

# AIA Private Retirement Scheme



THE REAL LIFE  
COMPANY

## Annual Report

As on 30 April 2014

AIA Pension and Asset Management Sdn. Bhd.

[aia-prs.com.my](http://aia-prs.com.my)



THE REAL LIFE  
COMPANY

<b>Message from CEO</b>	01 - 02
<b>Market Review</b>	
Local Bond Market Commentary	03
Local Stock Market Commentary	04 - 05
Foreign Stock Market Commentary	06 - 07
<b>AIA Private Retirement Scheme</b>	
<b>AIA PAM – Growth Fund</b>	
• Fund Information	08
• Fund Performance	09 - 10
• Fund Report	11 - 12
• Financial Statements	
> Statement by PRS Provider	13
> Trustee’s Report	14
> Independent Auditors’ Report	15 - 16
> Statement of Comprehensive Income	17
> Statement of Financial Position	18
> Statement of Changes in Equity	19
> Statement of Cash Flows	20
> Notes to Financial Statements	21 - 48
<b>AIA PAM – Moderate Fund</b>	
• Fund Information	49
• Fund Performance	50 - 51
• Fund Report	52 - 53
• Financial Statements	
> Statement by PRS Provider	54
> Trustee’s Report	55
> Independent Auditors’ Report	56 - 57
> Statement of Comprehensive Income	58
> Statement of Financial Position	59
> Statement of Changes in Equity	60
> Statement of Cash Flows	61
> Notes to Financial Statements	62 - 88

<b>AIA PAM – Conservative Fund</b>	
• Fund Information	89
• Fund Performance	90 - 91
• Fund Report	92 - 93
• Financial Statements	
> Statement by PRS Provider	94
> Trustee’s Report	95
> Independent Auditors’ Report	96 - 97
> Statement of Comprehensive Income	98
> Statement of Financial Position	99
> Statement of Changes in Equity	100
> Statement of Cash Flows	101
> Notes to Financial Statements	102 - 127
<b>AIA PAM – Islamic Moderate Fund</b>	
• Fund Information	128
• Fund Performance	129 - 130
• Fund Report	131 - 132
• Financial Statements	
> Statement by PRS Provider	133
> Trustee’s Report	134
> Shariah Adviser’s Report	135
> Independent Auditors’ Report	136 - 137
> Statement of Comprehensive Income	138
> Statement of Financial Position	139
> Statement of Changes in Equity	140
> Statement of Cash Flows	141
> Notes to Financial Statements	142 - 169

# MESSAGE FROM CEO

# MESSAGE FROM CEO (cont'd)

Dear PRS Unitholders,

We are pleased to present our inaugural Annual Report for the financial year ending 30 April 2014 and would also like to thank you for your support and confidence in our PRS products.

### Review

Since inception on 5 June 2013, we witnessed yet another good performance with the FBMKLCI index closing at a high of 1871.52 points, up by 5.47%. During the period, the local bourse experienced sharp volatility caused by general election jitters in the earlier part of 2013 as well as US Quantitative Easing (QE) tapering fears and deteriorating fundamentals of some key emerging economies. Despite that, bullish forces prevailed, thanks to strong local institutional support, solid interest in the oil & gas sector, reduction in political risk, the government's pro-active move to address Malaysia's budget deficit, recovering global economy and re-rating of key heavyweight, Tenaga Nasional which received a 15% average tariff increase.

However, the bond market enjoyed a subdued period with the RAM Quant All MGS (Malaysia Government Securities) index rising by only 0.72% since the inception given QE tapering fears and rising inflation expectations as a result of cut in government subsidies.

### Performance

Our fund performance has been commendable since inception on 5 June 2013. Despite being less than 10 months old, all of our funds have generated positive returns of between 2.08% and 6.29% as shown below:

Fund	Total Return
AIA PAM – Growth Fund	4.71%
AIA PAM – Moderate Fund	4.57%
AIA PAM – Conservative Fund	2.08%
AIA PAM – Islamic Moderate Fund	6.29%

Source: Bloomberg as at 30 April 2014

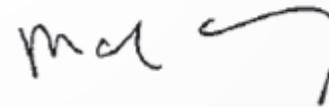
### Outlook

From now till the financial year end, we are cautiously optimistic about the stock market's performance on the back of the anticipated economic recovery in the developed countries which would in turn spur exports in emerging markets like Malaysia. However, we expect the market to be volatile while equity returns are projected to be single digit at best given subpar global economic growth given China's growth slowing, outflows of foreign funds as QE tapering gathers momentum while the European debt crisis remains unresolved. On the local front, the KLCI is close to its historic high, cut in government spending, rising cost of living and doing business are headwinds for the equity market to move significantly higher.

As for the fixed income market, we opine that the current year will be a challenging one with inflation rearing its head and risky assets being preferred. Given the external challenges and subpar global economic growth, interest rate is expected to remain low.

We would like to take this opportunity to thank you once again for placing your trust in us. Backed by our team of highly qualified investment professionals who employs a robust and proven investment methodology backed by a solid risk management framework, we assure you that we will continue to invest your money prudently to achieve the best possible returns. We will also continue to strive to provide professional investment support for our members such as increasing market and product knowledge for our agents to serve you better.

Kind regards,



**Wang Ming-Yuan, Mark**  
Chief Executive Officer  
AIA Pension and Asset Management Sdn. Bhd.

## LOCAL BOND MARKET COMMENTARY

### Market Review

The bond market enjoyed a subdued period with the RAM Quant All MGS (Malaysia Government Securities) and RAM Quant All Government Investment Issue (GII) index rising by only 0.72% and 1.11% respectively given Quantitative Easing (QE) tapering fears and rising inflation expectations as a result of the cut in government subsidies.

### Key Market Drivers

#### Positives

- Onshore and offshore investors continued to be supportive of the local market despite QE tapering. The consistent US Federal Reserve communication and the measured pace of QE tapering helped to calm markets.
- The ringgit's strength against the USD and the decline in US Treasury yields had a positive effect on MGS.
- The government announced some fiscal consolidation measures namely a reduction in subsidies and the introduction of the Goods & Services Tax or GST in April 2015. The government said it planned to bring down its fiscal deficit to 3.5% of GDP in 2014 from 4.0% of GDP in 2013. This provided some relief to those concerned about the pressure on the Malaysian sovereign rating.
- Moody's changed the outlook on the Malaysian rating to positive. According to the rating agency, the change was underpinned by the improved prospects for fiscal consolidation as well as reforms and continued macroeconomic stability.

#### Negatives

- Federal Reserve's reduction of its bond purchases, otherwise known as 'tapering' of its QE programme, weighed on sentiment. There were concerns that tapering would trigger outflows from the Malaysian bond market and other emerging markets.
- Fitch Ratings downgraded the rating outlook on the Malaysian sovereign rating to negative from stable on the basis that 'prospects for budgetary reform and fiscal consolidation to address weaknesses in public finances have worsened'.
- Positive economic data releases such as stronger export numbers, resilient domestic demand and rising inflation led players to adjust their rating expectations.

### Market Outlook

- Economic growth is expected to be healthy, which is positive to the local corporate bond market.
- MYR yields will continue to be influenced by the Ringgit and US Treasury yields.
- MYR fixed income market is expected to face uncertainty of potential rising interest rate in the second half of this year.

## LOCAL STOCK MARKET COMMENTARY

### Market Review

Since inception, the KLCI rose by 5.47%, thanks to strong local institutional support, solid interest in oil & gas sector, reduction in political risk, government's pro-active move to address Malaysia's budget deficit, recovering global economy and re-rating of key heavyweight, Tenaga Nasional which received a 15% average tariff increase.

### Key Market Drivers

#### Positives

- Conclusion of the 13th General Election and the UMNO Election, which saw no major changes, ensured policy certainty at least until 2017/2018.
- The Malaysian government undertook a strong commitment to fiscal reform in its 2014 Budget tabled in Parliament on 25 October 2013.
- Under the Economic Transformation Programme (ETP), there were a total of 196 projects with total committed investment of RM219.3 billion in 2011-2013.
- Petronas has awarded some RM40 billion worth of contracts to domestic oil and gas service providers.
- Moody's raised the sovereign credit rating outlook for Malaysia to "positive" from "stable".
- The average CPO price for 2014 is RM2,672 per tonne vs RM 2,403 per tonne in 2013.
- The MRT Line 2 has been approved by the Federal Government and is now awaiting an official announcement before work commences.
- Petronas has approved the Pengerang Integrated Complex Project in Johor at an estimated cost of RM 88 billion.

#### Negatives

- Property stocks were affected by the Malaysian government's move to curb speculation with higher Real Property Gains Tax (30%) and the abolishment of Developer Interest Bearing Scheme (DIBS).
- Fitch Rating Agency downgraded Malaysia's sovereign rating outlook to negative from stable on 30 July 2012 on account of weaker public finances and the lack of measures to tackle it.
- The Malaysian Airlines MH 370 incident may jeopardise Visit Malaysia Year 2014 campaign.
- Bank Negara Malaysia worries over financial imbalances. A possible manner is to further tighten loans to household sector namely property and auto financing or to raise overnight policy rate.

## LOCAL STOCK MARKET COMMENTARY

### Market Outlook

- We are cautiously optimistic about the stock market on the back of anticipation of economic recovery in the developed countries would in turn spur exports in emerging markets like Malaysia.
- Returns from equity market are projected to be single digit at best given subpar global economic growth despite recovery. Furthermore, China's growth rate is slowing down, KLCI is close to its historic high, cut in government spending, rising cost of living and doing business are headwinds for the equity market to move higher.

## FOREIGN STOCK MARKET COMMENTARY

### Market Review

It has been a volatile year for regional markets. The MSCI Asia ex Japan index declined to as low as 497.57 points in end June 2013, down from 536.80 points at our fund inception. Fortunately, it rebounded sharply to close 14.31% higher in MYR terms since inception. The threat of the US Fed tapering programme from June 2013 to August 2013 hurt countries like India and Indonesia badly. The index however rebounded sharply from September 2013 onwards. As time progress, investors shrugged concerns over easing of Quantitative Easing and shifted their focus to acceleration in global economic growth.

### Key Market Drivers

#### Positives

- The Taiwan market rose 7.5% as investors turned positive on export-oriented markets as US recovery gathered momentum and Euro saw stabilisation in its economy.
- The Malaysian market rose 5.5% aided by reduction in political uncertainty, strong interest in oil & gas related stocks and acceleration of Economic Transformation Programmes.
- The Indian market appreciated 13% in anticipation that Modi-led party will win the upcoming election.

#### Negatives

- The Chinese stock market fell 10.8% on concerns over the nation's shadow banking problem. It also faced concerns of an economic hard landing following the repeated measures to cool down the property market and the tightening of liquidity.
- The Thailand market fell 7% on concerns over prolonged political turmoil.
- The Indonesian market fell 3.2% in terms of local currency but declined by a more severe 12% in USD terms as the rupiah declined driven by issues of twin deficit, high inflation and rising interest rates.

## FOREIGN STOCK MARKET COMMENTARY (cont'd)

## AIA PAM – GROWTH FUND

**Table: Regional market performance in local currency and MYR (Price Return)**

Country	5 June 2013 - 30 April 2014 (Local Currency)	5 June 2013 - 30 April 2014 (MYR terms)
Taiwan	7.45	12.11
Malaysia	5.47	5.47
Shanghai	-10.77	-7.75
Philippines	2.29	1.88
Hong Kong	0.29	6.02
India	13.04	12.78
South Korea	0.13	14.53
Thailand	-7.07	-7.38
Singapore	0.66	5.78
Indonesia	-3.22	-12.17

Source: Bloomberg as at 30 April 2014

### Market Outlook

- With the US economy gaining sustainable recovery, we expect North Asia to be the main beneficiaries. North Asia's growth with the exception of China is expected to be stronger in 2014 compared to 2013. For China, although growth is expected to be lower in 2014 but market valuations are compelling.
- Given the above, we will remain overweight in North Asia markets such as Korea, Taiwan and China as they will benefit from higher exports.

### Fund Information

Name:	AIA PAM – Growth Fund
Type & Category:	Core (Growth)
Investment Objective:	The Fund seeks to provide returns through capital growth.
Investment Strategy:	The Fund will invest in local and foreign equities with a bias towards equities with potential for growth. The Fund will also invest at least 30% of its NAV in local fixed income instruments with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC.
Benchmark:	35% FBM 100 Index + 35% MSCI AC Asia ex-Japan Index + 30% Quant Shop MGS All Bond Index
Distribution policy:	Distribution is incidental.

### Breakdown of unit holdings by size:

Size of holdings (units)	No. of unit holder	No. of units held	% of units held
5,000 and below	1,313	2,888,882.65	31.31
5,001 to 10,000	49	323,678.57	3.51
10,001 to 50,000	24	425,602.69	4.61
50,001 to 500,000	6	589,920.96	6.39
500,001 and above	1	5,000,000.00	54.18
<b>TOTAL</b>	<b>1,393</b>	<b>9,228,084.87</b>	<b>100.00</b>

Note: The unit holdings include Seed Capital of 5.0000 million units as at 30 April 2014.

# FUND PERFORMANCE

Details of the portfolio composition of the Fund are as follows:

	Since inception to 30 April 2014
	%
<b>Quoted securities</b>	
- Communication	0.41
- Construction	2.00
- Consumer Products	1.43
- Energy	0.58
- Finance	12.70
- Industrial Products	1.37
- Information Technology	3.23
- Infrastructure Projects	1.93
- Investment Fund	16.63
- Plantation	1.51
- Properties	3.84
- Technology	1.33
- Trading/Services	20.31
<b>Unquoted fixed income securities</b>	27.55
<b>Cash and other net assets</b>	5.18
	100.00

Performance details of the Fund are as follows:

	Since inception to 30 April 2014
Net asset value (NAV) (RM million)	9.6627
Units in circulation (million)	9.2281
NAV per unit (RM)	1.0471
Highest NAV per unit (RM)	1.0553
Lowest NAV per unit (RM)	0.9666
Total return (%)	4.71
- Capital growth (%)	3.17
- Income growth (%)	1.54
Average total return (%)	0.47
Annualised total return (%)	5.24
Gross distribution per unit (sen)	-
Net distribution per unit (sen)	-
Date of distribution	-
Management expense ratio (%)	2.08
Portfolio turnover ratio (times)	0.69
Seed capital (units in million)	5.0000
	(54.18% of total units in circulation)

Note: Basis of calculation and assumption made in computation of the returns

$$\text{Performance return} = \frac{\text{NAV}(t) - \text{NAV}(t-1)}{\text{NAV}(t)}$$

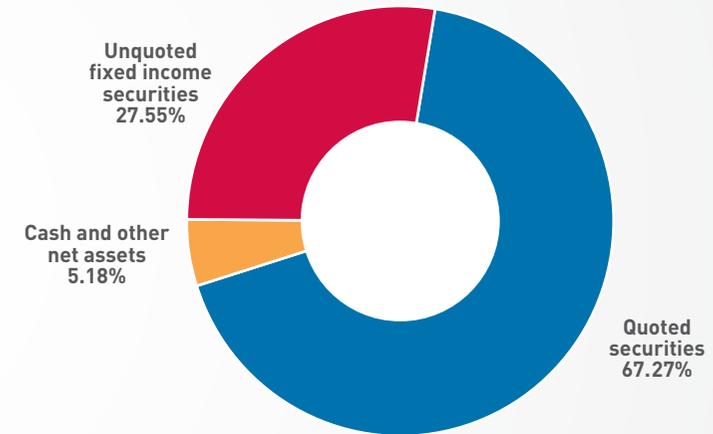
$$\text{Annualised performance return} = \frac{(\text{Performance return}) \times (\text{no. of days per year})}{\text{total no. of days for period under review}}$$

# FUND PERFORMANCE (cont'd)

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

Asset allocation of the Fund is as follows:

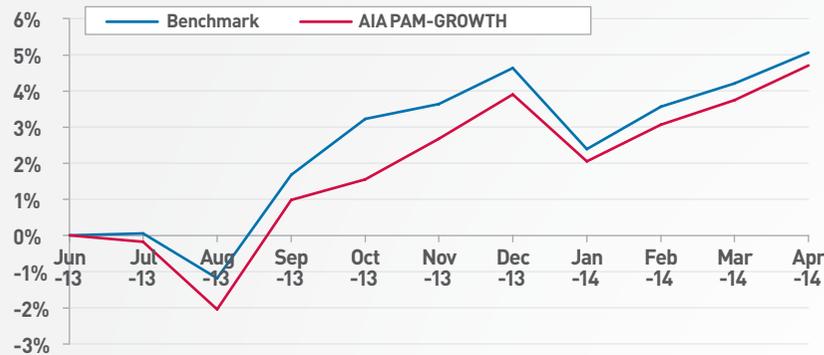
	Since inception to 30 April 2014
	% of NAV
Quoted securities	67.27
Unquoted fixed income securities	27.55
Cash and other net assets	5.18
Total	100.00



As at 30 April 2014, the Fund was fully invested where a minimal level of liquid assets was maintained primarily for redemption purposes.

# FUND REPORT

## AIA PAM-GROWTH



Source: Bloomberg, [www.bursamalaysia.com](http://www.bursamalaysia.com), [www.msci.com](http://www.msci.com), [www.quantshop.com](http://www.quantshop.com) as at 30 April 2014

### How did the Fund perform during the period?

Since inception on 5 June 2013 till 30 April 2014, the Fund has posted a return of 4.71%. The Fund marginally underperformed the benchmark due to allocation challenges as we were underweight in foreign equities relative to local equities while foreign equities have outperformed local equities. The Fund is in line with its investment objective of seeking to provide returns through capital growth.

During the period under review, there were no significant changes in the state of affairs of the Fund and no circumstances which materially affect any interests of the members.

### What investments influenced the Fund's performance over the year?

#### Positives

- The Fund's equity portion was overweight in small to medium cap stocks like Prestariang, Yinson, Syarikat Takaful Malaysia, Kossan and Hua Yang.
- The Fund's equity portion was overweight in cyclical sectors such as property, oil & gas, construction and technology have outperformed.
- The Fund's equity portion was underweight in finance, telecommunication, consumer and plantation sector have underperformed.
- Reduction in the portfolio duration protected the Fund from a steepening yield curve.
- The Fund's fixed income portion is biased towards corporate bonds versus government bonds also benefitted as corporate bond yields were relatively less volatile and the higher carry of corporate bonds contributed to the return.

# FUND REPORT

#### Negatives

- The Fund participated in IPO such as Airasia X has underperformed.
- The Fund underweight position in foreign equity markets which have outperformed local market.
- The Fund remained cautious on lower rated credits, thus unable to ride on the higher yields.

### What is your strategy going forward?

For equity, with expectations of a synchronised global growth, we prefer growth stocks over yield. As such, we like stocks in cyclical sectors i.e. oil & gas, selected property stocks, construction and technology.

For fixed income, we think that the coming year will be a challenging one for fixed income markets, with inflation rearing its head and risky assets being preferred. Amidst the prospect of steepening yield curve, the Fund will invest in short-to-medium tenured as well as high-grade corporate bonds that offer good relative values for better yield pick-up while minimising duration risk.

### Soft Commission and Rebates

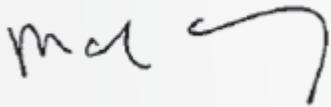
There was also no soft commission or rebates received from any broker for the period under review.

## STATEMENT BY PRS PROVIDER

### STATEMENT BY PRS PROVIDER TO THE MEMBERS OF AIA PAM – GROWTH FUND

I, Wang Ming-Yuan, Mark being the Chief Executive Officer of AIA Pension and Asset Management Sdn. Bhd. (the “PRS Provider”), do hereby state that, in the opinion of the PRS Provider, the accompanying financial statements set out on pages 17 to 48 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 April 2014 and of its financial performance, changes in equity and cash flows for the financial period from 16 May 2013 (date of launch) to 30 April 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the PRS Provider,  
AIA PENSION AND ASSET MANAGEMENT SDN. BHD.  
(Company No: 1011637-P)



**Wang Ming-Yuan, Mark**  
Chief Executive Officer

Kuala Lumpur  
Date: 16 June 2014

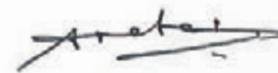
## TRUSTEE'S REPORT

### TRUSTEE'S REPORT TO THE MEMBERS OF AIA PAM – GROWTH FUND

We have acted as the Trustee of AIA PAM - GROWTH FUND (the “Fund”) for the financial period from 16 May 2013 (date of launch) to 30 April 2014. To the best of our knowledge, for the period under review, AIA Pension and Asset Management Sdn. Bhd. (the “PRS Provider”), has operated and managed the Fund in accordance with the following:

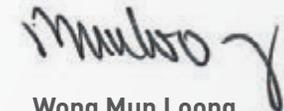
- (a) limitations imposed on the investment powers of the PRS Provider and the Trustee under the Deeds, the Securities Commission's Guidelines on Private Retirement Schemes, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and relevant regulatory requirements; and
- (c) creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements.

For Deutsche Trustees Malaysia Berhad



**Mahesh Anchan**  
Head, RTA Operations

Kuala Lumpur  
Date: 16 June 2014



**Wong Mun Loong**  
Manager, Trustee Operations

# INDEPENDENT AUDITORS' REPORT

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIA PAM – GROWTH FUND

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIA PAM – GROWTH FUND (the "Fund") on pages 17 to 48, which comprise the statement of financial position as at 30 April 2014, and the statements of comprehensive income, changes in equity and cash flows of the Fund for the financial period from 16 May 2013 (date of launch) to 30 April 2014, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 18.

### The PRS Provider's Responsibility for the Financial Statements

The PRS Provider of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The PRS Provider is also responsible for such internal control as the PRS Provider determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PRS Provider's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the PRS Provider, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT (cont'd)

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 30 April 2014 and of its financial performance and cash flows for the financial period from 16 May 2013 (date of launch) to 30 April 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

## Other Matters

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
Date: 16 June 2014

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

	Note	16.05.2013 (date of launch) to 30.04.2014 RM
<b>NET INVESTMENT INCOME</b>		
Dividend income		114,140
Interest income	4	106,048
Net gain on financial assets at fair value through profit or loss	9	363,085
		<u>583,273</u>
<b>EXPENSES</b>		
Management fee	5	116,877
Trustee's fee	6	3,117
PPA administration fee	7	3,117
Transaction costs		28,753
Audit fee		8,000
Tax agent's fee		4,770
Custody fee		556
Other expenses		3,764
		<u>168,954</u>
<b>PROFIT BEFORE TAXATION</b>		414,319
Taxation	8	(258)
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u>414,061</u>

Profit after taxation is made up as follows:

Realised amount	9,231
Unrealised amount	<u>404,830</u>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2014

	Note	2014 RM
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	9	9,162,474
Cash and cash equivalents	10	487,177
Amount due from PRS Provider – creation of units		23,720
Dividends receivable		9,923
Tax recoverable		3,439
<b>TOTAL ASSETS</b>		<u>9,686,733</u>
<b>CURRENT LIABILITIES</b>		
Amount due to PRS Provider – cancellation of units		11,836
Amount due to Trustee		315
Amount due to PPA		315
Amount due to Custody fee		429
Other payables and accruals		11,181
<b>TOTAL LIABILITIES</b>		<u>24,076</u>
<b>NET ASSETS VALUE OF THE FUND</b>		<u>9,662,657</u>
<b>EQUITY</b>		
Members' capital		9,248,596
Retained earnings		414,061
<b>NET ASSET ATTRIBUTABLE TO MEMBERS</b>	11	<u>9,662,657</u>
<b>Number of units in circulation (units)</b>	11	<u>9,228,085</u>
<b>Net asset value per unit (RM) (*Ex-distribution)</b>		<u>1.0471</u>

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

	Note	Members' capital RM	Retained earnings RM	Total RM
<b>Balance as at 16 May 2013 (date of launch)</b>		-	-	-
Movement in members' contributions:				
Creation of units arising from applications	11	9,389,952	-	9,389,952
Cancellation of units	11	(141,356)	-	(141,356)
Total comprehensive income for the financial period		-	414,061	414,061
<b>Balance as at 30 April 2014</b>		<u>9,248,596</u>	<u>414,061</u>	<u>9,662,657</u>

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

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

	Note	16.05.2013 (date of launch) to 30.04.2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from disposal of investments		1,227,919
Purchase of investments		(10,001,507)
Dividend received		104,217
Interest received from investments		80,247
Management fee paid		(105,041)
Trustee's fee paid		(2,802)
PPA administrative fee paid		(2,802)
Tax paid		(3,697)
Payments for other fees and expenses		(34,233)
<b>Net cash used in operating activities</b>		<u>(8,737,699)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created		9,366,232
Payments for cancellation of units		(141,356)
<b>Net cash generated from financing activities</b>		<u>9,224,876</u>
Net increase in cash and cash equivalents		<u>487,177</u>
Cash and cash equivalents at the end of the financial period	10	<u>487,177</u>

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

# NOTES TO FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014**

## 1. THE FUND, THE PRS PROVIDER AND ITS PRINCIPAL ACTIVITY

AIA PAM - Growth (the "Fund") is governed by a Deed dated 16 January 2013 (referred to as the "Deed") between AIA Pension and Asset Management Sdn. Bhd. (the "PRS Provider") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund seeks to provide returns through capital growth by investing up to 70% of its NAV in a portfolio of local and foreign equities, of which approximately half of its equity allocation in the Malaysian market and the other half in the Asia ex-Japan markets which are members of the International Organization of Securities Commissions such as (but not limited to) Singapore, Thailand, Philippines, Indonesia, Hong Kong, Korea, and Taiwan. The actual allocation between local and foreign equities will depend on the prospects of each country and will not be static. The portfolio will generally favour equities with potential for growth. The Fund will also invest in equities that are trading below their fair value and equities a dividend yield above the market average.

The Fund will invest at least 30% of its NAV in local fixed income instruments with a minimum credit rating of "BBB3" or "P2" by RAM of equivalent rating by MARC.

The Fund commenced operations on 16 May 2013 and will continue its operations until terminated by the Trustee or the PRS Provider, as the case may be as provided under Clause 2.3 of the Deed.

The PRS Provider, AIA Pension and Assets Management Sdn. Bhd. is incorporated in Malaysia. The principal activities of the Company are asset management and management of Private Retirement Scheme ("PRS") funds. It is a wholly owned entity of AIA Bhd. (formerly known as American International Assurance Bhd.), whose ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited.

The financial statements were authorised for issue by the PRS Provider on 16 June 2014.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

# NOTES TO FINANCIAL STATEMENTS (cont'd)

## (a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires the PRS Provider to exercise their judgment in the process of applying the Fund's accounting policies. The PRS Provider believes that the underlying assumptions are appropriate and the Fund's financial statements therefore present the financial position results fairly.

Although these estimates and judgment are based on the PRS Provider's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(m).

The standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

### (i) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The Fund will apply this amendment when effective.

The adoption of the amendment is not expected to have a significant impact on the results of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (ii) Financial year beginning on/after 1 January 2017

MFRS 9 “Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities” (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund will apply this standard when effective.

The adoption of the standard is not expected to have a significant impact on the results of the Fund.

### (b) Financial assets and liabilities

#### Classification

The Fund designates its investments in quoted securities and unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund’s loan and receivables comprise cash and cash equivalents, amount due from PRS Provider, amount due from stockbrokers and dividends receivable.

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

The Fund classifies amount due to PRS Provider, amount due to stockbrokers, accrued management fee, amount due to Trustee, other payables and accruals as other financial liabilities.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

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 assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the period which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund’s right to receive payments is established.

Quoted investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Bhd (“Bursa Securities”) at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the trustee, then the securities are valued as determined in good faith by the PRS Provider, based on the methods or bases approved by the Trustee after appropriate technical consultation.

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency (“BPA”) registered with the SC as per the SC Guidelines on Private Retirement Schemes.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective profit method over the period from the date of placement to the date of maturity of the respective deposits.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

### (c) Income recognition

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

Realised gain or loss on disposal of quoted securities is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Realised gain or loss on disposal of unquoted fixed income securities is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

### (d) Functional and presentation currency

Items included in 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 the Fund's functional and presentation currency.

### (e) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the member's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the member's option at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to members with the total number of outstanding units.

### (f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (g) Taxation

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial period.

### (h) Transaction costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (i) Amount due from/to stockbrokers

Amounts due from and amount due to stockbrokers represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from stockbrokers. A provision for impairment of amount due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbroker.

Significant financial difficulties of the stockbroker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or receivables expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### (j) Members' capital

The members' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under MFRS 132 "Financial Instruments: Presentation".

The units in the Fund are puttable instruments which entitle the members to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (k) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

### (l) Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Loans and Receivables RM	Total RM
<b>2014</b>			
Financial assets at fair value through profit or loss (Note 9)	9,162,474	-	9,162,474
Cash and cash equivalents (Note 10)	-	487,177	487,177
Amount due from PRS Provider – creation of units	-	23,720	23,720
Dividends receivable	-	9,923	9,923
	<u>9,162,474</u>	<u>520,820</u>	<u>9,683,294</u>

All current liabilities are financial liabilities which are carried at amortised cost.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (m) Critical accounting estimates and judgements in applying accounting policies

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the PRS Provider and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the PRS Provider will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Private Retirement Schemes.

Ringgit-denominated unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the PRS Provider is of the view that the price quoted by BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the PRS Provider may use market price, provided that the PRS Provider records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to maximise returns through capital growth.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk, liquidity risk, non-compliance risk and capital risk.

Financial risk management is carried out through internal control process adopted by the PRS Provider and adherence to the investment restrictions as stipulated in the Disclosure Document and SC Guidelines on Private Retirement Schemes.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (a) Market risk

#### (i) Price risk

This is the risk that the fair value of an investment in quoted securities and unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of securities and other financial instruments within specified limits according to the Deeds.

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

	<b>2014 RM</b>
Financial assets at fair value through profit or loss:	
- quoted securities	6,499,990
- unquoted fixed income securities	2,662,484
Total	<u>9,162,474</u>

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of quoted securities and unquoted fixed income securities at the end of each reporting period. The analysis is based on the assumptions that the price of the quoted securities and unquoted fixed income securities increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted securities and unquoted fixed income securities, having regard to the historical volatility of the prices.

<b>% Change in price of financial assets at fair value through profit and loss</b>	<b>Market value RM</b>	<b>Impact on profit after tax / net asset value RM</b>
<b>2014</b>		
+5%	9,620,598	458,124
0%	9,162,474	-
-5%	<u>8,704,350</u>	<u>(458,124)</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (ii) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the PRS Provider will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the PRS Provider, which is based on its continuous fundamental research and analysis.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

<b>% Change in interest rate</b>	<b>Impact on profit after taxation/NAV 2014 RM</b>
+5%	(24,901)
-5%	25,110

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to fair value interest rate risk arises from investment in money market instruments. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions. The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Fund.

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted fixed income securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the PRS Provider imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted fixed income securities investment must satisfy a minimum rating requirement of at least "BBB3" or "P2" by RAM or equivalent rating by MARC.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the PRS Provider are governed by the SC Guidelines on Private Retirement Schemes.

The following table sets out the credit risk concentration of the Fund:

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from PRS Provider RM	Dividend receivables RM	Other receivables RM	Total RM
<b>2014</b>						
<b>Quoted securities</b>						
Communication	39,786	-	-	-	-	39,786
Construction	193,218	-	-	-	-	193,218
Consumer Products	137,768	-	-	-	-	137,768
Energy	55,445	-	-	-	-	55,445
Finance	1,228,006	-	-	9,331	-	1,237,337
Industrial Products	131,972	-	-	-	-	131,972
Information Technology	311,344	-	-	-	-	311,344
Infrastructure Project Companies	186,217	-	-	-	-	186,217
Investment Fund	1,607,200	-	-	-	-	1,607,200
Plantations	146,008	-	-	-	-	146,008
Properties	371,418	-	-	-	-	371,418
Technology	128,160	-	-	-	-	128,160
Trading/Services	1,963,448	-	-	592	-	1,964,040
<b>Unquoted fixed income securities</b>						
Commercial Bank						
- AA1	222,672	-	-	-	-	222,672
- AA+ IS	327,678	-	-	-	-	327,678
Civil Engineering & Contracting						
- AA3	325,045	-	-	-	-	325,045
Collateralised Loan Obligations						
- AAA	122,646	-	-	-	-	122,646
Diversified Holdings						
- AA3	280,735	-	-	-	-	280,735
Development Finance Institutions						
- P1	296,282	-	-	-	-	296,282

## NOTES TO FINANCIAL STATEMENTS (cont'd)

The following table sets out the credit risk concentration of the Fund:

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from PRS Provider RM	Dividend receivables RM	Other receivables RM	Total RM
<b>Unquoted fixed income securities</b>						
Financial Services						
- AA2 (S)	436,158	-	-	-	-	436,158
Plantation And Agriculture						
- AA2	328,977	-	-	-	-	328,977
Utilities						
- AA1	322,291	-	-	-	-	322,291
Other						
- NR	-	-	23,720	-	3,439	27,159
<b>Money Market</b>						
- AA1	-	487,177	-	-	-	487,177
	<u>9,162,474</u>	<u>487,177</u>	<u>23,720</u>	<u>9,923</u>	<u>3,439</u>	<u>9,686,733</u>

All financial assets of the Fund as at the end of each financial period are neither past due nor impaired.

### (c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the PRS Provider will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The PRS Provider manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by members. Liquid assets comprise bank balances, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 business days.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
<b>2014</b>			
Amount due to PRS Provider	11,836	-	11,836
Amount due to Trustee	315	-	315
Amount due to PPA	315	-	315
Amount due to Custody fee	-	429	429
Other payables and accruals	-	11,181	11,181
<b>Contractual cash outflows</b>	<u>12,466</u>	<u>11,610</u>	<u>24,076</u>

### (d) Non-compliance risk

Non-compliance risk arises when the PRS Provider and others associated with the Fund do not follow the rules set out in the Fund's constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the PRS Provider not complying with internal control procedures.

The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the PRS Provider.

### (e) Capital risk management

The capital of the Fund is represented by equity consisting of members' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (f) Fair value estimation

The fair value of financial assets and liabilities traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Valuations are therefore adjusted where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The fair value is based on the following methodology and assumptions:

- (i) Bank balance and deposits and placements with financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

(ii) The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The carrying value of the financial assets and financial liabilities approximate their fair value due to their short-term nature.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2014</b>				
Financial assets at fair value through profit or loss:				
- quoted securities	6,499,990	-	-	6,499,990
- unquoted fixed income securities	-	2,662,484	-	2,662,484
	<u>6,499,990</u>	<u>2,662,484</u>	<u>-</u>	<u>9,162,474</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Fund does not adjust the quoted prices for these instruments.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

### 4. INTEREST INCOME

	2014 RM
Interest income from deposits with licensed financial institutions	26,819
Interest income from unquoted fixed income securities	79,229
	<u>106,048</u>

### 5. MANAGEMENT FEE

In accordance with Clause 17.1.3 of the Master Deed dated 16 January 2013, the PRS Provider is entitled to a maximum management fee of 2.00% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the management fee is recognised at a rate of 1.50% per annum.

There will be no further liability to the PRS Provider in respect of management fee other than the amount recognised above.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 6. TRUSTEE FEE

In accordance with Clause 17.2.2 of the Master Deed dated 16 January 2013, the Trustee is entitled to a maximum Trustee fee of 0.04% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the Trustee's fee is recognised at a rate of 0.04% per annum.

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

### 7. PRIVATE PENSION ADMINISTRATION FEE

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the PPA administration fee is recognised at a rate of 0.04% per annum, calculated daily based on the NAV of the Fund.

There will be no further liability to the PPA in respect of PPA administration fee other than the amount recognised above.

### 8. TAXATION

The numerical reconciliation between profit before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	<b>16.05.2013 (date of launch) to 30.04.2014 RM</b>
Profit before taxation	414,319
Taxation at Malaysian statutory rate of 25%	103,580
Tax effects of:	
Investment income not subject to tax	(155,996)
Expenses not deductible for tax purposes	52,674
Taxation	258

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2014 RM</b>
Designated at fair value through profit or loss at inception:	
- quoted securities	6,499,990
- unquoted fixed income securities	2,662,484
	<u>9,162,474</u>

	<b>16.05.2013 (date of launch) to 30.04.2014 RM</b>
Net gain on assets at fair value through profit or loss	
- realised loss on disposals	(41,745)
- change in unrealised fair value gain	404,830
	<u>363,085</u>

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014</b>				
<b>QUOTED SECURITIES</b>				
<b>Communication</b>				
Singapore				
Telecommunications	4,000	38,772	39,786	0.41
	<u>4,000</u>	<u>38,772</u>	<u>39,786</u>	<u>0.41</u>
<b>Construction</b>				
Gamuda Berhad	20,600	97,967	94,966	0.98
IJM Corporation Bhd	15,400	88,786	98,252	1.02
	<u>36,000</u>	<u>186,753</u>	<u>193,218</u>	<u>2.00</u>
<b>Consumer Products</b>				
Hyundai Motor	69	51,469	50,083	0.52
Oriental Holdings Bhd	8,800	85,551	68,640	0.71
Sands China	800	17,823	19,045	0.20
	<u>9,669</u>	<u>154,843</u>	<u>137,768</u>	<u>1.43</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>Energy</b>				
China Petroleum & Chemical Corporation	14,000	36,900	40,337	0.42
Petrochina Co	4,000	14,183	15,108	0.16
	<u>18,000</u>	<u>51,083</u>	<u>55,445</u>	<u>0.58</u>
<b>Finance</b>				
AMMB Holdings Bhd	18,400	136,609	132,112	1.37
Bank of China Ltd	35,000	51,505	50,200	0.52
Cheung Kong (Holdings) Ltd	1,000	49,680	55,521	0.57
China Construction Bank Corporation	29,000	71,086	65,258	0.68
CIMB Group Holdings Bhd	21,387	171,704	160,616	1.66
Hong Leong Group Bhd	3,100	46,386	47,430	0.49
Industrial and Commercial Bank of China Ltd	31,000	67,601	60,240	0.62
Malayan Banking Berhad	22,100	227,681	218,790	2.26
Ping An Insurance (Group) Co of China Ltd	1,500	37,629	36,183	0.37
Public Bank Berhad	9,200	160,330	185,288	1.92
RHB Capital Berhad	11,541	97,307	95,675	0.99
Sun Hung Kai Properties Limited	1,035	43,207	42,510	0.44
Sun Hung Kai Properties Limited Warrants 22.04.2016	85	-	187	-
Syarikat Takaful Malaysia Bhd	6,200	48,840	77,996	0.81
	<u>190,548</u>	<u>1,209,565</u>	<u>1,228,006</u>	<u>12.70</u>
<b>Industrial Products</b>				
Kossan Rubber Industries Bhd	18,400	44,141	75,440	0.78
Petronas Chemicals Group Berhad	8,400	55,845	56,532	0.59
	<u>26,800</u>	<u>99,986</u>	<u>131,972</u>	<u>1.37</u>
<b>Information Technology</b>				
Hon Hai Precision Industry Co Ltd	4,000	31,876	37,425	0.39
Media Tek Incorporation	1,000	46,377	50,995	0.53
Samsung Electronics Co	18	79,266	76,288	0.79
SK Hynix Inc	450	44,014	57,017	0.59
Taiwan Semiconductor Manufacturing Co., Ltd	7,000	80,877	89,619	0.93
	<u>12,468</u>	<u>282,410</u>	<u>311,344</u>	<u>3.23</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>Infrastructure Project Company</b>				
Digi.Com.Berhad	16,400	77,268	90,856	0.94
Time Dotcom Bhd	23,900	86,454	95,361	0.99
	<u>40,300</u>	<u>163,722</u>	<u>186,217</u>	<u>1.93</u>
<b>Investment Fund</b>				
Dbxt MSCI Asia Ex Japan 10 Etf	14,500	1,464,765	1,607,200	16.63
	<u>14,500</u>	<u>1,464,765</u>	<u>1,607,200</u>	<u>16.63</u>
<b>Plantation</b>				
IOI Corporation Bhd	9,500	49,392	47,500	0.49
Kulim Malaysia Berhad	16,200	56,213	57,186	0.59
TDM Bhd	42,600	34,423	41,322	0.43
	<u>68,300</u>	<u>140,028</u>	<u>146,008</u>	<u>1.51</u>
<b>Properties</b>				
Hua Yang Berhad	33,033	56,970	61,772	0.64
Matrix Concepts Holdings Berhad	13,400	36,802	54,806	0.57
Sunway Real Estate Investment Trust	15,666	48,114	48,565	0.50
Titijaya Land Bhd	50,000	97,800	101,500	1.05
UEM Sunrise Berhad	19,500	58,167	44,850	0.46
UOA Development Berhad	25,500	57,276	59,925	0.62
	<u>157,099</u>	<u>355,129</u>	<u>371,418</u>	<u>3.84</u>
<b>Technology</b>				
Globetronics Technology Bhd	35,600	98,503	128,160	1.33
	<u>35,600</u>	<u>98,503</u>	<u>128,160</u>	<u>1.33</u>
<b>Trading/Services</b>				
Axiata Group Bhd	21,700	145,170	146,041	1.51
Berjaya Sports Toto Bhd	12,074	49,493	46,968	0.49
Boustead Holdings Berhad	14,700	79,167	81,585	0.84
Daya	142,500	59,850	47,737	0.49
Dialog Group Bhd	18,000	54,759	64,620	0.67
Genting Berhad	17,600	179,250	172,480	1.79
Maxis Berhad	19,000	130,301	132,050	1.37
MBM Resources Berhad	17,500	67,566	56,350	0.58
Media Prima Bhd	20,000	54,103	49,800	0.52

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>Trading/Services</b>				
MISC Berhad	11,300	57,952	73,563	0.76
Magnum Berhad	16,700	57,024	50,434	0.52
Perdana Petroleum Bhd	50,000	94,500	94,500	0.98
Perisai Petroleum Teknologi Bhd	27,800	43,573	43,646	0.45
POS Malaysia Bhd	11,600	57,159	52,200	0.54
Prestariang Bhd	51,600	54,307	104,232	1.08
Sapurakencana Petroleum Bhd	25,100	106,418	108,181	1.12
Sime Darby Berhad	9,859	93,485	93,069	0.96
Telekom Malaysia Bhd	10,500	57,051	65,100	0.67
Tenaga Nasional Bhd	19,400	169,105	230,860	2.39
Uzma Bhd	8,700	50,634	53,070	0.55
Yinson Holdings Berhad	11,600	54,324	98,948	1.02
YTL Corporation Bhd	23,000	39,106	37,030	0.38
Westports Holdings Berhad	24,200	60,608	60,984	0.63
	<u>584,433</u>	<u>1,814,905</u>	<u>1,963,448</u>	<u>20.31</u>
<b>TOTAL QUOTED SECURITIES</b>	<u>1,197,717</u>	6,060,464	<u>6,499,990</u>	<u>67.27</u>
<b>UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>439,526</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>6,499,990</u>		

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
<b>BONDS</b>				
Public Bank Berhad 25.09.2023	221,000	222,075	222,672	2.30
	<u>221,000</u>	<u>222,075</u>	<u>222,672</u>	<u>2.30</u>
<b>COMMERCIAL PAPER</b>				
Sabah Credit Corporation 28.08.2014	300,000	296,282	296,282	3.07
	<u>300,000</u>	<u>296,282</u>	<u>296,282</u>	<u>3.07</u>
<b>ISLAMIC BONDS</b>				
CIMB Islamic Bank Berhad 18.09.2017	329,000	332,059	327,678	3.39
Gamuda Berhad 21.03.2018	327,000	331,356	325,045	3.36
Golden Assets International Finance Limited 03.08.2018	436,000	441,134	436,158	4.51
Cagamas MBS Berhad 26.10.2018	123,000	123,040	122,646	1.27
BGSM Management Sdn Bhd 27.12.2018	274,000	280,268	280,735	2.91
First Resources Ltd 05.06.2020	330,000	336,668	328,977	3.40
Sarawak Energy Berhad 23.06.2021	308,000	334,297	322,291	3.34
	<u>2,127,000</u>	<u>2,178,823</u>	<u>2,143,530</u>	<u>22.18</u>
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>2,648,000</u>	2,697,180	<u>2,662,484</u>	<u>27.55</u>
<b>UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u>(34,696)</u>	
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>2,662,484</u>		

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 10. CASH AND CASH EQUIVALENTS

	<b>2014</b>
	<b>RM</b>
Deposits with licensed financial institutions	102,145
Bank balances	385,032
	<u>487,177</u>

The effective weighted average interest rate per annum is as follows:

	<b>2014</b>
	<b>%</b>
Deposits with licensed financial institutions	<u>3.00</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 5 days.

### 11. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO MEMBERS

	<b>2014</b>
	<b>RM</b>
At date of launch	-
Add: Creation arising from applications	9,367,372
Less: Cancellation of units	(139,287)
Total comprehensive income for the financial period	-
At end of the financial period	<u>9,228,085</u>
	<u>9,662,657</u>

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

	<b>16.05.2013</b>
	<b>(date of launch)</b>
	<b>to 30.04.2014</b>
	<b>%</b>
MER	<u>2.08</u>

MER is derived based on the following calculation:

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

A = Management fee	E = PPA administration fee
B = Trustee's fee	F = Other expenses
C = Audit fee	G = Average NAV of the Fund
D = Tax agent's fee	calculation on a daily basis

The average NAV of the Fund for the financial period calculated on daily basis is RM8,110,751.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

	<b>16.05.2013</b>
	<b>(date of launch)</b>
	<b>to 30.04.2014</b>
PTR (times)	<u>0.69</u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial period = RM10,001,507

total disposal for the financial period = RM1,227,919

### 14. UNITS HELD BY THE PRS PROVIDER AND RELATED PARTIES TRANSACTIONS AND BALANCES

The related parties and their relationship with the Fund are as follows:

Related parties	Relationship
AIA Pension and Asset Management Sdn Bhd	The PRS Provider
AIA Bhd (Formerly known as American International Assurance Bhd)	Holding Company of the PRS Provider
AIA Group Limited	Ultimate holding company of the PRS Provider

Units held by the PRS Provider and parties related to the PRS Provider

	<b>2014</b>
	<b>RM</b>
	<b>No. of units</b>
	<b>RM</b>
<b>PRS Provider</b>	
AIA Pension and Asset Management Sdn Bhd	<u>5,000,000</u>
	<u>5,235,500</u>

In the opinion of the PRS Provider, the above units were transacted at the prevailing market price.

The units are held beneficially by the PRS Provider for bookings purpose. Other than the above, there were no units held by Directors or parties related to the PRS Provider.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The PRS Provider is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties and the interest rates on fixed and short-term deposits were at normal commercial rates.

	<b>16.05.2013 (date of launch) to 30.04.2014</b>
<b>Significant related party transactions</b>	
AIA Pension and Asset Management Sdn. Bhd.	<u>5,000,000</u>
<b>Significant related party balances</b>	
AIA Pension and Asset Management Sdn. Bhd.	<u>5,235,500</u>

### 15. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial period from 16 May 2013 (date of launch) to 30 April 2014 are as follows:

<b>Brokers/dealers</b>	<b>Value of trades</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
Credit Suisse	4,894,376	44.08	15,550	54.08
CIMB Bank Berhad	1,213,332	10.93	-	-
Hong Leong Investment Bank Berhad	1,166,306	10.50	3,894	13.54
Maybank Investment Bank Berhad	1,073,773	9.67	4,036	14.04
Macquarie Capital Securities (M) Sdn Bhd	756,772	6.82	2,936	10.21
RHB Investment Bank Berhad	691,942	6.23	-	-
AmBank (M) Berhad	570,282	5.14	-	-
Malayan Banking Berhad	395,073	3.56	642	2.23
CIMB Investment Bank Berhad	293,594	2.64	1,560	5.43
J.P. Morgan Securities (Asia Pacific) Ltd	43,717	0.39	135	0.47
Others	4,061	0.04	-	-
	<u>11,103,228</u>	<u>100.00</u>	<u>28,753</u>	<u>100.00</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 16. SEGMENT INFORMATION

The internal reporting provided to the chief operating decision-maker for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and International Financial Reporting Standards. The CEO, who is the chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to grow the value of investments over the long-term through investment in a diversified mix of Malaysian assets. The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of profit and dividend income earned from investments and gains on the appreciation in the value of investments.

There were no changes in reportable operating segment during the financial period.

### 17. COMPARATIVES

There are no comparative figures as this is the first set of financial statements prepared since the launch of the Fund.

### 18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the PRS Provider on 16 June 2014.

# AIA PAM – MODERATE FUND

## Fund Information

Name:	AIA PAM – Moderate Fund
Type & Category:	Core (Moderate)
Investment Objective:	The Fund seeks to provide returns through a combination of income* and capital growth. *Income will be reinvested in additional Units in the Fund.
Investment Strategy:	The Fund will invest in equities that are trading below their fair value and equities offering a dividend yield above the market average. The Fund will invest in local and foreign markets. The Fund will also invest at least 40% of its NAV in local fixed income instruments with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC.
Benchmark:	30% FBM 100 Index + 30% MSCI AC Asia ex-Japan Index + 40% Quant Shop MGS All Bond Index
Distribution policy:	Subject to the availability of income, distribution (if any) will be distributed annually.

## Breakdown of unit holdings by size:

Size of holdings (units)	No. of unit holder	No. of units held	% of units held
5,000 and below	959	2,370,397.35	26.43
5,001 to 10,000	30	218,444.17	2.44
10,001 to 50,000	26	512,035.52	5.71
50,001 to 500,000	7	868,777.54	9.69
500,001 and above	1	5,000,000.00	55.74
<b>TOTAL</b>	<b>1,023</b>	<b>8,969,654.58</b>	<b>100.00</b>

Note: The unit holdings include Seed Capital of 5.0000 million units as at 30 April 2014.

# FUND PERFORMANCE

## Details of the portfolio composition of the Fund are as follows:

	Since inception to 30 April 2014
	%
<b>Quoted securities</b>	
- Construction	1.90
- Consumer Products	0.64
- Finance	9.67
- Industrial Product	2.96
- Infrastructure Project Company	1.94
- Investment Fund	14.06
- Plantation	1.59
- Properties	3.65
- Technology	0.69
- Trading/Services	21.17
<b>Unquoted fixed income securities</b>	37.65
<b>Cash and other net assets</b>	4.08
	100.00

## Performance details of the Fund are as follows:

	Since inception to 30 April 2014
Net asset value (NAV) (RM million)	9.3793
Units in circulation (million)	8.9697
NAV per unit (RM)	1.0457
Highest NAV per unit (RM)	1.0511
Lowest NAV per unit (RM)	0.9680
Total return (%)	4.57
- Capital growth (%)	2.66
- Income growth (%)	1.91
Average total return (%)	0.45
Annualised total return (%)	5.00
Gross distribution per unit (sen)	-
Net distribution per unit (sen)	-
Date of distribution	-
Management expense ratio (%)	2.07
Portfolio turnover ratio (times)	0.73
Seed capital (units in million)	5.0000
	(55.74% of total units in circulation)

Note: Basis of calculation and assumption made in computation of the returns

$$\text{Performance return} = \frac{\text{NAV}(t) - \text{NAV}(t-1)}{\text{NAV}(t)}$$

$$\text{Annualised performance return} = \frac{(\text{Performance return}) \times (\text{no. of days per year})}{\text{total no. of days for period under review}}$$

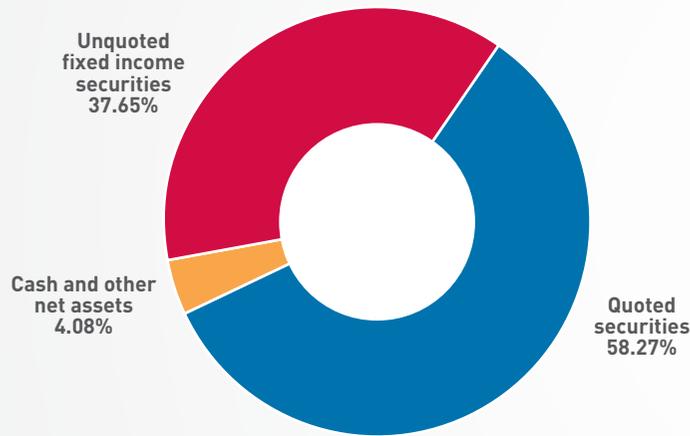
# FUND PERFORMANCE (cont'd)

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

Asset allocation of the Fund is as follows:

Quoted securities  
 Unquoted fixed income securities  
 Cash and other net assets  
 Total

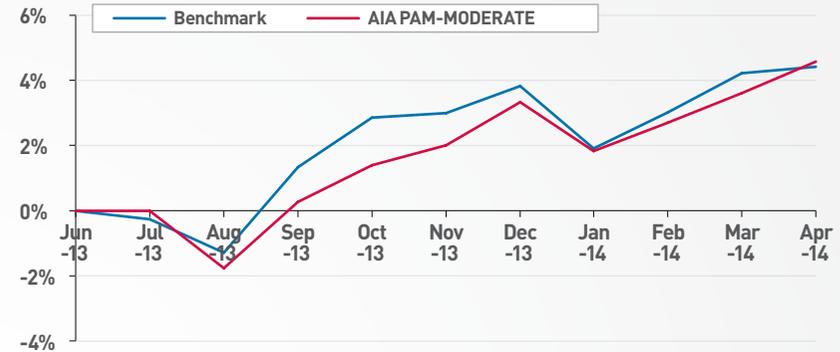
Since inception to 30 April 2014	
	% of NAV
Quoted securities	58.27
Unquoted fixed income securities	37.65
Cash and other net assets	4.08
<b>Total</b>	<b>100.00</b>



As at 30 April 2014, the Fund was fully invested where a minimal level of liquid assets was maintained primarily for redemption purposes.

# FUND REPORT

## AIA PAM-MODERATE



Source: Bloomberg, www.bursamalaysia.com, www.msci.com, www.quantshop.com as at 30 April 2014

### How did the Fund perform during the period?

Since inception on 5 June 2013 to 30 April 2014, the Fund has posted a return of 4.57%. The Fund marginally underperformed the benchmark due to allocation challenges as we were underweight in foreign equities relative to local equities while foreign equities have outperformed local equities. The Fund is in line with its investment objective of seeking to provide returns through a combination of income and capital growth.

During the period under review, there were no significant changes in the state of affairs of the Fund and no circumstances which materially affect any interests of the members.

### What investments influenced the Fund's performance over the year?

#### Positives

- The Fund equity portion was overweight in small to medium cap stocks like Prestariang, Yinson, Syarikat Takaful Malaysia, Kossan and Hua Yang.
- The Fund overweight equity portion was in cyclical sectors such as property, oil & gas, construction and technology have outperformed.
- The Fund equity portion is underweight in finance, telecommunication, consumer and plantation sector have underperformed.
- On the fixed income side, reduction in the portfolio duration protected the Fund from a steepening yield curve.

**FUND REPORT** (cont'd)

- The Fund's bias towards corporate bonds versus government bonds also benefitted as corporate bond yields were relatively less volatile and the higher carry of corporate bonds contributed to the return.

**Negatives**

- The Fund underweight position in foreign equity markets which have outperformed local market.
- The Fund remained cautious on lower rated credits, thus unable to ride on the higher yields.

**What is your strategy going forward?**

For equity, with expectations of a synchronised global growth, we prefer growth stocks over yield. As such, we like stocks in cyclical sectors i.e. oil & gas, selected property stocks, construction and technology.

For fixed income, we think that the coming year will be a challenging one for fixed income markets, with inflation rearing its head and risky assets being preferred. Amidst the prospect of steepening yield curve, the Fund will invest in short-to-medium tenured as well as high-grade corporate bonds that offer good relative values for better yield pick-up while minimising duration risk.

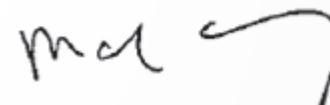
**Soft Commission and Rebates**

There was also no soft commission or rebates received from any broker for the period under review.

**STATEMENT BY PRS PROVIDER****STATEMENT BY PRS PROVIDER TO THE MEMBERS OF  
AIA PAM – MODERATE FUND**

I, Wang Ming-Yuan, Mark being the Chief Executive Officer of AIA Pension and Asset Management Sdn. Bhd. (the "PRS Provider"), do hereby state that, in the opinion of the PRS Provider, the accompanying financial statements set out on pages 58 to 88 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 April 2014 and of its financial performance, changes in equity and cash flows for the financial period from 16 May 2013 (date of launch) to 30 April 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the PRS Provider,  
AIA PENSION AND ASSET MANAGEMENT SDN. BHD.  
(Company No: 1011637-P)



**Wang Ming-Yuan, Mark**  
Chief Executive Officer

Kuala Lumpur  
Date: 16 June 2014

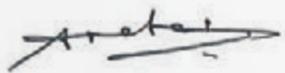
# TRUSTEE'S REPORT

## TRUSTEE'S REPORT TO THE MEMBERS OF AIA PAM – MODERATE FUND

We have acted as the Trustee of AIA PAM - MODERATE FUND (the "Fund") for the financial period from 16 May 2013 (date of launch) to 30 April 2014. To the best of our knowledge, for the period under review, AIA Pension and Asset Management Sdn. Bhd (the "PRS Provider"), has operated and managed the Fund in accordance with the following:

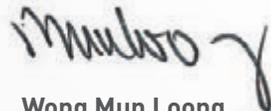
- (a) limitations imposed on the investment powers of the PRS Provider and the Trustee under the Deeds, the Securities Commission's Guidelines on Private Retirement Schemes, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and relevant regulatory requirements; and
- (c) creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements.

For Deutsche Trustees Malaysia Berhad



**Mahesh Anchan**  
Head, RTA Operations

Kuala Lumpur  
Date: 16 June 2014



**Wong Mun Loong**  
Manager, Trustee Operations

# INDEPENDENT AUDITORS' REPORT

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIA PAM – MODERATE FUND

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIA PAM – MODERATE FUND (the "Fund") on pages 58 to 88, which comprise the statement of financial position as at 30 April 2014, and the statements of comprehensive income, changes in equity and cash flows of the Fund for the financial period from 16 May 2013 (date of launch) to 30 April 2014, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 18.

### The PRS Provider's Responsibility for the Financial Statements

The PRS Provider of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The PRS Provider is also responsible for such internal control as the PRS Provider determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PRS Provider's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the PRS Provider, as well as evaluating the overall presentation of the financial statements.

**INDEPENDENT AUDITORS' REPORT** (cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 30 April 2014 and of its financial performance and cash flows for the financial period from 16 May 2013 (date of launch) to 30 April 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants  
Kuala Lumpur  
Date: 16 June 2014

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014**

	Note	16.05.2013 (date of launch) to 30.04.2014 RM
<b>NET INVESTMENT INCOME</b>		
Dividend income		134,705
Interest income	4	136,296
Net gain on financial assets at fair value through profit or loss	9	295,101
		<u>566,102</u>
<b>EXPENSES</b>		
Management fee	5	118,335
Trustee's fee	6	3,156
PPA administration fee	7	3,156
Transaction costs		27,728
Audit fee		8,000
Tax agent's fee		4,770
Custody fee		131
Other expenses		4,982
		<u>170,258</u>
<b>PROFIT BEFORE TAXATION</b>		395,844
Taxation	8	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u>395,844</u>
Profit after taxation is made up as follows:		
Realised amount		110,490
Unrealised amount		<u>285,354</u>

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

## STATEMENT OF FINANCIAL POSITION

### AS AT 30 APRIL 2014

	Note	2014 RM
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	9	8,997,059
Cash and cash equivalents	10	380,494
Amount due from PRS Provider – creation of units		10,593
Dividends receivable		9,791
Tax recoverable		4,877
<b>TOTAL ASSETS</b>		<u>9,402,814</u>
<b>CURRENT LIABILITIES</b>		
Accrued management fee		11,557
Amount due to Trustee		308
Amount due to PPA		308
Amount due to Custody fee		131
Other payables and accruals		11,181
<b>TOTAL LIABILITIES</b>		<u>23,485</u>
<b>NET ASSETS VALUE OF THE FUND</b>		<u>9,379,329</u>
<b>EQUITY</b>		
Members' capital		8,983,485
Retained earnings		395,844
<b>NET ASSET ATTRIBUTABLE TO MEMBERS</b>	11	<u>9,379,329</u>
<b>Number of units in circulation (units)</b>	11	<u>8,969,654</u>
<b>Net asset value per unit (RM) (*Ex-distribution)</b>		<u>1.0457</u>

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

## STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH) TO 30 APRIL 2014

	Note	Members' capital RM	Retained earnings RM	Total RM
<b>Balance as at 16 May 2013 (date of launch)</b>		-	-	-
Movement in members' contributions:				
Creation of units arising from applications	11	9,230,815	-	9,230,815
Cancellation of units	11	(247,330)	-	(247,330)
Total comprehensive income for the financial period		-	395,844	395,844
<b>Balance as at 30 April 2014</b>		<u>8,983,485</u>	<u>395,844</u>	<u>9,379,329</u>

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

Note	16.05.2013 (date of launch) to 30.04.2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Proceeds from disposal of investments	1,633,267
Purchase of investments	(10,300,157)
Dividend received	124,914
Interest received from investments	101,228
Management fee paid	(106,778)
Trustee's fee paid	(2,848)
PPA administrative fee paid	(2,848)
Tax paid	(4,877)
Payments for other fees and expenses	(34,299)
<b>Net cash used in operating activities</b>	<u>(8,592,398)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash proceeds from units created	9,220,222
Payments for cancellation of units	(247,330)
<b>Net cash generated from financing activities</b>	<u>8,972,892</u>
Net increase in cash and cash equivalents	<u>380,494</u>
Cash and cash equivalents at the end of the financial period	<u>380,494</u>

10

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

## 1. THE FUND, THE PRS PROVIDER AND ITS PRINCIPAL ACTIVITY

AIA PAM - Moderate (the "Fund") is governed by a Deed dated 16 January 2013 (referred to as the "Deed") between AIA Pension and Asset Management Sdn. Bhd. (the "PRS Provider") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund seeks to provide returns through a combination of income and capital growth by investing up to 60% of its NAV in a portfolio of local and foreign equities, of which approximately half of its equity allocation in the Malaysian market and the other half in the Asia ex-Japan markets which are members of the International Organization of Securities Commissions such as (but not limited to) Singapore, Thailand, Philippines, Indonesia, Hong Kong, Korea and Taiwan. The actual allocation between local and foreign equities will depend on the availability of equities in each country which meets the Fund's stock selection criteria and will not be static.

The Fund will have a preference for equities offering a dividend yield above the market average and equities that are traded below their fair value.

The Fund will invest at least 40% of its NAV in local fixed income instruments with a minimum credit rating of "BBB3" or "P2" by RAM or equivalent rating by MARC.

The Fund commenced operations on 16 May 2013 and will continue its operations until terminated by the Trustee or the PRS Provider, as the case may be as provided under Clause 2.3 of the Deed.

All investments will be subject to the Securities Commission's ("SC") Guidelines on Private Retirement Schemes, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The PRS Provider, AIA Pension and Assets Management Sdn. Bhd. is incorporated in Malaysia. The principal activities of the Company are asset management and management of Private Retirement Scheme ("PRS") funds. It is a wholly owned entity of AIA Bhd. (formerly known as American International Assurance Bhd.), whose ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited.

The financial statements were authorised for issue by the PRS Provider on 16 June 2014.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

#### (a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period.

It also requires the PRS Provider to exercise their judgment in the process of applying the Fund's accounting policies. The PRS Provider believes that the underlying assumptions are appropriate and the Fund's financial statements therefore present the financial position results fairly. Although these estimates and judgment are based on the PRS Provider's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(m).

The standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

#### (i) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The Fund will apply this amendment when effective.

The adoption of the amendment is not expected to have a significant impact on the results of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

#### (ii) Financial year beginning on/after 1 January 2017

MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund will apply this standard when effective.

The adoption of the standard is not expected to have a significant impact on the results of the Fund.

#### (b) Financial assets and liabilities

##### Classification

The Fund designates its investment in quoted securities and unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loan and receivables comprise cash and cash equivalents, amount due from PRS Provider, amount due from stockbrokers and dividends receivable.

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

The Fund classifies amount due to PRS Provider, amount due to stockbrokers, accrued management fee, amount due to Trustee, other payables and accruals as other financial liabilities.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

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 assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the period which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Quoted investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Bhd ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the trustee, then the securities are valued as determined in good faith by the PRS Provider, based on the methods or bases approved by the Trustee after appropriate technical consultation.

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Private Retirement Schemes.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

### (c) Income recognition

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

Realised gain or loss on disposal of quoted securities is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Realised gain or loss on disposal of unquoted fixed income securities is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

### (d) Functional and presentation currency

Items included in 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 the Fund’s functional and presentation currency.

### (e) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the member’s option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund’s NAV. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the member’s option at prices based on the Fund’s NAV per unit at the time of creation or cancellation. The Fund’s NAV per unit is calculated by dividing the net assets attributable to members with the total number of outstanding units.

### (f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (g) Taxation

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial period.

### (h) Transaction costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (i) Amount due from/to stockbrokers

Amounts due from and amount due to stockbrokers represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from stockbrokers. A provision for impairment of amount due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbroker. Significant financial difficulties of the stockbroker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or loans expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### (j) Members’ capital

The members’ contributions to the Fund meet the definition of puttable instruments classified as equity instruments under MFRS 132 “Financial Instruments: Presentation”.

The units in the Fund are puttable instruments which entitle the members to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (k) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

### (l) Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Loans and Receivables RM	Total RM
<b>2014</b>			
Financial assets at fair value			
through profit or loss (Note 9)	8,997,059	-	8,997,059
Cash and cash equivalents (Note 10)	-	380,494	380,494
Amount due from PRS Provider – creation of units	-	10,593	10,593
Dividends receivable	-	9,791	9,791
	8,997,059	400,878	9,397,937

All current liabilities are financial liabilities which are carried at amortised cost.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (m) Critical accounting estimates and judgements in applying accounting policies

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the PRS Provider and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the PRS Provider will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Private Retirement Schemes.

Ringgit-denominated unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the PRS Provider is of the view that the price quoted by BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the PRS Provider may use market price, provided that the PRS Provider records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide returns through a combination of income and capital growth.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk, liquidity risk, non-compliance risk and capital risk.

Financial risk management is carried out through internal control process adopted by the PRS Provider and adherence to the investment restrictions as stipulated in the Disclosure Document and SC Guidelines on Private Retirement Schemes.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (a) Market risk

#### (i) Price risk

This is the risk that the fair value of an investment in quoted securities and unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of securities and other financial instruments within specified limits according to the Deeds.

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

	2014 RM
Financial assets at fair value through profit or loss:	
- quoted securities	5,465,318
- unquoted fixed income securities	3,531,741
Total	<u>8,997,059</u>

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of quoted securities and unquoted fixed income securities at the end of each reporting period. The analysis is based on the assumptions that the price of the quoted securities and unquoted fixed income securities increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted securities and unquoted fixed income securities, having regard to the historical volatility of the prices.

% Change in price of financial assets at fair value through profit and loss	Market value RM	Impact on profit after tax / net asset value RM
<b>2014</b>		
+5%	9,446,912	449,853
0%	8,997,059	-
-5%	<u>8,547,206</u>	<u>(449,853)</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (ii) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the PRS Provider will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the PRS Provider, which is based on its continuous fundamental research and analysis.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of profit income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on profit after taxation/NAV 2014 RM
+5%	(33,012)
-5%	<u>33,275</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to fair value interest rate risk arises from investment in money market instruments. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions. The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Fund.

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted fixed income securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the PRS Provider imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted fixed income securities investment must satisfy a minimum rating requirement of at least "BBB3" or "P2" by RAM or equivalent rating by MARC.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the PRS Provider are governed by the SC Guidelines on Private Retirement Schemes.

The following table sets out the credit risk concentration of the Fund:

## NOTES TO FINANCIAL STATEMENTS (cont'd)

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from PRS Provider RM	Dividend receivables RM	Other receivables RM	Total RM
<b>2014</b>						
<b>Quoted securities</b>						
Construction	177,935	-	-	-	-	177,935
Consumer Products	60,060	-	-	-	-	60,060
Finance	907,378	-	-	9,216	-	916,594
Industrial Products	277,984	-	-	-	-	277,984
Infrastructure Project Companies	181,759	-	-	-	-	181,759
Investment Fund	1,319,013	-	-	-	-	1,319,013
Plantations	149,281	-	-	-	-	149,281
Properties	342,296	-	-	-	-	342,296
Technology	64,440	-	-	-	-	64,440
Trading/Services	1,985,172	-	-	575	-	1,985,747
<b>Unquoted fixed income securities</b>						
Commercial Bank						
- AA1	282,119	-	-	-	-	282,119
- AA+ IS	459,148	-	-	-	-	459,148
Civil Engineering & Contracting						
- AA3	455,261	-	-	-	-	455,261
Collateralised Loan Obligations						
- AAA	123,643	-	-	-	-	123,643
Diversified Holdings						
- AA3	280,735	-	-	-	-	280,735
Development Finance Institutions						
- P1	395,041	-	-	-	-	395,041
Financial Services						
- AA2 (S)	624,226	-	-	-	-	624,226
Plantation And Agriculture						
- AA2	460,568	-	-	-	-	460,568
Utilities						
- AA1	451,000	-	-	-	-	451,000
Other						
- NR	-	-	10,593	-	4,877	15,470
<b>Money Market</b>						
- AA1	-	380,494	-	-	-	380,494
	<u>8,997,059</u>	<u>380,494</u>	<u>10,593</u>	<u>9,791</u>	<u>4,877</u>	<u>9,402,814</u>

All financial assets of the Fund as at the end of each financial period are neither past due nor impaired.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the PRS Provider will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The PRS Provider manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by members. Liquid assets comprise bank balances, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 business days.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
<b>2014</b>			
Accrued management fee	11,557	-	11,557
Amount due to Trustee	308	-	308
Amount due to PPA	308	-	308
Amount due to Custody fee	-	131	131
Other payables and accruals	-	11,181	11,181
<b>Contractual cash outflows</b>	<u>12,173</u>	<u>11,312</u>	<u>23,485</u>

### (d) Non-compliance risk

Non-compliance risk arises when the PRS Provider and others associated with the Fund do not follow the rules set out in the Fund's constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the PRS Provider not complying with internal control procedures.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the PRS Provider.

### (e) Capital risk management

The capital of the Fund is represented by equity consisting of members' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### (f) Fair value estimation

The fair value of financial assets and liabilities traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Valuations are therefore adjusted where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The fair value is based on the following methodology and assumptions:

- (i) Bank balance and deposits and placements with financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The carrying value of the financial assets and financial liabilities approximate their fair value due to their short-term nature.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2014</b>				
Financial assets at fair value through profit or loss:				
- quoted securities	5,465,318	-	-	5,465,318
- unquoted fixed income securities	-	3,531,741	-	3,531,741
	<u>5,465,318</u>	<u>3,531,741</u>	<u>-</u>	<u>8,997,059</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Fund does not adjust the quoted prices for these instruments.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

### 4. INTEREST INCOME

	2014 RM
Interest income from deposits with licensed financial institutions	27,533
Interest income from unquoted fixed income securities	108,763
	<u>136,296</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 5. MANAGEMENT FEE

In accordance with Clause 17.1.3 of the Master Deed dated 16 January 2013, the PRS Provider is entitled to a maximum management fee of 2.00% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the management fee is recognised at a rate of 1.50% per annum.

There will be no further liability to the PRS Provider in respect of management fee other than the amount recognised above.

### 6. TRUSTEE FEE

In accordance with Clause 17.2.2 of the Master Deed dated 16 January 2013, the Trustee is entitled to a maximum Trustee fee of 0.04% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the Trustee's fee is recognised at a rate of 0.04% per annum.

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

### 7. PRIVATE PENSION ADMINISTRATION FEE

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the PPA administration fee is recognised at a rate of 0.04% per annum, calculated daily based on the NAV of the Fund.

There will be no further liability to the PPA in respect of PPA administration fee other than the amount recognised above.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 8. TAXATION

The numerical reconciliation between profit before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	<b>16.05.2013 (date of launch) to 30.04.2014 RM</b>
Profit before taxation	395,844
Taxation at Malaysian statutory rate of 25%	98,961
Tax effects of:	
Investment income not subject to tax	(141,638)
Expenses not deductible for tax purposes	42,677
Taxation	-

### 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2014 RM</b>
Designated at fair value through profit or loss at inception:	
- quoted securities	5,465,318
- unquoted fixed income securities	3,531,741
	<u>8,997,059</u>

	<b>16.05.2013 (date of launch) to 30.04.2014 RM</b>
Net gain on assets at fair value through profit or loss	
- realised gain on disposals	9,747
- change in unrealised fair value gain	285,354
	<u>295,101</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014</b>				
<b>QUOTED SECURITIES</b>				
<b>Construction</b>				
Gamuda Berhad	17,700	83,735	81,597	0.87
IJM Corporation Bhd	15,100	86,864	96,338	1.03
	<u>32,800</u>	<u>170,599</u>	<u>177,935</u>	<u>1.90</u>
<b>Consumer Products</b>				
Oriental Holdings Bhd	7,700	77,357	60,060	0.64
	<u>7,700</u>	<u>77,357</u>	<u>60,060</u>	<u>0.64</u>
<b>Finance</b>				
AMMB Holdings Bhd	18,500	136,759	132,830	1.42
CIMB Group Holdings Bhd	21,270	173,493	159,738	1.70
Hong Leong Group Bhd	2,600	38,699	39,780	0.42
Malayan Banking Berhad	21,600	222,787	213,840	2.28
Public Bank Berhad	10,200	178,101	205,428	2.19
RHB Capital Berhad	9,229	79,468	76,508	0.82
Syarikat Takaful Malaysia Bhd	6,300	47,097	79,254	0.84
	<u>89,699</u>	<u>876,404</u>	<u>907,378</u>	<u>9.67</u>
<b>Industrial Products</b>				
CB Industrial Product Holding Bhd	28,000	102,823	131,600	1.40
Kossan Rubber Industries Bhd	22,900	36,347	93,890	1.00
Petronas Chemicals Group Berhad	7,800	51,578	52,494	0.56
	<u>58,700</u>	<u>190,748</u>	<u>277,984</u>	<u>2.96</u>
<b>Infrastructure Project Company</b>				
Digi.Com.Berhad	17,900	84,107	99,166	1.06
Time Dotcom Bhd	20,700	73,617	82,593	0.88
	<u>38,600</u>	<u>157,724</u>	<u>181,759</u>	<u>1.94</u>
<b>Plantation</b>				
IOI Corporation Bhd	10,700	56,703	53,500	0.57
Kulim Malaysia Berhad	15,400	54,311	54,362	0.58
TDM Bhd	42,700	34,315	41,419	0.44
	<u>68,800</u>	<u>145,329</u>	<u>149,281</u>	<u>1.59</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>QUOTED SECURITIES (cont'd)</b>				
<b>Properties</b>				
Hua Yang Berhad	41,166	85,874	76,980	0.82
Matrix Concepts Holdings Berhad	17,900	46,857	73,211	0.78
Sunway Real Estate Investment Trust	19,066	56,834	59,105	0.63
Titijaya Land Bhd	30,000	60,000	60,900	0.65
UEM Sunrise Berhad	15,000	48,880	34,500	0.37
UOA Development Berhad	16,000	40,231	37,600	0.40
	<u>139,132</u>	<u>338,676</u>	<u>342,296</u>	<u>3.65</u>
<b>Technology</b>				
Globetronics Technology Bhd	17,900	41,490	64,440	0.69
	<u>17,900</u>	<u>41,490</u>	<u>64,440</u>	<u>0.69</u>
<b>Trading/Services</b>				
Axiata Group Bhd	26,300	176,712	176,999	1.89
Berjaya Sports Toto Bhd	14,939	60,939	58,113	0.62
Boustead Holdings Berhad	14,600	78,165	81,030	0.86
Daya	121,700	51,114	40,769	0.44
Dialog Group Bhd	20,700	60,396	74,313	0.79
Gas Malaysia	14,400	48,020	51,984	0.55
Genting Berhad	16,200	165,865	158,760	1.69
Magnum Berhad	12,900	46,984	38,958	0.42
Maxis Berhad	18,900	128,776	131,355	1.40
MBM Resources Berhad	14,700	58,478	47,334	0.50
Media Chinese International Limited	32,500	38,856	31,687	0.34
Media Prima Bhd	23,400	63,872	58,266	0.62
MISC Berhad	12,200	63,723	79,422	0.85
Perisai Petroleum Teknologi Bhd	31,400	49,932	49,298	0.53
Pos Malaysia Bhd	14,400	71,374	64,800	0.69
Prestariang Bhd	52,000	50,094	105,040	1.12
Sapurakencana Petroleum Bhd	24,700	104,735	106,457	1.14
Sime Darby Berhad	9,584	90,865	90,473	0.97

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>QUOTED SECURITIES (cont'd)</b>				
<b>Trading/Services</b>				
Telekom Malaysia Bhd	9,900	53,954	61,380	0.65
Tenaga Nasional Bhd	23,600	201,032	280,840	2.99
Uzma Bhd	6,600	38,346	40,260	0.43
Yinson Holdings Berhad	9,700	41,727	82,741	0.88
YTL Corporation Bhd	18,500	31,626	29,785	0.32
Westports Holdings Berhad	17,900	44,750	45,108	0.48
	<u>561,723</u>	<u>1,820,335</u>	<u>1,985,172</u>	<u>21.17</u>
<b>Investment Fund</b>				
Dbxt MSCI Asia Ex Japan 10 Etf	11,900	1,312,459	1,319,013	14.06
	<u>11,900</u>	<u>1,312,459</u>	<u>1,319,013</u>	<u>14.06</u>
<b>TOTAL QUOTED SECURITIES</b>	<u>1,026,954</u>	5,131,121	<u>5,465,318</u>	<u>58.27</u>
<b>UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>334,197</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>5,465,318</u>		

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
<b>BONDS</b>				
Public Bank Berhad 25.09.2023	280,000	281,362	282,118	3.01
	<u>280,000</u>	<u>281,362</u>	<u>282,118</u>	<u>3.01</u>
<b>COMMERCIAL PAPER</b>				
Sabah Credit Corporation 28.08.2014	400,000	395,042	395,042	4.21
	<u>400,000</u>	<u>395,042</u>	<u>395,042</u>	<u>4.21</u>
<b>ISLAMIC BONDS</b>				
CIMB Islamic Bank Berhad 19.09.2017	461,000	465,287	459,148	4.90
Gamuda Berhad 21.03.2018	458,000	464,101	455,261	4.85
Golden Assets International Finance Limited 03.08.2018	624,000	631,348	624,226	6.65
Cagamas MBS Berhad 26.10.2018	124,000	124,041	123,643	1.32
BGSM Management Sdn Bhd 27.12.2018	274,000	280,268	280,735	2.99
First Resources Ltd 05.06.2020	462,000	471,335	460,568	4.91
Sarawak Energy Berhad 23.06.2021	431,000	467,800	451,000	4.81
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>3,514,000</u>	3,580,584	<u>3,531,741</u>	<u>37.65</u>
<b>UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>(48,843)</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>3,531,741</u>		

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 10. CASH AND CASH EQUIVALENTS

	<b>2014</b>
	<b>RM</b>
Deposits with licensed financial institutions	279,023
Bank balances	101,471
	<u>380,494</u>

The effective weighted average interest rate per annum is as follows:

	<b>2014</b>
	<b>%</b>
Deposits with licensed financial institutions	<u>3.00</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 5 days.

### 11. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO MEMBERS

	<b>2014</b>
	<b>RM</b>
	<b>No. of units</b>
At date of launch	9,230,815
Add: Creation arising from applications	(242,537)
Less: Cancellation of units	395,844
Total comprehensive income for the financial period	<u>8,969,654</u>
At end of the financial period	<u>9,379,329</u>

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

	<b>16.05.2013</b>
	<b>(date of launch)</b>
	<b>to 30.04.2014</b>
	<b>%</b>
MER	<u>2.07</u>

MER is derived based on the following calculation:

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

A = Management fee	E = PPA administration fee
B = Trustee's fee	F = Other expenses
C = Audit fee	G = Average NAV of the Fund
D = Tax agent's fee	calculation on a daily basis

The average NAV of the Fund for the financial period calculated on daily basis is RM8,212,106.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

	<b>16.05.2013</b>
	<b>(date of launch)</b>
	<b>to 30.04.2014</b>
PTR (times)	<u>0.73</u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial period = RM10,300,157

total disposal for the financial period = RM1,633,267

### 14. UNITS HELD BY THE PRS PROVIDER AND RELATED PARTIES TRANSACTIONS AND BALANCES

The related parties and their relationship with the Fund are as follows:

Related parties	Relationship
AIA Pension and Asset Management Sdn Bhd	The PRS Provider
AIA Bhd. (Formerly known as American International Assurance Bhd)	Holding Company of the PRS Provider
AIA Group Limited	Ultimate holding company of the PRS Provider

Units held by the PRS Provider and parties related to the PRS Provider

	<b>2014</b>
	<b>RM</b>
	<b>No. of units</b>
<b>PRS Provider</b>	
AIA Pension and Asset Management Sdn. Bhd.	<u>5,000,000</u>
	<u>5,228,500</u>

In the opinion of the PRS Provider, the above units were transacted at the prevailing market price.

The units are held beneficially by the PRS Provider for bookings purpose. Other than the above, there were no units held by Directors or parties related to the PRS Provider.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The PRS Provider is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties and the profit rates on fixed and short-term deposits were at normal commercial rates.

	<b>16.05.2013 (date of launch) to 30.04.2014</b>
<b>Significant related party transactions</b>	
AIA Pension and Asset Management Sdn. Bhd.	<u>5,000,000</u>
<b>Significant related party balances</b>	
AIA Pension and Asset Management Sdn. Bhd.	<u>5,228,500</u>

### 15. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial period from 16 May 2013 (date of launch) to 30 April 2014 are as follows:

<b>Brokers/dealers</b>	<b>Value of trades</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
Credit Suisse Securities (Malaysia) Sdn Bhd	3,677,662	31.49	13,130	47.35
CIMB Bank Berhad	1,669,869	14.30	-	-
Credit Suisse (Hong Kong) Limited	1,312,459	11.24	3,806	13.72
Macquarie Capital Securities (M) Sdn Bhd	1,145,453	9.80	4,109	14.82
RHB Investment Bank Berhad	981,261	8.40	-	-
CIMB Investment Bank Berhad	687,697	5.89	2,475	8.93
AmBank (M) Berhad	668,449	5.72	-	-
Maybank Investment Bank Berhad	542,763	4.65	2,051	7.40
Malayan Banking Berhad	521,687	4.46	588	2.12
Hong Leong Investment Bank Berhad	467,086	4.00	1,569	5.66
Others	5,363	0.05	-	-
	<u>11,679,749</u>	<u>100.00</u>	<u>27,728</u>	<u>100.00</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 16. SEGMENT INFORMATION

The internal reporting provided to the chief operating decision-maker for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and International Financial Reporting Standards. The CEO, who is the chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to grow the value of investments over the long-term through investment in a diversified mix of Malaysian assets. The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of profit and dividend income earned from investments and gains on the appreciation in the value of investments.

There were no changes in reportable operating segment during the financial period.

### 17. COMPARATIVES

There are no comparative figures as this is the first set of financial statements prepared since the launch of the Fund.

### 18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the PRS Provider on 16 June 2014.

# AIA PAM – CONSERVATIVE FUND

## Fund Information

Name:	AIA PAM – Conservative Fund
Type & Category:	Core (Conservative)
Investment Objective:	The Fund seeks to provide returns through income* that is consistent with capital preservation**. <i>*Income will be reinvested in additional Units in the Fund.</i> <i>**The Fund is not capital guaranteed nor capital protected.</i>
Investment Strategy:	The Fund will invest at least 80% of its NAV in fixed income instruments and money market instruments, of which a minimum of 20% of the Fund's NAV will be invested in money market instruments. The remainder of the Fund's NAV will be invested in equities offering a dividend yield above the market average. The Fund will only invest locally.
Benchmark:	60% Quant Shop MGS All Bond Index + 20% Malayan Banking Berhad Overnight Rate + 20% FBM 100 Index.
Distribution policy:	Subject to the availability of income, distribution (if any) will be distributed annually.

## Breakdown of unit holdings by size:

Size of holdings (units)	No. of unit holder	No. of units held	% of units held
5,000 and below	918	2,427,195.60	24.35
5,001 to 10,000	53	448,396.39	4.50
10,001 to 50,000	30	846,295.36	8.49
50,001 to 500,000	14	1,595,524.28	16.01
500,001 and above	1	4,650,002.42	46.65
<b>TOTAL</b>	<b>1,016</b>	<b>9,967,414.05</b>	<b>100.00</b>

Note: The unit holdings include Seed Capital of 4.6500 million units as at 30 April 2014.

# FUND PERFORMANCE

## Details of the portfolio composition of the Fund are as follows:

	Since inception to 30 April 2014
	%
<b>Quoted securities</b>	
- Construction	0.88
- Consumer Products	0.42
- Finance	4.35
- Industrial Products	0.54
- Infrastructure Project Company	0.83
- Plantation	0.61
- Properties	1.36
- Technology	0.18
- Trading/Services	9.78
<b>Unquoted fixed income securities</b>	70.31
<b>Cash and other net assets</b>	10.74
	100.00

## Performance details of the Fund are as follows:

	Since inception to 30 April 2014
Net asset value (NAV) (RM million)	10.1743
Units in circulation (million)	9.9674
NAV per unit (RM)	1.0208
Highest NAV per unit (RM)	1.0217
Lowest NAV per unit (RM)	0.9909
Total return (%)	2.08
- Capital growth (%)	0.39
- Income growth (%)	1.69
Average total return (%)	0.21
Annualised total return (%)	2.31
Gross distribution per unit (sen)	-
Net distribution per unit (sen)	-
Date of distribution	-
Management expense ratio (%)	1.78
Portfolio turnover ratio (times)	0.93
Seed capital (units in million)	4.6500
	(46.65% of total units in circulation)

Note: Basis of calculation and assumption made in computation of the returns

$$\text{Performance return} = \frac{\text{NAV}(t) - \text{NAV}(t-1)}{\text{NAV}(t)}$$

$$\text{Annualised performance return} = \frac{(\text{Performance return}) \times (\text{no. of days per year})}{\text{total no. of days for period under review}}$$

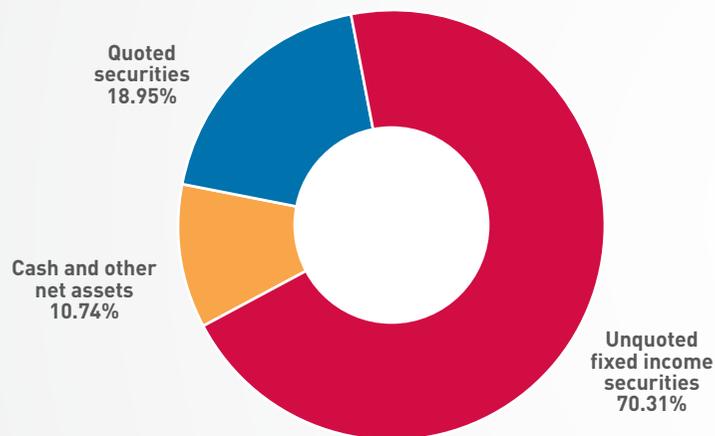
# FUND PERFORMANCE (cont'd)

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

Asset allocation of the Fund is as follows:

Quoted securities  
 Unquoted fixed income securities  
 Cash and other net assets  
 Total

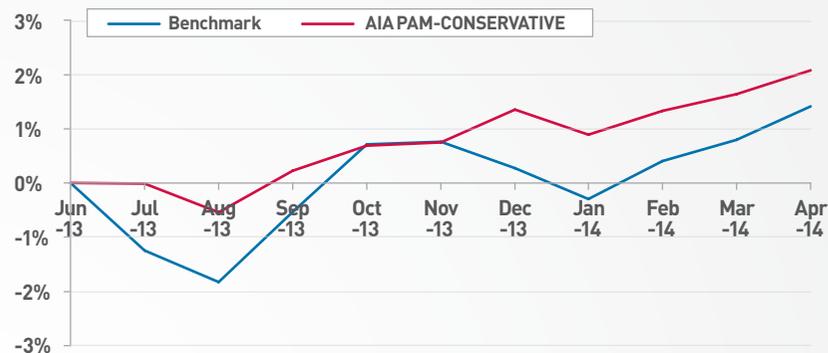
Since inception to 30 April 2014	
	% of NAV
Quoted securities	18.95
Unquoted fixed income securities	70.31
Cash and other net assets	10.74
<b>Total</b>	<b>100.00</b>



As at 30 April 2014, the Fund was fully invested where a minimal level of liquid assets was maintained primarily for redemption purposes.

# FUND REPORT

## AIA PAM-CONSERVATIVE



Source: Bloomberg, www.bursamalaysia.com, www.maybank2u.com.my, www.quantshop.com as at 30 April 2014

### How did the Fund perform during the period?

Since inception in 5 June 2013 till 30 April 2014, the Fund has posted a return of 2.08% and has achieved its investment objective of seeking to provide returns through income that is consistent with capital preservation. The Fund outperformed the benchmark due to positive asset allocation as the Fund was underweight in bonds in favour of cash.

During the period under review, there were no significant changes in the state of affairs of the Fund and no circumstances which materially affect any interests of the members.

### What investments influenced the Fund's performance over the year?

#### Positives

- The Fund's equity portion was overweight in small to medium cap stocks like Prestariang, Yinson, Kossan and Hua Yang. In addition, our overweight in cyclical sectors such as property, oil & gas, construction and technology has outperformed.
- The Fund's equity portion was underweight in finance, telecommunication, consumer and plantation sector have underperformed.
- On fixed income side, the portfolio duration was reduced to protect from rising interest rate.
- The Fund's fixed income portfolio is positioned towards corporate bonds versus government bonds also benefitted as corporate bond yields were relatively less volatile and the higher carry of corporate bonds contributed to the return.

### Negatives

- The Fund underweight position in local equity market which has outperformed fixed income market.
- The Fund remained cautious on lower rated credits, thus unable to ride on the higher yields.

### What is your strategy going forward?

For equity, with expectations of a synchronised global growth, we prefer growth stocks over yield. As such, we like stocks in cyclical sectors i.e. oil & gas, selected property stocks, construction and technology.

For fixed income, we think that the coming year will be a challenging one for fixed income markets, with inflation rearing its head and risky assets being preferred. Amidst the prospect of steepening yield curve, the Fund will invest in short-to-medium tenured as well as high-grade corporate bonds that offer good relative values for better yield pick-up while minimising duration risk.

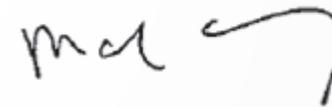
### Soft Commission and Rebates

There was also no soft commission or rebates received from any broker for the period under review.

### STATEMENT BY PRS PROVIDER TO THE MEMBERS OF AIA PAM – CONSERVATIVE FUND

I, Wang Ming-Yuan, Mark being the Chief Executive Officer of AIA Pension and Asset Management Sdn. Bhd. (the "Provider"), do hereby state that, in the opinion of the PRS Provider, the accompanying audited financial statements set out on pages 98 to 127 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 April 2014 and of its financial performance, changes in equity and cash flows for the financial period from 16 May 2013 (date of launch) to 30 April 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the PRS Provider,  
AIA PENSION AND ASSET MANAGEMENT SDN. BHD.  
(Company No: 1011637-P)



**Wang Ming-Yuan, Mark**  
Chief Executive Officer

Kuala Lumpur  
Date: 16 June 2014

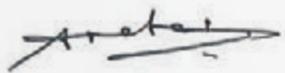
## TRUSTEE'S REPORT

### TRUSTEE'S REPORT TO THE MEMBERS OF AIA PAM – CONSERVATIVE FUND

We have acted as the Trustee of AIA PAM – CONSERVATIVE FUND (the “Fund”) for the financial period from 16 May 2013 (date of launch) to 30 April 2014. To the best of our knowledge, for the period under review, AIA Pension and Asset Management Sdn. Bhd (the “PRS Provider”), has operated and managed the Fund in accordance with the following:

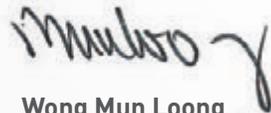
- (a) limitations imposed on the investment powers of the PRS Provider and the Trustee under the Deeds, the Securities Commission’s Guidelines on Private Retirement Schemes, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and relevant regulatory requirements; and
- (c) creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements.

For Deutsche Trustees Malaysia Berhad



**Mahesh Anchan**  
Head, RTA Operations

Kuala Lumpur  
Date: 16 June 2014



**Wong Mun Loong**  
Manager, Trustee Operations

## INDEPENDENT AUDITORS' REPORT

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIA PAM – CONSERVATIVE FUND

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIA PAM – CONSERVATIVE FUND (the “Fund”) on pages 98 to 127, which comprise the statement of financial position as at 30 April 2014, and the statements of comprehensive income, changes in equity and cash flows of the Fund for the financial period from 16 May 2013 (date of launch) to 30 April 2014, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 18.

#### The PRS Provider's Responsibility for the Financial Statements

The PRS Provider of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The PRS Provider is also responsible for such internal control as the PRS Provider determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PRS Provider's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the PRS Provider, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT** (cont'd)**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 30 April 2014 and of its financial performance and cash flows for the financial period from 16 May 2013 (date of launch) to 30 April 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants  
Kuala Lumpur  
Date: 16 June 2014

**STATEMENT OF COMPREHENSIVE INCOME****FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014**

	Note	16.05.2013 (date of launch) to 30.04.2014 RM
<b>NET INVESTMENT INCOME</b>		
Dividend income		52,372
Interest income	4	279,996
Net gain on financial assets at fair value through profit or loss	9	31,357
		<u>363,725</u>
<b>EXPENSES</b>		
Management fee	5	133,091
Trustee's fee	6	3,549
PPA administration fee	7	3,549
Transaction costs		8,071
Audit fee		8,000
Tax agent's fee		4,770
Other expenses		3,273
		<u>164,303</u>
<b>PROFIT BEFORE TAXATION</b>		199,422
Taxation	8	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u>199,422</u>
Profit after taxation is made up as follows:		
Realised amount		163,835
Unrealised amount		<u>35,587</u>

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

## STATEMENT OF FINANCIAL POSITION

### AS AT 30 APRIL 2014

	Note	2014 RM
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	9	9,081,659
Cash and cash equivalents	10	1,110,996
Amount due from PRS Provider – creation of units		6,311
Dividends receivable		4,475
Tax recoverable		1,692
<b>TOTAL ASSETS</b>		<u>10,205,133</u>
<b>CURRENT LIABILITIES</b>		
Amount due to PRS Provider – cancellation of units		6,457
Accrued management fee		12,570
Amount due to Trustee		335
Amount due to PPA		335
Other payables and accruals		11,180
<b>TOTAL LIABILITIES</b>		<u>30,877</u>
<b>NET ASSETS VALUE OF THE FUND</b>		<u>10,174,256</u>
<b>EQUITY</b>		
Members' capital		9,974,834
Retained earnings		199,422
<b>NET ASSET ATTRIBUTABLE TO MEMBERS</b>	11	<u>10,174,256</u>
<b>Number of units in circulation (units)</b>	11	<u>9,967,414</u>
<b>Net asset value per unit (RM) (*Ex-distribution)</b>		<u>1.0208</u>

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

## STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH) TO 30 APRIL 2014

	Note	Members' capital RM	Retained earnings RM	Total RM
<b>Balance as at 16 May 2013 (date of launch)</b>		-	-	-
Movement in members' contributions:				
Creation of units arising from applications	11	10,501,460	-	10,501,460
Cancellation of units	11	(526,626)	-	(526,626)
Total comprehensive income for the financial period		-	199,422	199,422
<b>Balance as at 30 April 2014</b>		<u>9,974,834</u>	<u>199,422</u>	<u>10,174,256</u>

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

Note	16.05.2013 (date of launch) to 30.04.2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Proceeds from sales of investments	4,089,372
Purchase of investments	(13,060,546)
Dividend received	47,897
Interest income received	200,868
Management fee paid	(120,521)
Trustee's fee paid	(3,214)
PPA administrative fee paid	(3,214)
Payments for other fees and expenses	(12,934)
Tax paid	(1,692)
<b>Net cash used in operating activities</b>	<u>(8,863,984)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash proceeds from units created	10,495,149
Payments for cancellation of units	(520,169)
<b>Net cash generated from financing activities</b>	<u>9,974,980</u>
Net increase in cash and cash equivalents	<u>1,110,996</u>
Cash and cash equivalents at the end of the financial period	<u>1,110,996</u>

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

## 1. THE FUND, THE PRS PROVIDER AND ITS PRINCIPAL ACTIVITY

AIA PAM - Conservative (the "Fund") is governed by a Deed dated 16 January 2013 (referred to as the "Deed") between AIA Pension and Asset Management Sdn. Bhd. (the "PRS Provider") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund seeks to provide returns through income that is consistent with capital preservation by investing at least 80% of its NAV in fixed income instruments and money market instruments, of which a minimum of 20% of the Fund's NAV will be invested in money market instruments. The Fund will invest in fixed income instruments with a minimum credit rating of "BBB3" or "P2" by RAM or equivalent rating by MARC. The remainder of the Fund's NAV will be invested in equities, where the bias will be towards equities that offer dividend yields above the market average. The Fund will only invest locally. The investments in equities shall not exceed 20% of the Fund's NAV.

The Fund commenced operations on 16 May 2013 and will continue its operations until terminated by the Trustee or the PRS Provider, as the case may be as provided under Clause 2.3 of the Deed.

All investments will be subject to the Securities Commission's ("SC") Guidelines on Private Retirement Schemes, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The PRS Provider, AIA Pension and Assets Management Sdn. Bhd. is incorporated in Malaysia. The principal activities of the Company are asset management and management of Private Retirement Scheme ("PRS") funds. It is a wholly-owned entity of AIA Bhd. (formerly known as American International Assurance Bhd.), whose ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on the Stock Exchanged of Hong Kong Limited.

The financial statements were authorised for issue by the PRS Provider on 16 June 2014.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires the PRS Provider to exercise their judgment in the process of applying the Fund's accounting policies. The PRS Provider believes that the underlying assumptions are appropriate and the Fund's financial statements therefore present the financial position results fairly. Although these estimates and judgment are based on the PRS Provider's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(m).

The standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

#### (i) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The Fund will apply this amendment when effective.

The adoption of the amendment is not expected to have a significant impact on the results of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (ii) Financial year beginning on/after 1 January 2017

MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund will apply this standard when effective.

The adoption of the standard is not expected to have a significant impact on the results of the Fund.

### (b) Financial assets and liabilities

#### Classification

The Fund designates its investment in quoted securities and unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loan and receivables comprise cash and cash equivalents, amount due from PRS Provider, amount due from stockbrokers and dividends receivable.

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

The Fund classifies amount due to PRS Provider, amount due to stockbrokers, accrued management fee, amount due to Trustee, other payables and accruals as other financial liabilities.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

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 assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the period which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Quoted investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Bhd ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the trustee, then the securities are valued as determined in good faith by the PRS Provider, based on the methods or bases approved by the Trustee after appropriate technical consultation.

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Private Retirement Schemes.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

### (c) Income recognition

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

Realised gain or loss on disposal of quoted securities is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Realised gain or loss on disposal of unquoted fixed income securities is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

### (d) Functional and presentation currency

Items included in 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 the Fund's functional and presentation currency.

### (e) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the member's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the member's option at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to members with the total number of outstanding units.

### (f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (g) Taxation

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial period.

### (h) Transaction costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (i) Amount due from/to stockbrokers

Amounts due from and amount due to stockbrokers represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from stockbrokers. A provision for impairment of amount due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbroker. Significant financial difficulties of the stockbroker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or loans expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### (j) Members' capital

The members' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under MFRS 132 "Financial Instruments: Presentation".

The units in the Fund are puttable instruments which entitle the members to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (k) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

### (l) Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Loans and Receivables RM	Total RM
<b>2014</b>			
Financial assets at fair value			
through profit or loss (Note 9)	9,081,659	-	9,081,659
Cash and cash equivalents (Note 10)	-	1,110,996	1,110,996
Amount due from PRS Provider – creation of units	-	6,311	6,311
Dividends receivable	-	4,475	4,475
	9,081,659	1,121,782	10,203,441

All current liabilities are financial liabilities which are carried at amortised cost.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (m) Critical accounting estimates and judgements in applying accounting policies

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the PRS Provider and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the PRS Provider will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Private Retirement Schemes.

Ringgit-denominated unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the PRS Provider is of the view that the price quoted by BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the PRS Provider may use market price, provided that the PRS Provider records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide returns through income that is consistent with capital conservation.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk, liquidity risk, non-compliance risk and capital risk.

Financial risk management is carried out through internal control process adopted by the PRS Provider and adherence to the investment restrictions as stipulated in the Disclosure Document and SC Guidelines on Private Retirement Schemes.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (a) Market risk

#### (i) Price risk

This is the risk that the fair value of an investment in quoted securities and unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of securities and other financial instruments within specified limits according to the Deeds.

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

	<b>2014 RM</b>
Financial assets at fair value through profit or loss:	
- quoted securities	1,928,474
- unquoted fixed income securities	7,153,185
Total	<u>9,081,659</u>

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of quoted securities and unquoted fixed income securities at the end of each reporting period. The analysis is based on the assumptions that the price of the quoted securities and unquoted fixed income securities increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted securities and unquoted fixed income securities, having regard to the historical volatility of the prices.

<b>% Change in price of financial assets at fair value through profit and loss</b>	<b>Market value RM</b>	<b>Impact on profit after tax / net asset value RM</b>
<b>2014</b>		
-5%	8,627,576	(454,083)
0%	9,081,659	-
<u>5%</u>	<u>9,535,742</u>	<u>454,083</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (ii) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity.

In order to mitigate interest rates exposure of the Fund, the PRS Provider will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the PRS Provider, which is based on its continuous fundamental research and analysis.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of profit income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

<b>% Change in interest rate</b>	<b>Impact on profit after taxation/NAV 2014 RM</b>
+5%	(64,843)
<u>-5%</u>	<u>65,512</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to fair value interest rate risk arises from investment in money market instruments. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions. The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Fund.

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted fixed income securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the PRS Provider imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted fixed income securities investment must satisfy a minimum rating requirement of at least "BBB3" or "P2" by RAM or equivalent rating by MARC.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the PRS Provider are governed by the SC Guidelines on Private Retirement Schemes.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from PRS Provider RM	Dividend receivables RM	Other receivables RM	Total RM
<b>2014</b>						
<b>Quoted securities</b>						
Construction	89,126	-	-	-	-	89,126
Consumer Products	42,580	-	-	-	-	42,580
Finance	443,244	-	-	4,185	-	447,429
Industrial Products	55,597	-	-	-	-	55,597
Infrastructure Project						
Companies	84,303	-	-	-	-	84,303
Plantation	62,767	-	-	-	-	62,767
Properties	139,404	-	-	-	-	139,404
Technology	18,720	-	-	-	-	18,720
Trading/Services	992,733	-	-	290	-	993,023
<b>2014</b>						
<b>Fixed income securities</b>						
Commercial Banks						
- AA1	1,056,937	-	-	-	-	1,056,937
- AA+IS	735,035	-	-	-	-	735,035
Civil Engineering						
- AA3	729,611	-	-	-	-	729,611
Collateralised Loan Obligations						
- AAA	148,572	-	-	-	-	148,572
Development Finance Institution						
- P1	989,761	-	-	-	-	989,761
Diversified Holdings						
- AA3	312,497	-	-	-	-	312,497
Finance services						
- AA2 (S)	1,320,477	-	-	-	-	1,320,477
Hire purchase						
- P1	399,525	-	-	-	-	399,525
Plantation						
- AA2	737,706	-	-	-	-	737,706
Utilities						
- AA1	723,064	-	-	-	-	723,064
Others	-	-	6,311	-	1,692	8,003
<b>Money Market</b>						
- AA1	-	810,971	-	-	-	810,971
- AAA	-	300,025	-	-	-	300,025
	<u>9,081,659</u>	<u>1,110,996</u>	<u>6,311</u>	<u>4,475</u>	<u>1,692</u>	<u>10,205,133</u>

All financial assets of the Fund as at the end of each financial period are neither past due nor impaired.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the PRS Provider will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The PRS Provider manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by members. Liquid assets comprise bank balances, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 business days.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
<b>2014</b>			
Amount due to PRS Provider	6,457	-	6,457
Accrued management fee	12,570	-	12,570
Amount due to Trustee	335	-	335
Amount due to PPA	335	-	335
Other payables and accruals	-	11,180	11,180
<b>Contractual cash outflows</b>	<u>19,697</u>	<u>11,180</u>	<u>30,877</u>

### (d) Non-compliance risk

Non-compliance risk arises when the PRS Provider and others associated with the Fund do not follow the rules set out in the Fund's constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the PRS Provider not complying with internal control procedures.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the PRS Provider.

### (e) Capital risk management

The capital of the Fund is represented by equity consisting of members' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### (f) Fair value estimation

The fair value of financial assets and liabilities traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Valuations are therefore adjusted where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The fair value is based on the following methodology and assumptions:

- (i) Bank balance and deposits and placements with financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The carrying value of the financial assets and financial liabilities approximate their fair value due to their short-term nature.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2014</b>				
Financial assets at fair value through profit or loss:				
- quoted securities	1,928,474	-	-	1,928,474
- unquoted fixed income securities	-	7,153,185	-	7,153,185
	<u>1,928,474</u>	<u>7,153,185</u>	<u>-</u>	<u>9,081,659</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Fund does not adjust the quoted prices for these instruments.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

### 4. INTEREST INCOME

	2014 RM
Interest income from deposits with licensed financial institutions	61,567
Interest income from unquoted fixed income securities	218,429
	<u>279,996</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 5. MANAGEMENT FEE

In accordance with Clause 17.1.3 of the Master Deed dated 16 January 2013, the PRS Provider is entitled to a maximum management fee of 2.00% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the management fee is recognised at a rate of 1.50% per annum.

There will be no further liability to the PRS Provider in respect of management fee other than the amount recognised above.

### 6. TRUSTEE FEE

In accordance with Clause 17.2.2 of the Master Deed dated 16 January 2013 the Trustee is entitled to a maximum Trustee fee of 0.04% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the Trustee's fee is recognised at a rate of 0.04% per annum.

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

### 7. PRIVATE PENSION ADMINISTRATION FEE

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the PPA administration fee is recognised at a rate of 0.04% per annum, calculated daily based on the NAV of the Fund.

There will be no further liability to the PPA in respect of PPA administration fee other than the amount recognised above.

### 8. TAXATION

The numerical reconciliation between profit before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	<b>16.05.2013 (date of launch) to 30.04.2014 RM</b>
Profit before taxation	199,422
Taxation at Malaysian statutory rate of 25%	49,856
Tax effects of:	
Investment income not subject to tax	(91,989)
Expenses not deductible for tax purposes	42,133
Taxation	-

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2014 RM</b>
Designated at fair value through profit or loss at inception:	
- quoted securities	1,928,474
- unquoted fixed income securities	7,153,185
	<u>9,081,659</u>

	<b>16.05.2013 (date of launch) to 30.04.2014 RM</b>
Net gain on assets at fair value through profit or loss	
- realised loss on disposals	(4,230)
- change in unrealised fair value gain	35,587
	<u>31,357</u>

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014</b>				
<b>QUOTED SECURITIES</b>				
<b>Construction</b>				
Gamuda Berhad	8,400	40,297	38,724	0.38
IJM Corporation Bhd	7,900	45,527	50,402	0.50
	<u>16,300</u>	<u>85,824</u>	<u>89,126</u>	<u>0.88</u>
<b>Consumer Products</b>				
Oriental Holdings Bhd	2,700	26,876	21,060	0.21
UMW Holdings Berhad	2,000	24,390	21,520	0.21
	<u>4,700</u>	<u>51,266</u>	<u>42,580</u>	<u>0.42</u>
<b>Finance</b>				
AMMB Holdings Bhd	7,600	57,074	54,568	0.54
CIMB Group Holdings Bhd	8,242	67,935	61,897	0.61
Hong Leong Group Bhd	900	12,652	12,600	0.12
Malayan Banking Berhad	13,500	138,588	133,650	1.31
Public Bank Berhad	7,500	134,804	151,050	1.48
RHB Capital Berhad	3,556	30,700	29,479	0.29
	<u>41,298</u>	<u>441,753</u>	<u>443,244</u>	<u>4.35</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>QUOTED SECURITIES (cont'd)</b>				
<b>Industrial Products</b>				
Kossan Rubber Industries Bhd	8,800	20,680	36,080	0.35
Petronas Chemicals Group Berhad	2,900	19,166	19,517	0.19
	<u>11,700</u>	<u>39,846</u>	<u>55,597</u>	<u>0.54</u>
<b>Infrastructure Project Company</b>				
Digi.Com Berhad	11,400	54,694	63,156	0.62
Time Dotcom Bhd	5,300	19,458	21,147	0.21
	<u>16,700</u>	<u>74,152</u>	<u>84,303</u>	<u>0.83</u>
<b>Plantation</b>				
IOI Corporation Bhd	4,100	21,663	20,500	0.20
Kulim Malaysia Berhad	7,000	24,654	24,710	0.24
TDM Bhd	18,100	14,299	17,557	0.17
	<u>29,200</u>	<u>60,616</u>	<u>62,767</u>	<u>0.61</u>
<b>Properties</b>				
Hua Yang Berhad	21,333	50,290	39,893	0.39
Matrix Concepts Holdings Berhad	6,800	17,621	27,812	0.27
Paramount Corporation Bhd	13,700	22,155	22,879	0.22
Sunway Real Estate Investment Trust	5,666	18,815	17,565	0.17
UOA Development Berhad	13,300	29,562	31,255	0.31
	<u>60,799</u>	<u>138,443</u>	<u>139,404</u>	<u>1.36</u>
<b>Technology</b>				
Globetronics Technology Bhd	5,200	11,463	18,720	0.18
<b>Trading/Services</b>				
Axiata Group Berhad	15,600	104,423	104,988	1.03
Berjaya Sports Toto Bhd	10,334	41,408	40,199	0.40
Boustead Holdings Berhad	5,900	31,754	32,745	0.32
Dialog Group Bhd	7,900	23,385	28,361	0.28
Gas Malaysia	5,400	17,883	19,494	0.19
Genting Berhad	7,900	80,535	77,420	0.76
Magnum Berhad	13,500	43,582	40,770	0.40

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>QUOTED SECURITIES (cont'd)</b>				
<b>Trading/Services</b>				
Maxis Berhad	11,200	76,512	77,840	0.77
MBM Resources Berhad	5,700	22,814	18,354	0.18
Media Chinese International Limited	21,800	23,570	21,255	0.21
Media Prima Bhd	15,000	39,643	37,350	0.37
MISC Berhad	6,200	34,087	40,362	0.40
Perisai Petroleum Teknologi Bhd	12,000	19,170	18,840	0.19
Pos Malaysia Bhd	4,900	23,899	22,050	0.22
Prestariang Bhd	27,000	30,034	54,540	0.54
Sapurakencana Petroleum Bhd	12,400	52,524	53,444	0.53
Sime Darby Berhad	4,843	45,957	45,718	0.45
Telekom Malaysia Bhd	6,600	36,079	40,920	0.40
Tenaga Nasional Bhd	11,600	97,576	138,040	1.36
Yinson Holdings Berhad	3,700	15,365	31,561	0.31
YLT Corporation Bhd	15,400	25,457	24,794	0.24
Westports Holdings Berhad	9,400	23,500	23,688	0.23
	<u>234,277</u>	<u>909,157</u>	<u>992,733</u>	<u>9.78</u>
<b>TOTAL QUOTED SECURITIES</b>	<u>420,174</u>	1,812,520	<u>1,928,474</u>	18.95
<b>UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		115,954		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>1,928,474</u>		

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
<b>BONDS</b>				
Public Bank Berhad 25.09.2023	1,049,000	1,054,104	1,056,937	10.39
	<u>1,049,000</u>	<u>1,054,104</u>	<u>1,056,937</u>	<u>10.39</u>
<b>COMMERCIAL PAPER</b>				
Pac Lease berhad 14.05.2014	400,000	399,525	399,525	3.93
Sabah Credit Corporation 07.08.2014	1,000,000	989,761	989,761	9.73
	<u>1,400,000</u>	<u>1,389,286</u>	<u>1,389,286</u>	<u>13.66</u>
<b>ISLAMIC BONDS</b>				
CIMB Islamic Bank Berhad 18.09.2017	738,000	744,862	735,035	7.22
Gamuda Berhad 21.03.2018	734,000	743,779	729,611	7.17
Golden Assets International Finance Limited 03.08.2018	1,320,000	1,335,544	1,320,477	12.98
Cagamas MBS Berhad 26.10.2018	149,000	149,049	148,572	1.46
BGSM Management Sdn Bhd 27.12.2018	305,000	311,977	312,497	3.07
First Resources Ltd 05.06.2020	740,000	754,952	737,706	7.25
Sarawak Energy Berhad 23.06.2021	691,000	749,999	723,064	7.11
	<u>4,677,000</u>	<u>4,790,162</u>	<u>4,706,962</u>	<u>46.26</u>
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<u>7,126,000</u>	<u>7,233,552</u>	<u>7,153,185</u>	<u>70.31</u>
<b>UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>(80,367)</u>		
<b>FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>7,153,185</u>		

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 10. CASH AND CASH EQUIVALENTS

	2014 RM
Deposits with licensed financial institutions	1,000,083
Bank balances	110,913
	<u>1,110,996</u>

The effective weighted average interest rate per annum is as follows:

	2014 %
Deposits with licensed financial institutions	<u>3.05</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 5 days.

### 11. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO MEMBERS

	No. of units	2014 RM
At date of launch	-	-
Add: Creation arising from applications	10,487,958	10,501,460
Less: Cancellation of units	(520,544)	(526,626)
Total comprehensive income for the financial period	-	199,422
At end of the financial period	<u>9,967,414</u>	<u>10,174,256</u>

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

	16.05.2013 (date of launch) to 30.04.2014 %
MER	<u>1.78</u>

MER is derived based on the following calculation:

$$\text{MER} = \frac{[A + B + C + D + E + F]}{G} \times 100$$

A = Management fee	E = PPA administration fee
B = Trustee's fee	F = Other expenses
C = Audit fee	G = Average NAV of the Fund calculation on a daily basis
D = Tax agent's fee	

The average NAV of the Fund for the financial period calculated on daily basis is RM9,237,933.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

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

16.05.2013  
(date of launch)  
to 30.04.2014

PTR (times) 0.93

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial period = RM13,060,546

total disposal for the financial period = RM4,089,372

### 14. UNITS HELD BY THE PRS PROVIDER AND RELATED PARTIES TRANSACTIONS AND BALANCES

The related parties and their relationship with the Fund are as follows:

Related parties	Relationship
AIA Pension and Asset Management Sdn Bhd	The PRS Provider
AIA Bhd. (Formerly known as American International Assurance Bhd)	Holding Company of the PRS Provider
AIA Group Limited	Ultimate holding company of the PRS Provider

Units held by the PRS Provider and parties related to the PRS Provider

	2014
	No. of units
	RM
<b>PRS Provider</b>	
AIA Pension And Asset Management Sdn. Bhd.	<u>4,650,002</u> <u>4,746,722</u>

In the opinion of the PRS Provider, the above units were transacted at the prevailing market price.

The units are held beneficially by the PRS Provider for bookings purpose. Other than the above, there were no units held by Directors or parties related to the PRS Provider.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The PRS Provider is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties and the profit rates on fixed and short-term deposits were at normal commercial rates.

16.05.2013  
(date of launch)  
to 30.04.2014

#### Significant related party transactions

AIA Pension And Asset Management Sdn. Bhd. 5,354,594

#### Significant related party balances

AIA Pension And Asset Management Sdn. Bhd. 4,746,722

### 15. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial period from 16 May 2013 (date of launch) to 30 April 2014 are as follows:

Brokers/dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
AmBank (M) Berhad	4,977,515	37.55	-	-
CIMB bank Berhad	3,275,208	24.71	-	-
RHB Investment Bank Berhad	2,048,499	15.46	-	-
Credit Suisse Securities (Malaysia) Sdn Bhd	1,064,930	8.03	3,984	49.37
Hong Leong Investment Bank Berhad	868,710	6.55	2,906	36.00
Malayan Banking Bhd	765,703	5.78	235	2.91
CIMB Investment Bank Berhad	234,666	1.77	883	10.94
Maybank Investment Bank Berhad	17,424	0.13	63	0.78
Deutsche Bank (Malaysia) Bhd	2,262	0.02	-	-
	<u>13,254,917</u>	<u>100.00</u>	<u>8,071</u>	<u>100.00</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 16. SEGMENT INFORMATION

The internal reporting provided to the chief operating decision-maker for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and International Financial Reporting Standards. The CEO, who is the chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to grow the value of investments over the long-term through investment in a diversified mix of Malaysian assets. The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of profit and dividend income earned from investments and gains on the appreciation in the value of investments.

There were no changes in reportable operating segment during the financial period.

### 17. COMPARATIVES

There are no comparative figures as this is the first set of financial statements prepared since the launch of the Fund.

### 18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the PRS Provider on 16 June 2014.

## AIA PAM – ISLAMIC MODERATE FUND

### Fund Information

Name:	AIA PAM – Islamic Moderate Fund
Type & Category:	Non-Core (Balanced)
Investment Objective:	The Fund seeks to provide returns through a combination of income* and capital growth from a portfolio that is consistent with Shariah principles. <i>*Income will be reinvested in additional Units in the Fund.</i>
Investment Strategy:	The Fund will invest in a Shariah-compliant portfolio comprising equities with potential for growth and equities that are trading below their fair value. The Fund will also invest at least 40% of its NAV in Sukuk and Islamic money market instruments with a minimum credit rating of "BBB3" or "P2" by RAM or an equivalent rating by MARC. The Fund will only invest locally.
Benchmark:	60% FBM EMAS Shariah Index + 40% Quant Shop GII All Index
Distribution policy:	Subject to the availability of income, distribution (if any) will be distributed annually.

### Breakdown of unit holdings by size:

Size of holdings (units)	No. of unit holder	No. of units held	% of units held
5,000 and below	397	784,601.26	12.26
5,001 to 10,000	16	115,418.18	1.80
10,001 to 50,000	12	230,483.32	3.60
50,001 to 500,000	1	268,759.27	4.20
500,001 and above	1	5,000,000.00	78.13
<b>TOTAL</b>	<b>427</b>	<b>6,399,262.03</b>	<b>100.00</b>

Note: The unit holdings include Seed Capital of 5,0000 million units as at 30 April 2014.

## FUND PERFORMANCE

### Details of the portfolio composition of the Fund are as follows:

	Since inception to 30 April 2014
	%
<b>Quoted Shariah-compliant securities</b>	
- Construction	3.71
- Finance	2.55
- Industrial Product	5.36
- Infrastructure Project Company	4.19
- Plantation	4.38
- Properties	4.03
- Technology	0.96
- Trading/Services	30.88
<b>Unquoted sukuk</b>	37.66
<b>Cash and other net assets</b>	6.28

### Performance details of the Fund are as follows:

	Since inception to 30 April 2014
Net asset value (NAV) (RM million)	6.8019
Units in circulation (million)	6.3993
NAV per unit (RM)	1.0629
Highest NAV per unit (RM)	1.0662
Lowest NAV per unit (RM)	0.9749
Total return (%)	6.29
- Capital growth (%)	3.53
- Income growth (%)	2.76
Average total return (%)	0.62
Annualised total return (%)	6.91
Gross distribution per unit (sen)	-
Net distribution per unit (sen)	-
Date of distribution	-
Management expense ratio (%)	2.32
Portfolio turnover ratio (times)	0.60
Seed capital (units in million)	5.0000

(78.13% of total units in circulation)

Note: Basis of calculation and assumption made in computation of the returns

$$\text{Performance return} = \frac{\text{NAV}(t) - \text{NAV}(t-1)}{\text{NAV}(t)}$$

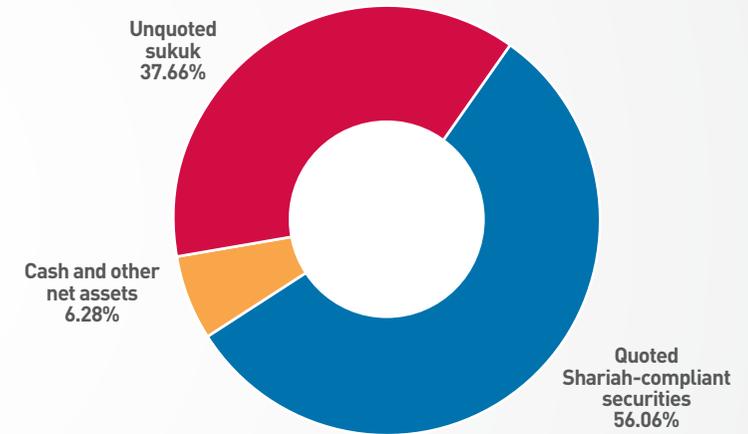
$$\text{Annualised performance return} = \frac{(\text{Performance return}) \times (\text{no. of days per year})}{\text{total no. of days for period under review}}$$

## FUND PERFORMANCE (cont'd)

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

### Asset allocation of the Fund is as follows:

	Since inception to 30 April 2014
	% of NAV
Quoted Shariah-compliant securities	56.06
Unquoted sukuk	37.66
Cash and other net assets	6.28
<b>Total</b>	<b>100.00</b>

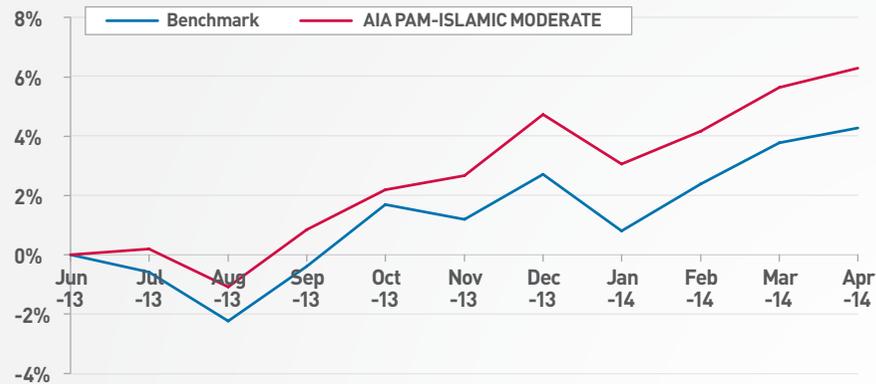


As at 30 April 2014, the Fund was fully invested where a minimal level of liquid assets was maintained primarily for redemption purposes.

# FUND REPORT

# FUND REPORT (cont'd)

## AIA PAM-ISLAMIC MODERATE



Source: Bloomberg, www.bursamalaysia.com, quantshop.com as at 30 April 2014

### How did the Fund perform during the period?

Since inception in 5 June 2013 till 30 April 2014, the Fund has posted a return of 6.29% and has achieved its investment objective of seeking to provide returns through a combination of income and capital growth from a portfolio that is consistent with Shariah principles. The Fund outperformed the benchmark due to good stock selection.

During the period under review, there were no significant changes in the state of affairs of the Fund and no circumstances which materially affect any interests of the members.

### What investments influenced the Fund's performance over the year?

#### Positives

- The Fund's equity portion was overweight in small to medium cap stocks like Prestariang, Yinson, Syarikat Takaful Malaysia, Kossan and Hua Yang.
- The Fund's equity portion was overweight in cyclical sectors such as property, oil & gas, construction and technology have outperformed.
- The Fund's equity portion was underweight in finance, telecommunication, consumer and plantation sector have underperformed.
- On the fixed income side, reduction in the portfolio duration protected the Fund from a steepening yield curve.

- The Fund's fixed income portion is biased towards corporate bonds versus government bonds also benefitted as corporate bond yields were relatively less volatile and the higher carry of corporate bonds contributed to the return.

#### Negative

- The Fund remained cautious on lower rated credits, thus unable to ride on the higher yields.

### What is your strategy going forward?

For equity, with expectations of a synchronised global growth, we prefer growth stocks over yield. As such, we like stocks in cyclical sectors i.e. oil & gas, selected property stocks, construction and technology.

For fixed income, we think that the coming year will be a challenging one for fixed income markets, with inflation rearing its head and risky assets being preferred. Amidst the prospect of steepening yield curve, the Fund will invest in short-to-medium tenured as well as high-grade corporate bonds that offer good relative values for better yield pick-up while minimising duration risk.

### Soft Commission and Rebates

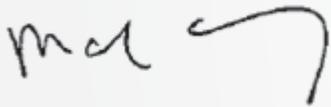
There was also no soft commission or rebates received from any broker for the period under review.

## STATEMENT BY PRS PROVIDER

### STATEMENT BY PRS PROVIDER TO THE MEMBERS OF AIA PAM – ISLAMIC MODERATE FUND

I, Wang Ming-Yuan, Mark being the Chief Executive Officer of AIA Pension and Asset Management Sdn. Bhd. (the “PRS Provider”), do hereby state that, in the opinion of the PRS Provider, the accompanying audited financial statements set out on pages 138 to 169 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 April 2014 and of its financial performance, changes in equity and cash flows for the financial period from 16 May 2013 (date of launch) to 30 April 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the PRS Provider,  
AIA PENSION AND ASSET MANAGEMENT SDN. BHD.  
(Company No: 1011637-P)



**Wang Ming-Yuan, Mark**  
Chief Executive Officer

Kuala Lumpur  
Date: 16 June 2014

## TRUSTEE'S REPORT

### TRUSTEE'S REPORT TO THE MEMBERS OF AIA PAM – ISLAMIC MODERATE FUND

We have acted as the Trustee of AIA PAM - Islamic Moderate Fund (the “Fund”) for the financial period from 16 May 2013 (date of launch) to 30 April 2014. To the best of our knowledge, for the period under review, AIA Pension and Asset Management Sdn. Bhd (the “PRS Provider”), has operated and managed the Fund in accordance with the following:

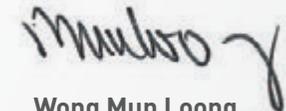
- (a) limitations imposed on the investment powers of the PRS Provider and the Trustee under the Deeds, the Securities Commission's Guidelines on Private Retirement Schemes, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and relevant regulatory requirements; and
- (c) creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements.

For Deutsche Trustees Malaysia Berhad



**Mahesh Anchan**  
Head, RTA Operations

Kuala Lumpur  
Date: 16 June 2014



**Wong Mun Loong**  
Manager, Trustee Operations

## SHARIAH ADVISER'S REPORT

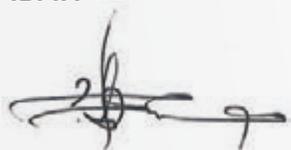
### SHARIAH ADVISER'S REPORT TO THE MEMBERS OF AIA PAM - ISLAMIC MODERATE FUND

We have acted as the Shariah Adviser of the **AIA PAM - Islamic Moderate**. Our responsibility is to ensure that the procedures and processes employed by **AIA Pension and Asset Management Sdn. Bhd.** are in accordance with the Shariah principles.

In our opinion, **AIA Pension and Asset Management Sdn. Bhd.** has managed and administered **AIA PAM - Islamic Moderate** in accordance with Shariah principles and complied with applicable guidelines, rulings or decisions issued by the Securities Commission pertaining to Shariah matters for the financial period from 16 May 2013 (date of launch) to 30 April 2014.

In addition, we also confirm that the investment portfolio of **AIA PAM - Islamic Moderate Fund** comprise securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission ("SACSC"). As for the securities which are not certified by the SACSC, we have reviewed the said securities and opine that these securities are designated as Shariah-compliant.

For and on behalf of Shariah Adviser,  
**IBFIM**



**MOHD NASIR ISMAIL**

Shariah Advisor / Designated Person Responsible for Shariah Advisory

Kuala Lumpur

Date: 16 June 2014

## INDEPENDENT AUDITORS' REPORT

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIA PAM - ISLAMIC MODERATE FUND

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIA PAM - ISLAMIC MODERATE FUND (the "Fund") on pages 138 to 169, which comprise the statement of financial position as at 30 April 2014, and the statements of comprehensive income, changes in equity and cash flows of the Fund for the financial period from 16 May 2013 (date of launch) to 30 April 2014, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 19.

#### The PRS Provider's Responsibility for the Financial Statements

The PRS Provider of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The PRS Provider is also responsible for such internal control as the PRS Provider determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PRS Provider's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the PRS Provider, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT** (cont'd)**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 30 April 2014 and of its financial performance and cash flows for the financial period from 16 May 2013 (date of launch) to 30 April 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**OTHER MATTERS**

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
Date: 16 June 2014

**STATEMENT OF COMPREHENSIVE INCOME****FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014**

	Note	16.05.2013 (date of launch) to 30.04.2014 RM
<b>NET INVESTMENT INCOME</b>		
Dividend income		76,969
Profit income	4	97,611
Net gain on Shariah-compliant financial assets at fair value through profit or loss	9	328,374
		<u>502,954</u>
<b>EXPENSES</b>		
Management fee	5	83,963
Trustee's fee	6	2,239
PPA administration fee	7	2,239
Transaction costs		14,506
Audit fee		8,000
Tax agent's fee		4,770
Shariah advisory fee	11	16,813
Other expenses		2,417
		<u>134,947</u>
<b>PROFIT BEFORE TAXATION</b>		368,007
Taxation	8	-
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u>368,007</u>
Profit after taxation is made up as follows:		
Realised amount		69,489
Unrealised amount		<u>298,518</u>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2014

	Note	2014 RM
<b>CURRENT ASSETS</b>		
Shariah-compliant financial assets at fair value through profit or loss	9	6,374,220
Cash and cash equivalents	10	420,371
Amount due from PRS Provider – Creation of units		9,729
Dividends receivable		3,784
Tax recoverable		1,354
Sundry Receivable		12,357
<b>TOTAL ASSETS</b>		<u>6,821,815</u>
<b>CURRENT LIABILITIES</b>		
Accrued management fee		8,336
Amount due to Trustee		222
Amount due to PPA		222
Other payables and accruals		11,180
<b>TOTAL LIABILITIES</b>		<u>19,960</u>
<b>NET ASSETS VALUE OF THE FUND</b>		<u>6,801,855</u>
<b>EQUITY</b>		
Members' capital		6,433,848
Retained earnings		368,007
<b>NET ASSET ATTRIBUTABLE TO MEMBERS</b>	12	<u>6,801,855</u>
<b>Number of units in circulation (units)</b>	12	<u>6,399,262</u>
<b>Net asset value per unit (RM) (*Ex-distribution)</b>		<u>1.0629</u>

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH) TO 30 APRIL 2014

	Note	Members' capital RM	Retained earnings RM	Total RM
<b>Balance as at 16 May 2013 (date of launch)</b>		-	-	-
Movement in members' contributions:				
Creation of units arising from applications	12	6,458,631	-	6,458,631
Cancellation of units	12	(24,783)	-	(24,783)
Total comprehensive income for the financial period		-	368,007	368,007
<b>Balance as at 30 April 2014</b>		<u>6,433,848</u>	<u>368,007</u>	<u>6,801,855</u>

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

Note	16.05.2013 (date of launch) to 30.04.2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Proceeds from disposal of Shariah-compliant investments	485,241
Purchase of Shariah-compliant investments	(6,509,338)
Dividend received	73,185
Profit income received from Shariah-compliant investments	75,862
Management fee paid	(75,627)
Trustee's fee paid	(2,017)
PPA administrative fee paid	(2,017)
Payments for other fees and expenses	(47,683)
Tax paid	(1,354)
<b>Net cash used in operating activities</b>	<u>(6,003,748)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash proceeds from units created	6,448,902
Payments for cancellation of units	(24,783)
<b>Net cash generated from financing activities</b>	<u>6,424,119</u>
Net increase in cash and cash equivalents	<u>420,371</u>
Cash and cash equivalents at the end of the financial period	<u>420,371</u>

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 16 MAY 2013 (DATE OF LAUNCH)  
TO 30 APRIL 2014

## 1. THE FUND, THE PRS PROVIDER AND ITS PRINCIPAL ACTIVITY

AIA PAM - Islamic Moderate (the "Fund") is governed by a Deed dated 16 January 2013 (referred to as the "Deed") between AIA Pension and Asset Management Sdn. Bhd. (the "PRS Provider") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The principal activity of the Fund is to invest in "Permitted Investments", as defined in Clause 11.1 of the Deed, which includes fixed income securities and other money market instruments.

The Fund seeks to provide returns through a combination of income and capital growth from a portfolio that is consistent with Shariah principles by investing at least 40% and a maximum of 60% of the Fund's NAV in local Shariah-compliant equities with a balance of both equities with potential for growth and equities that are traded below their fair value.

The Fund will invest at least 40% of its NAV in Sukuk and Islamic money market instrument with a minimum credit rating of "BBB3" or "P2" by RAM or equivalent rating by MARC.

The Fund commenced operations on 16 May 2013 and will continue its operations until terminated by the Trustee or the PRS Provider, as the case may be as provided under Clause 2.3 of the Deed.

All investments will be subject to the Securities Commission's ("SC") Guidelines on Private Retirement Schemes ("PRS"), SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The PRS Provider, AIA Pension and Assets Management Sdn. Bhd. is incorporated in Malaysia. The principal activities of the Company are asset management and management of Private Retirement Scheme ("PRS") funds. It is a wholly-owned entity of AIA Bhd. (formerly known as American International Assurance Bhd.), whose ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited.

The financial statements were authorised for issue by the PRS Provider on 16 June 2014.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

#### (a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires the PRS Provider to exercise their judgment in the process of applying the Fund's accounting policies.

The PRS Provider believes that the underlying assumptions are appropriate and the Fund's financial statements therefore present the financial position results fairly. Although these estimates and judgment are based on the PRS Provider's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(m).

The standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

#### (i) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The Fund will apply this amendment when effective.

The adoption of the amendment is not expected to have a significant impact on the results of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

#### (ii) Financial year beginning on/after 1 January 2017

MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund will apply this standard when effective.

The adoption of the standard is not expected to have a significant impact on the results of the Fund.

#### (b) Financial assets and liabilities

##### Classification

The Fund designates its Shariah-compliant investments in quoted Shariah-compliant securities and unquoted sukuk as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's receivables comprise cash and cash equivalents, amount due from PRS Provider, amount due from stockbrokers and dividends receivable.

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

The Fund classifies amount due to PRS Provider, amount due to stockbrokers, accrued management fee, amount due to Trustee, other payables and accruals as other financial liabilities.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the Shariah-compliant asset. Shariah-compliant investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

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 assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the period which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Quoted Shariah-compliant investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Bhd ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the trustee, then the securities are valued as determined in good faith by the PRS Provider, based on the methods or bases approved by the Trustee after appropriate technical consultation.

Unquoted sukuk denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Private Retirement Schemes.

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period from the date of placement to the date of maturity of the respective Islamic deposits.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Receivables and other financial liabilities are subsequently carried at amortised cost using the effective profit method.

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'receivables' has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

### (c) Income recognition

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

Profit income from Islamic deposits with licensed financial institutions and unquoted sukuk are recognised on a time proportionate basis using the effective profit rate method on an accrual basis.

Realised gain or loss on disposal of quoted Shariah-compliant securities is accounted for as the difference between the net disposal proceeds and the carrying amount of Shariah-compliant investments, determined on a weighted average cost basis.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Realised gain or loss on disposal of unquoted sukuk is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

### (d) Functional and presentation currency

Items included in 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 the Fund's functional and presentation currency.

### (e) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the member's option and are classified as Shariah-compliant equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the member's option at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to members with the total number of outstanding units.

### (f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and deposits held in highly liquid Shariah-compliant investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (g) Taxation

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial period.

### (h) Transaction costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (i) Amount due from/to stockbrokers

Amounts due from and amount due to stockbrokers represent receivables for investments sold and payables for Shariah-compliant investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method, less provision for impairment for amount due from stockbrokers. A provision for impairment of amount due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbroker.

Significant financial difficulties of the stockbroker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, profit income is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective profit method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the profit income or receivables expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective profit rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit rate, transaction costs and all other premiums or discounts.

### (j) Members' capital

The members' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under MFRS 132 "Financial Instruments: Presentation".

The units in the Fund are puttable instruments which entitle the members to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (k) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

### (l) Fair value of financial instruments

Shariah-compliant financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Loans and Receivables RM	Total RM
<b>2014</b>			
Shariah-compliant financial assets			
at fair value through profit or loss (Note 9)	6,374,220	-	6,374,220
Cash and cash equivalents (Note 10)	420,371		420,371
Amount due from PRS Provider – creation of units	-	9,729	9,729
Dividends receivable	-	3,784	3,784
Sundry receivable	-	12,357	12,357
	<u>6,794,591</u>	<u>25,870</u>	<u>6,820,461</u>

All current liabilities are financial liabilities which are carried at amortised cost.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (m) Critical accounting estimates and judgements in applying accounting policies

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the PRS Provider and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's Shariah-compliant investment, the PRS Provider will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Private Retirement Schemes.

Ringgit-denominated unquoted sukuk are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the PRS Provider is of the view that the price quoted by BPA for a specific unquoted sukuk differs from the market price by more than 20 basis points, the PRS Provider may use market price, provided that the PRS Provider records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide returns through a combination of income and capital growth from a portfolio that is consistent with Shariah principles.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and profit rate risk), credit risk, liquidity risk, reclassification of Shariah status risk, non-compliance risk and capital risk.

Financial risk management is carried out through internal control process adopted by the PRS Provider and adherence to the investment restrictions as stipulated in the Disclosure Document and SC Guidelines on Private Retirement Schemes.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (a) Market risk

#### (i) Price risk

This is the risk that the fair value of a Shariah-compliant investment in quoted Shariah-compliant securities and unquoted sukuk will fluctuate because of changes in market prices (other than those arising from profit rate risk). The value of Shariah-compliant investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of securities and other financial instruments within specified limits according to the Deeds.

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

	2014 RM
Shariah-compliant financial assets at fair value through profit or loss:	
- quoted Shariah-compliant securities	3,812,787
- unquoted sukuk	2,561,433
Total	<u>6,374,220</u>

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of quoted Shariah-compliant securities and unquoted sukuk at the end of each reporting period. The analysis is based on the assumptions that the price of the quoted Shariah-compliant securities and unquoted sukuk increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted Shariah-compliant securities and unquoted sukuk, having regard to the historical volatility of the prices.

% Change in price of financial assets at fair value through profit and loss	Market value RM	Impact on profit after tax / net asset value RM
<b>2014</b>		
-5%	6,055,509	(318,711)
0%	6,374,220	-
<u>+5%</u>	<u>6,692,931</u>	<u>318,711</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (ii) Interest rate risk

In general, when interest rates rise, demand for unquoted sukuk prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted sukuk till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate profit rates exposure of the Fund, the PRS Provider will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the PRS Provider, which is based on its continuous fundamental research and analysis.

This risk is crucial since unquoted sukuk portfolio management depends on forecasting interest rate movements. Demand for unquoted sukuk move inversely to interest rate movements, therefore as interest rates rise, the demand for unquoted sukuk decrease and vice versa. Furthermore, unquoted sukuk with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted sukuk and Islamic money market instruments are subject to interest rate fluctuations. Such Shariah-compliant investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of profit income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted sukuk held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on profit after taxation/NAV 2014 RM
+5%	(22,391)
<u>-5%</u>	<u>22,619</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

Fair value profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates.

The Fund's exposure to fair value interest rate risk arises from investment in Shariah-compliant money market instruments. The interest rate risk is expected to be minimal as the Fund's Shariah-compliant investments comprise mainly short term deposits with approved licensed financial institutions. The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Fund.

Investment in unquoted sukuk may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted sukuk and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for a Shariah-compliant investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the PRS Provider imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the Shariah-compliant investment in accordance with the objective of the Fund. For this Fund, the unquoted sukuk investment must satisfy a minimum rating requirement of at least "BBB3" or "P2" by RAM or equivalent rating by MARC.

The credit risk arising from placements of Islamic deposits in licensed financial institutions is managed by ensuring that the Fund will only place Islamic deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the PRS Provider are governed by the SC Guidelines on Private Retirement Schemes.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

The following table sets out the credit risk concentration of the Fund:

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from PRS Provider RM	Dividend receivables RM	Other receivables RM	Total RM
<b>2014</b>						
<b>Quoted</b>						
<b>Shariah-compliant securities</b>						
Construction	252,136	-	-	-	-	252,136
Finance	173,533	-	-	2,840	-	176,373
Industrial Products	365,183	-	-	-	-	365,183
Infrastructure Project Companies	285,030	-	-	-	-	285,030
Plantations	297,735	-	-	-	-	297,735
Properties	274,062	-	-	-	-	274,062
Technology	65,520	-	-	-	-	65,520
Trading / Services	2,099,588	-	-	944	-	2,100,532
<b>Unquoted sukuk</b>						
Civil Engineering and Contracting						
- AA3	429,417	-	-	-	-	429,417
Commercial Banks						
- AA+ IS	433,253	-	-	-	-	433,253
Sukuk Obligations						
- AAA	231,333	-	-	-	-	231,333
Development Finance Institutions						
- P1	296,282	-	-	-	-	296,282
Diversified Holdings						
- AA3	190,572	-	-	-	-	190,572
Financial Services						
- AA2 (S)	120,043	-	-	-	-	120,043
Plantation and Agriculture						
- AA2	434,648	-	-	-	-	434,648
Utilities						
- AA1	425,885	-	-	-	-	425,885
Others						
- NR	-	-	9,729	-	13,711	23,440

## NOTES TO FINANCIAL STATEMENTS (cont'd)

The following table sets out the credit risk concentration of the Fund:

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from PRS Provider RM	Dividend receivable RM	Other receivables RM	Total RM
<b>2014</b>						
<b>Islamic Money Market</b>						
- AA1	-	320,025	-	-	-	320,025
- AAA	-	100,346	-	-	-	100,346
	<u>6,374,220</u>	<u>420,371</u>	<u>9,729</u>	<u>3,784</u>	<u>13,711</u>	<u>6,821,815</u>

All financial assets of the Fund as at the end of each financial period are neither past due nor impaired.

### (c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a Shariah-compliant security encounters a liquidity crunch, the Shariah-compliant security may need to be sold at a discount to the market fair value of the Shariah-compliant security. This in turn would depress the NAV and/or growth of the Fund. Generally, all Shariah-compliant investments are subject to a certain degree of liquidity risk depending on the nature of the Shariah-compliant investment instruments, market, sector and other factors. For the purpose of the Fund, the PRS Provider will attempt to balance the entire portfolio by investing in a mix of Shariah-compliant assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The PRS Provider manages this risk by maintaining sufficient level of Islamic liquid assets to meet anticipated payments and cancellations of the units by members. Islamic liquid assets comprise bank balances, Islamic deposits with licensed financial institutions and other Shariah-compliant instruments, which are capable of being converted into cash within 7 business days.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
<b>2014</b>			
Accrued management fee	8,336	-	8,336
Amount due to Trustee	222	-	222
Amount due to PPA	222	-	222
Other payables and accruals	-	11,180	11,180
<b>Contractual cash outflows</b>	<u>8,780</u>	<u>11,180</u>	<u>19,960</u>

### (d) Reclassification of Shariah Status risk

The risk refers to the risk that the currently held Shariah-compliant securities in the portfolio of Shariah-compliant funds may be reclassified to be Shariah non-compliant in the periodic review of the Shariah-compliant securities by the relevant Shariah Adviser. If this occurs, the value of the Fund may be adversely affected where the PRS Provider will take the necessary steps to dispose of such securities.

### (e) Non-compliance risk

Non-compliance risk arises when the PRS Provider and others associated with the Fund do not follow the rules set out in the Fund's constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the PRS Provider not complying with internal control procedures.

The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the PRS Provider.

### (f) Capital risk management

The capital of the Fund is represented by equity consisting of members' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain a strong capital base to support the development of the Shariah-compliant investment activities of the Fund.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### (g) Fair value estimation

The fair value of Shariah-compliant financial assets and liabilities traded in active market (such as publicly traded Shariah-compliant derivatives and trading Shariah-compliant securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for Shariah-compliant financial assets by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A Shariah-compliant financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of Shariah-compliant financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised Shariah-compliant financial instruments such as Islamic options, currency swaps and other over-the-counter Shariah-compliant derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For Shariah-compliant instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted Shariah-compliant equity and sukuk for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The fair value is based on the following methodology and assumptions:

- (i) Bank balance and Islamic deposits and placements with financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

- (ii) The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The carrying value of the financial assets and financial liabilities approximate their fair value due to their short-term nature.

### Fair value hierarchy

The table below analyses Shariah-compliant financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2014</b>				
Shariah-compliant financial assets at fair value through profit or loss:				
- quoted Shariah-compliant securities	3,812,787	-	-	3,812,787
- unquoted sukuk	-	2,561,433	-	2,561,433
	<u>3,812,787</u>	<u>2,561,433</u>	<u>-</u>	<u>6,374,220</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Shariah-compliant investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Fund does not adjust the quoted prices for these instruments.

Shariah-compliant financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted sukuk. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

### 4. PROFIT INCOME

	2014 RM
Profit income from Islamic deposits with licensed financial institutions	21,433
Profit income from unquoted sukuk	76,178
	<u>97,611</u>

### 5. MANAGEMENT FEE

In accordance with Clause 17.1.3 of the Master Deed dated 16 January 2013, the PRS Provider is entitled to a maximum management fee of 2.00% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the management fee is recognised at a rate of 1.50% per annum.

There will be no further liability to the PRS Provider in respect of management fee other than the amount recognised above.

### 6. TRUSTEE FEE

In accordance with Clause 17.2.2 of the Master Deed dated 16 January 2013, the Trustee is entitled to a maximum Trustee fee of 0.04% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the Trustee's fee is recognised at a rate of 0.04% per annum.

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

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 7. PRIVATE PENSION ADMINISTRATION FEE

For the financial period from 16 May 2013 (date of launch) to 30 April 2014, the PPA administration fee is recognised at a rate of 0.04% per annum, calculated daily based on the NAV of the Fund.

There will be no further liability to the PPA in respect of PPA administration fee other than the amount recognised above.

### 8. TAXATION

The numerical reconciliation between profit before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	16.05.2013 (date of launch) to 30.04.2014 RM
Profit before taxation	<u>368,007</u>
Taxation at Malaysian statutory rate of 25%	92,002
Tax effects of:	
Shariah-compliant investment income not subject to tax	(125,739)
Expenses not deductible for tax purposes	33,737
Taxation	<u>-</u>

### 9. SHARIAH-COMPLIANT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 RM
Designated at fair value through profit or loss at inception:	
- quoted Shariah-compliant securities	3,812,787
- unquoted sukuk	2,561,433
	<u>6,374,220</u>

	16.05.2013 (date of launch) to 30.04.2014 RM
Net gain on assets at fair value through profit or loss	
- realised gain on disposals	29,856
- change in unrealised fair value gain	298,518
	<u>328,374</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014</b>				
<b>QUOTED SHARIAH-COMPLIANT SECURITIES</b>				
<b>Construction</b>				
Gamuda Berhad	24,800	116,410	114,328	1.68
IJM Corporation Bhd	21,600	124,841	137,808	2.03
	<u>46,400</u>	<u>241,251</u>	<u>252,136</u>	<u>3.71</u>
<b>Finance</b>				
BIMB Holdings Berhad	18,980	78,295	80,665	1.19
BIMB Holdings Berhad CW 04.12.23	5,680	-	3,550	0.05
Syarikat Takaful Malaysia Bhd	7,100	53,833	89,318	1.31
	<u>31,760</u>	<u>132,128</u>	<u>173,533</u>	<u>2.55</u>
<b>Industrial Products</b>				
CB Industrial Product Holding Bhd	20,000	73,445	94,000	1.38
Kossan Rubber Industries Bhd	20,800	39,389	85,280	1.25
Petronas Chemicals Group Berhad	16,900	111,840	113,737	1.67
Petronas Gas Berhad	1,800	38,776	42,300	0.62
Tomypak Holdings Berhad	21,800	31,828	29,866	0.44
	<u>81,300</u>	<u>295,278</u>	<u>365,183</u>	<u>5.36</u>
<b>Infrastructure Project Company</b>				
Digi.com Berhad	33,300	159,059	184,482	2.71
Time Dotcom Bhd	25,200	90,458	100,548	1.48
	<u>58,500</u>	<u>249,517</u>	<u>285,030</u>	<u>4.19</u>
<b>Plantation</b>				
IOI Corporation Bhd	19,700	101,302	98,500	1.45
Kuala Lumpur Kepong Berhad	3,300	72,022	79,860	1.17
Kulim Malaysia Berhad	20,600	71,280	72,718	1.07
TDM Bhd	48,100	39,217	46,657	0.69
	<u>91,700</u>	<u>283,821</u>	<u>297,735</u>	<u>4.38</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>QUOTED SHARIAH-COMPLIANT SECURITIES (cont'd)</b>				
<b>Properties</b>				
Hua Yang Berhad	43,533	99,123	81,407	1.20
Matrix Concepts Holdings Berhad	14,700	38,097	60,123	0.88
Sunway Real Estate Investment Trust	12,933	42,919	40,092	0.59
UEM Sunrise Berhad	21,800	71,957	50,140	0.74
UOA Development Berhad	18,000	46,181	42,300	0.62
	<u>110,966</u>	<u>298,277</u>	<u>274,062</u>	<u>4.03</u>
<b>Technology</b>				
Globetronics Technology Bhd	18,200	42,802	65,520	0.96
	<u>18,200</u>	<u>42,802</u>	<u>65,520</u>	<u>0.96</u>
<b>Trading/Services</b>				
Axiata Group Bhd	41,000	275,923	275,930	4.06
Berjaya Auto Berhad	32,200	63,388	66,976	0.98
Daya Materials Bhd	128,000	53,760	42,880	0.63
Dialog Group Berhad	22,200	65,716	79,698	1.17
Gas Malaysia	9,400	31,079	33,934	0.51
Maxis Berhad	28,100	192,005	195,295	2.87
MBM Resources Berhad	12,100	49,476	38,962	0.57
MISC Berhad	15,600	86,039	101,556	1.49
Perdana Petroleum Berhad	53,700	104,089	101,493	1.49
Perisai Petroleum Teknologi Berhad	35,300	56,104	55,421	0.82
Pos Malaysia Berhad	13,100	65,165	58,950	0.87
Prestariang Bhd	47,200	46,344	95,344	1.40
Sapurakencana Petroleum Bhd	46,700	201,702	201,277	2.96
Sime Darby Berhad	15,737	148,643	148,557	2.18
Telekom Malaysia Bhd	15,700	85,389	97,340	1.43
Tenaga Nasional Bhd	29,500	248,273	351,050	5.16
Uzma Bhd	7,800	45,240	47,580	0.71
YTL Corporation Bhd	34,900	60,119	56,189	0.83
Westports Holdings Berhad	20,300	50,789	51,156	0.75
	<u>608,537</u>	<u>1,929,243</u>	<u>2,099,588</u>	<u>30.88</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>QUOTED</b>				
SHARIAH-COMPLIANT SECURITIES (CONTINUED)	<u>1,047,363</u>	3,472,317	<u>3,812,787</u>	<u>56.06</u>
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>340,470</u>		
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>3,812,787</u>		

## NOTES TO FINANCIAL STATEMENTS (cont'd)

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (cont'd)</b>				
<b>UNQUOTED SUKUK</b>				
<b>ISLAMIC COMMERCIAL PAPER</b>				
Sabah Credit Corporation 28.08.2014	<u>300,000</u>	<u>296,282</u>	<u>296,282</u>	<u>4.36</u>
	<u>300,000</u>	<u>296,282</u>	<u>296,282</u>	<u>4.36</u>
<b>SUKUK</b>				
CIMB Islamic Bank Berhad 18.09.2017	435,000	439,045	433,252	6.37
Gamuda Berhad 21.03.2018	432,000	437,755	429,417	6.31
Golden Assets International Finance Limited 03.08.2018	120,000	121,413	120,043	1.77
Cagamas MBS Berhad 26.10.2018	232,000	232,075	231,334	3.40
BGSM Management Sdn Bhd 27.12.2018	186,000	190,255	190,572	2.80
First Resources Ltd 05.06.2020	436,000	444,809	434,648	6.39
Sarawak Energy 23.06.2021	407,000	441,751	425,885	6.26
	<u>2,248,000</u>	<u>2,307,103</u>	<u>2,265,151</u>	<u>33.30</u>
<b>TOTAL UNQUOTED SUKUK</b>	<u>2,548,000</u>	2,603,385	<u>2,561,433</u>	37.66
UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>(41,952)</u>	
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>2,561,433</u>	

**NOTES TO FINANCIAL STATEMENTS (cont'd)****10. CASH AND CASH EQUIVALENTS**

	<b>2014</b>
	<b>RM</b>
Islamic deposits with licensed Islamic financial institutions	320,025
Bank balances	100,346
	<u>420,371</u>

The effective weighted average profit rate per annum is as follows:

	<b>2014</b>
	<b>%</b>
Islamic deposits with licensed Islamic financial institutions	<u>2.90</u>

Islamic Deposits with licensed Islamic financial institutions of the Fund have an average maturity of 5 days.

**11. SHARIAH INFORMATION OF THE FUND**

Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises:

- Equity securities listed on Bursa Malaysia Berhad which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission;
- The investment in sukuk are as per the list of sukuk available at Bond Info Hub and Fully Automated System for Issuing/Tendering of Bank Negara Malaysia; and
- Cash placements and liquid assets are placed in Shariah-compliant investments and/or instruments.

**12. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO MEMBERS**

	<b>2014</b>	
	<b>No. of units</b>	<b>RM</b>
At date of launch	-	-
Add: Creation arising from applications	6,423,201	6,458,631
Less: Cancellation of units	(23,939)	(24,783)
Total comprehensive income for the financial period	-	368,007
At end of the financial period	<u>6,399,262</u>	<u>6,801,855</u>

**NOTES TO FINANCIAL STATEMENTS (cont'd)****13. MANAGEMENT EXPENSE RATIO ("MER")**

**16.05.2013**  
**(date of launch)**  
**to 30.04.2014**  
**%**  
2.32

MER

MER is derived based on the following calculation:

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

A = Management fee

E = PPA administration fee

B = Trustee's fee

F = Other expenses

C = Audit fee

G = Average NAV of the Fund

D = Tax agent's fee

calculation on a daily basis

The average NAV of the Fund for the financial period calculated on daily basis is RM5,822,681.

**14. PORTFOLIO TURNOVER RATIO ("PTR")**

**16.05.2013**  
**(date of launch)**  
**to 30.04.2014**

PTR (times)

0.60

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial period = RM6,509,338

total disposal for the financial period = RM485,241

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 15. UNITS HELD BY THE PRS PROVIDER AND RELATED PARTIES TRANSACTIONS AND BALANCES

The related parties and their relationship with the Fund are as follows:

Related parties	Relationship
AIA Pension and Asset Management Sdn Bhd	The PRS Provider
AIA Bhd. (Formerly known as American International Assurance Bhd)	Holding Company of the PRS Provider
AIA Group Limited	Ultimate holding company of the PRS Provider

Units held by the PRS Provider and parties related to the PRS Provider

	<b>2014</b>
	<b>No. of units</b>
	<b>RM</b>
<b>PRS Provider</b>	
AIA Pension and Asset Management Sdn. Bhd.	5,000,000
	<u>5,314,500</u>

In the opinion of the PRS Provider, the above units were transacted at the prevailing market price.

The units are held beneficially by the PRS Provider for bookings purpose. Other than the above, there were no units held by Directors or parties related to the PRS Provider.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The PRS Provider is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties and the profit rates on fixed and short-term Islamic deposits were at normal commercial rates.

	<b>16.05.2013</b>
	<b>(date of launch)</b>
	<b>to 30.04.2014</b>
<b>Significant related party transactions</b>	
AIA Pension and Asset Management Sdn. Bhd.	<u>5,000,000</u>
<b>Significant related party balances</b>	
AIA Pension and Asset Management Sdn. Bhd.	<u>5,314,500</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 16. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial period from 16 May 2013 (date of launch) to 30 April 2014 are as follows:

Brokers/dealers	Value of trades	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Credit Suisse Securities (Malaysia) Sdn Bhd	2,985,191	43.13	9,806	67.68
CIMB Bank Berhad	1,311,367	18.94	-	-
Hong Leong Investment Bank Berhad	785,158	11.34	2,615	18.05
AmBank (M) Berhad	481,710	6.96	-	-
Malayan Banking Berhad	478,159	6.91	410	2.83
RHB Investment Bank Berhad	390,400	5.64	-	-
J.P. Morgan Securities (Asia Pacific) Ltd	267,088	3.86	1,152	7.96
CIMB Investment Bank Berhad	133,885	1.93	235	1.62
Maybank Investment Bank Berhad	55,968	0.81	185	1.28
Macquarie Capital Securities (M) Sdn Bhd	25,267	0.37	84	0.58
Others	7,703	0.11	-	-
	<u>6,921,896</u>	<u>100.00</u>	<u>14,487</u>	<u>100.00</u>

### 17. SEGMENT INFORMATION

The internal reporting provided to the chief operating decision-maker for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and International Financial Reporting Standards. The CEO, who is the chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to grow the value of Shariah-compliant investments over the long-term through investment in a diversified mix of Malaysian assets. The reportable operating segment derives its income by seeking Shariah-compliant investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio.

## NOTES TO FINANCIAL STATEMENTS (cont'd)

---

These returns consist of profit and dividend income earned from Shariah-compliant investments and gains on the appreciation in the value of Shariah-compliant investments.

There were no changes in reportable operating segment during the financial period.

### 18. COMPARATIVES

There are no comparative figures as this is the first set of financial statements prepared since the launch of the Fund.

### 19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the PRS Provider on 16 June 2014.