

ANNUAL REPORT

For The Financial Year Ended 31 December 2018

PACIFIC DIVIDEND FUND



GROWING TOGETHER

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PACIFIC MUTUAL FUND BHD (336059-U)

A member of the OCBC Group

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FUND INFORMATION
As at 31 December 2018

Name Of Fund	: Pacific Dividend Fund
Manager Of Fund	: Pacific Mutual Fund Bhd (336059-U)
Launch Date	: 18 November 2003
	The Fund will continue its operations until terminated as provided under Part 12 of the Deed.
Category Of Fund	: Equity
Type Of Fund	: Growth and income
Investment Objective	: Pacific Dividend Fund aims to provide steady recurring income [□] that is potentially higher than prevailing fixed deposit rates by investing in a portfolio of stocks that are paying or have the potential to pay attractive dividend yields.
	[□] <i>Income is in reference to the Fund's distribution, which could be in the form of cash or units.</i>
Performance Benchmark	: Since inception until 5 July 2009 – Kuala Lumpur Composite Index (KLCI) From 6 July 2009 onwards – FTSE Bursa Malaysia Top 100 Index (FBM 100)
Distribution Policy	: Income, if any, will be distributed twice a year.
Fund Size	: 254.44 million units

Breakdown Of Unitholdings	: Size Of Holdings	No. Of Unitholders	% Of Unitholders	No. Of Units (million)
	5,000 units & below	872	16.18	2.41
	5,001-10,000 units	889	16.50	6.55
	10,001-50,000 units	2,379	44.15	57.17
	50,001-500,000 units	1,201	22.29	143.77
	500,001 units & above	47	0.88	44.54
	Total	5,388	100.00	254.44

FUND PERFORMANCE

Financial Highlights

Category	As At 31.12.2018	As At 31.12.2017	As At 31.12.2016
Quoted Equity Securities	%	%	%
Banks	26.28	19.76	17.23
Capital Goods	4.27	3.98	8.55
Consumer Services	1.00	4.80	9.19
Diversified Financials	-	-	0.48
Energy	6.44	6.38	3.21
Food, Beverage & Tobacco	11.24	9.81	7.42
Health Care Equipment & Services	5.63	-	2.45
Materials	4.40	3.23	-
Media	-	2.63	6.72
Pharma., Biotech. & Life Sciences	-	0.68	-
Real Estate	6.16	10.99	6.54
Retailing	0.68	1.24	-
Semiconductors & Semi. Equipment	1.98	-	2.15
Software & Services	-	1.66	-
Technology Hardware & Equipment	3.15	-	3.53
Telecommunication Services	4.54	7.16	10.34
Transportation	2.00	3.45	5.70
Utilities	8.87	11.61	11.57
	<u>86.64</u>	<u>87.38</u>	<u>95.08</u>
Fixed Income Securities	8.20	1.46	1.91
Collective Investment Scheme	2.48	3.45	3.04
Cash And Liquid Assets	2.68	7.71	(0.03)
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
Net Asset Value (RM'000) – ex-distribution	104,598	137,033	159,952
Number Of Units In Circulation (Units '000)	254,437	264,029	310,596
Net Asset Value Per Unit (RM)*	0.4111	0.5191	0.5150
Management Expense Ratio ("MER") ¹	1.64%	1.70%	1.71%
Portfolio Turnover Ratio (times)	1.01	0.82	0.61

The Management Expense Ratio for the current financial year is lower due to a higher percentage of decrease in expenses compared with average net asset value attributable to unitholders.

¹ *The MER does not include brokerage and other transaction fees.*

The Portfolio Turnover Ratio for the current financial year is higher due to increase in investing activities.

Notes:

The net asset value per unit of the Fund is largely determined by market factors. Therefore past performance figures shown are only a guide and should not be taken as indicative of future performance. Net asset value per unit and investment returns may go up or down.

* *Price quoted is ex-distribution.*

Performance Data

	Pacific Dividend Fund			FBM 100	
	Total Return	Average Annual Return		Total Return	Average Annual Return
1 Year's Period (1.1.2018 to 31.12.2018)	-11.39%	-11.39%		-9.28%	-9.28%
3 Years' Period (1.1.2016 to 31.12.2018)	-4.30%	-1.43%		-0.24%	-0.08%
5 Years' Period (1.1.2014 to 31.12.2018)	-11.82%	-2.36%		-9.10%	-1.82%
	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Pacific Dividend Fund					
- Capital Return	-21.05%	0.80%	-10.96%	-11.82%	-10.67%
- Income Return	12.23%	9.66%	9.73%	8.67%	7.64%
- Total Return	-11.39%	10.53%	-2.29%	-4.17%	-3.84%
FBM 100	-9.28%	12.74%	-2.45%	-2.89%	-6.17%
	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016		
Unit Prices					
Highest NAV (RM)	0.5338	0.5761	0.5927		
Lowest NAV (RM)	0.4111*	0.5153	0.5151*		
Distributions					
Gross Distribution Per Unit (sen)	5.00 (31.12.2018)	5.00 (29.12.2017)	5.00 (31.12.2016)		
Net Distribution Per Unit (sen)	4.77 (31.12.2018)	4.87 (29.12.2017)	4.86 (31.12.2016)		
Unit Splits	-	-	-		

* All prices quoted are ex-distribution prices.

Notes:

1. All figures pertaining to the Fund's return were extracted from Lipper.
2. The net asset value per unit of the Fund is largely determined by market factors. Therefore past performance figures shown are only a guide and should not be taken as indicative of future performance. Net asset value per unit and investment returns may go up or down.

MANAGER’S REPORT
31 December 2018

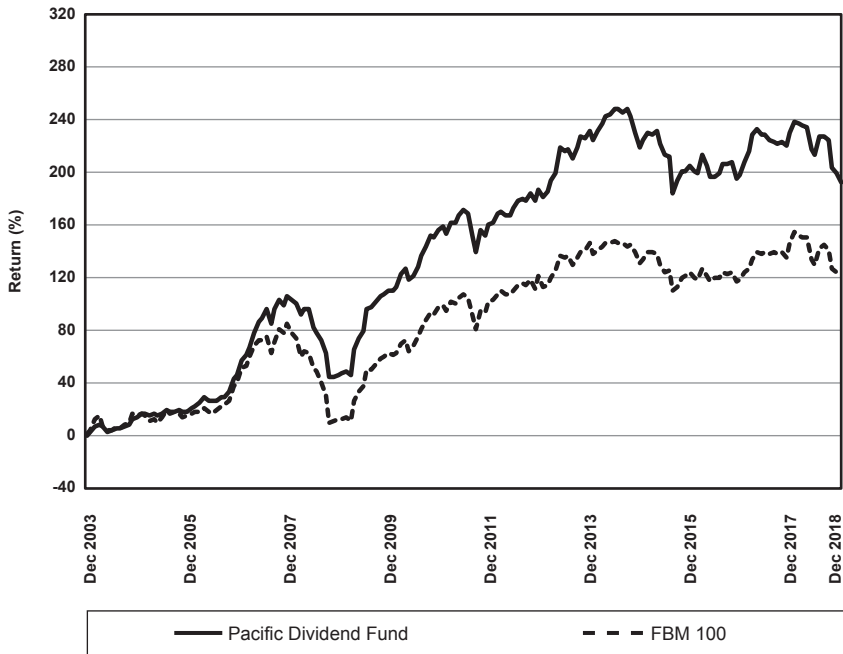
Performance Review

From 9 December 2003 (date of launch: 18 November 2003) to 31 December 2018, the Pacific Dividend Fund registered a total return of 192.09%, while its benchmark, the FTSE Bursa Malaysia Top 100 Index (FBM 100), rose 123.18%.

For the financial year under review (1 January 2018 to 31 December 2018), the Fund registered a total return of -11.39%. In comparison, its benchmark fell 9.28%.

The Fund has met its investment objective of providing a steady recurring income that is potentially higher than prevailing fixed deposit rates.

Comparison Between Fund’s Performance And Benchmark



Source: Lipper

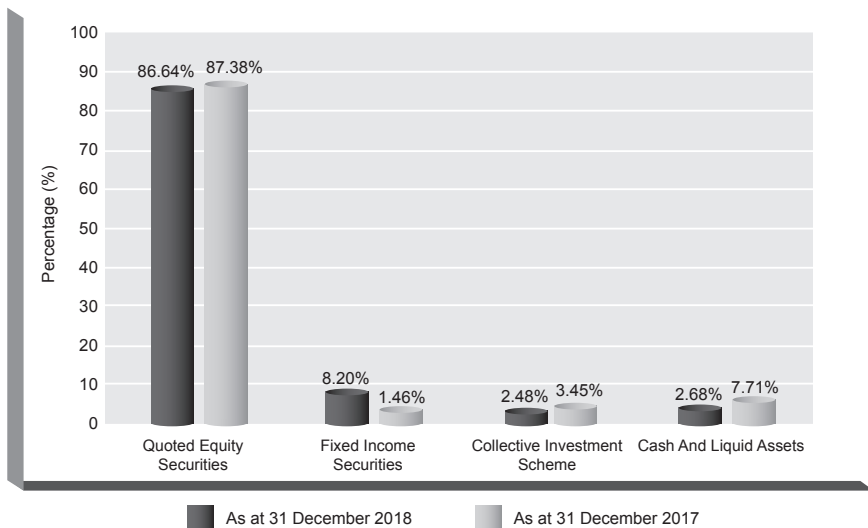
Investment Strategy Review

2018 started strong with buoyant global sentiment driven by major tax reforms in the US and the rapid appreciation of the Ringgit after the Bank Negara governor guided an interest rate hike in the near term. The Pacific Dividend Fund was well invested during this time with an end-February equity allocation at around 88% but started to take profit in March 2018 ending the month with an equity allocation of 85% as trade tensions escalated. After the 14th General Elections, the Fund continued to decrease its equity exposure as foreign funds sold down Malaysian equities amid policy uncertainty. End-May equity allocation was around 81%.

Business and consumer sentiment rose sharply after the general elections, buoyed by a 3-month period of zero-rate GST and as the new government settled in, foreign net selling eased from RM5.0-5.6 billion levels in May to July to stabilise at a smaller quantum of RM0.1 million in August and September. The Fund turned positive in August with an equity allocation of 88.7% but after muted corporate earnings, the Fund started taking profit in September and reduced the equity allocation to 85.0%. While the 2019 Malaysian Budget was better than widely expected and the US mid-term elections passed with little effect to equity markets, the Fund continued to cut equity allocation to 85.0% by November. The sharp and fast decline in crude oil prices to a low of USD50.47/bbl in December coincided with elevated fears of slowing global growth, thus weakening market sentiment. Foreign funds sold RM3.2 billion worth of Malaysian equities in the final quarter of 2018, leaving little conviction for year-end window dressing. Against this backdrop, the Fund began to accumulate on weakness and ended the financial year with 86.6% invested in equities.

Markets are expected to remain volatile in 2019. The Fund will continue to invest in defensive stocks with strong balance sheets and dividend capacity to sustain income for our investors.

Asset Allocation



The quoted equity securities allocation of Pacific Dividend Fund decreased marginally to 86.64% as at 31 December 2018 from 87.38% recorded at the beginning of the financial year under review.

The 2.48% in collective investment scheme was placed in the Pacific Dana Murni (2.28%), a sukuk fund, and Pacific Islamic Deposit Fund (0.20%), an Islamic money market fund; both are Funds managed by the Manager. Such investments are in line with the objective of Pacific Dividend Fund and are an efficient way to manage the exposure of Pacific Dividend Fund in fixed income securities. The exposure of Pacific Dividend Fund in the collective investment scheme is taken into account when assessing the asset allocation of Pacific Dividend Fund in fixed income securities. Management fee on the collective investment scheme managed by the Manager is rebated to the Fund.

Analysis Of Net Asset Value

The net asset value (NAV) per unit of Pacific Dividend Fund decreased from RM0.5191 to RM0.4111 during the financial year under review. Meanwhile, total NAV of the Fund decreased from RM137,033,183 to RM104,598,260 due to adverse market movements and net fund redemptions.

Market Review

Equity Market Review

Global markets were mostly positive at the start of the year, underpinned by stronger economic data and synchronized global growth. The Malaysian bourse was not left out, gaining 71.8 points, or 4% to close at 1,868 points, the highest closing since September 2014. The gains were driven by foreign fund inflows as the strong Ringgit performance and higher crude oil prices presented a lure for foreign investors. February was a volatile month however as a sell-off in the US bond market triggered a global market correction. The FBMKLCI was not spared in the sell-off but managed to rebound from its lowest point of 1,812 on 6 February 2018 to close at 1,856, down only -0.7% for the month, outperforming the MSCI Asia Pacific ex Japan Index (MXASJ) which fell -5%.

On the domestic front, most event were eclipsed by the unexpected win of opposition coalition Pakatan Harapan. Amidst the unprecedented result and ensuing uncertainty, foreign funds sold RM12.2 billion worth of Malaysian equities in May to July. In that period, the FBMKLCI fell from 1,857 points to a low of 1,663 before recovering to 1,784 points as the new government revealed a pressing need for regulatory reform and a re-examination of the previously announced infrastructure mega projects. Consumer and business sentiment were boosted by the GST-free period from June to August as well as the government's commitment to return outstanding GST and income tax refunds. However, announced regulatory reforms affected specific sectors such as telecommunications and construction.

As Malaysia embarked on consolidation mode, the local bourse moved in line with regional markets, benefitting in the third quarter of 2018 from positive global sentiment following strong US economic data and substantially reduced foreign selling compared to the months prior. However, it was also buffeted by emerging market contagion fears though the Malaysian Ringgit held up far better due to relative economic resilience compared to other emerging market peers which have weaker economies and higher levels of foreign currency debt. Throughout the year, Bank Negara Malaysia has maintained an accommodative monetary policy with a stable overnight policy rate of 3.25% since the January hike while inflation has been benign.

In the run up to the 2019 Budget, the local bourse ailed over the possibility of new taxes such as capital gains tax or inheritance tax. The actual budget was therefore taken rather well in the absence of such taxes, as well as the reiteration of commitment to achieving fiscal consolidation and policies that are supportive of private consumption. New fiscal revenue streams such as the casino tax hike and soda tax were company specific disruptions but were necessary, alongside the special dividend from Petronas, to allow for consolidation and the return of outstanding tax refunds.

The persistent decline in oil prices and the US equities sell-off amid steady interest rate hikes by the US FOMC and weaker earnings growth outlook dampened sentiment domestically as well and the year ended with minimal window dressing efforts.

Income Distribution

	<u>Pacific Dividend Fund</u>
Gross distribution per unit	5.00 sen
Net distribution per unit	4.77 sen
NAV per unit before declaration (as at 31 December 2018)	RM0.4588
NAV per unit after declaration (as at 31 December 2018)	RM0.4111

Unit Split Nil

Significant Changes In The State Of Affairs Of The Fund

1. Appended below are the changes to the Fund as per fourth supplementary master prospectus dated 28 September 2018 and fifth supplementary master prospectus dated 1 January 2019:

Ms. Tan Yee Cheng has been redesignated as the Equity Specialist, Investment. She is no longer the designated person responsible for the investment management of the Fund. The Fund is now overseen by the following person:

	New Provision
Designated Person Responsible For The Investment Management Of The Fund	<p>Jolynn Kek Yen Ai Head of Equities, Investment</p> <ul style="list-style-type: none"> • Jolynn joined Pacific Mutual in July 2018 as the Head of Equities. She was previously an investment manager at the Malaysian unit of a global investment management firm, managing Malaysian institutional investments in the domestic equity market while providing research coverage on South East Asia and South Asia equity investments for the wider group. • Bachelor of Science (Honours) in Applied Accounting (Oxford Brookes University); ACCA programme (Association of Chartered Certified Accountants). • She is the designated person responsible for the investment management of the Pacific Dividend Fund.

	Previous Provision	New Provision
Annual Trustee Fee	Up to 0.07% of the NAV subject to a minimum of RM18,000 p.a.	Up to 0.06% p.a. of the NAV
Maximum Rate Of The Annual Trustee Fee	0.20% p.a. of the NAV of the Fund subject to a minimum of RM18,000 p.a.	0.20% p.a. of the NAV of the Fund, calculated and accrued on a daily basis and payable monthly in arrears.

<p>Deeds Of The Fund</p>	<p>Master Deed: 10 November 2003 First Supplemental Deed: 14 February 2006 Second Supplemental Deed: 28 June 2007 Supplemental Master Deed: 22 May 2009 Second Supplemental Master Deed: 14 December 2009 Third Supplemental Master Deed: 26 April 2010</p>	<p>Master Deed: 10 November 2003 First Supplemental Deed: 14 February 2006 Second Supplemental Deed: 28 June 2007 Supplemental Master Deed: 22 May 2009 Second Supplemental Master Deed: 14 December 2009 Third Supplemental Master Deed: 26 April 2010 Fourth Supplemental Master Deed: 8 January 2014 Fifth Supplemental Master Deed: 7 July 2017 Sixth Supplemental Master Deed: 22 November 2018</p>
<p>List Of Pacific Mutual Fund Bhd Offices, Agency Offices And Institutional Unit Trust Advisers</p>	<ul style="list-style-type: none"> • The telephone and facsimile numbers of Pacific Mutual Fund Bhd's head office were listed as "Tel: 03-7725 9877" and "Fax: 03-7725 9860" respectively. • There were 5 branches listed, located in Penang, Ipoh, Melaka, Kuching and Kota Kinabalu. 	<ul style="list-style-type: none"> • The telephone and facsimile numbers of Pacific Mutual Fund Bhd's head office were revised to "Tel: 03-7712 3000" and "Fax: 03-7712 3001" respectively. • The list of branches was removed. Latest contact details are available at www.pacificmutual.com.my.

<p>Switching Facility*</p>	<p>The following statements were printed in the 'Switching Facility' section:</p> <p>Should the sales charge of a Fund to be switched into be more than the sales charge imposed on a Fund to be switched from, then a difference in the sales charge between the two (2) Funds shall be borne by you. There will be no sales charge imposed if the Funds to be switched into has a lower sales charge.</p> <p>Subject to the terms set out herein, if you are the primary account holders for certain Funds, you are entitled to three (3) switching transactions per account during a calendar year without having to pay the applicable differences in sales charges save for the following first switching transaction:</p> <ul style="list-style-type: none"> • From a zero sales charge fund to a low/reduced/normal sales charge fund; or • From a low sales charge fund to a reduced/normal sales charge fund. <p>You will have to pay the applicable differences in the sales charge (if any) for subsequent switching transactions carried out in the same calendar year.</p>	<p>The said statements were replaced as follows:</p> <p>Should the sales charge of a Fund to be switched into is higher than the sales charge imposed on a Fund to be switched from, then the difference in the sales charge between the two (2) Funds shall be borne by you. There will be no sales charge imposed if the Funds to be switched into has a lower sales charge than the Fund you are switching out from.</p> <p>If you have been imposed the highest sales charge in your switching transaction among our Funds, you are no longer required to bear any sales charge difference for subsequent switch transactions involving this specific batch of your investments.</p>
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* Under the 'Switching Facility' section, further revision was made to the applicable differences in sales charges to be borne by unitholders as follows:

Previous Provision

Current Fund	Target Fund			
	Zero Sales Charge Fund (Fund with no sales charge)	Low Sales Charge Fund (Fund with maximum sales charge of 2.00% of NAV per unit)	Reduced Sales Charge Fund (Fund with maximum sales charge of 5.00% of NAV per unit)	Normal Sales Charge Fund (Fund with maximum sales charge of 5.50% of NAV per unit)
Zero Sales Charge Fund	Nil	2.00% (2.00% for EPF Plan)	5.00% (3.00% for EPF Plan)	5.50% (3.00% for EPF Plan)
Low Sales Charge Fund	Nil	Nil	2.00% (Nil for EPF Plan)	2.00% (Nil for EPF Plan)
Reduced Sales Charge Fund	Nil	Nil	Nil	Nil
Normal Sales Charge Fund	Nil	Nil	Nil	Nil

New Provision

The applicable differences in sales charges to be borne by unitholders as tabulated below shall take effect from 1 May 2019:

Current Fund	Target Fund			
	Zero Sales Charge Fund (Fund with no sales charge)	Low Sales Charge Fund (Fund with maximum sales charge of 2.00% of NAV per unit)	Reduced Sales Charge Fund (Fund with maximum sales charge of 5.00% of NAV per unit)	Normal Sales Charge Fund (Fund with maximum sales charge of 5.50% of NAV per unit)
Zero Sales Charge Fund	Nil	2.00% (2.00% for EPF Plan)	5.00% (3.00% for EPF Plan)	5.50% (3.00% for EPF Plan)
Low Sales Charge Fund	Nil	Nil	3.00% (1.00% for EPF Plan)	3.50% (1.00% for EPF Plan)
Reduced Sales Charge Fund	Nil	Nil	Nil	0.05%
Normal Sales Charge Fund	Nil	Nil	Nil	Nil

2. Any reference to the Goods and Services Tax ("GST") and Goods and Services Tax Act 2014 herein is hereby removed with effect from 1 September 2018.

Circumstances That Materially Affect Interest Of Unitholders Nil

Soft Commissions

During the financial year under review, the Fund has received soft commissions from brokers. Soft commissions received from brokers are retained by the Manager for purchasing goods and services which are of demonstrable benefit to the unitholders and in the form of research and advisory services that assist in the decision-making process relating to the investment of the Fund such as research materials, data and quotation services, computer software, investment advisory services, and investment related publications.

REPORT OF THE TRUSTEE

To the Unitholders of **PACIFIC DIVIDEND FUND**

We, **MTRUSTEE BERHAD**, being the Trustee of **PACIFIC DIVIDEND FUND** ("the Fund"), are of the opinion that in its capacity as Manager of the Fund, **PACIFIC MUTUAL FUND BHD** ("the Manager"), has managed the Fund for the financial year ended 31 December 2018 in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing of units of the Fund is carried out in accordance with the Deeds and relevant regulatory requirements;
- (c) creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) the distribution of income by the Fund is appropriate and reflects the investment objectives of the Fund.

For and on behalf of the Trustee
MTRUSTEE BERHAD



NURIZAN JALIL
Chief Executive Officer

Selangor, Malaysia
30 January 2019

STATEMENT BY THE MANAGER

We, **TEH CHI-CHEUN** and **ONG EU JIN**, being two of the directors of **PACIFIC MUTUAL FUND BHD**, do hereby declare that, in the opinion of the Manager, the accompanying financial statements set out on pages 21 to 43 are prepared in accordance with the requirements of the Deeds, Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission's Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of **PACIFIC DIVIDEND FUND** as at 31 December 2018 and of its results, changes in net asset value and cash flows for the financial year then ended.

Signed on behalf of the Manager in accordance with a resolution of the directors



TEH CHI-CHEUN



ONG EU JIN

Kuala Lumpur, Malaysia
30 January 2019

INDEPENDENT AUDITORS' REPORT
To the Unitholders of **PACIFIC DIVIDEND FUND**

Report On The Audit Of The Financial Statements

Opinion

We have audited the financial statements of **PACIFIC DIVIDEND FUND** ("the Fund"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 43.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis For Opinion

We conducted our audit in accordance with approved standards of auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence And Other Ethical Responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other Than The Financial Statements And Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility Of The Fund Manager And Trustee For The Financial Statements

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

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards of auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

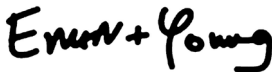
- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of Manager’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



ERNST & YOUNG
 AF: 0039
 Chartered Accountants

Kuala Lumpur, Malaysia
 30 January 2019



BRANDON BRUCE STA MARIA
 No. 02937/09/2019 J
 Chartered Accountant

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018 RM	2017 RM
Assets			
Investments	3	101,804,991	126,469,336
Dividend receivable		100,178	546,750
Interest receivable		106,528	43,706
Amount due from Manager	6	186,436	1,650,035
Amount due from brokers/dealers	7	1,612,306	8,154,143
Cash and cash equivalents	5	13,678,714	15,317,095
Total Assets		<u>117,489,153</u>	<u>152,181,065</u>
Liabilities			
Amount due to Manager	6	147,670	629,683
Amount due to brokers/dealers	7	585,026	1,649,080
Other payables		21,006	21,111
Distribution payable	13	12,137,191	12,848,008
Total Liabilities		<u>12,890,893</u>	<u>15,147,882</u>
Net Asset Value Of The Fund		<u>104,598,260</u>	<u>137,033,183</u>
Equity			
Unitholders' capital		113,185,424	118,795,502
(Accumulated loss)/Retained earnings		(8,587,164)	18,238,480
Available-for-sale deficit		-	(799)
Net Asset Value Attributable To Unitholders	14	<u>104,598,260</u>	<u>137,033,183</u>
Total Equity And Liabilities		<u>117,489,153</u>	<u>152,181,065</u>
Number Of Units In Circulation (Units)	15	<u>254,437,000</u>	<u>264,029,000</u>
Net Asset Value Per Unit (ex-distribution)	14	<u>RM0.4111</u>	<u>RM0.5191</u>

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

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Investment (Loss)/Income			
Gross dividends from financial assets at fair value through profit or loss		3,962,853	5,473,562
Interest income		587,290	627,774
Net losses from sale of financial assets at fair value through profit or loss		(8,283,238)	(13,049,488)
Net gain from sale of available-for-sale financial assets		-	36,922
Net unrealised (loss)/gain on changes in value of financial assets at fair value through profit or loss		(8,568,270)	27,253,360
		<u>(12,301,365)</u>	<u>20,342,130</u>
Expenses			
Audit fee		8,000	7,600
Tax agent's fee		4,550	3,700
Manager's fee	8	1,971,689	2,464,022
Trustee's fee	9	93,523	116,598
Custodian's fee		3,641	-
Brokerage and other transaction fees		927,985	847,847
Administration expenses		114,610	231,502
		<u>3,123,998</u>	<u>3,671,269</u>
Net (Loss)/Income Before Taxation		(15,425,363)	16,670,861
Taxation	12	-	-
Net (Loss)/Income After Taxation		<u>(15,425,363)</u>	<u>16,670,861</u>
Other Comprehensive Loss			
Net changes in fair value of available-for-sale financial assets		-	(1,677)
Total Comprehensive (Loss)/Income		<u>(15,425,363)</u>	<u>16,669,184</u>
Total Comprehensive (Loss)/Income Is Made Up As Follows:			
Realised losses		(6,857,093)	(10,582,499)
Unrealised (loss)/income		(8,568,270)	27,251,683
		<u>(15,425,363)</u>	<u>16,669,184</u>

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

STATEMENT OF CHANGES IN NET ASSET VALUE
For the financial year ended 31 December 2018

	Note	Unitholders' Capital RM	Retained Earnings/ (Accumulated loss) RM	Available- For-Sale Deficit RM	Net Asset Value Attributable To Unitholders RM
At 1 January 2017		148,246,604	11,704,646	878	159,952,128
Net income after taxation		-	16,670,861	-	16,670,861
Other comprehensive loss		-	-	(1,677)	(1,677)
Creation of units		17,041,449	-	-	17,041,449
Cancellation of units		(43,781,570)	-	-	(43,781,570)
Distribution	13	(2,710,981)	(10,137,027)	-	(12,848,008)
At 31 December 2017		<u>118,795,502</u>	<u>18,238,480</u>	<u>(799)</u>	<u>137,033,183</u>
At 1 January 2018, previously stated		118,795,502	18,238,480	(799)	137,033,183
Transfer of available-for-sale deficit to retained earnings upon adoption of MFRS 9	2(a)	-	(799)	799	-
At 1 January 2018, restated		118,795,502	18,237,681	-	137,033,183
Net loss after taxation		-	(15,425,363)	-	(15,425,363)
Creation of units		14,746,326	-	-	14,746,326
Cancellation of units		(19,618,695)	-	-	(19,618,695)
Distribution	13	(737,709)	(11,399,482)	-	(12,137,191)
At 31 December 2018		<u>113,185,424</u>	<u>(8,587,164)</u>	<u>-</u>	<u>104,598,260</u>

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2018

	2018	2017
	RM	RM
Cash Flows From Operating And Investing Activities		
Proceeds from sale of investments	145,513,375	160,087,739
Purchase of investments	(132,695,536)	(109,967,736)
Dividends received	3,982,646	4,413,319
Interest received	490,569	624,160
Manager's fee paid	(2,017,116)	(2,503,102)
Trustee's fee paid	(95,175)	(118,316)
Payment for other fees and expenses	(120,139)	(224,107)
Net cash generated from operating and investing activities	<u>15,054,983</u>	<u>52,311,957</u>
Cash Flows From Financing Activities		
Cash proceeds from units created	16,209,925	15,549,347
Cash paid on units cancelled	(20,055,281)	(43,423,338)
Distributions paid	(12,848,008)	(15,123,633)
Net cash used in financing activities	<u>(16,693,364)</u>	<u>(42,997,624)</u>
Net (Decrease)/Increase In Cash And Cash Equivalents	(1,638,381)	9,314,333
Cash And Cash Equivalents At Beginning Of Financial Year	15,317,095	6,002,762
Cash And Cash Equivalents At End Of Financial Year	<u>13,678,714</u>	<u>15,317,095</u>
Cash And Cash Equivalents Comprise:		
Cash at banks	1,738,714	7,067,095
Deposits with financial institutions	11,940,000	8,250,000
	<u>13,678,714</u>	<u>15,317,095</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. The Fund, The Manager And Their Principal Activities

Pacific Dividend Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Deed dated 10 November 2003 as amended by the First Supplemental Deed dated 14 February 2006, Second Supplemental Deed dated 28 June 2007, Supplemental Master Deed dated 22 May 2009, Second Supplemental Master Deed dated 14 December 2009, Third Supplemental Master Deed dated 26 April 2010 and its Fourth Supplemental Master Deed dated 8 January 2014 (hereinafter referred to as "the Deeds") made between the Manager, Pacific Mutual Fund Bhd, the Trustee, MTrustee Berhad and the registered holders of the Fund.

The principal activity of the Fund is to invest in "Permitted Investments" as defined in the Deeds, which include stocks and shares of companies quoted on Bursa Malaysia Securities Berhad, fixed income securities and money market instruments as approved by the Securities Commission Malaysia. The Fund was launched on 18 November 2003 and will continue its operations until terminated by the Trustee as provided in the Deeds.

The Manager is a 70% owned subsidiary of Lion Global Investors Limited (formerly known as Lion Capital Management Limited), a company incorporated in Singapore. The remaining 30% of the share capital of the Manager is held by Koperasi Angkatan Tentera Malaysia Bhd. The ultimate holding company is Oversea-Chinese Banking Corporation Limited, a public listed company incorporated in Singapore.

The principal activities of Pacific Mutual Fund Bhd are the establishment and management of unit trust funds as well as the management of private investment mandates.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the directors on 30 January 2019.

2. Summary Of Significant Accounting Policies

(a) Basis Of Preparation

The financial statements of the Fund have been prepared on a historical cost basis, except as otherwise stated in the accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the Deeds and the Securities Commission Malaysia's Guidelines on Unit Trust Funds in Malaysia.

The significant accounting policies adopted are consistent with those applied in the previous financial year end except for the adoption of new MFRSs, Amendments to MFRSs and IC Interpretations which are effective for the financial year beginning on or after 1 January 2018. These new MFRSs, Amendments to MFRSs and IC Interpretations did not give rise to any significant effect on the financial statements except for MFRS 9 of which the key areas impacted are as follows:

Classification and measurement of financial assets

Fixed income securities which are previously classified as available-for-sale financial assets and measured at fair value through other comprehensive income are reclassified as financial assets at fair value through profit and loss under MFRS 9. Accordingly, the available-for-sale deficit of RM799 as at 31 December 2017 is transferred to retained earnings on 1 January 2018.

The Fund will adopt the following MFRSs, Amendments to MFRSs and IC Interpretations when they become effective in the respective financial periods and these MFRSs, Amendments to MFRSs and IC Interpretations are not expected to have any material impact to the financial statements of the Fund upon initial application.

Pronouncements issued but not yet effective:

	Effective dates for financial periods beginning on or after
MFRS 16 - Leases*	1-Jan-19
Prepayment Features with Negative Compensation (Amendments to MFRS 9)*	1-Jan-19
Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)*	1-Jan-19
Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)*	1-Jan-19
Annual Improvements to MFRS Standards 2015-2017 Cycle	
(i) Previously Held Interest in a Joint Operation (Amendments to MFRS 3 Business Combinations)*	1-Jan-19
(ii) Previously Held Interest in a Joint Operation (Amendments to MFRS 11 Joint Arrangements)*	1-Jan-19
(iii) Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 Income Taxes)*	1-Jan-19
(iv) Borrowing Costs Eligible for Capitalisation (Amendments to MFRS 123 Borrowing Costs)*	1-Jan-19
IC Interpretation 23 - Uncertainty over Income Tax Treatments*	1-Jan-19
Amendments to References to the Conceptual Framework in MFRS Standards	
(1) Amendments to MFRS 2 Share-Based Payment*	1-Jan-20
(2) Amendment to MFRS 3 Business Combinations*	1-Jan-20
(3) Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources*	1-Jan-20
(4) Amendment to MFRS 14 Regulatory Deferral Accounts*	1-Jan-20
(5) Amendments to MFRS 101 Presentation of Financial Statements	1-Jan-20

(6) Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1-Jan-20
(7) Amendments to MFRS 134 Interim Financial Reporting	1-Jan-20
(8) Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1-Jan-20
(9) Amendment to MFRS 138 Intangible Assets*	1-Jan-20
(10) Amendment to IC Interpretation 12 Service Concession Arrangements*	1-Jan-20
(11) Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1-Jan-20
(12) Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*	1-Jan-20
(13) Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1-Jan-20
(14) Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs*	1-Jan-20
MFRS 17 - Insurance Contracts*	1-Jan-21
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)*	To be announced

* These MFRSs, Amendments to MFRSs and IC Interpretations are not relevant to the Fund.

(b) Functional And Presentation Currency

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Fund's functional currency.

(c) Financial Instruments

The Fund recognises financial assets and financial liabilities in the Statement of Financial Position on the date it becomes a party to the contractual provisions of the instruments.

Regular way purchase and sales of all categories of investments in financial instruments are recognised on trade dates i.e. dates on which the Fund commits to purchase or sell the financial instruments.

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

When financial assets are recognised initially, they are measured at fair value.

Financial Assets At Fair Value Through Profit Or Loss

Financial assets classified as financial assets at fair value through profit or loss are all financial assets acquired for the purpose of generating a profit from short-term fluctuations in price, or part of a portfolio with a pattern of short-term profit taking (held for trading); or those financial assets designated in this category by the Manager.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with gain and loss recognised in profit or loss. Transaction costs are recognised in profit or loss as incurred.

The fair values of quoted investments are determined by reference to last done prices at the close of the business at the reporting date.

The fair values of fixed income securities are determined by reference to prices quoted by a bond pricing agency (BPA) registered with the Securities Commission Malaysia on a daily basis.

The fair value of collective investment scheme is determined from last published repurchase price at the reporting date as reported by the management company of such funds and as agreed by the Trustee and the Manager so as to reflect its fair value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include amounts due from Manager, brokers/dealers and other receivables. Receivables are recognised initially at fair value including transaction costs. These are subsequently measured at amortised cost using the effective interest method, less impairment.

Financial Liabilities

Financial liabilities are recognised initially at fair value i.e. the consideration for goods and services received and subsequently stated at amortised cost. These include amounts due to Manager, brokers/dealers, Trustee and other payables. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

(d) Derecognition Of Financial Assets And Liabilities*Financial Assets*

A financial asset is derecognised when the asset is disposed and the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial Liabilities

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

(e) Impairment Of Financial Assets*Financial Assets Carried At Amortised Cost*

MFRS 9 requires the Fund to record expected credit losses (“ECLs”) on all financial assets, either on a 12-month or lifetime basis. Given the limited exposure of the Fund to credit risk, there is no material impact on the Fund’s financial statements. The Fund only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has adopted an approach similar to the simplified approach to ECLs.

(f) Income Recognition

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

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

Interest income, accretion of discount and amortisation of premium are recognised using the effective interest method on an accrual basis.

(g) Unrealised Reserves/(Deficits)

The unrealised reserves/(deficits) represent the net gain or loss arising from carrying quoted investments and fixed income securities at their fair value and are recognised in the Statement of Comprehensive Income.

(h) Cash And Cash Equivalents

Cash and cash equivalents comprise cash at banks and deposits with financial institutions with original maturities of 3 months or less which have an insignificant risk of changes in value.

(i) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(j) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(k) Distribution

Distributions made by the Fund are accounted for as a deduction from realised reserves except where distributions are sourced out of distribution equalisation which are accounted for as a deduction from Unitholders' Capital. Distributions are recognised in the Statement of Changes in Net Asset Value when they are approved by the Manager and the Trustee.

(l) Unitholders' Capital

Unitholders' Capital meets the conditions for the definition of puttable instruments classified as equity instruments.

Distribution equalisation is accounted for on the date of creation and cancellation of units. It represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

(m) Significant Accounting Estimates And Judgments

The preparation of financial statements in accordance with MFRS and IFRS requires the use of certain accounting estimates and exercise of judgments. Estimates and judgments are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

No major estimates and judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the reporting date.

3. Investments

	2018 RM	2017 RM
Available-For-Sale Financial Assets		
Fixed income securities	-	2,001,650
Financial Assets At Fair Value Through Profit Or Loss		
Fixed income securities	8,579,801	-
Quoted investments		
- Equity securities	90,626,227	119,733,722
- Collective investment scheme	2,598,963	4,733,964
	<u>93,225,190</u>	<u>124,467,686</u>
Total investments	<u>101,804,991</u>	<u>126,469,336</u>

FIXED INCOME SECURITIES

The composition of fixed income securities at the reporting date is as detailed below:

Name Of Counter	Credit Rating	Nominal Value RM	Cost RM	Fair Value RM	Fair Value As A % Of Net Asset Value
Edra Energy Sdn Bhd	AA3	1,000,000	1,023,730	1,018,890	0.97
GII Murabahah	GG	2,600,000	2,593,730	2,610,400	2.50
TSH Sukuk Ijarah Sdn Bhd	AA-	1,900,000	1,900,000	1,932,699	1.85
UEM Sunrise Berhad	AA-	1,000,000	1,002,768	1,018,460	0.97
Pac Lease Berhad	P1	2,000,000	1,999,352	1,999,352	1.91
		<u>8,500,000</u>	<u>8,519,580</u>	<u>8,579,801</u>	<u>8.20</u>

**UNREALISED GAIN FROM
FIXED INCOME SECURITIES** 60,221

The weighted average rate of return and remaining maturity of fixed income securities at the reporting date were as follows:

	Weighted Average Rate Of Return (% Per Annum)		Weighted Average Remaining Maturity (Days)	
	2018	2017	2018	2017
Fixed income securities	<u>4.57</u>	<u>4.55</u>	<u>1,642</u>	<u>1,674</u>

The composition of quoted investments at the reporting date is as detailed below. The industry classifications are based on MSCI's Global Industry Classification Standard.

EQUITY SECURITIES

Quantity	Name Of Counter	Cost RM	Fair Value RM	Fair Value As A % Of Net Asset Value
Banks				
419,400	Alliance Bank Malaysia Berhad	1,755,272	1,685,988	1.61
891,797	CIMB Group Holdings Berhad	5,557,641	5,092,161	4.87
60,000	Hong Leong Bank Berhad	1,230,000	1,224,000	1.17
240,000	Hong Leong Financial Group Berhad	4,528,644	4,454,400	4.26
855,428	Malayan Banking Berhad	8,116,387	8,126,566	7.77
278,800	Public Bank Berhad	6,035,087	6,903,088	6.60
		<u>27,223,031</u>	<u>27,486,203</u>	<u>26.28</u>
Capital Goods				
1,600,000	MMC Corporation Berhad	3,502,057	1,328,000	1.27
1,310,000	Sime Darby Bhd	3,260,575	3,144,000	3.00
		<u>6,762,632</u>	<u>4,472,000</u>	<u>4.27</u>
Consumer Services				
538,900	Magnum Berhad	1,396,175	1,050,855	1.00
Energy				
6,109,500	Bumi Armada Bhd	5,619,497	946,973	0.91
635,100	Dialog Group Berhad	1,565,183	1,975,161	1.89
7,533,400	Velesto Energy Berhad	2,750,129	1,356,012	1.30
583,300	Yinson Holdings Berhad	2,642,942	2,449,860	2.34
		<u>12,577,751</u>	<u>6,728,006</u>	<u>6.44</u>
Food, Beverage & Tobacco				
53,800	British American Tobacco Malaysia Berhad	1,875,752	1,941,104	1.86
138,500	Carlsberg Brewery Malaysia Berhad	2,684,088	2,725,680	2.61
240,000	Genting Plantations Berhad	2,568,891	2,366,400	2.26
70,000	Heineken Malaysia Berhad	1,147,388	1,432,200	1.37
70,100	Kuala Lumpur Kepong Berhad	1,678,698	1,732,872	1.66
324,863	Sime Darby Plantation Berhad	1,646,290	1,546,348	1.48
		<u>11,601,107</u>	<u>11,744,604</u>	<u>11.24</u>

Quantity	Name Of Counter	Cost RM	Fair Value RM	Fair Value As A % Of Net Asset Value
Health Care Equipment & Services				
663,800	IHH Healthcare Bhd	3,715,707	3,577,882	3.42
413,300	Top Glove Corporation Bhd	2,312,021	2,314,480	2.21
		<u>6,027,728</u>	<u>5,892,362</u>	<u>5.63</u>
Materials				
495,100	Petronas Chemicals Group Bhd	4,179,592	4,599,479	4.40
Real Estate				
2,310,500	KIP REIT	2,298,020	1,732,875	1.66
3,061,310	LBS Bina Group Berhad	2,672,783	1,959,238	1.87
667,500	Matrix Concepts Holdings Berhad	1,447,720	1,254,900	1.20
600,000	SBC Corporation Berhad	820,656	288,000	0.28
1,216,163	Sime Darby Property Berhad	1,648,348	1,210,082	1.15
		<u>8,887,527</u>	<u>6,445,095</u>	<u>6.16</u>
Retailing				
153,200	Aeon Company (M) Berhad	231,883	225,204	0.22
225,900	Bermaz Auto Bhd	463,402	485,685	0.46
		<u>695,285</u>	<u>710,889</u>	<u>0.68</u>
Semiconductors & Semi. Equipment				
329,900	Vitrox Corporation Bhd	2,460,728	2,075,071	1.98
Technology Hardware & Equipment				
2,200,000	Inari Amertron Berhad	4,512,784	3,300,000	3.15
Telecommunication Services				
579,125	Axiata Group Berhad	2,822,297	2,275,961	2.18
549,400	Digi.Com Berhad	2,600,252	2,472,300	2.36
		<u>5,422,549</u>	<u>4,748,261</u>	<u>4.54</u>
Transportation				
578,100	Westports Holdings Berhad	2,036,205	2,092,722	2.00

Quantity	Name Of Counter	Cost RM	Fair Value RM	Fair Value As A % Of Net Asset Value
Utilities				
30,000	Petronas Gas Berhad	534,227	576,000	0.55
640,050	Tenaga Nasional Berhad	9,211,119	8,704,680	8.32
		<u>9,745,346</u>	<u>9,280,680</u>	<u>8.87</u>
	Total Equity Securities	103,528,440	90,626,227	86.64
COLLECTIVE INVESTMENT SCHEME				
4,362,574	Pacific Dana Murni*	2,346,163	2,385,456	2.28
210,000	Pacific Islamic Deposit Fund*	210,000	213,507	0.20
		<u>2,556,163</u>	<u>2,598,963</u>	<u>2.48</u>
	TOTAL QUOTED INVESTMENTS	106,084,603	93,225,190	89.12
	UNREALISED LOSS FROM QUOTED INVESTMENTS		<u>(12,859,413)</u>	

* Managed by the Manager

4. Fair Value Hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM	Level 2 RM	Total RM
2018			
Financial Assets At Fair Value Through Profit Or Loss			
Fixed income securities	-	8,579,801	8,579,801
Quoted investments	<u>93,225,190</u>	<u>-</u>	<u>93,225,190</u>
2017			
Available-For-Sale Financial Assets			
Fixed income securities	<u>-</u>	<u>2,001,650</u>	<u>2,001,650</u>
Financial Assets At Fair Value Through Profit Or Loss			
Quoted investments	<u>124,467,686</u>	<u>-</u>	<u>124,467,686</u>

The carrying amounts of other financial assets and financial liabilities, approximate fair values due to the relatively short term maturities of these financial instruments.

5. Cash And Cash Equivalents

Cash and cash equivalents include cash at banks and deposits with financial institutions.

	2018 RM	2017 RM
Cash at bank with a financial institution related to the Manager, OCBC Bank (M) Berhad	<u>1,738,714</u>	<u>7,067,095</u>
Deposits with licensed financial institutions:		
- Investment banks	<u>11,940,000</u>	<u>8,250,000</u>
Cash and cash equivalents	<u>13,678,714</u>	<u>15,317,095</u>

The weighted average rate of return and remaining maturity of deposits with financial institutions at the reporting date were as follows:

	Weighted Average Rate Of Return (% Per Annum)		Weighted Average Remaining Maturity (Days)	
	2018	2017	2018	2017
Deposits with licensed financial institutions:				
- Investment banks	<u>3.41</u>	<u>3.42</u>	<u>6</u>	<u>4</u>

6. Amount Due From/To Manager

The amount due from Manager represents amount receivable for units created while amount due to Manager represents amount payable for unit cancelled and/or amount payable for management fee.

Management fee is payable on a monthly basis and amount receivable/payable for units created/ cancelled is received/paid within 10 days of the transaction dates.

7. Amount Due From/To Brokers/Dealers

The amount due from/to brokers/dealers relates to disposal/purchase of investments which remain outstanding at the reporting date. These are normally received/paid within 3 business days of the transaction dates.

8. Manager's Fee

The Manager's fee provided in the financial statements is computed at 1.5% (2017: 1.5%) per annum of the net asset value attributable to unitholders of the Fund, calculated on a daily basis net of Manager's fee rebate on the collective investment scheme as agreed by the Trustee and the Manager as follows:

Name of Funds	Rate p.a.
Pacific Dana Murni	1.00%
Pacific Islamic Deposit Fund	0.25%

9. Trustee's Fee

The Trustee's fee provided in the financial statements is computed at 0.07% (2017: 0.07%) per annum of the net asset value attributable to unitholders of the Fund, calculated on a daily basis, subject to a minimum fee of RM18,000 per annum.

10. Portfolio Turnover Ratio

	2018	2017
Portfolio turnover ratio ("PTR")	<u>1.01 times</u>	<u>0.82 times</u>

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial year over the average net asset value attributable to unitholders of the Fund calculated on a daily basis. The PTR for the current financial year is higher due to increase in investing activities.

11. Management Expense Ratio

	2018	2017
Management expense ratio ("MER") ¹	<u>1.64%</u>	<u>1.70%</u>

MER is the ratio of expenses of the Fund expressed as a percentage of the average net asset value attributable to unitholders of the Fund for the financial year calculated on a daily basis. The MER for the current financial year is lower due to a higher percentage of decrease in expenses compared with average net asset value attributable to unitholders.

¹ The MER does not include brokerage and other transaction fees.

12. Taxation

	2018 RM	2017 RM
Malaysian income tax:		
Current year's provision	<u>-</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory rate of taxation of 24% (2017: 24%) of the estimated assessable income for the financial year.

There was no taxation charge for the current and previous financial year due to tax exempt income received.

A reconciliation of income tax expense applicable to net (loss)/income before taxation at the statutory rate of taxation to income tax expense at the effective rate of taxation is as follows:

	2018 RM	2017 RM
Net (loss)/income before taxation	<u>(15,425,363)</u>	<u>16,670,861</u>
Taxation at Malaysian statutory rate of 24%	(3,702,087)	4,001,007
Tax effects of:		
Income not subject to tax	(1,092,034)	(8,013,988)
Losses not subject to tax	4,044,362	3,131,877
Expenses not deductible for tax purpose	266,761	277,766
Restriction on tax deductible expenses for unit trust funds	<u>482,998</u>	<u>603,338</u>
Tax expense for the financial year	<u>-</u>	<u>-</u>

13. Distribution

	2018	2017
	RM	RM
Net final distribution, to be paid on 7 January 2019/ paid on 5 January 2018	<u>12,137,191</u>	<u>12,848,008</u>
Distribution to unitholders is from the following sources:		
Previous years' realised income	18,552,602	13,335,274
Distribution equalisation	<u>737,709</u>	<u>2,710,981</u>
	19,290,311	16,046,255
Less:		
Expenses	(6,568,461)	(2,844,805)
Taxation	<u>(584,659)</u>	<u>(353,442)</u>
	<u>12,137,191</u>	<u>12,848,008</u>
Gross distribution per unit (sen)	5.00	5.00
Net distribution per unit (sen)	4.77	4.87

The unrealised losses arising from investments at the reporting date are RM12,799,192 (2017: RM4,230,922)

14. Net Asset Value Attributable To Unitholders

	2018	2017
	RM	RM
Unitholders' capital	113,185,424	118,795,502
(Accumulated loss)/Retained earnings		
- Realised reserves	4,212,028	22,468,603
- Unrealised deficits	(12,799,192)	(4,230,123)
Available-for-sale deficit	-	(799)
Net asset value attributable to unitholders	<u>104,598,260</u>	<u>137,033,183</u>

The net asset value per unit is rounded up to four decimal places.

15. Number Of Units In Circulation

	2018	2017
	No. Of Units	No. Of Units
At beginning of the financial year	264,029,000	310,596,000
Creation	28,374,000	32,041,000
Cancellation	<u>(37,966,000)</u>	<u>(78,608,000)</u>
At end of the financial year	<u>254,437,000</u>	<u>264,029,000</u>

16. Units Held By The Manager And Its Related Parties

	2018		2017	
	No. Of Units [^]	RM	No. Of Units [^]	RM
Manager	44,181	20,270	798,888	453,609

There were no units held by other related parties.

[^] All units are held legally by the Manager as per the unitholders' register.

17. Transactions With Brokers/Dealers

Details of transactions with the brokers/dealers for the financial year are as follows:

Brokers/Dealers	Value Of Trade [#] RM	% Of Total Trades RM	Brokerage Fee [*]	% Of Total Brokerage Fees
CIMB Investment Bank Bhd	55,984,096	21.62	163,293	21.81
Hong Leong Investment Bank Bhd	52,082,761	20.11	169,458	22.63
RHB Investment Bank Bhd	34,436,034	13.30	95,950	12.81
Nomura Securities Malaysia Sdn Bhd	23,523,657	9.08	82,344	11.00
UOB Kay Hian Securities (M) Sdn Bhd	23,045,590	8.90	80,690	10.77
Maybank Investment Bank Bhd	22,574,640	8.72	76,611	10.23
J.P. Morgan Securities (Malaysia) Sdn Bhd	15,667,615	6.05	54,837	7.32
Alliance Investment Bank Berhad	10,897,423	4.21	24,519	3.27
Hong Leong Bank Bhd	9,571,725	3.70	-	-
AmBank (M) Bhd	7,674,870	2.96	-	-
Others	3,490,330	1.35	1,175	0.16
	258,948,741	100.00	748,877	100.00

[#] Excludes brokerage and other transaction fees

^{*} Only applicable to equity securities.

The transactions above are with non related parties.

18. Financial Risk Management Objectives And Policies

The Fund is exposed to a variety of risks which include market risk, credit risk, liquidity risk, specific risk and single issuer risk.

Financial risk management is carried out through policy reviews, internal control systems and adherence to the investment restrictions as stipulated in the Securities Commission Malaysia's Guidelines on Unit Trust Funds in Malaysia.

(i) Market Risk

The Fund's principal exposure to market risk arises primarily due to changes in the market environment, global economic and geo-political developments. The Fund seeks to diversify some of these risks by investing into different sectors to mitigate risk exposure to any single asset class.

The Fund's market risk is affected primarily by the following risks:

(a) Equity Price Risk

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

The table below summarises the effect on the net asset value of the Fund at the reporting date due to possible changes in equity prices, with all other variables held constant:

Change In Equity Price (%)	Effect On Net Asset Value Attributable To Unitholders	
	Increase/(Decrease)	
	2018 RM	2017 RM
+5/	4,661,260	6,223,384
(5)	<u>(4,661,260)</u>	<u>(6,223,384)</u>

(b) Interest Rate Risk

This risk refers to the effect of interest rate changes on the market value of fixed income securities and returns on deposits with financial institutions. In the event of reduction in interest rates, the returns on deposits with financial institutions will decrease while prices of fixed income securities will increase, thus affecting the net asset value of the Fund. This risk will be minimised via the management of the duration structure of the portfolio of fixed income securities and deposits with financial institutions.

The Fund's exposure to interest rate risk with respect to fixed income securities and deposits with financial institutions is not considered to be significant at the reporting date and consequently no sensitivity analysis on interest rate risk has been presented.

(ii) Credit Risk

The Fund’s principal exposure to credit risk arises primarily due to changes in the financial conditions of an issuer or a counterparty to make payment of principals, interest and proceeds from realisation of investments. Such events can lead to loss of capital or delayed or reduced income for the Fund resulting in a reduction in the Fund’s net asset value and thus, unit price. This risk is mitigated by setting counterparty limits and vigorous credit analyses.

Credit risk is generally arising from investments, cash and cash equivalents and other receivables. The maximum exposure to credit risk is presented in the Statement of Financial Position. None of these balances are impaired. Cash and cash equivalents are placed in financial institutions with strong credit ratings.

Fixed income securities are either government-guaranteed or rated by RAM Rating Services Berhad ("RAM") or Malaysian Rating Corporation Berhad ("MARC").

The following table analyses the Fund’s portfolio of fixed income securities by rating categories at the reporting date:

2018

Government Guaranteed	RAM Credit Rating	MARC Credit Rating	RAM-ST* Credit Rating	As A % Of Net Asset Value
GG	-	-	-	2.50
-	-	-	P1	1.91
-	AA3	AA-	-	3.79
				8.20

2017

Government Guaranteed	MARC Credit Rating	As A % Of Net Asset Value
GG	-	0.73
-	AA	0.73
		1.46

* ST denotes short-term ratings definitions.

(iii) Liquidity Risk

This risk occurs in thinly traded or illiquid securities. Should the Fund need to sell a relatively large amount of such securities, the act itself may significantly depress the selling price. The risk is minimised by maintaining a prudent level of liquid assets that allows the Fund to meet daily redemption of units without jeopardising potential returns.

The maturity of the Fund's financial liabilities fall due within three months while the net asset value attributable to unitholders are repayable on demand.

(iv) Specific Risk

The Fund is exposed to the individual risk of the respective companies issuing securities which includes changes to the business performance of the company, consumer tastes and demands, lawsuits and management practices. This risk is minimised through the diversification of the portfolio of investments of the Fund.

(v) Single Issuer Risk

The Fund's exposure to securities issued by any issuer is limited to not more than a certain percentage of the Fund's net asset value. Under such restriction, the risk exposure to the securities of any issuer is minimised.

19. Operating Segment

The Fund is organised into one main operating segment for investment management purposes. The Investment Department takes a team approach to the investment process of the Fund. The decision-making process involves input from the entire team, with each team member (inclusive of analysts) contributing their respective expertise and views to yield fully informed conclusions. The Investment Committee is responsible for ensuring adherence to investment guidelines, both internal and external, as well as to assess strategy and implementation effectiveness and to oversee the entire investment function. Accordingly, significant operating decisions are based upon the analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

20. Capital Management

The Fund's capital comprises unitholders' subscription to the Fund. The unitholders' capital fluctuates according to the daily subscription and redemption of units at the discretion of unitholders.

The Fund aims to achieve its investment objective and at the same time maintain sufficient liquidity to meet unitholders' redemptions.

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Growing Together

To reach out for excellence,
to persevere, to mutually trust
and support.

That's the essence of
growing together with
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Our IUTA may not carry the complete set of our Funds. Investments made via our IUTA may be subject to different terms and conditions.

IMPORTANT NOTICES

Beware Of Phishing Scams

We wish to remind all our clients to be alert of e-mails and SMS that require you to provide your personal information or to log in to Pacific Mutual's website through an e-mail link.

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Update Of Particulars

Investors are advised to provide updated personal details to Pacific Mutual on a timely basis. You may update your details via our E-Service at www.pacificmutual.com.my or call 03-7712 3197 | e-mail customercare@pacificmutual.com.my