



# ASEAN Equity Fund

Interim Report

30<sup>th</sup> June 2019  
(Unaudited)

## **Fund Manager**

**SATURNA SDN BHD** (342171-V)  
Suite 5-03, 5<sup>th</sup> Floor, Menara Atlan  
161B Jalan Ampang, 50450 Kuala Lumpur  
Tel: (603)2164 5303 Fax: (603)2164 5308  
Email: [info@saturna.com.my](mailto:info@saturna.com.my)  
Website: [www.saturna.com.my](http://www.saturna.com.my)

## **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	%
1 to 50,000	25	80.64	116,187	1.06
50,001 to 100,000	1	3.23	94,063	0.86
100,001 to 500,000	3	9.67	676,778	6.19
500,001 to 1,000,000	1	3.23	502,555	4.60
1,000,001 & above	1	3.23	9,541,539	87.29
<b>Total</b>	<b>31</b>	<b>100.00</b>	<b>10,931,122</b>	<b>100.00</b>

## PERFORMANCE BENCHMARK

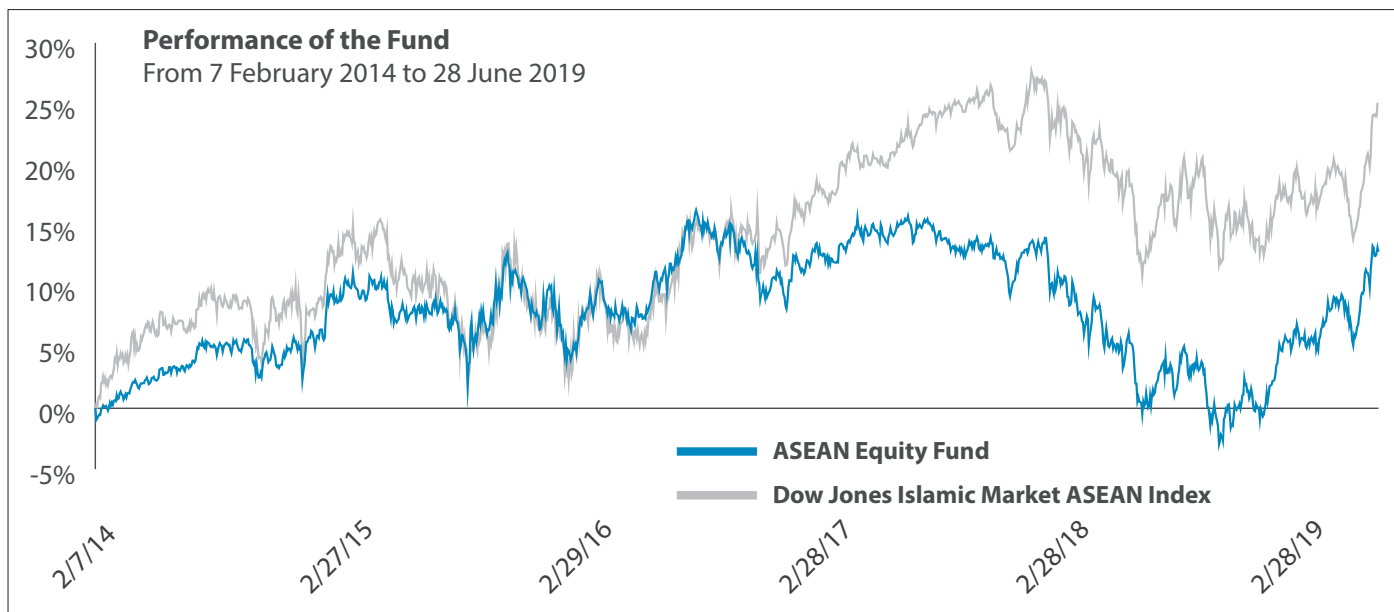
Dow Jones Islamic Market ASEAN Index ("the Benchmark").

## FUND PERFORMANCE

In 1H2019, the Fund registered a return of 13.60% compared to the Benchmark's 10.23%. In terms of stock holdings, Carabao Group, Syarikat Takaful, Holcim Philippines, and Gamuda contributed meaningfully to returns whereas KCE Electronics, Matahari, and Hartalega were among the detractors.

We hold roughly 10% cash in the portfolio (as of June 28, 2019) compared with 15.4% at the end of 2018. We will continue to look for exciting catalysts and take appropriate long-term positions.

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



Source : Bloomberg

Benchmark: Dow Jones Islamic Market ASEAN Index

## FINANCIAL PERFORMANCE

	As at 30 June 2019	As at 30 June 2018	As at 30 June 2017
Net Asset Value (RM)	12,334,323	10,808,632	12,307,606
Units in Circulation (units)	10,931,122	10,750,689	10,661,171
Net Asset Value / unit (RM)	1.1284	1.0054	1.1544
Highest NAV (RM)	1.1332	1.1399	1.1562
Lowest NAV (RM)	0.9947	0.9954	1.1044
Total Return			
Capital growth	13.60%	-11.07%	4.51%
Income distribution	-	-	-
Final Distribution			
Gross Distribution/unit	-	-	-
Net Distribution/unit	-	-	-
Date of Distribution	-	-	-
Portfolio Composition			
Quoted Equity Securities	89.93%	90.11%	88.06%
Other Liquid Assets	10.07%	9.89%	11.94%
Management Expense Ratio	1.67%	0.41%	0.84%
Portfolio Turnover Ratio	0.08 times	0.11 times	0.14 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 1.67%\*.

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 RM11,627,072.30.

\* the relatively higher management expense ratio is due to higher performance fees in 1H2019.

### Portfolio Turnover Ratio

The portfolio turnover ratio for the financial period is 0.08 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 1,097,775.14

total disposal for the financial period = RM 658,407.62

## 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 2019 since inception.

	(1 Jan 19 – 30 June 19)	(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 19)
<b>The Fund</b>	13.60%	-11.07%	4.51%	1.69%	1.45%	12.84%
<b>Performance Benchmark*</b>	10.38%	-11.13%	7.06%	0.97%	0.93%	25.04%

\*In accordance with the prospectus, benchmark now refers to Dow Jones Islamic Market ASEAN Index, replacing Dow Jones Islamic Market ASEAN Total Return Index which was used previously.

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

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

## 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 2019.

	1-year (30 June 18 – 30 June 19)	3-year (30 June 16 – 30 Jun 19)	4-year (30 June 15 – 30 Jun 19)	5-year (30 June 14 – 30 June 19)
<b>The Fund</b>	12.23%	0.29%	1.16%	1.79%
<b>Performance Benchmark*</b>	11.75%	4.53%	3.65%	3.35%

\*In accordance with the prospectus, benchmark now refers to Dow Jones Islamic Market ASEAN Index, replacing Dow Jones Islamic Market ASEAN Total Return Index which was used previously.

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

## STOCK MARKET REVIEW

Global stocks continued their upward trend in the first half of 2019 though the performance was a bit choppy at times, driven by headlines around trade with China and a potential Fed rate cut or a lack thereof. In June, President Trump met with his Chinese counterpart in Tokyo at the G20 summit, and both sides suggested talks would resume, and could potentially bring the trade issue to a resolution. President Trump also threatened to impose tariffs on Mexico tied to its immigration policy, which made investors uneasy once again. Separately, the Fed seems more inclined now to keep rates low and possibly reduce them to keep the economy going and given subdued inflation.

In the first half of the year, the US, UK, and the eurozone markets did well, but Japan lagged on trade and Huawei related supply chain exposure. Naturally, Chinese stocks fell due to the above dynamics but ASEAN shares mostly rose as President Jokowi was reelected in Indonesia, Thailand held successful elections, and investors looked past the trade headlines and export impact related to that. The MSCI All Country World Index was up 16.60% in 1H2019 in USD terms and the MSCI Emerging Markets Index returned 10.58%.

### Malaysia

Malaysia's economy grew 4.5% in 1Q2019, mainly driven by private consumption. In May 2019, Bank Negara Malaysia (BNM) reduced the Overnight Policy Rate by 25 basis points to 3% in order to support the Malaysian economy on heightening concerns about global growth. BNM projected full year GDP growth to be between 4.3-4.8%, supported by services, manufacturing and agriculture sectors. The inflation rate is expected to average between 0.7%-1.7% in 2019.

FTSE Bursa Malaysia KLCI increased 0.49% in 1H2019 in local currency.

### Indonesia

Indonesia's GDP grew slower than expected, at 5.07% in 1Q2019. The slowdown can be attributed to soft investment and cooling household consumption, which accounts for more than half of the economy. In the recent election, Jokowi was re-elected for a second term as President of Indonesia. Having spent heavily on infrastructure in his first term as President, many forecasted that Jokowi will now focus on improving the country's human capital. Following Jokowi's victory, S&P increased Indonesia's sovereign rating by a notch to BBB, on the back of the country's strong economic growth prospects and supportive policy dynamics.

Looking ahead, Bank Indonesia (BI) has forecasted economic growth to be within 5.0%-5.4% in 2019. With rising trade tensions and global slowdown, BI is also considering the possibility of a rate cut in 2H2019.

The JCI rose 4.78% in local currency in 1H2019.

### Singapore

In May, Singapore's Ministry of Trade and Industry lowered

2019 GDP growth forecasts for a second time this year to 1.5% to 2.5%, down from 1.5% to 3.5% in the first quarter and compared with 3.2% in 2018. Private sector economists also cut their growth forecast for 2019 to 2.1% compared with 2.5% expected in the first quarter, as the manufacturing sector is now forecasted to post slightly negative growth. The country's Purchasing Managers' Index (or PMI), which measures activity in the manufacturing industry, weakened to 49.6 in June, down 0.3 points from the prior month. A number below 50 indicates a contraction. Notably, some economists now expect a recession in 2020.

FTSE Straits Times Index increased 11.07% in 1H2019 in local currency.

### Thailand

Like Singapore, Bank of Thailand revised its growth forecasts lower and now sees GDP growth at 3.3% in 2019, down from a previous forecast of 3.8%. The Bank expects flat exports sector compared with an earlier projection of +3% growth. Bank of Thailand had raised its policy benchmark rate to 1.75% in December, but left rates intact in recent meetings given the weak economy.

The Thai general elections held on March 24th were tarnished by allegations of voter irregularities and electoral fraud, resulting in protests across Thailand. The military-appointed Election Commission reaffirmed the results on May 9 and General Prayut Chan-o-cha was re-appointed prime minister in June.

The SET index rose 12.76% in 1H2019 in local currency.

### Philippines

The approval of the 2019 annual budget was delayed by four months as lawmakers could not agree on the terms of the budget, resulting in less than expected outlays for infrastructure projects. As a result of the delay, rating agency S&P reduced its 2019 GDP forecast for Philippines to 6.1% from 6.3%, still the fastest in the region. Consumer spending remains healthy given the strength of the economy.

The PSE Composite Index increased 8.51% in the first half in local currency.

## MARKET OUTLOOK AND INVESTMENT STRATEGY

For the rest of 2019, we expect the global economic direction to be shaped by central banks' policies and the extent of the trade dispute resolution. The ongoing US/China trade dispute and the latest political crisis in Hong Kong are other issues worth noting. We believe our Funds are well-positioned for positive or negative developments given our focus on low debt, cash generative, high quality companies led by excellent management teams. Such characteristics are defensive in the event of a downturn, while the low debt focus will also be an advantage in the event economies regain momentum. We have around 10% cash in ASEAN Equity Fund and will continue to look for attractive investment opportunities.

## ASSET ALLOCATION OF THE FUND

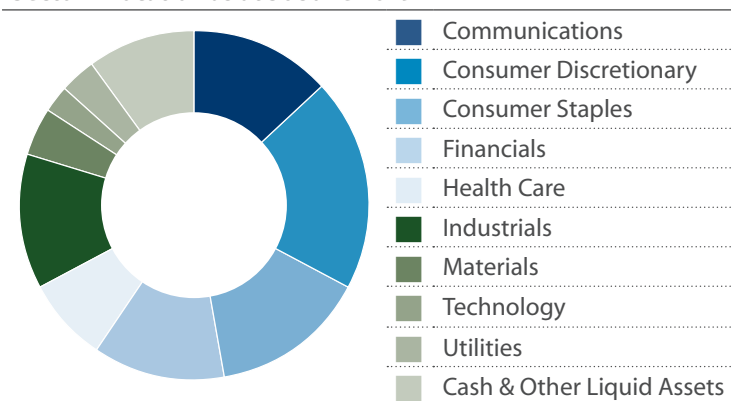
	30 June 2019	30 June 2018	30 June 2017
	% of NAV	% of NAV	% of NAV
<b>Malaysia</b>			
Communications	2.74	2.41	3.48
Consumer Discretionary	0.27	0.34	1.16
Consumer Staples	2.33	3.55	2.07
Financials	12.22	9.52	8.43
Health Care	4.57	5.57	4.83
Industrials	8.17	8.66	6.28
Materials	-	-	-
Utilities	-	2.17	-
<b>Total</b>	<b>30.30</b>	<b>32.22</b>	<b>26.25</b>
<b>Indonesia</b>			
Communications	3.64	3.63	4.38
Consumer Discretionary	6.03	3.61	5.10
Consumer Staples	4.76	4.96	6.15
Health Care	2.06	1.90	3.62
Industrials	1.13	1.12	1.77
Materials	2.28	1.55	2.96
<b>Total</b>	<b>19.90</b>	<b>16.77</b>	<b>23.98</b>
<b>Singapore</b>			
Communications	2.66	2.58	3.02
Consumer Discretionary	4.51	4.51	2.52
Financials	-	3.27	5.01
Industrials	1.23	2.68	2.38
Technology	1.72	2.19	-
<b>Total</b>	<b>10.12</b>	<b>15.23</b>	<b>12.93</b>
<b>Thailand</b>			
Communications	4.18	2.62	1.23
Consumer Discretionary	1.58	1.72	1.17
Consumer Staples	4.64	2.00	1.35
Energy	-	4.28	2.42
Health Care	1.23	1.17	1.13
Materials	-	-	-
Technology	0.79	1.63	1.06
<b>Total</b>	<b>12.42</b>	<b>13.42</b>	<b>8.36</b>
<b>Philippines</b>			
Communications	-	-	1.81
Consumer Discretionary	7.17	3.31	2.55
Consumer Staples	-	1.14	2.03
Industrials	1.83	1.43	1.24
Materials	4.89	3.36	4.70
Utilities	3.30	3.23	4.21
<b>Total</b>	<b>17.19</b>	<b>12.47</b>	<b>16.54</b>
<b>TOTAL</b>	<b>89.93</b>	<b>90.11</b>	<b>88.06</b>
Cash & Other Liquid Assets	10.07	9.89	11.94
<b>GRAND TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>



## ASSET ALLOCATION OF THE FUND *(continued)*

By Sector	30 June 2019	30 June 2018	30 June 2017
	% of NAV	% of NAV	% of NAV
Cash & Other Liquid Assets	10.07	9.89	11.94
Communications	13.22	11.24	13.92
Consumer Discretionary	19.56	13.49	12.50
Consumer Staples	11.73	11.65	11.60
Financials	12.22	12.79	13.44
Health Care	7.86	8.64	9.58
Industrials	12.36	13.89	11.67
Materials	7.17	4.91	7.66
Technology	2.51	3.82	-
Others	3.30	9.68	7.69
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

### Sector Allocation as at 30 June 2019



### Fund performance from 30 June 2018 to 30 June 2019

	30 June 19 RM	30 June 18 RM	% Change
Total NAV (Inclusive of Injection)	12,334,323	10,808,632	14.12
NAV/unit	1.1284	1.0054	12.23

### Top Five Investments as at 30 June 2019

Stock	Weight
Syarikat Takaful	5.83%
Carabao Group	4.64%
Wilcon Depot	3.85%
Telekomunikasi Indonesia	3.64%
Ace Hardware	3.44%

## 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 2019. 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

9 August 2019

### 3. STATEMENT BY MANAGER

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 2019 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**

Director, Saturna Sdn Bhd



**Dato' Dr. Lee Chee Kuon**

Director, Saturna Sdn Bhd

26 August 2019

## 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 2019. 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 2019.

We also confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah compliant by the Shariah Advisory Council of the Securities Commission ("SACSC"). As for the securities not certified by the SACSC, 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**

Executive Chairman

Kuala Lumpur, Malaysia

9 August 2019

## 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 2019 and of its financial performance, the changes in net asset value and the cash flows of the Fund for the period then ended.

	Note	As at 30 June 19 RM	As at 31 December 18 RM
<b>Investments</b>			
Financial asset at fair value through profit or loss	4	11,094,104	9,108,093
Short-term Shariah-based deposits	5	1,169,671	1,572,894
		<b>12,263,775</b>	<b>10,680,987</b>
<b>Other Assets</b>			
Amount due from stockbrokers		-	-
Amount due from manager		200	400
Amount due from distributors		9,318	7,214
Cash at bank		236,486	89,602
Other receivable		14,253	33,996
		<b>260,257</b>	<b>131,212</b>
<b>Total Assets</b>		<b>12,524,032</b>	<b>10,812,199</b>
<b>Liabilities</b>			
Amount due to manager		172,775	28,763
Amount due to trustee		465	477
Amount due to Unitholder Capital		5,411	7,614
Other payables		11,058	14,800
		<b>189,709</b>	<b>51,654</b>
<b>Net asset value attributable to Unitholders</b>	<b>6</b>	<b>12,334,323</b>	<b>10,760,545</b>
<b>Total equity and liabilities</b>		<b>12,524,032</b>	<b>10,812,199</b>
<b>Number of units in circulation</b>	<b>6</b>	<b>10,931,122</b>	<b>10,832,727</b>
<b>Net asset value per unit</b>		<b>1.1284</b>	<b>0.9933</b>

## 6. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

For the financial period ended 30 June 2019

	Note	1 January 2019 to 30 June 2019 RM	1 January 2018 to 30 June 2018 RM
<b>Income</b>			
Profit from short-term Shariah-based deposits		16,528	9,789
Gross Dividends Income		166,822	197,300
Net loss on foreign exchange		(121)	(1,046)
Net gain/(loss) on financial assets at fair value through profit or loss	4	1,546,746	(1,449,746)
		<b>1,729,975</b>	<b>(1,243,703)</b>
<b>Less: Expenses</b>			
Administration fee	7	14,155	14,246
Distribution fee	7	14,155	14,246
Performance fee	7	150,791	0
Trustee's fee	8	2,831	2,849
Auditors' fee		5,394	4,931
Tax agent's fee		1,864	6,874
Other expenses		5,024	4,792
		<b>194,214</b>	<b>47,938</b>
<b>Net profit/(loss) before taxation &amp; purification</b>			
		<b>1,535,761</b>	<b>(1,291,641)</b>
Purification		(40,408)	(31,850)
<b>Net profit/(loss) before taxation &amp; after purification</b>		<b>1,495,353</b>	<b>(1,323,491)</b>
Taxation		(24,937)	(22,334)
<b>Net profit/(loss) after taxation &amp; purification</b>		<b>1,470,416</b>	<b>(1,345,825)</b>
<b>Net profit/(loss) after taxation is made up as follows:</b>			
Realised loss		(3,781)	(39,519)
Unrealised income/(loss), net		<b>1,474,197</b>	<b>(1,306,306)</b>

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

For the financial period ended 30 June 2019

	Unitholders' Capital RM	Retained Earnings RM	Total Net Asset Value RM
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>
Net asset value as at 1 January 2019	10,874,958	(114,413)	10,760,545
<b>Movement due to creation / (cancellation) of units during the period:</b>			
Creation of units	208,835	-	208,835
Cancellation of units	(105,473)	-	(105,473)
Total comprehensive Income for the financial year	-	1,470,416	1,470,416
<b>Net asset value as at 30 June 2019</b>	<b>10,978,320</b>	<b>1,356,003</b>	<b>12,334,323</b>

## 8. UNAUDITED STATEMENT OF CASH FLOWS

For the financial period ended 30 June 2019

	1 January 2019 to 30 June 2019 RM	1 January 2018 to 30 June 2018 RM
<b>Cash flows (for)/from operating and Investing activities</b>		
Proceeds from sale of quoted investments	658,407	1,133,834
Purchase of quoted investments	(1,097,775)	(1,360,901)
Dividend received	161,359	167,462
Profit Murabahah received	16,777	9,822
Administration fee paid	(14,212)	(15,631)
Audit fee paid	(12,885)	(11,702)
Performance fee paid	-	(29,127)
Purification paid	(40,408)	(31,850)
Distribution fee paid	(20,876)	(7,558)
Trustee's fee paid	(2,842)	(3,095)
Tax Agent fee paid	-	(5,491)
Payment for other fees and expenses	(3,139)	(3,638)
Tax Recoverable	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>(355,594)</b>	<b>(157,875)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of units	204,728	102,161
Payments for cancellation of units	(105,473)	(129,159)
<b>Net cash generated / (used in) from financing activities</b>	<b>99,255</b>	<b>(26,998)</b>
<b>Net increase / (decrease) In cash and cash equivalents</b>	<b>(256,339)</b>	<b>(184,873)</b>
Cash and cash equivalents at beginning of the period	1,662,496	1,277,365
<b>Cash and cash equivalents at end of the period</b>	<b>1,406,157</b>	<b>1,092,492</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank	236,486	139,370
Short-term Shariah-based deposits	1,169,671	953,122
	<b>1,406,157</b>	<b>1,092,492</b>



## 9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2019

### 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 previous Trustee, Deutsche Trustees Malaysia Berhad. Subsequently, change of a Trust Deed dated 23 November 2015 between the Manager, Saturna Sdn Bhd. and the current 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 and current income. 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):-

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#### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

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MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

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MFRS 15 Revenue from Contracts with Customers

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IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

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Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

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Amendments to MFRS 15: Effective Date of MFRS 15

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Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’

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Amendments to MFRS 140 – Transfers of Investment Property

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Annual Improvements to MFRS Standards 2014 – 2016 Cycles

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• 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

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The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Fund’s financial statements.

*Continued on next page.*

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

### 2. BASIS OF PREPARATION *(continued)*

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/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
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 References to the Conceptual Framework in MFRS Standards	1 January 2020
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.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the Fund has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Fund has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

*Continued on next page.*

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

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

#### 3.1 FINANCIAL INSTRUMENTS *(continued)*

##### **(a) Financial Assets**

All recognised financial assets are measured subsequently in their entirety at either amortised or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

##### Debt Instruments

###### *(i) Amortised Cost*

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

###### *(ii) Fair Value through Other Comprehensive Income*

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

###### *(iii) Fair Value through Profit or Loss (FVTPL)*

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Fund reclassifies debt instruments when and only when its business model for managing those assets change.

##### Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Company has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Fund's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

##### **(b) Financial Liabilities**

###### *(i) Financial Liabilities at Fair Value through Profit or Loss*

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

*Continued on next page.*

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

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

#### 3.1 FINANCIAL INSTRUMENTS *(continued)*

##### *(b) Financial Liabilities (continued)*

###### *(ii) Other Financial Liabilities*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

###### Accounting Policies Applied Until 30 June 2018

The Fund has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information of the Fund's financial assets continues to be accounted for in accordance with the previous accounting policies as summarised below:

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.
- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### 3.2 IMPAIRMENT

##### *(a) Impairment of Financial Assets*

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate.

For all other financial instruments, the Fund recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

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

#### 3.2 IMPAIRMENT *(continued)*

##### *(a) Impairment of Financial Assets (continued)*

###### Accounting Policy Applied Until 30 June 2018

The Fund has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information of the Fund's financial assets continues to be accounted for in accordance with the previous accounting policies as summarised below:

- The Fund assessed at the end of each reporting period whether there was objective evidence that a financial asset was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that events had an impact on the estimated future cash flows of the financial asset that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

#### 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 year 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).

#### 3.4 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 converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

#### 3.5 UNITHOLDERS' CONTRIBUTION

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

#### 3.6 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.

*Continued on next page.*

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

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

#### **3.7 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.

#### **3.8 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.

#### **3.9 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.

#### **3.10 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.

#### **3.11 SEGMENT INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting used by the Manager of the Fund. The Manager of the Fund is responsible for allocation resources and assessing performance of the operating segments.

*Continued on next page.*

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

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

#### 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 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 transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 4. INVESTMENTS

	2019 RM	2018 RM
<b>Financial assets at FVTPL</b>		
<b>Quoted Investments</b>	<b>11,094,104</b>	<b>9,741,530</b>

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

	2019 RM	2018 RM
Net gain/(loss) on financial assets at FVTPL comprised:		
Realized gain/(loss) on disposals	72,550	(143,440)
Unrealized changes in fair value	1,474,196	(1,306,306)
	<b>1,546,746</b>	<b>1,449,746</b>

*Continued on next page.*

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

### 4. INVESTMENTS *(continued)*

Financial Assets held for trading as at 30 June 2019 are as detailed below:

2019	Quantity (Units)	Cost (RM)	Market Value (RM)	% of NAV
<b>Malaysia</b>				
<b>Communications</b>				
Axiata Group Bhd *	39,000	255,601	194,220	1.57
Telekom Malaysia *	36,000	210,955	144,000	1.17
		<b>466,556</b>	<b>338,220</b>	<b>2.74</b>
<b>Consumer Discretionary</b>				
Sime Darby Bhd	15,000	27,709	33,900	0.27
<b>Consumer Staples</b>				
Nestle (Malaysia) Bhd	1,925	151,036	287,018	2.33
<b>Financials</b>				
Al-'Aqar Healthcare REIT	147,000	203,854	220,500	1.79
Axis Real Estate Investment Trust	150,000	245,889	262,500	2.13
BIMB Holdings Bhd	66,600	270,540	304,362	2.47
Syarikat Takaful Malaysia	105,000	262,937	719,250	5.83
		<b>983,220</b>	<b>1,506,612</b>	<b>12.22</b>
<b>Health Care</b>				
IHH Healthcare Bhd	52,000	215,135	301,600	2.45
KPJ Healthcare Bhd	280,000	249,886	261,800	2.12
		<b>465,021</b>	<b>563,400</b>	<b>4.57</b>
<b>Industrials</b>				
Gamuda Bhd *	86,000	408,583	323,360	2.62
Hartalega Holdings Bhd	80,000	177,271	419,200	3.40
Muhibbah Engineering Bhd	80,000	235,811	220,800	1.79
Pos Malaysia Bhd *	29,000	147,561	43,790	0.36
		<b>969,226</b>	<b>1,007,150</b>	<b>8.17</b>
<b>Indonesia</b>				
<b>Communications</b>				
Telekomunikasi Indonesia	370,000	256,085	448,948	3.64
<b>Consumer Discretionary</b>				
Ace Hardware Indonesia	800,000	354,628	424,387	3.44
Matahari Department Store*	92,000	401,748	93,025	0.75
Ramayana Lestari Sentosa Tbk	550,000	257,596	227,287	1.84
		<b>1,013,972</b>	<b>744,699</b>	<b>6.03</b>
<b>Consumer Staples</b>				
Indofood CBP Sukses Makmur	100,000	264,824	297,481	2.41
Unilever Indonesia	22,000	179,377	290,154	2.35
		<b>444,201</b>	<b>587,635</b>	<b>4.76</b>
<b>Health Care</b>				
Kalbe Farma	595,000	251,927	254,603	2.06
<b>Industrial</b>				
Pembangunan Perumahan (Persero)*	215,000	230,725	139,259	1.13
<b>Materials</b>				
PT Semen Indonesia (Persero)*	83,000	318,897	281,574	2.28

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

### 4. INVESTMENTS *(continued)*

Financial Assets held for trading as at 30 June 2019 are as detailed below:

2019	Quantity (Units)	Cost (RM)	Market Value (RM)	% of NAV
<b>Singapore</b>				
<b>Communications</b>				
Singapore Telecommunications	30,600	296,916	327,523	2.66
<b>Consumer Discretionary</b>				
ComfortDelGro Corp Ltd	30,000	194,874	244,037	1.98
Singapore Airlines	11,000	334,543	311,835	2.53
		<b>529,417</b>	<b>555,872</b>	<b>4.51</b>
<b>Industrials</b>				
Hutchison Port Holdings Trust*	160,000	288,231	152,318	1.23
<b>Technology</b>				
UMS Holdings	30,000	115,530	57,798	0.47
Venture Corp Ltd.	3,100	128,443	154,431	1.25
		<b>243,973</b>	<b>212,229</b>	<b>1.72</b>
<b>Thailand</b>				
<b>Communications</b>				
Plan B Media Public Foreign	370,000	291,375	388,970	3.15
Intouch Holdings Public Co. Ltd	15,000	114,098	126,860	1.03
		<b>405,473</b>	<b>515,830</b>	<b>4.18</b>
<b>Consumer Discretionary</b>				
Bangkok Airways Public Co Ltd*	71,000	202,638	111,003	0.90
Siam Wellness Group PCL	50,000	120,014	84,237	0.68
		<b>322,652</b>	<b>195,240</b>	<b>1.58</b>
<b>Consumer Staples</b>				
Carabao Group Company Ltd	57,735	407,652	571,934	4.64
<b>Health Care</b>				
Chularat Hospital PCL-Foreign	500,000	163,478	152,299	1.23
<b>Technology</b>				
KCE Electronics PCL-Foreign	38,000	256,774	97,310	0.79

*Continued on next page.*

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

### 4. INVESTMENTS *(continued)*

Financial Assets held for trading as at 30 June 2019 are as detailed below:

2019	Quantity (Units)	Cost (RM)	Market Value (RM)	% of NAV
<b>Philippines</b>				
<b>Consumer Discretionary</b>				
Jollibee Foods Corp	18,000	226,058	409,851	3.32
Wilcon Depot, Inc	350,000	378,290	475,105	3.85
		604,348	884,956	7.17
<b>Industrials</b>				
Concepcion Industrial Corp	54,000	211,504	183,255	1.49
DMCI Holdings Inc *	50,000	66,681	41,612	0.34
MacroAsia Corporation	300	366	463	-
		278,551	225,330	1.83
<b>Materials</b>				
D&L Industries Inc	400,000	376,314	338,068	2.74
Holcim Philippines Inc.	240,000	260,253	265,671	2.15
		<b>636,567</b>	<b>603,739</b>	<b>4.89</b>
<b>Utilities</b>				
Manila Electric Co	13,000	253,828	406,506	3.30
<b>Total Quoted Equity Securities</b>		<b>10,266,435</b>	<b>11,094,104</b>	<b>89.93</b>

\* These securities are Qualified Compliant<sup>1</sup> as of 30 June 2019.

<sup>1</sup> "Qualified Compliant" Shariah status refers to stocks which are reclassified as Shariah non-compliant (due to changes in financial position) and are out-of-the-money. The Fund Manager is allowed to hold the security on a temporary basis.

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## 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

*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>Indonesia</b> <i>(continued)</i>				
<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)*

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>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)

### 5. SHORT-TERM SHARIAH-BASED DEPOSITS

Short-term deposits bore a weighted average effective profit rate of 2.96% (2018 : 3.20%) per annum at the end of the previous reporting period. The short-term deposits had maturity periods ranging from 7 to 33 days. (2018 : 4 to 32 days)

### 6. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

	2019 RM	2018 RM
Unitholders' contribution	10,978,320	10,793,367
Retained earnings		
Realised reserve	693,486	480,567
Unrealised reserve	662,517	(465,302)
	<b>12,334,323</b>	<b>10,808,632</b>

#### Unitholders Contribution

	2019		2018	
	Number of Units	RM	Number of Units	RM
At beginning of the financial year	10,832,727	10,874,958	10,775,413	10,820,365
Creation of units	195,997	208,835	95,127	102,161
Cancellation of units	(97,602)	(105,473)	(119,851)	(129,159)
At end of the financial year	<b>10,931,122</b>	<b>10,978,320</b>	<b>10,750,689</b>	<b>10,793,367</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

	2019		2018	
	Number of Units	RM	Number of Units	RM
Director of the Manager	450,408	508,226	448,809	451,228
Related party to the Director of the Manager	10,044,093	11,333,429	10,008,434	10,062,376
	<b>10,494,501</b>	<b>11,841,655</b>	<b>10,457,243</b>	<b>10,513,604</b>

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

### 10. TRANSACTIONS WITH INVESTMENT BANKS AND FINANCIAL INSTITUTIONS

Details of transactions with investment banks and financial Institution for the financial period from 1 January 2019 to 30 June 2019 are as follows:

2019	Value of Trade	Percentage of Total Trade	Brokerage Fees	Percentage of Total Brokerage Fees
	RM	%	RM	%
CIMB Investment Bank Berhad	1,152,863	39.40	1,153	45.95
Maybank Investment Bank Berhad	482,333	16.48	1,113	44.36
RHB Investment Bank Berhad	121,252	4.14	243	9.69
Affin Islamic Bank Berhad	884,999	30.25	-	-
Bank Muamalat Malaysia Berhad	284,673	9.73	-	-
	<b>2,926,120</b>	<b>100.00</b>	<b>2,509</b>	<b>100.0</b>

2018	Value of Trade	Percentage of Total Trade	Brokerage Fees	Percentage of Total Brokerage Fees
	RM	%	RM	%
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>

The above transactions were in respect of listed securities and money market deposits. Transactions in money market deposits do not involve any commission or brokerage.

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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	Financial Asset at Amortised Cost	Financial Liabilities at Amortised Cost	Total
2019	RM	RM	RM	RM
<b>Assets</b>				
Investments	11,094,104	-	-	11,094,104
Amount owing from Manager	-	200	-	200
Amount owing from distributor	-	9,318	-	9,318
Sundry receivables	-	14,253	-	14,253
Short-term shariah-based deposits	-	1,169,671	-	1,169,671
Cash at bank	-	236,486	-	236,486
<b>Total financial assets</b>	<b>11,094,104</b>	<b>1,429,928</b>	<b>-</b>	<b>12,524,032</b>

#### Liabilities

Other payables and accruals	-	-	11,058	11,058
Amount owing to Unitholder Capital	-	-	5,411	5,411
Amount owing to Manager	-	-	172,775	172,775
Amount owing to Trustee	-	-	465	465
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>189,709</b>	<b>189,709</b>

	Financial Asset at FVTPL	Financial Asset at 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 Shariah-based 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>

#### Liabilities

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>

	2019	2018
	Income, expense, gains and losses	Income, expense, gains and losses
	RM	RM
Net gains and losses from financial assets at FVTPL	1,474,196	(1,306,306)
Profit income derived from amortised cost/loans and receivables	16,528	9,789

Continued on next page.



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

### 11. FINANCIAL INSTRUMENTS (continued)

#### (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		
2019	RM	RM	RM	RM	RM
<b>Financial Asset</b>					
Investments	11,094,104	-	-	11,094,104	11,094,104

	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

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.

### 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 profit 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 Islamic liquid assets including Islamic 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 and 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

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

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

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

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.

#### **(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 profit rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value.

##### **(i) Profit Rate Risk**

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

Cash and short-term deposits are particularly sensitive to movements in profit rates. When profit 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 credit 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 recognised in the statement of financial position.

##### Assessment of Impairment Losses

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

*Continued on next page.*

## 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 realise 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.

2019	Less than 3 months RM	3 months – 1 year RM	Total RM
<b>Financial assets</b>			
Financial assets held at FVTPL	11,094,104	-	11,094,104
Short-term Shariah-based deposits	1,169,671	-	1,169,671
Cash at bank	236,486	-	236,486
Other assets	23,771	-	23,771
<b>Total financial assets</b>	<b>12,524,032</b>	<b>-</b>	<b>12,524,032</b>
<b>Financial liability</b>			
Other liabilities	189,709	-	189,709
<b>Total net financial assets</b>	<b>12,334,323</b>	<b>-</b>	<b>12,334,323</b>

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 Shariah-based 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>

## 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

Jane Carten (Chairperson)

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

Monem A. Salam

Dato' Dr. Vaseehar Hassan Bin Abdul Razack

Md. Noor Bin Haji A. Rahman

Zahid Siddique

### 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 PLT (AF 1018)

### Tax Advisor

Crowe KL Tax Sdn Bhd

### Solicitors

Wei Chien & Partners

### Banker

Standard Chartered Saadiq Berhad (823437K)

