



# ASEAN Equity Fund

Interim Report

30<sup>th</sup> June 2018  
(Unaudited)

## **Fund Manager**

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## **Trustee**

**SCBMB TRUSTEE BERHAD** (1005793-T)

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# 1. FUND MANAGER'S REPORT

## FUND NAME

ASEAN Equity Fund ("the Fund")

## TYPE OF FUND

Growth Fund

## CATEGORY OF FUND

Shariah-compliant Equity

## INVESTMENT OBJECTIVE

To achieve long-term capital growth by investing in Southeast Asian markets.

## DISTRIBUTION POLICY

Subject to availability of income, distributions will be made on a yearly basis.

Any distributions shall be automatically reinvested in additional Units at the date of distribution, unless the Unit Holder specifically requests, in the application or in writing, for distributions to be made via cash payment. Any unclaimed distribution cheques will be automatically reinvested in additional Units at the expiry of the six-month validity period for cheques, based on the prevailing Net Asset Value (NAV) seven (7) Business Days after the validity period of the cheques.

## BREAKDOWN OF UNIT HOLDINGS BY SIZE

Units	No. of Unitholders	%	Unit holdings	%
400 to 50,000	17	77.26	73,855	0.69
50,001 to 100,000	1	4.55	93,730	0.87
100,001 to 500,000	2	9.09	574,671	5.35
500,001 to 1,000,000	1	4.55	500,770	4.66
1,000,001 & above	1	4.55	9,507,663	88.43
<b>Total</b>	<b>22</b>	<b>100.00</b>	<b>10,750,689</b>	<b>100.00</b>

## PERFORMANCE BENCHMARK

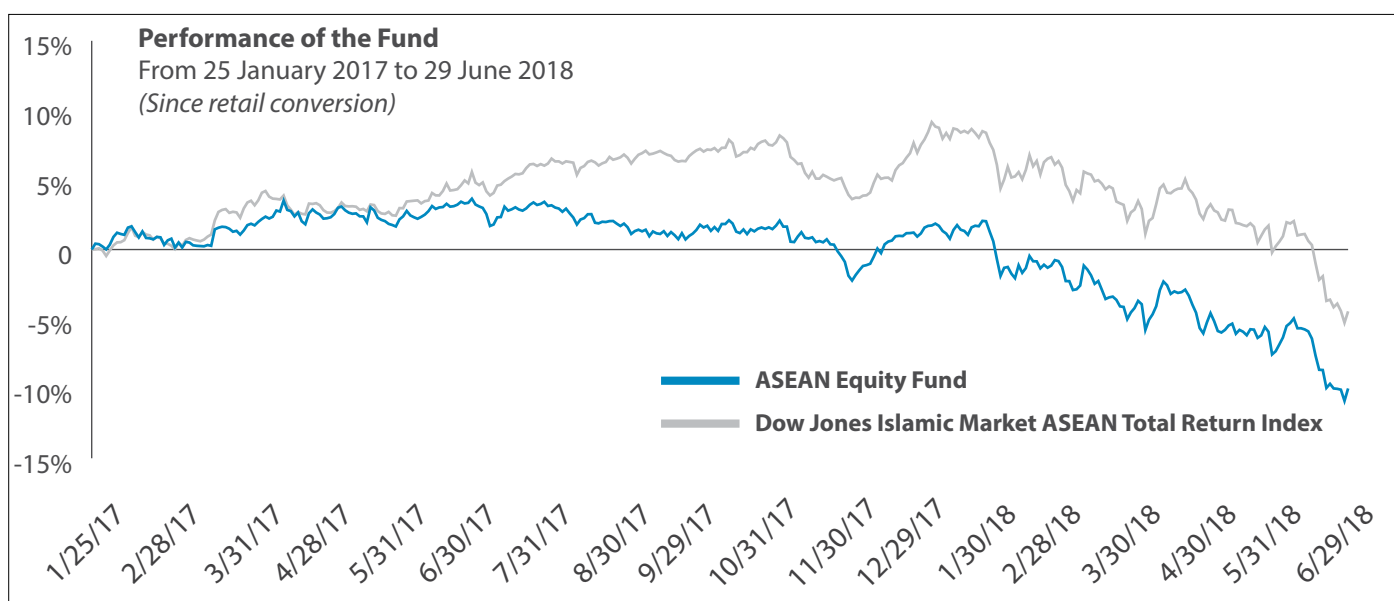
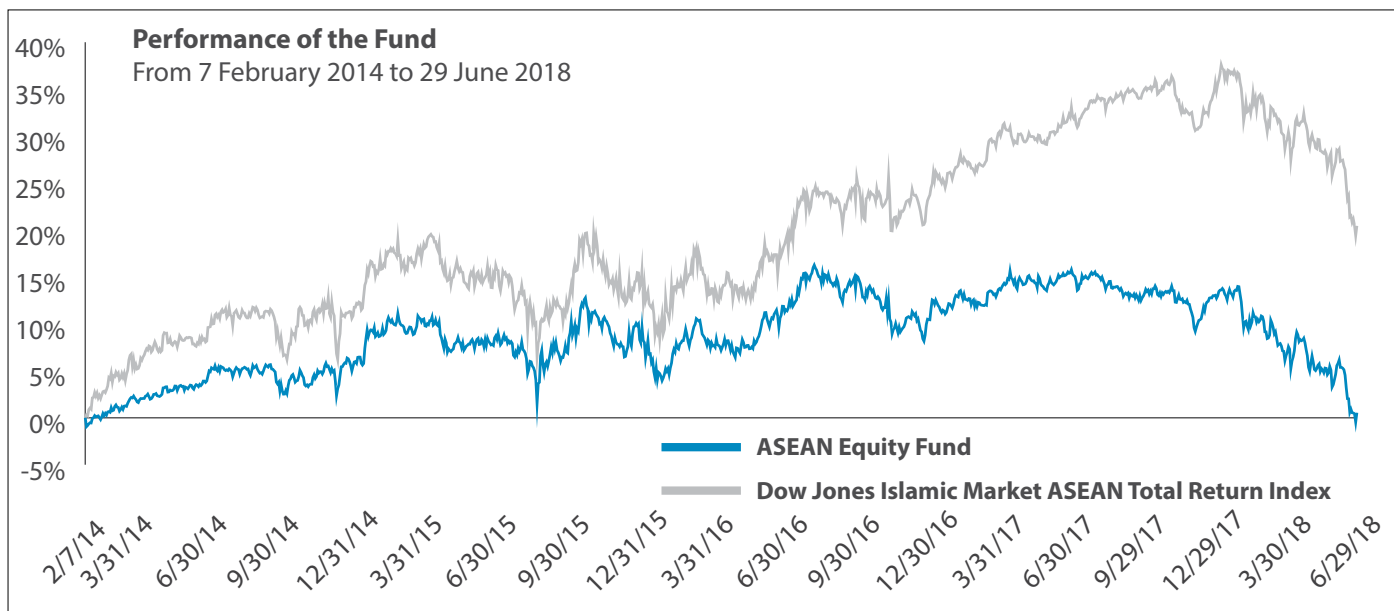
Dow Jones Islamic Market ASEAN Total Return Index ("the Benchmark").

## FUND PERFORMANCE

In 1H2018, the Fund registered a return of -11.07% compared to the Benchmark's -11.24%. The slight overperformance of the Fund relative to its benchmark can be mainly attributed to the Fund's cash holdings. We hold roughly 9.8% cash in the portfolio (as of June 29, 2018) compared with 6.6% at the end of 2017 as we will continue to look for exciting catalysts and take appropriate long-term positions.

In terms of stock holdings, Nestle (Malaysia), PTT Exploration & Production, and Hartalega contributed meaningfully to returns whereas Gamuda, Carabao and Telekom Malaysia were among the detractors.

Lastly, the Manager strives to increase the value of the fund over the long term.



Benchmark: Dow Jones Islamic Market ASEAN Total Return Index

## FINANCIAL PERFORMANCE

	As at 30 June 2018	As at 30 June 2017	As at 30 June 2016
Net Asset Value (RM)	10,808,632	12,307,606	11,863,577
Units in Circulation (units)	10,750,689	10,661,171	10,604,987
Net Asset Value / unit (RM)	1.0054	1.1544	1.1187
Highest NAV (RM)	1.1399	1.1562	1.1188
Lowest NAV (RM)	0.9954	1.1044	1.0396
Total Return			
Capital growth	-11.07%	4.51%	1.69%
Income distribution	-	-	-
Final Distribution			
Gross Distribution/unit	-	-	-
Net Distribution/unit	-	-	-
Date of Distribution	-	-	-
Portfolio Composition			
Quoted Equity Securities	90.11%	88.06%	85.20%
Other Liquid Assets	9.89%	11.94%	14.80%
Management Expense Ratio	0.41%	0.84%	0.61%
Portfolio Turnover Ratio	0.11 times	0.14 times	0.08 times
Official Launching Date	7 February 2014	7 February 2014	7 February 2014
Conversion to unit trust fund	25 January 2017	25 January 2017	25 January 2017

### Management Expense Ratio

The management expense ratio for the financial period is 0.41%

Management Expense Ratio is derived from the following calculation:

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

A = Administration Fee

B = Distribution Fee

C = Trustee Fee

D = Performance Fee

E = Audit Fee

F = Tax Agent's Fee

G = Other Expenses

H = Average NAV of the Fund, calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM11,608,086.41.

### Portfolio Turnover Ratio

The portfolio turnover ratio for the financial period is 0.11 times.

The portfolio turnover ratio is derived from the following calculation:

$$\frac{\left( \text{Total acquisition for the financial period} + \text{Total disposal for the financial period} \right)}{\text{Average NAV of the Fund for the financial period calculated on a daily basis}} \div 2$$

### Where:

total acquisition for the financial period = RM 1,360,901.35

total disposal for the financial period = RM 1,133,834.37

## TOTAL RETURN (in %)

Total Return is based on NAV to NAV with distribution reinvested. Below is total return of the Fund as at 30 June 2018 since inception.

	(1 Jan 18 – 30 June 18)	(1 Jan 17 – 30 June 17)	(1 Jan 16 – 30 June 16)	(1 Jan 15 – 30 June 15)	Since Inception (7 Feb 14 – 30 June 18)
<b>The Fund</b>	-11.07%	4.51%	1.69%	1.45%	0.54%
<b>Performance Benchmark</b>	-11.24%	6.96%	2.41%	2.37%	20.44%

**Note:** Total Return of the Fund is derived by this formula:

$$\left\{ \left[ \frac{\text{End of Period FY Current Year NAV per unit}}{\text{End of Period FY Previous Year NAV per unit}} \right] - 1 \right\} \times 100$$

## AVERAGE TOTAL RETURN (in %)

Average Total Return is derived by the formula:

$$\frac{\text{Total Return}}{\text{Number of Years Under Review}}$$

Average Total Return for the Following Periods Ended 30 June 2018.

	1-year (30 June 17 – 30 June 18)	3-year (30 June 15 – 30 Jun 18)	Since Inception (7 Feb 14 – 30 June 18)
<b>The Fund</b>	-12.91%	-2.25%	0.12%
<b>Performance Benchmark</b>	-8.78%	1.93%	4.54%

*Unit prices and return may fluctuate, past performance is not necessarily indicative of future performance.*

## STOCK MARKET REVIEW

Markets remained volatile during the first half as the trade war rhetoric between the US and China escalated further. President Trump threatened to impose additional import tariffs of up to \$200 billion on Chinese products, if China continues to retaliate against US duties on imports announced earlier. As a result, the global markets saw increased volatility and mixed returns as most investors believe the tariffs could undermine global competitiveness and hurt the US and other major economies. On the political front, relations between the US and North Korea seem to have eased following the historic meeting between Trump and North Korean leader Kim Jong-un.

### Tensions between Trump and the European leaders also made the headlines as the US imposed tariffs on European steel and aluminum.

In the US, consumer confidence remained near a 17-year high, but the PMI Manufacturing Activity Index retreated in June from strong levels recorded earlier in the year, as companies reported weaker output and order book growth alongside rising prices. The Eurozone economy registered modest but decelerating growth with industrial production declining in Germany, and exports falling. Tensions between Trump and the European leaders also made the headlines as the US imposed tariffs on European steel and aluminum.

The Chinese economy continued to perform well with the first quarter GDP posting 6.8% growth, with services doing particularly well. However, with a growing trade dispute with the US, most economists expect the growth to slow down later during the year. Elsewhere, Japan's economy is also beginning to see reduced manufacturing activity driven by weak exports due to the global trade dynamics.

Driven by a rising US treasury yield and the appreciation of the US dollar, most emerging markets—including those in ASEAN—experienced a selloff. The ASEAN region is generally export-oriented and could be further impacted if the global trade rows are extended.

For the second quarter, S&P 500 rose 2.9% with the Dow up 0.7% in the US. In Europe, the FTSE climbed 8.22% and the DAX rose around 1.7%. By contrast, emerging markets fared poorly with the MSCI Emerging Markets Index falling 8.5%. On a year-to-date basis, most major markets except the FTSE fell.

For the rest of 2018, the course of the global markets will likely be dictated and shaped by the US policy towards European, Chinese, and North American trade, and the counter-policies undertaken by these blocs. Growth in China and Asia, as well as Europe, would also be instrumental along with earnings in the US.

### Malaysia

Malaysia's economy grew 5.4% in 1Q2018 and expected to grow by 5.5-5.6% in the 2Q2018, as forecasted by Bank Negara. According to World Bank, Malaysia's GDP is expected to grow by 5.4% in 2018, on the back of sustained high level of private sector expenditure. Malaysia had a general election on 9th May 2018, which resulted in Malaysia's first transfer of power since independence in 1957, where Pakatan Harapan took over the government from Barisan Nasional. Moving forward, economists are bullish on the economy, driven by export growth as well as private expenditure on the back of steady private investment and pick-up in private consumption with the removal of the goods and services tax (GST) and being replaced by the sales and services tax in September.

KLCI fell by 8.15% in 2Q2018 in local currency.

### Indonesia

Indonesia's GDP grew 5.06% in the 1Q2018. Consumer demand continued to disappoint, with household spending rising 4.95% in 1Q2018, from a year earlier. In 2018, Indonesia's economy is forecasted to grow at 5.4%, according to Indonesia's Finance Ministry. Economic drivers in 2018 will include the 2018 Asian Games in Jakarta and Palembang as well as the IMF/World Bank meeting on Bali. On the other hand, the strengthening of commodity prices will also boost Indonesia's export performance.

The JCI fell 3.91% in local currency in 2Q2018.

### Singapore

According to the latest quarterly survey by the Monetary Authority of Singapore, the economists continue to expect the GDP to grow 3.2% in 2018. However, the growth in 2018 is now expected to be driven less by electronics exports and more by services growth. Overall, the economists remain concerned about the US and China trade dispute escalating. Of note, Singapore's export growth is linked strongly with the Chinese and US growth.

FTSE Straits Times Index fell by 2.02% in 2Q2018 in local currency.

## Thailand

Thailand's economy is expected to grow at 4.0% in 2018 compared with 3.9% in 2017, according to central bank forecasts. The country continues to benefit from the manufacturing and electronics sector expansion (though this trend could change). In addition, tourism, particularly tourists from China, remain a key driver of growth along with infrastructure projects picking up steam.

There are no further updates on elections, which are scheduled for February 2019, and the coronation ceremony for King Rama X.

SET index decreased by 9.70% in the second quarter of 2018 in local currency, the most across the region.

## Philippines

Philippines' GDP grew 6.8% in 1Q2018 and the economists expect full year 2018 growth to come at 6.7% mainly driven by government's infrastructure programs, exports, and outsourcing services. Of note, inflation has been rising steadily in Philippines, currently standing at a 5-year high of 4.6%, the highest in the ASEAN region.

PSE Composite Index retreated 9.35% in the second quarter in local currency.

## MARKET OUTLOOK AND INVESTMENT STRATEGY

We are less optimistic on the ASEAN region in the near term, as declining exports and unstable currencies could put a damper on growth. We are more optimistic over the medium to longer-term and will continue to look for exciting catalysts and take appropriate long-term positions. Within the region, we favor Malaysia, Singapore, and Thailand over Indonesia and Philippines.



## ASSET ALLOCATION OF THE FUND

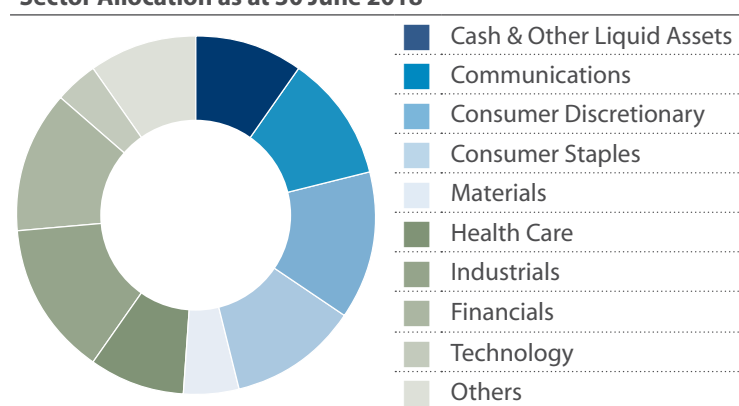
	30 June 2018	30 June 2017	30 June 2016
	% of NAV	% of NAV	% of NAV
<b>Malaysia</b>			
Communications	2.41	3.48	5.91
Consumer Discretionary	0.34	1.16	0.96
Consumer Staples	3.55	2.07	-
Financials	9.52	8.43	7.07
Health Care	5.57	4.83	5.39
Industrials	8.66	6.28	2.82
Materials	-	-	1.98
Utilities	2.17	-	-
<b>Total</b>	<b>32.22</b>	<b>26.25</b>	<b>24.13</b>
<b>Indonesia</b>			
Communications	3.63	4.38	3.79
Consumer Discretionary	3.61	5.10	4.89
Consumer Staples	4.96	6.15	4.81
Health Care	1.90	3.62	3.34
Industrials	1.12	1.77	-
Materials	1.55	2.96	4.78
<b>Total</b>	<b>16.77</b>	<b>23.98</b>	<b>21.61</b>
<b>Singapore</b>			
Communications	2.58	3.02	3.17
Consumer Discretionary	4.51	2.52	2.00
Financials	3.27	5.01	4.62
Industrials	2.68	2.38	2.12
Technology	2.19	-	-
<b>Total</b>	<b>15.23</b>	<b>12.93</b>	<b>11.91</b>
<b>Thailand</b>			
Communications	2.62	1.23	1.22
Consumer Discretionary	1.72	1.17	4.67
Consumer Staples	2.00	1.35	-
Energy	4.28	2.42	2.19
Health Care	1.17	1.13	0.90
Materials	-	-	2.49
Technology	1.63	1.06	-
<b>Total</b>	<b>13.42</b>	<b>8.36</b>	<b>11.47</b>
<b>Philippines</b>			
Communications	-	1.81	2.24
Consumer Discretionary	3.31	2.55	3.14
Consumer Staples	1.14	2.03	5.43
Industrials	1.43	1.24	-
Materials	3.36	4.70	2.61
Utilities	3.23	4.21	2.66
<b>Total</b>	<b>12.47</b>	<b>16.54</b>	<b>16.08</b>
<b>TOTAL</b>	<b>90.11</b>	<b>88.06</b>	<b>85.20</b>
Cash & Other Liquid Assets	9.89	11.94	14.80
<b>GRAND TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Continued on next page.

## ASSET ALLOCATION OF THE FUND (continued)

By Sector	30 June 2018	30 June 2017	30 June 2016
	% of NAV	% of NAV	% of NAV
Cash & Other Liquid Assets	9.89	11.94	14.80
Communications	11.24	13.92	16.33
Consumer Discretionary	13.49	12.50	15.66
Consumer Staples	11.65	11.60	10.24
Financials	12.79	13.44	11.69
Health Care	8.64	9.58	9.63
Industrials	13.89	11.67	4.94
Materials	4.91	7.66	11.86
Technology	3.82	-	-
Others	9.68	7.69	4.85
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

### Sector Allocation as at 30 June 2018



### Fund performance from 30 June 2017 to 30 June 2018

	30 June 18 RM	30 June 17 RM	% Change
Total NAV (Inclusive of Injection)	10,808,632	12,307,606	-12.18
NAV/unit	1.0054	1.1544	-12.91

### Top Five Investments as at 30 June 2018

Stock	Weight
PTT Exploration & Production	4.28%
Hartalega Holdings	3.88%
Telekomunikasi Indonesia	3.63%
Nestle(Malaysia) Berhad	3.55%
Syarikat Takaful Malaysia	3.46%

## DETAILS OF DISTRIBUTION AND UNIT SPLIT

For the period under review, no distribution and unit split was made by the Fund.

## DISCLOSURE OF CIRCUMSTANCES THAT MATERIALLY AFFECT THE INTEREST OF THE UNITHOLDER

For the period under review, there were no circumstances that materially affect any interest of the unitholder.

## POLICY ON STOCKBROKING, REBATES, AND SOFT COMMISSION

The Fund Manager does not retain any rebate from, or otherwise share in any commission with, any broker/dealer in consideration for directing dealings in the investments of the Fund. Accordingly, any rebate or shared commission will be directed to the account of the Fund. The Fund Manager may direct portfolio trades to Saturna Brokerage Services, Inc., an affiliated brokerage firm, provided, however, that the Fund pays no brokerage commission or other charges on such trades.

## 2. TRUSTEE'S REPORT

### TO THE UNITHOLDERS OF ASEAN EQUITY FUND

We have acted as Trustee for **ASEAN Equity Fund** ("the Fund") for the financial period ended 30 June 2018. To the best of our knowledge, for the year under review, **Saturna Sdn. Bhd.** ("the Manager") has operated and managed the Fund in accordance with the following:

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

For **SCBMB Trustee Berhad**

(Company No: 1005793T)

**Prasad A/L S Vijayasundram**

Chief Executive Officer

Kuala Lumpur, Malaysia

1 August 2018

### 3. STATEMENT BY THE FUND MANAGER

For the Financial Period Ended 30 June 2018

We, **Monem A. Salam** and **Dato' Dr. Lee Chee Kuon**, being two of the directors of **Saturna Sdn. Bhd.**, do hereby state that, in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of **ASEAN EQUITY FUND** at 30 June 2018 and of its financial performance and cash flows for the financial period then ended on that date and comply with the requirements of the Deed.

On behalf of the Board in accordance with a resolution of the Board of Directors of the Manager,



**Monem Salam**

President, Saturna Sdn Bhd  
Portfolio Manager



**Dato' Dr. Lee Chee Kuon**

Director, Saturna Sdn Bhd

Kuala Lumpur, Malaysia

31 July 2018

## 4. SHARIAH ADVISOR'S REPORT

We have acted as the Shariah Adviser of **ASEAN Equity Fund** ("the Fund") for the 6-month financial period ended 30 June 2018. Our responsibility is to ensure that the procedures and processes employed by Saturna Sdn Bhd are in accordance with Shariah principles.

In our opinion, Saturna Sdn Bhd has managed and administered the Fund in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the 6-month financial period ended 30 June 2018.

We also confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah compliant by the Shariah Advisory Council (SAC) of the SC. For securities not certified by the SAC of the SC, we have reviewed the said securities and opine that these securities are designated as Shariah compliant.

Thank you.

Yours sincerely,

For **AMANIE ADVISORS SDN BHD (684050-H)**

**Datuk Dr. Mohd Daud Bakar**

Chief Executive Officer

Kuala Lumpur, Malaysia

1 August 2018

## 5. UNAUDITED STATEMENT OF FINANCIAL POSITION

### Opinion

In the opinion of the Fund Manager, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Unit Trust Fund so as to give a true and fair view of the financial position of the Fund as at 30 June 2018 and of its financial performance, the changes in net asset value and the cash flows of the Fund for the period then ended.

	As at 30 June 18 RM	As at 31 December 17 RM
<b>Investments</b>		
Financial asset at fair value through profit or loss	9,741,530	10,964,224
Shariah-based deposits	953,122	1,174,785
	<b>10,694,652</b>	<b>12,139,009</b>
<b>Other Assets</b>		
Amount due from stockbrokers	-	-
Amount due from management company	-	-
Cash at bank	139,370	102,580
Other receivable	24,075	17,634
	<b>163,445</b>	<b>120,214</b>
<b>Total Assets</b>	<b>10,858,097</b>	<b>12,259,223</b>
<b>Liabilities</b>		
Amount due to manager	38,206	62,613
Amount due to trustee	426	527
Other payables	10,833	14,628
	<b>49,465</b>	<b>77,768</b>
<b>Net asset value attributable to Unitholders</b>	<b>10,808,632</b>	<b>12,181,455</b>
<b>Total equity and liabilities</b>	<b>10,858,097</b>	<b>12,259,223</b>
<b>Number of units in circulation</b>	<b>10,750,689</b>	<b>10,775,413</b>
<b>Net asset value per unit</b>	<b>1.0054</b>	<b>1.1305</b>

## 6. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

For the financial period ended 30 June 2018

	1 January 2018 to 30 June 2018 RM	1 January 2017 to 30 June 2017 RM
<b>Income</b>		
Profit from short-term Shariah-based deposits	9,789	24,133
Gross Dividends Income	197,300	173,622
Net loss on foreign exchange	(1,046)	(1,177)
Net gain on financial assets at fair value through profit or loss	(1,449,746)	460,251
	<b>(1,243,703)</b>	<b>656,829</b>
<b>Less: Expenses</b>		
Administration fee	14,246	14,848
Distribution fee	14,246	14,848
Performance fee	0	52,640
Trustee's fee	2,849	2,970
Auditors' fee	4,931	5,119
Tax agent's fee	6,874	1,487
Other expenses	4,792	9,735
	<b>47,938</b>	<b>101,647</b>
<b>Net profit before taxation &amp; purification</b>		
	<b>(1,291,641)</b>	<b>555,182</b>
Purification	31,850	0
<b>Net profit before taxation &amp; after purification</b>	<b>(1,323,491)</b>	<b>555,182</b>
Taxation	(22,334)	(26,560)
<b>Net profit after taxation &amp; purification</b>	<b>(1,345,825)</b>	<b>528,622</b>
<b>Net profit/(loss) after taxation is made up as follows:</b>		
Realized	<b>(39,519)</b>	<b>151,881</b>
Unrealized	<b>(1,306,306)</b>	<b>376,741</b>

## 7. UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE

For the financial period ended 30 June 2018

	Unitholders' Capital RM	Retained Earnings RM	Total Net Asset Value RM
Net asset value as at 1 January 2017	10,625,720	1,088,766	11,714,486
<b>Movement due to creation / (cancellation) of units during the period:</b>			
Creation of units	69,376	-	69,376
Cancellation of units	(4,878)	-	(4,878)
Total comprehensive Income for the financial year	-	528,622	528,622
<b>Net asset value as at 30 June 2017</b>	<b>10,690,218</b>	<b>1,617,388</b>	<b>12,307,606</b>
Net asset value as at 1 January 2018	10,820,365	1,361,090	12,181,455
<b>Movement due to creation / (cancellation) of units during the period:</b>			
Creation of units	102,161	-	102,161
Cancellation of units	(129,159)	-	(129,159)
Total comprehensive Income for the financial year	-	(1,345,825)	(1,345,825)
<b>Net asset value as at 30 June 2018</b>	<b>10,793,367</b>	<b>15,265</b>	<b>10,808,632</b>



## 8. UNAUDITED STATEMENT OF CASH FLOWS

For the financial period ended 30 June 2018

	1 January 2018 to 30 June 2018 RM	1 January 2017 to 30 June 2017 RM
<b>Cash flows from operating and Investing activities</b>		
Proceeds from sale of investments	1,133,834	1,195,953
Purchase of investments	(1,360,901)	(2,117,231)
Dividend received	167,462	129,251
Profit Murabahah received	9,822	24,674
Administration fee paid	(15,631)	(15,784)
Audit fee paid	(11,702)	(12,733)
Performance fee paid	(29,127)	(5,017)
Purification paid	(31,850)	-
Distribution fee paid	(7,558)	(13,893)
Trustee's fee paid	(3,095)	(2,978)
Tax Agent fee paid	(5,491)	-
Payment for other fees and expenses	(3,638)	(3,327)
Tax Recoverable	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>(157,875)</b>	<b>(821,085)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of units	102,161	69,377
Payments for cancellation of units	(129,159)	(4,878)
<b>Net cash generated / (used in) from financing activities</b>	<b>(26,998)</b>	<b>64,499</b>
<b>Net increase / (decrease) In cash and cash equivalents</b>	<b>(184,873)</b>	<b>(756,586)</b>
Cash and cash equivalents at beginning of the period	1,277,365	2,294,032
<b>Cash and cash equivalents at end of the period</b>	<b>1,092,492</b>	<b>1,537,446</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank	139,370	149,382
Shariah-based deposits	953,122	1,388,064
	<b>1,092,492</b>	<b>1,537,446</b>

## 9. NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

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

ASEAN EQUITY FUND (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Trust Deed dated 16 December 2013 (hereinafter referred to as “the Deed”) between the Manager, Saturna Sdn. Bhd. and the Trustee, Deutsche Trustees Malaysia Berhad. Subsequently, change of a Trust Deed dated 23 November 2015 between the Manager, Saturna Sdn Bhd. and the Trustee, SCBMB Trustee Berhad.

The principal activity of the Fund is to invest in a diversified portfolio of Shariah-compliant equities across the ASEAN region. The objective of the Fund is to provide long-term capital growth. The Fund’s investments comply with Shariah requirements as prescribed by its Shariah Adviser. The Fund was launched on 7 February 2014 and will continue its operations until terminated by the Trustee as provided under Part 11 of the Trust Deed.

The Manager, Saturna Sdn. Bhd. is principally engaged in funds management activity. The Manager is incorporated in Malaysia.

#### 2. BASIS OF PREPARATION

The financial statements of the Fund are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards.

**2.1** During the current financial year, the Fund has adopted all the new accounting standards and/or interpretations (including the consequential amendments, if any):

**2.2** The Fund has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

<b>MFRSs and IC Interpretation (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Fund.

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 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 the financial assets are recognised initially, they are measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets (other than a financial asset at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate.

The Fund determines the classification of its financial assets initial recognition, and the categories include financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

#### **(a) Financial Assets at Fair Value through Profit or Loss ("FVTPL")**

Financial assets are classified as financial assets at FVTPL when the financial assets is either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Financial assets held for trading include equity securities and derivatives instruments 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 financial assets at fair value through profit or loss". Profit earned and dividend income elements of such instruments are recorded separately in 'Profit income from Islamic deposits', and 'Gross dividend income', respectively. Exchange differences on financial assets at FVTPL are not recognised separately in profit or loss but are included in net gains or net losses on changes in fair value of financial assets at FVTPL.

#### **(b) Available-for-sale Financial Assets**

Available-for-sale financial assets are non-derivative assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income except that impairment losses, foreign exchange gains and losses on monetary instruments, dividend income and profit calculated using the effective profit method are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment when the financial asset is derecognised. Profit income from Islamic deposits calculated using the effective profit method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Fund's right to receive payment is established.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value for financial instruments traded in active markets at the reporting date is based in their quoted price or binding dealer price quotations, without any deduction for transaction costs.

A financial asset is derecognised when the asset is disposed of and the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Fund commit to purchase or sell the asset.

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *(c) Loans and Receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Fund includes short term receivables in this classification.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective profit method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, or through the amortisation process.

#### 3.2 IMPAIRMENT OF FINANCIAL ASSETS

The Fund assesses at each reporting date whether there is any objective evidence that financial asset is impaired.

##### *(a) Available-for-sale Financial Assets*

Significant or prolonged decline in fair value below cost, significantly financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss, up to the amount previously recognised as impairment loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

##### *(b) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost*

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 significantly financial difficulties of the debtor and default or significantly 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 assets' original effective profit rate. The impairment loss is recognised in 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 profit or loss.

#### 3.3 CLASSIFICATION OF REALISED AND UNREALISED GAINS AND LOSSES

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period from the reversal of the prior period's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified as part of 'at fair value through profit or loss' are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin account for such instruments).

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.4 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. Financial liabilities are classified as other financial liabilities.

The Fund's financial liabilities which include trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using effective profit method.

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

#### 3.5 FUNCTIONAL AND FOREIGN CURRENCIES

##### *(a) 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 Ringgit Malaysia ("RM"), which is also the Fund's functional currency.

##### *(b) Foreign Currency Transactions and Balances*

Transactions in foreign currencies are measured in the functional currency of the Fund and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the statement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the transaction on non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences from such non-monetary items are also directly in equity.

#### 3.6 UNITHOLDERS' CONTRIBUTION

The Unitholders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments.

#### 3.7 DIVIDEND DISTRIBUTION

Dividend distributions are at the discretion of the Fund. A dividend to the Fund's Unitholders is accounted for as a deduction from realised reserves except where dividend is sourced out of distribution equalisation which is recognised as a liability in the period in which it is approved.

#### 3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

*Continued on next page.*

## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.9 INCOME

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

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

Profit income from deposits is recognised on an accrual basis using the effective profit method.

#### 3.10 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.

Current taxes are recognised in profit or loss except to the extent that the tax related to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

#### 3.11 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

No major judgements have been made by the Manager of the Fund 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 significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year.

#### 3.12 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

**Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets 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 transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 4. INVESTMENTS

	2018 RM	2017 RM
<b>Financial assets at FVTPL</b>		
<b>Quoted Investments</b>	<b>9,741,530</b>	<b>10,837,543</b>

All of the investments of the Fund are classified as financial assets at FVTPL.

	2018 RM	2017 RM
Net gain/(loss) on financial assets at FVTPL comprised:		
Realized gain/(loss) on disposals	(143,440)	83,510
Unrealized changes in fair value	(1,306,306)	376,741
	<b>1,449,746</b>	<b>460,251</b>

*Continued on next page.*

## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 4. INVESTMENTS *(continued)*

Financial Assets held for trading as at 30 June 2018 are as detailed below:

2018	Quantity (Units)	Cost (RM)	Market Value (RM)	% of NAV
<b>Malaysia</b>				
<b>Communications</b>				
Axiata Group Bhd	39,000	255,601	148,200	1.37
Telekom Malaysia	36,000	210,955	111,960	1.04
		<b>466,556</b>	<b>260,160</b>	<b>2.41</b>
<b>Consumer Discretionary</b>				
Sime Darby Bhd	15,000	27,709	36,750	0.34
<b>Consumer Staples</b>				
Nestle (Malaysia) Bhd	2,600	203,997	383,500	3.55
<b>Financials</b>				
Al-'Aqar Healthcare REIT	147,000	203,854	179,340	1.66
Axis Real Estate Investment Trust	150,000	245,888	219,000	2.03
BIMB Holdings Bhd	66,600	270,540	256,410	2.37
Syarikat Takaful Malaysia	95,000	217,157	374,300	3.46
		<b>937,439</b>	<b>1,029,050</b>	<b>9.52</b>
<b>Health Care</b>				
IHH Healthcare Bhd	52,000	215,135	317,200	2.93
KPJ Healthcare Bhd	280,000	249,886	285,600	2.64
		<b>465,021</b>	<b>602,800</b>	<b>5.57</b>
<b>Industrials</b>				
Gamuda Bhd	86,000	408,583	281,220	2.60
Hartalega Holdings Bhd	70,000	122,545	419,300	3.88
Muhibbah Engineering Bhd	40,000	120,633	120,000	1.11
Pos Malaysia Bhd	29,000	147,561	115,420	1.07
		<b>799,322</b>	<b>935,940</b>	<b>8.66</b>
<b>Utilities</b>				
Tenaga Nasional Bhd	16,000	244,539	234,240	2.17
<b>Indonesia</b>				
<b>Communications</b>				
Telekomunikasi Indonesia	370,000	256,085	392,276	3.63
<b>Consumer Discretionary</b>				
Ace Hardware Indonesia	450,000	173,137	161,575	1.49
Matahari Department Store	92,000	401,748	228,891	2.12
		<b>574,885</b>	<b>390,466</b>	<b>3.61</b>
<b>Consumer Staples</b>				
Indofood CBP Sukses Makmur	100,000	264,824	250,209	2.31
Unilever Indonesia	22,000	179,377	286,736	2.65
		<b>444,201</b>	<b>536,945</b>	<b>4.96</b>
<b>Health Care</b>				
Kalbe Farma	595,000	251,927	205,227	1.90
<b>Industrial</b>				
Pembangunan Perumahan (Persero)	215,000	230,725	121,266	1.12

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 4. INVESTMENTS *(continued)*

2018	Quantity (Units)	Cost (RM)	Market Value (RM)	% of NAV
<b>Materials</b>				
PT Semen Indonesia (Persero)	83,000	318,897	167,195	1.55
<b>Singapore</b>				
<b>Communications</b>				
Singapore Telecommunications	30,600	296,916	279,005	2.58
<b>Consumer Discretionary</b>				
ComfortDelGro Corp Ltd	20,000	121,602	139,136	1.29
Singapore Airlines	11,000	334,543	348,105	3.22
		<b>456,145</b>	<b>487,241</b>	<b>4.51</b>
<b>Financials</b>				
RHT Health Trust	154,000	444,776	353,316	3.27
<b>Industrials</b>				
Frasers Logistics & Industrial Trust	35,000	122,362	108,792	1.01
Hutchison Port Holdings Trust	160,000	288,231	180,718	1.67
		<b>410,593</b>	<b>289,510</b>	<b>2.68</b>
<b>Technology</b>				
UMS Holdings	30,000	115,530	73,712	0.68
Venture Corp Ltd.	3,100	128,443	163,718	1.51
		<b>243,973</b>	<b>237,430</b>	<b>2.19</b>
<b>Thailand</b>				
<b>Communications</b>				
Plan B Media Public Foreign	250,000	195,188	186,026	1.72
Intouch Holdings Public Co. Ltd	15,000	114,097	97,435	0.90
		<b>309,285</b>	<b>283,461</b>	<b>2.62</b>
<b>Consumer Discretionary</b>				
Bangkok Airways Public Co Ltd	71,000	202,638	98,734	0.91
Siam Wellness Group PCL	50,000	120,015	87,219	0.81
		<b>322,653</b>	<b>185,953</b>	<b>1.72</b>
<b>Consumer Staples</b>				
Carabao Group Company Ltd	37,735	318,065	216,344	2.00
<b>Energy</b>				
PTT Exploration & Production	27,000	382,301	462,746	4.28
<b>Health Care</b>				
Chularat Hospital PCL-Foreign	500,000	163,478	126,864	1.17
<b>Technology</b>				
KCE Electronics PCL-Foreign	38,000	256,774	176,145	1.63

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 4. INVESTMENTS *(continued)*

2018	Quantity (Units)	Cost (RM)	Market Value (RM)	% of NAV
<b>Philippines</b>				
<b>Consumer Discretionary</b>				
Jollibee Foods Corp	18,000	226,058	357,904	3.31
<b>Consumer Staples</b>				
Universal Robina Corp	13,500	183,975	123,497	1.14
<b>Industrials</b>				
Concepcion Industrial Corp	25,200	111,674	114,216	1.06
DMCI Holdings Inc	50,000	66,681	39,692	0.37
		<b>178,355</b>	<b>153,908</b>	<b>1.43</b>
<b>Materials</b>				
Holcim Philippines Inc.	240,000	260,253	132,456	1.23
D&L Industries Inc.	300,000	293,828	230,438	2.13
		<b>554,081</b>	<b>362,894</b>	<b>3.36</b>
<b>Utilities</b>				
Manila Electric Co	13,000	253,828	349,497	3.23
<b>Total Quoted Equity Securities</b>		<b>10,222,559</b>	<b>9,741,530</b>	<b>90.11</b>

*Continued on next page.*

## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 4. INVESTMENTS *(continued)*

Financial Assets held for trading as at 30 June 2017 are as detailed below:

2017	Quantity (Units)	Cost (RM)	Market Value (RM)	% of NAV
<b>Malaysia</b>				
<b>Communications</b>				
Axiata Group Bhd	39,000	255,601	188,370	1.53
Telekom Malaysia	36,000	210,955	239,400	1.95
		<b>466,556</b>	<b>427,770</b>	<b>3.48</b>
<b>Consumer Discretionary</b>				
Sime Darby Bhd	15,000	133,903	142,500	1.16
<b>Consumer Staples</b>				
Nestle (Malaysia) Bhd	3,000	235,381	255,000	2.07
<b>Financials</b>				
Al-'Aqar Healthcare REIT	147,000	203,854	226,380	1.84
Axis Real Estate Investment Trust	100,000	172,638	164,000	1.33
BIMB Holdings Bhd	55,700	224,431	253,435	2.06
Syarikat Takaful Malaysia	95,000	217,157	394,250	3.20
		<b>818,080</b>	<b>1,038,065</b>	<b>8.43</b>
<b>Health Care</b>				
IHH Healthcare Bhd	52,000	215,135	299,000	2.43
KPJ Healthcare Bhd	70,000	249,886	295,400	2.40
		<b>465,021</b>	<b>594,400</b>	<b>4.83</b>
<b>Industrials</b>				
Gamuda Bhd	76,000	366,281	418,000	3.40
Hartalega Holdings Bhd	48,000	168,062	354,240	2.88
		<b>534,343</b>	<b>772,240</b>	<b>6.28</b>
<b>Indonesia</b>				
<b>Communications</b>				
Telekomunikasi Indonesia	370,000	256,085	539,493	4.38
<b>Consumer Discretionary</b>				
Astra Otoparts	248,000	240,901	207,203	1.68
Matahari Department Store	92,000	401,748	420,684	3.42
		<b>642,649</b>	<b>627,887</b>	<b>5.10</b>
<b>Consumer Staples</b>				
Indofood CBP Sukses Makmur	100,000	264,824	283,876	2.31
Unilever Indonesia	30,000	244,605	472,266	3.84
		<b>509,429</b>	<b>756,142</b>	<b>6.15</b>
<b>Health Care</b>				
Kalbe Farma	850,000	359,896	445,572	3.62
<b>Industrial</b>				
Pembangunan Perumahan (Persero)	215,000	230,725	217,778	1.77
<b>Materials</b>				
PT Semen Indonesia (Persero)	113,000	434,160	364,522	2.96

*Continued on next page.*

## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 4. INVESTMENTS *(continued)*

2017	Quantity (Units)	Cost (RM)	Market Value (RM)	% of NAV
<b>Singapore</b>				
<b>Communications</b>				
Singapore Telecommunications	30,600	296,916	371,981	3.02
<b>Consumer Discretionary</b>				
Singapore Airlines	9,800	296,548	309,925	2.52
<b>Financials</b>				
Global Logistic Properties Ltd	20,750	153,992	185,453	1.51
RHT Health Trust	154,000	444,776	430,719	3.50
		<b>598,768</b>	<b>616,172</b>	<b>5.01</b>
<b>Industrials</b>				
SIA Engineering Co Ltd	23,000	281,932	293,250	2.38
<b>Thailand</b>				
<b>Communications</b>				
Plan B Media Public Foreign	208,000	163,696	151,722	1.23
<b>Consumer Discretionary</b>				
Bangkok Airways Public Co Ltd-Foreign	61,000	178,655	143,634	1.17
<b>Consumer Staples</b>				
Carabao Group Company Ltd	19,000	164,929	166,554	1.35
<b>Energy</b>				
PTT Exploration & Production	27,000	382,301	298,011	2.42
<b>Health Care</b>				
Chularat Hospital PCL-Foreign	445,000	146,160	138,950	1.13
<b>Technology</b>				
KCE Electronics PCL-Foreign	9,400	129,427	130,517	1.06
<b>Philippines</b>				
<b>Communications</b>				
PLDT Inc	1,450	305,582	222,451	1.81
<b>Consumer Discretionary</b>				
Jollibee Foods Corp	18,000	226,058	313,313	2.55
<b>Consumer Staples</b>				
Pepsi-Cola Products Philippines	900,000	304,869	250,343	2.03
<b>Industrials</b>				
Concepcion Industrial Corp.	21,000	111,673	153,022	1.24
<b>Materials</b>				
Holcim Philippines Inc.	240,000	260,253	270,309	2.20
D&L Industries Inc.	300,000	293,827	307,682	2.50
		<b>554,080</b>	<b>577,991</b>	<b>4.70</b>
<b>Utilities</b>				
Manila Electric Co	11,900	228,879	264,808	2.15
Metro Pacific Investments Corp.	465,000	266,756	253,530	2.06
		<b>495,635</b>	<b>518,338</b>	<b>4.21</b>
<b>Total Quoted Equity Securities</b>		<b>9,723,457</b>	<b>10,837,543</b>	<b>88.06</b>

## 9. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. SHORT TERM DEPOSITS

Short-term deposits bore a weighted average effective profit rate of 3.20% (2017 : 3.15%) per annum at the end of the previous reporting period. The short-term deposits had maturity periods ranging from 4 to 32 days. (2017 : 11 to 31 days).

### 6. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

	2018 RM	2017 RM
Unitholders' contribution	10,793,367	10,690,218
Retained earnings		
Realised reserve	480,567	795,198
Unrealised reserve	(465,302)	822,190
	<b>10,808,632</b>	<b>12,307,606</b>

#### Unitholders Contribution

	2018		2017	
	Number of Units	RM	Number of Units	RM
At beginning of the financial year	10,775,413	10,820,365	10,604,987	10,625,720
Creation of units	95,127	102,161	60,432	69,376
Cancellation of units	(119,851)	(129,159)	(4,248)	(4,878)
At end of the financial year	<b>10,750,689</b>	<b>10,793,367</b>	<b>10,661,171</b>	<b>10,690,218</b>

### 7. MANAGER'S FEE

The Manager is entitled to receive an administrative fee of 0.25% per annum of the NAV of the Fund. The fee is accrued daily and paid monthly out of the Fund.

The Manager is also entitled to a performance fee from the daily increase in the NAV of the Fund. The performance fee is 10% of the amount by which the NAV cumulatively increases or decreases each day in the calendar year.

The Fund reimburses The Manager up to 0.25% of the average Net Assets Value per year for its marketing and distribution expenses.

### 8. TRUSTEE'S FEE

Trustee's fee is computed on a daily basis at 0.05% per annum of the NAV of the Fund.

### 9. UNITS HELD BY RELATED PARTIES

	2018		2017	
	Number of Units	RM	Number of Units	RM
Director of the Manager	448,809	451,228	403,004	465,241
Related party to the Director of the Manager	10,008,434	10,062,376	9,982,391	11,524,001
	<b>10,457,243</b>	<b>10,513,604</b>	<b>10,385,395</b>	<b>11,989,242</b>

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 10. TRANSACTIONS WITH INVESTMENT BANKS

Details of transactions with investment banks for the financial period from 1 January 2018 to 30 June 2018 are as follows:

2018	Value of Trade	Percentage of	Brokerage Fees	Percentage of Total
	RM	Total Trade	RM	Brokerage Fees
		%		%
CIMB Investment Bank Berhad	1,074,232	31.15	1,148	32.14
Maybank Investment Bank Berhad	0	0	0	0
RHB Investment Bank Berhad	1,420,786	41.21	2,424	67.86
Affin Islamic Bank Berhad	845,183	24.51	-	-
Bank Muamalat Malaysia Berhad	107,939	3.13	-	-
	<b>3,448,140</b>	<b>100.00</b>	<b>3,572</b>	<b>100.0</b>

2017	Value of Trade	Percentage of	Brokerage Fees	Percentage of Total
	RM	Total Trade	RM	Brokerage Fees
		%		%
CIMB Investment Bank Berhad	271,944	5.79	789	10.89
Maybank Investment Bank Berhad	928,742	19.76	2,223	30.67
RHB Investment Bank Berhad	2,110,461	44.91	4,235	58.44
Affin Islamic Bank Berhad	547,266	11.65	-	-
Bank Muamalat Malaysia Berhad	840,798	17.89	-	-
	<b>4,699,211</b>	<b>100.00</b>	<b>7,247</b>	<b>100.0</b>

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 11. FINANCIAL INSTRUMENTS

#### (a) Classification of Financial Instruments

The Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortized cost based on their respective classification. The significant policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position at the end of the reporting period by the class of financial instruments to which they are assigned, and therefore by the measurement basis.

	Financial Asset at FVTPL	Loans and Receivables	Financial Liabilities at Amortised Cost	Total
2018	RM	RM	RM	RM
<b>Assets</b>				
Investments	9,741,530	-	-	9,741,530
Sundry receivables	-	24,075	-	24,075
Short-term deposits	-	953,122	-	953,122
Cash at bank	-	139,370	-	139,370
<b>Total financial assets</b>	<b>9,741,530</b>	<b>1,116,567</b>	<b>-</b>	<b>10,858,097</b>
<b>Liabilities</b>				
Other payables and accruals	-	-	10,833	10,833
Amount owed to Manager	-	-	38,206	38,206
Amount owed to Trustee	-	-	426	426
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>49,465</b>	<b>49,465</b>

	Financial Asset at FVTPL	Loans and Receivables	Financial Liabilities at Amortised Cost	Total
2017	RM	RM	RM	RM
<b>Assets</b>				
Investments	10,837,543	-	-	10,837,543
Sundry receivables	-	27,194	-	27,194
Short-term deposits	-	1,388,064	-	1,388,064
Cash at bank	-	149,382	-	149,382
<b>Total financial assets</b>	<b>10,837,543</b>	<b>1,564,640</b>	<b>-</b>	<b>12,402,183</b>
<b>Liabilities</b>				
Other payables and accruals	-	-	10,181	10,181
Amount owed to Manager	-	-	83,894	83,894
Amount owed to Trustee	-	-	502	502
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>94,577</b>	<b>94,577</b>

*Continued on next page.*

## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 11. FINANCIAL INSTRUMENTS *(continued)*

	2018	2017
	Income, expense, gains and losses	Income, expense, gains, and losses
	RM	RM
Net gains and losses from financial assets at FVTPL	(1,306,306)	376,741
Profit income derived from loans and receivables	9,789	24,133

#### **(b) Fair Value Measurements**

As of end of the financial year/period, the Fund held the following financial assets carried at fair value:

	Financial Instruments Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3		
2018	RM	RM	RM	RM	RM
<b>Financial Asset</b>					
Investments	9,741,530	-	-	9,741,530	9,741,530

	Financial Instruments Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3		
2017	RM	RM	RM	RM	RM
<b>Financial Asset</b>					
Investments	10,837,543	-	-	10,837,543	10,837,543

The Fund's financial asset at FVTPL is carried at fair value. The fair value of this financial asset was determined using prices in active market for identical assets.

#### Quoted equity instruments

Fair value is determined by references to the last done price for all the investments and assets of the Fund quoted on the stock exchange on which they are listed.

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 12. FINANCIAL RISK MANAGEMENT POLICIES

#### **(a) Introduction**

The Fund maintains investment portfolios in a variety of listed financial instruments as dictated by its Trust Deed and investment management strategy.

The Fund is exposed to a variety of financial risks, including market risks (which include interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. Whilst these are the most important types of financial risk inherent in each type of financial instruments, 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 objective in managing risk is the creation and protection of Unitholders' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring of risks. Financial risk management is also carried out through sound internal control systems and adherence to the investment restrictions as stipulated in the Trust Deed, the Securities Commission's Guidelines on Unit Trust Funds and the Capital Market and Services Act, 2007.

#### **(b) Risk Management Structure**

The Manager is responsible for identifying and controlling risks. The Board of Directors of the Manager is ultimately responsible for the overall risk management approach within the Fund.

The key feature in the Manager's approach is that tailoring of the level of portfolio risk taken is through Tactical Asset Allocation between liquid assets and equity. At least 70% of the Fund's NAV are to be allocated to Shariah-compliant equities in ASEAN countries and up to 30% of the Fund's NAV are allocated to liquid assets including money market instruments and Islamic deposits with Islamic financial institutions.

To achieve its objective, the Fund invests in a diversified portfolio of Shariah-compliant equities across the ASEAN region. Asset allocation decisions are made after a review of macroeconomic and currency trends in the Southeast Asian economies.

The Fund generally follows a relative value investment style, favoring companies with potential for earnings growth. The Fund Manager analyses the direction of GDP growth, interest rates, inflation, currencies and government policies. The Fund Manager will then assess the outlook for corporate earnings and determine if there are any predictable trends. The criteria for stock selection would include improving fundamentals and growth at reasonable valuations. Stock valuation fundamentals considered are sales growth, profit margin, cash generation, earnings per share, return on equity, price earnings ratio and net tangible asset multiplies.

The Fund's investments comply with Shariah requirements as prescribed by its Shariah Adviser.

The Fund generally invests for the long-term, with annual portfolio turnover not expected to exceed 30%. The Fund will not engage in short-term trading or speculative investments.

The Fund does not invest in debt instruments and investments that might be considered higher risk compared to equities, such as derivatives.

The Fund is allowed to hold cash at the discretion of the Fund Manager and/or for defensive purposes.

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## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 12. FINANCIAL RISK MANAGEMENT POLICIES *(continued)*

#### **(c) Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value.

#### **(i) Interest Rate Risk**

Interest rates are inclined to fluctuate over time. A rise in the general level of interest rates may affect the short-term deposits.

Cash and short-term deposits are particularly sensitive to movements in interest rates. When interest rates rise, the return on cash will rise thus affecting the NAV of the Fund.

#### **(ii) Equity Price Risk**

Equity price risk is the risk of unfavorable changes in the fair values of equities as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in quoted equity securities.

#### **(iii) Currency Risk**

The Fund is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Indonesian Rupiah ("IDR"), Philippine Peso ("PHP"), Singapore Dollar ("SGD") and Thai Baht ("THB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

#### **(iv) Counterparties Risk**

The Fund will transact most of its investments through financial institutions including but not limited to banks, brokers and dealers. The risk is that a financial institution may default on its obligations.

The Manager manages the Fund's counterparties risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimize such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties. The Manager also closely monitors the creditworthiness of the Fund's counterparties (e.g., brokers, custodian, banks, etc.).

#### Credit risk exposure

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

## 9. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 12. FINANCIAL RISK MANAGEMENT POLICIES *(continued)*

#### (c) Market Risk *(continued)*

##### (v) Liquidity Risk

Investments that are relatively less liquid in nature can cause their value and hence the value of the Fund to drop. The Fund may not be able to realize illiquid investments at the desired prices. The risk managed by careful stock or asset selection and portfolio diversification.

It is the Fund's policy that the Manager monitors the Fund's liquidity position on a regular basis. The Fund also manages its obligation to redeem units required to do so and its overall liquidity risk by requiring a maximum of 5 business days notice period before redemptions.

The Manager's policy is to always maintain a prudent and sufficient level of liquid assets so as to meet normal operating requirements and expected redemption requests by unitholders. Liquid assets comprise cash, deposits with financial institutions and other instruments which are capable of being converted into cash within 3 months.

The following table sets out the maturity profile of the Fund's issue (classified as equity instruments) and financial liabilities. Balances due within six months equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) and equity in order to provide a complete view of the Fund's contractual commitments and liquidity.

2018	Less than 3 months RM	3 months – 1 year RM	Total RM
<b>Financial assets</b>			
Financial assets held at FVTPL	9,741,530	-	9,741,530
Short-term deposits	953,122	-	953,122
Cash at bank	139,370	-	139,370
Other assets	24,075	-	24,075
<b>Total financial assets</b>	<b>10,858,097</b>	<b>-</b>	<b>10,858,097</b>
<b>Financial liability</b>			
Other liabilities	49,465	-	49,465
<b>Total net financial assets</b>	<b>10,808,632</b>	<b>-</b>	<b>10,808,632</b>

2017	Less than 3 months RM	3 months – 1 year RM	Total RM
<b>Financial assets</b>			
Financial assets held at FVTPL	10,837,543	-	10,837,543
Short-term deposits	1,388,064	-	1,388,064
Cash at bank	149,382	-	149,382
Other assets	27,194	-	27,194
<b>Total financial assets</b>	<b>12,402,183</b>	<b>-</b>	<b>12,402,183</b>
<b>Financial liability</b>			
Other liabilities	94,577	-	94,577
<b>Total net financial assets</b>	<b>12,307,606</b>	<b>-</b>	<b>12,307,606</b>

## 10. CORPORATE INFORMATION

### The Fund Manager

Saturna Sdn Bhd (342171-V)

### Registered Office

15-B, Jalan Tun Mohd Fuad 3  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur  
Tel: 03-77268128 Fax: 03-77279702

### Business Office

Suite 5.03, 5<sup>th</sup> Floor, Menara Atlan  
161B Jalan Ampang  
50450 Kuala Lumpur  
Tel: 03-21645303 Fax: 03-21645308

### Board of Directors

Nicholas F. Kaiser (Chairman)  
Monem A. Salam  
Dato' Dr. Lee Chee Kuon  
Dato' Dr. Vaseehar Hassan Bin Abdul Razack  
Md. Noor Bin Haji A. Rahman

### Investment Committee

Nicholas F. Kaiser (Chairman)  
Monem A. Salam  
Dato' Dr. Vaseehar Hassan Bin Abdul Razack  
Md. Noor Bin Haji A. Rahman

### The Trustee

SCBMB Trustee Berhad (1005793-T)

### Shariah Advisor

Amanie Advisors Sdn Bhd

### Company Secretary

Fulcrum Management Sdn Bhd (MAICSA 0868925)

### Auditors & Reporting Accountants

Crowe Malaysia AF 1018

### Tax Advisor

Crowe KL Tax Sdn Bhd

### Solicitors

Wei Chien & Partners

### Banker

Standard Chartered Saadiq Berhad (823437K)

