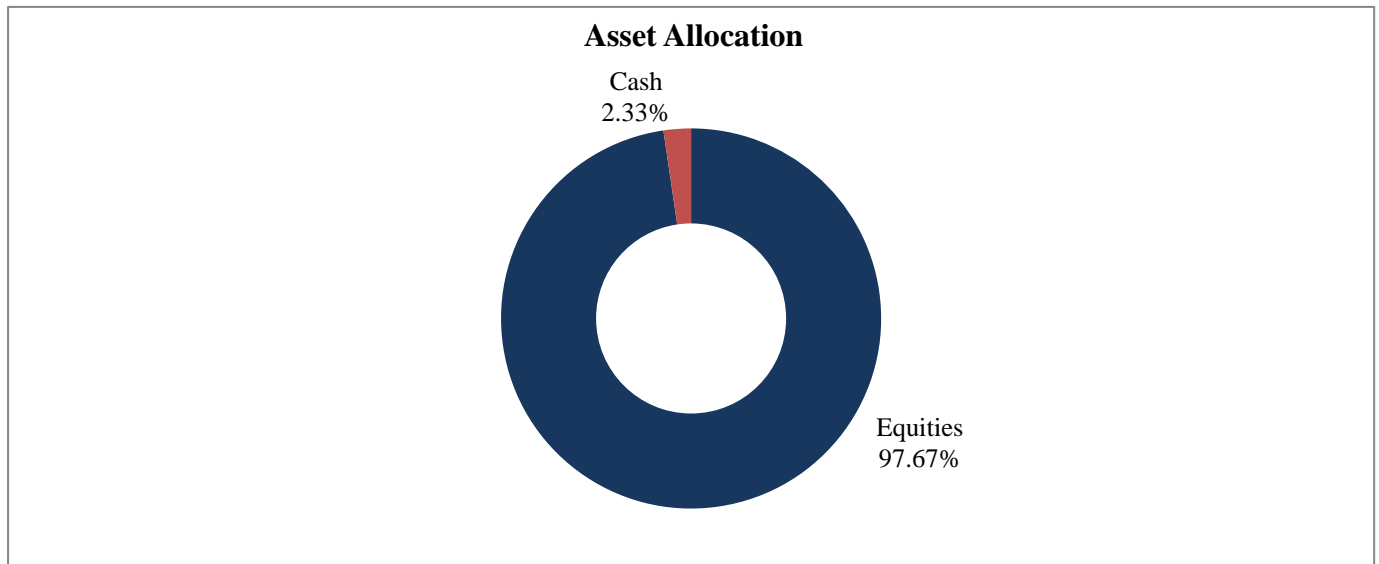
Source: UOB Asset Management Ltd

PORTFOLIO STRUCTURE

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

	As at 30 April 2018 (%)
Collective investment scheme	97.32
Cash and others	2.68
Total	100.00

The pie chart below shows the asset allocation of the Target Fund as at 30 April 2018.



Source: UOB Asset Management Ltd

OTHER MATTER

- (1) As at 30 April 2018, there was no subscription of units in MYR Class. As such, for the period under review, there was no return for MYR Class.

Market Review

During the period (May 2017 to April 2018), Japanese Yen ("JPY") against United States Dollar ("USD") was continuously around JPY110 which the Target Fund believes it was the most stable situation in last 5 years. Under such environment, the market naturally evaluate the earnings growth of Japanese corporates that supported the +16% of Tokyo Price Index ("TOPIX") performance. The TOPIX small cap Index showed stronger performance against the large-caps and the mid-caps therefore the market condition was favorable for the Target Fund.

Source: UOB Asset Management Ltd

UNITED JAPAN DISCOVERY FUND

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018

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TRUSTEE'S REPORT

TO THE UNITHOLDERS OF UNITED JAPAN DISCOVERY FUND

We have acted as Trustee for United Japan Discovery Fund (the "Fund") for the financial year ended 30 April 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.

We are of the view that the unit split made during this financial year ended 30 April 2018 by the Manager is not inconsistent with the objective of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching
Senior Manager, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur, Malaysia
22 June 2018

UNITED JAPAN DISCOVERY FUND

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 14 to 36 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 Japan Discovery Fund** as at 30 April 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
22 June 2018

Independent auditors' report to the unitholders of United Japan Discovery Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of United Japan Discovery Fund ("the Fund"), which comprise the statement of financial position as at 30 April 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 14 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 April 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 Japan Discovery 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 Japan Discovery 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 Japan Discovery 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
22 June 2018

UNITED JAPAN DISCOVERY FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2018**

	Note	2018 RM	2017 RM
ASSETS			
Investments	3	51,242,172	21,600,339
Forward foreign currency contracts	4	754,759	300,477
Amount due from Manager	5	198,806	-
Cash at bank		478,922	1,025,607
TOTAL ASSETS		<u>52,674,659</u>	<u>22,926,423</u>
LIABILITIES			
Amount due to Manager	5	-	497,542
Amount due to Trustee	6	2,756	1,231
Accruals		20,675	21,380
TOTAL LIABILITIES		<u>23,431</u>	<u>520,153</u>
UNITHOLDERS' EQUITY			
Unitholders' capital	7	36,460,498	14,073,028
Retained earnings	7	16,190,730	8,333,242
TOTAL EQUITY, REPRESENTING NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNITHOLDERS	7	<u>52,651,228</u>	<u>22,406,270</u>
TOTAL EQUITY AND LIABILITIES		<u>52,674,659</u>	<u>22,926,423</u>
NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS			
- MYR HEDGED CLASS	7	<u>52,651,228</u>	<u>22,406,270</u>
UNITS IN CIRCULATION			
- MYR HEDGED CLASS	7(a)	<u>82,261,001</u>	<u>38,759,967</u>
NET ASSET VALUE PER UNIT IN MYR			
- MYR HEDGED CLASS		<u>0.6401</u>	<u>0.5781</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- MYR HEDGED CLASS (MYR)		<u>0.6401</u>	<u>0.5781</u>

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

UNITED JAPAN DISCOVERY FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018**

	Note	2018 RM	2017 RM
INVESTMENT INCOME			
Interest income from deposits with a licensed financial institution		24,399	39,050
Net gain on investments at at fair value through profit or loss ("FVTPL")	3		
- net realised gain on sale of investments at FVTPL		4,473,559	9,345,025
- net unrealised gain on changes in fair value	7(c)	226,049	2,701,956
Net realised gain/(loss) on forward foreign currency contracts		2,332,127	(5,276,768)
Net realised foreign currency exchange gain		485,581	376,210
Net unrealised gain on forward foreign currency contracts	7(c)	454,282	1,302,992
		<u>7,995,997</u>	<u>8,488,465</u>
EXPENSES			
Manager's fee	8	52,882	42,544
Trustee's fee	9	23,330	37,231
Auditors' remuneration		9,300	9,000
Tax agent's fee		4,200	4,200
Other expenses		48,797	78,052
		<u>138,509</u>	<u>171,027</u>
NET INCOME BEFORE TAXATION		7,857,488	8,317,438
Tax expense	10	<u>-</u>	<u>-</u>
NET INCOME AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>7,857,488</u>	<u>8,317,438</u>
Net income after taxation is made up of the following:			
Realised amount	7(b)	7,177,157	4,312,490
Unrealised amount	7(c)	680,331	4,004,948
		<u>7,857,488</u>	<u>8,317,438</u>

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

UNITED JAPAN DISCOVERY FUND

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018

	Note	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 May 2016		72,419,508	15,804	72,435,312
Movement in net asset value:				
Total comprehensive income for the financial year		-	8,317,438	8,317,438
Creation of units				
- MYR HEDGED CLASS	7(a)	34,937,948	-	34,937,948
Cancellation of units				
- MYR HEDGED CLASS	7(a)	(93,284,428)	-	(93,284,428)
Balance as at 30 April 2017		<u>14,073,028</u>	<u>8,333,242</u>	<u>22,406,270</u>
Balance as at 1 May 2017		14,073,028	8,333,242	22,406,270
Movement in net asset value:				
Total comprehensive income for the financial year		-	7,857,488	7,857,488
Creation of units				
- MYR HEDGED CLASS	7(a)	85,262,154	-	85,262,154
Cancellation of units				
- MYR HEDGED CLASS	7(a)	(62,874,684)	-	(62,874,684)
Balance as at 30 April 2018		<u>36,460,498</u>	<u>16,190,730</u>	<u>52,651,228</u>

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

UNITED JAPAN DISCOVERY FUND**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018**

	2018	2017
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	29,136,600	77,178,039
Purchase of investments	(54,078,826)	(16,600,056)
Interest received from deposits with a licensed financial institution	24,399	39,050
Manager's fee paid	(50,993)	(49,181)
Trustee's fee paid	(21,805)	(39,524)
Auditors' remuneration paid	(9,000)	(9,000)
Tax agent's fee paid	(4,200)	(4,200)
Payment of other fees and expenses	(49,801)	(87,819)
Net realised foreign currency exchange gain	485,581	376,210
Net realised gain/(loss) on forward foreign currency contracts	2,332,127	(5,276,768)
Net cash (used in)/generated from operating and investing activities	<u>(22,235,918)</u>	<u>55,526,751</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	85,342,075	34,697,550
Payment for cancellation of units	(63,652,842)	(92,992,170)
Net cash generated from/(used in) financing activities	<u>21,689,233</u>	<u>(58,294,620)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(546,685)	(2,767,869)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		
	<u>1,025,607</u>	<u>3,793,476</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		
	<u>478,922</u>	<u>1,025,607</u>
Cash and cash equivalents comprises the following:		
Cash at bank	<u>478,922</u>	<u>1,025,607</u>

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

UNITED JAPAN DISCOVERY FUND

NOTES TO THE FINANCIAL STATEMENTS

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

The United Japan Discovery Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of the Deed dated 9 September 2015 between UOB Asset Management (Malaysia) Berhad (“the Manager”) and Deutsche Trustees Malaysia Berhad (“the Trustee”).

The Fund seeks to provide investors with long term capital appreciation by investing in the United Japan Small and Mid Cap Fund (the "Target Fund") which has an investment focus in Japan. The Fund was launched on 12 October 2015 and commenced for operations on 2 November 2015. As provided in the Master Deed, the accrual period or financial year shall end on 30 April.

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

The financial statements were authorised for issue by the Manager on 22 June 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 the historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia (“RM”).

2.2 Changes in accounting policies

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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', 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 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 amount due from Manager and cash at bank 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, 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(d) Financial liabilities (continued)

The Fund's financial liabilities which include the amount due to Manager and amount due to Trustee 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 statement of comprehensive income 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.

(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 a reduction from retained earnings within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank 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.

(k) Net asset value attributable to unitholders

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(n) Significant accounting estimates and judgments (continued)

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	51,242,172	21,600,339
Net gain on investments at FVTPL comprised:		
- net realised gain on sale of investments at FVTPL	4,473,559	9,345,025
- net unrealised gain on changes in fair value	226,049	2,701,956
	<u>4,699,608</u>	<u>12,046,981</u>

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

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 Japan Small and Mid Cap Fund - JPY Distribution Class ("Target Fund")	655,087	47,276,088	51,242,172	97.32
EXCESS OF FAIR VALUE OVER COST:				
- UNREALISED FAIR VALUE GAIN			5,131,217	
- UNREALISED FOREIGN EXCHANGE LOSS			(1,165,133)	
TOTAL INVESTMENTS AT FVTPL			<u>51,242,172</u>	

4. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 6 (2017: 5) forward foreign currency contracts outstanding.

The notional principal amount of the outstanding forward foreign currency contracts amounted to RM47,299,767 (2017: RM20,265,791).

The forward foreign currency contracts entered into were for hedging against the currency exposure arising from the investments in the collective investment schemes denominated in Japanese Yen ("JPY").

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/(TO) MANAGER

	2018	2017
	RM	RM
Creation of units during the financial year	218,331	298,252
Cancellation of units during the financial year	(15,703)	(793,861)
Manager's fee payable	(3,822)	(1,933)
	<u>198,806</u>	<u>(497,542)</u>

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

6. AMOUNT DUE TO TRUSTEE

	2018	2017
	RM	RM
Trustee's fee payable	<u>2,756</u>	<u>1,231</u>

Amount due to Trustee represents Trustee's fee payable.

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. For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is inclusive of the management fee and the trustee fee for the relevant day.

The NAV per unit of the Fund at a valuation point is determined by dividing the NAV of the Fund at that valuation point by the number of units in circulation of the Fund at the same valuation point.

7. UNITHOLDERS' EQUITY (CONTINUED)

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 30 April 2018, the multi-class ratio used in apportionment for MYR Hedged Class is 100.00 (2017: 100.00).

Net asset value attributable to unitholders is represented by:

	Note	2018 RM	2017 RM
Unitholders' capital			
- MYR HEDGED CLASS	(a)	36,460,498	14,073,028
Retained earnings			
- Realised gain	(b)	11,469,887	4,292,730
- Unrealised gain	(c)	4,720,843	4,040,512
		<u>16,190,730</u>	<u>8,333,242</u>
Total equity, representing NAV attributable to unitholders		<u>52,651,228</u>	<u>22,406,270</u>

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

	Units	2018 RM	Units	2017 RM
At the beginning of the financial year	38,759,967	14,073,028	145,449,070	72,419,508
Creation of units during the financial year	125,679,275	85,262,154	70,543,440	34,937,948
Creation of units via units split during the financial year	15,189,529	-	-	-
Cancellation of units during the financial year	<u>(97,367,770)</u>	<u>(62,874,684)</u>	<u>(177,232,543)</u>	<u>(93,284,428)</u>
At the end of the financial year	<u>82,261,001</u>	<u>36,460,498</u>	<u>38,759,967</u>	<u>14,073,028</u>

The Manager and parties related to the Manager did not hold any units in the Fund as at 30 April 2018 (2017: nil).

7. UNITHOLDERS' EQUITY (CONTINUED)

(b) RETAINED EARNINGS - REALISED

	2018 RM	2017 RM
At the beginning of the financial year	4,292,730	(19,760)
Total comprehensive income for the financial year	7,857,488	8,317,438
Net unrealised gain attributable to investments and others held transferred to unrealised reserve	(680,331)	(4,004,948)
Net increase in realised reserve for the financial year	7,177,157	4,312,490
At the end of the financial year	11,469,887	4,292,730

(c) RETAINED EARNINGS - UNREALISED

	2018 RM	2017 RM
At the beginning of the financial year	4,040,512	35,564
Net unrealised gain attributable to investments and others held transferred to unrealised reserve		
- Investments at FVTPL	226,049	2,701,956
- Forward foreign currency contracts	454,282	1,302,992
	680,331	4,004,948
At the end of the financial year	4,720,843	4,040,512

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 0.20% (2017: 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 (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 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:

	2018	2017
	RM	RM
Net income before taxation	7,857,488	8,317,438
Taxation at Malaysian statutory rate of 24% (2017: 24%)	1,885,797	1,996,185
Tax effects of:		
Income not subject to tax	(1,919,039)	(3,303,656)
Loss not deductible for tax purposes	-	1,266,424
Restriction on tax deductible expenses for unit trust funds	14,924	12,371
Expenses not deductible for tax purposes	18,318	28,676
Tax expense for the financial year	-	-

11. UNITS SPLIT

Details of units split to unitholders during the financial year ended 30 April 2018 are as follows:

Units Split	Units Split	Total
Ex-date	ratio	units
28 November 2017	1 : 4	15,189,529

12. TRANSACTIONS WITH INVESTMENT MANAGER OF THE TARGET FUND

Details of transactions with Investment Manager of the Target Fund for the financial year ended 30 April 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 Limited, Singapore**	83,215,426	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 related parties have been transacted at arm's length basis.

13. MANAGEMENT EXPENSE RATIO ("MER")

	2018 %	2017 %
Manager's fee*	0.15	0.07
Trustee's fee	0.07	0.06
Other expenses	0.19	0.15
Total MER	0.41	0.28

* *Manager's fee net of Target Fund's management fee*

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.

14. PORTFOLIO TURNOVER RATIO ("PTR")

	2018	2017
PTR (times)	1.22	0.76

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.

15. 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 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 bank, are classified as loans and receivables which are measured at amortised cost; and
- (iii) all of the Fund's financial liabilities, comprising the amount due to Manager and amount due to Trustee, are classified as other financial liabilities which are measured at amortised cost.
- (iv) the Fund's forward foreign currency contracts are derivatives which are measured at FVTPL.

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Derivatives at FVTPL RM	Total RM
2018					
Assets					
Investments	51,242,172	-	-	-	51,242,172
Forward foreign currency contracts	-	-	-	754,759	754,759
Amount due from Manager	-	198,806	-	-	198,806
Cash at bank	-	478,922	-	-	478,922
Total financial assets	51,242,172	677,728	-	754,759	52,674,659
Liabilities					
Amount due to Trustee	-	-	2,756	-	2,756
Accruals	-	-	20,675	-	20,675
Total financial liabilities	-	-	23,431	-	23,431

15. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Derivatives at FVTPL RM	Total RM
2017					
Assets					
Investments	21,600,339	-	-	-	21,600,339
Forward foreign currency contracts	-	-	-	300,477	300,477
Cash at bank	-	1,025,607	-	-	1,025,607
Total financial assets	21,600,339	1,025,607	-	300,477	22,926,423
Liabilities					
Amount due to Manager	-	-	497,542	-	497,542
Amount due to Trustee	-	-	1,231	-	1,231
Total financial liabilities	-	-	498,773	-	498,773

(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:

15. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018				
Financial instruments at FVTPL				
Foreign collective investment schemes	-	51,242,172	-	51,242,172
Forward foreign currency contracts	-	754,759	-	754,759
	-	51,996,931	-	51,996,931
2017				
Financial instruments at FVTPL				
Foreign collective investment schemes	-	21,600,339	-	21,600,339
Forward foreign currency contracts	-	300,477	-	300,477
	-	21,900,816	-	21,900,816

(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 bank
- Amount due to Manager
- 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.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks including market risk, non-compliance 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 investments 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	2017
	RM	RM
Investments at FVTPL	<u>51,242,172</u>	<u>21,600,339</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.

	Change in price of investments %	Market value RM	Impact on net profit after taxation and net asset value RM
2018	-5	48,680,063	(2,562,109)
	0	51,242,172	-
	5	53,804,281	2,562,109
		<u>51,242,172</u>	<u>21,600,339</u>
2017	-5	20,520,322	(1,080,017)
	0	21,600,339	-
	5	22,680,356	1,080,017
		<u>21,600,339</u>	<u>21,600,339</u>

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) 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.

(c) 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.

(d) 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.

For the MYR hedged Class

The Fund will be investing in the Class JPY distribution of the Target Fund which is denominated in JPY, however, investors in the MYR hedged Class will be subject to a lower currency risk at the Fund level as the Manager will minimise this risk by hedging the foreign currency exposure. Investors should note that by employing this hedging, investors would not be able to enjoy the additional currency gains when JPY moves favourably against the RM. Additional transaction costs of hedging will also be borne by investors in the MYR hedged Class.

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

	2018	2017
	RM	RM
<u>JPY</u>		
Investments at FVTPL	51,242,172	21,600,339
Forward foreign currency contracts	754,759	300,477
	<u>51,996,931</u>	<u>21,900,816</u>

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Currency risk (continued)

The following table 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.

	Change in foreign exchange rate %	Impact on net profit after taxation and net asset value RM
2018		
JPY	+5	2,599,847
	-5	(2,599,847)
2017		
JPY	+5	1,095,041
	-5	(1,095,041)

(e) 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 may be listed in some Asian and/or emerging markets and may 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. As such, the Target Fund will be exposed to liquidity risk when the Target Fund is invested in 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.

17. 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(a).

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 The Intermark 348, Jalan Tun Razak 50400 Kuala Lumpur Tel: 03-2732 1181 Fax: 03-2164 8188 Website: www.uobam.com.my
Board of Directors	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)
Trustee	Deutsche Trustees Malaysia Berhad (763590-H)
Fund Valuation Service Provider	Deutsche Trustees Malaysia Berhad (763590-H)
Auditor of the Fund	Ernst & Young (AF0039)
Tax Agent of the Fund	Deloitte Tax Services Sdn Bhd (36421-T)
Solicitor of the Fund	Wei Chien & Partners
Investment Manager of the Target Fund	UOB Asset Management Ltd (198600120Z)
Sub-Manager of the Target Fund	Sumitomo Mitsui Asset Management Company Limited

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