

# ANNUAL REPORT

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For The Financial Year Ended 30 September 2018

## PACIFIC INCOME FUND



[www.pacificmutual.com.my](http://www.pacificmutual.com.my)

PACIFIC MUTUAL FUND BHD (336059-U)  
A member of the OCBC Group

*GROWING TOGETHER*

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**FUND INFORMATION**  
**As at 30 September 2018**

|                       |   |
|-----------------------|---|
| Name Of Fund          | : Pacific Income Fund   |
| Manager Of Fund       | : Pacific Mutual Fund Bhd (336059-U)  |
| Launch Date           | : 18 August 2000  |
|                       | The Fund will continue its operations until terminated as provided under Clause 12 of the Deed.   |
| Category Of Fund      | : Mixed asset (conservative)  |
| Type Of Fund          | : Income and growth   |
| Investment Objective  | : Pacific Income Fund aims to achieve consistently attractive and stable income <sup>□</sup> with reasonable preservation of capital by investing in a diversified portfolio of fixed income securities such as bonds and money market instruments as well as stocks that offer a steady dividend income stream. The Fund also aims to provide moderate capital growth over a medium* to long-term* period. |
|                       | □ <i>Income is in reference to the Fund's distribution, which could be in the form of cash or units.</i>  |
|                       | * <i>Medium term is defined as a period of one to three years, and long term is a period of more than three years.</i>  |
| Performance Benchmark | : Composite benchmark:<br>Since inception to 5 July 2009<br>40% Kuala Lumpur Composite Index (KLCI)<br>60% 3-Month Kuala Lumpur Interbank Offer Rate (KLIBOR)<br><br>6 July 2009 onwards<br>40% FTSE Bursa Malaysia Top 100 Index (FBM 100)<br>60% 3-Month Kuala Lumpur Interbank Offer Rate (KLIBOR)   |
| Distribution Policy   | : Distribution of income, if any, will be made once a year.   |
| Fund Size             | : 153.13 million units  |

| Breakdown<br>Of Unitholdings | : Size Of Holdings    | No. Of<br>Unitholders | % Of<br>Unitholders | No. Of Units<br>(million) |
|------------------------------|-----------------------|-----------------------|---------------------|---------------------------|
|                              | 5,000 units & below   | 541                   | 16.50               | 1.49                      |
|                              | 5,001-10,000 units    | 731                   | 22.30               | 4.72                      |
|                              | 10,001-50,000 units   | 1,448                 | 44.17               | 32.14                     |
|                              | 50,001-500,000 units  | 540                   | 16.47               | 62.25                     |
|                              | 500,001 units & above | 18                    | 0.56                | 52.53                     |
|                              | Total                 | 3,278                 | 100.00              | 153.13                    |

## FUND PERFORMANCE

### Financial Highlights

| Category                                      | As At<br>30.9.2018 | As At<br>30.9.2017 | As At<br>30.9.2016 |
|---|--------------------|--------------------|--------------------|
| <b>Quoted Equity Securities</b>               | %                  | %                  | %                  |
| Automobiles & Components                      | 1.28               | 1.38               | 2.50               |
| Banks   | 1.73               | 4.70               | 9.18               |
| Capital Goods                                 | 1.72               | 1.52               | 3.12               |
| Consumer Durables & Apparel                   | -                  | 0.48               | -                  |
| Consumer Services                             | 4.36               | 2.70               | 2.42               |
| Diversified Financials                        | -                  | -                  | 0.51               |
| Energy  | 6.72               | 2.92               | 1.57               |
| Food, Beverage & Tobacco                      | 6.31               | 3.24               | 3.25               |
| Materials                                     | 1.40               | 2.00               | 2.16               |
| Media   | 2.60               | 2.98               | 2.68               |
| Real Estate                                   | 1.91               | 3.65               | 0.93               |
| Retailing                                     | 1.25               | -                  | -                  |
| Software & Services                           | 2.22               | -                  | -                  |
| Technology Hardware & Equipment               | 1.30               | 0.22               | 0.73               |
| Telecommunication Services                    | 3.45               | 5.52               | 4.62               |
| Transportation                                | 0.77               | 0.86               | 0.69               |
| Utilities                                     | 2.05               | 2.04               | 2.50               |
|   | 39.07              | 34.21              | 36.86              |
| <b>Warrants</b>                               | 0.76               | -                  | -                  |
| <b>Fixed Income Securities</b>                | 45.02              | 49.49              | 50.29              |
| <b>Collective Investment Scheme</b>           | 12.00              | 11.75              | 8.75               |
| <b>Cash And Liquid Assets</b>                 | 3.15               | 4.55               | 4.10               |
| <b>Total</b>                                  | 100.00             | 100.00             | 100.00             |
| Net Asset Value (RM'000) – ex-distribution    | 64,877             | 78,015             | 103,434            |
| Number Of Units In Circulation (Units '000)   | 153,134            | 175,248            | 232,096            |
| Net Asset Value Per Unit (RM)*                | 0.4237             | 0.4452             | 0.4457             |
| Management Expense Ratio ("MER") <sup>1</sup> | 1.58%              | 1.62%              | 1.68%              |
| Portfolio Turnover Ratio (times)              | 1.05               | 0.71               | 0.63               |

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.

<sup>1</sup> *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 Income Fund                   |                                       |                                       | Composite Benchmark                   |                                       |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|   | Total Return                          | Average Annual Return                 |                                       | Total Return                          | Average Annual Return                 |
| 1 Year's Period<br>(1.10.2017 to 30.9.2018) | -2.58%                                | -2.58%                                |                                       | 2.76%                                 | 2.76%                                 |
| 3 Years' Period<br>(1.10.2015 to 30.9.2018) | 5.28%                                 | 1.76%                                 |                                       | 12.10%                                | 4.03%                                 |
| 5 Years' Period<br>(1.10.2013 to 30.9.2018) | 4.24%                                 | 0.85%                                 |                                       | 12.72%                                | 2.54%                                 |
|   | <b>1.10.2017<br/>to<br/>30.9.2018</b> | <b>1.10.2016<br/>to<br/>30.9.2017</b> | <b>1.10.2015<br/>to<br/>30.9.2016</b> | <b>1.10.2014<br/>to<br/>30.9.2015</b> | <b>1.10.2013<br/>to<br/>30.9.2014</b> |
| Pacific Income Fund                         |                                       |                                       |                                       |                                       |                                       |
| - Capital Return                            | -4.83%                                | -0.13%                                | 2.39%                                 | -11.70%                               | -1.10%                                |
| - Income Return                             | 2.36%                                 | 3.37%                                 | 2.24%                                 | 6.89%                                 | 6.09%                                 |
| - Total Return                              | -2.58%                                | 3.23%                                 | 4.69%                                 | -5.62%                                | 4.91%                                 |
| Composite Benchmark                         | 2.76%                                 | 4.90%                                 | 3.99%                                 | -3.01%                                | 3.67%                                 |
|   | <b>1.10.2017<br/>to<br/>30.9.2018</b> | <b>1.10.2016<br/>to<br/>30.9.2017</b> | <b>1.10.2015<br/>to<br/>30.9.2016</b> |                                       |                                       |
| <b>Unit Prices</b>                          |                                       |                                       |                                       |                                       |                                       |
| Highest NAV (RM)                            | 0.4568                                | 0.4639                                | 0.4594                                |                                       |                                       |
| Lowest NAV (RM)                             | 0.4237*                               | 0.4341                                | 0.4348                                |                                       |                                       |
| <b>Distributions</b>                        |                                       |                                       |                                       |                                       |                                       |
| Gross Distribution Per Unit (sen)           | 1.00<br>(28.9.2018)                   | 1.50<br>(29.9.2017)                   | 1.00<br>(30.9.2016)                   |                                       |                                       |
| Net Distribution Per Unit (sen)             | 0.99<br>(28.9.2018)                   | 1.49<br>(29.9.2017)                   | 1.00<br>(30.9.2016)                   |                                       |                                       |
| <b>Unit Splits</b>                          | -                                     | -                                     | -                                     |                                       |                                       |

\* Price quoted is ex-distribution price.

**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**  
**30 September 2018**

**Performance Review**

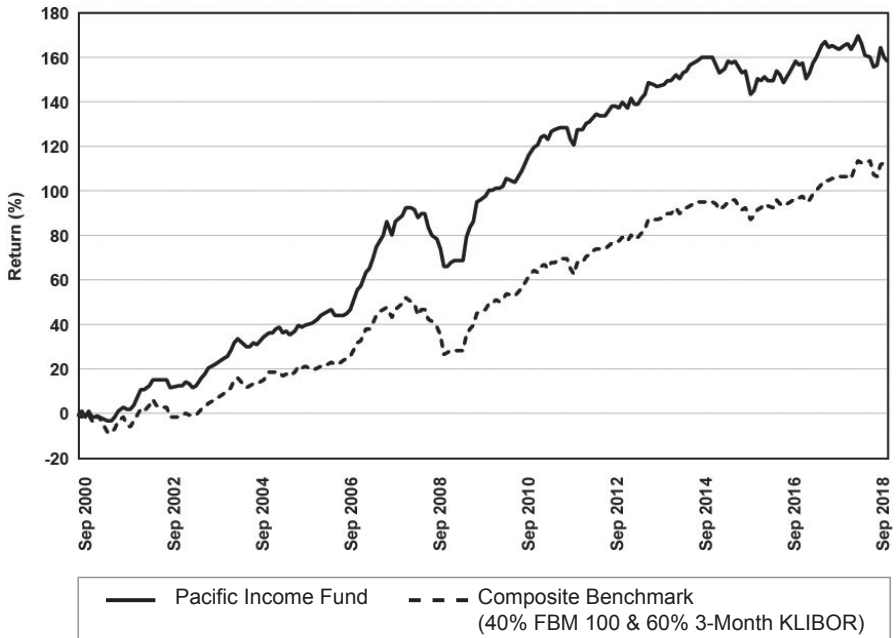
From 8 September 2000 (date of launch: 18 August 2000) to 30 September 2018, the Pacific Income Fund registered a total return of 158.93%, while its composite benchmark (40% FTSE Bursa Malaysia Top 100 Index [FBM 100] and 60% 3-Month Kuala Lumpur Interbank Offer Rate [KLIBOR]), rose 112.26%.

For the financial year under review (1 October 2017 to 30 September 2018), the Fund registered a total return of -2.58%. In comparison, its benchmark rose 2.76%.

The Fund has met its investment objective of achieving consistent and stable income<sup>□</sup> with reasonable preservation of capital.

<sup>□</sup> Income is in reference to the Fund’s distribution, which could be in the form of cash or units.

**Comparison Between Fund’s Performance And Benchmark**



Source: Lipper



### **Investment Strategy Review**

The financial year under review commenced with the start of the Federal Reserve balance sheet unwinding post quantitative easing. While global markets rallied against this backdrop, the local bourse initially lagged peers. Encouraged by these positive developments and attractive market valuation, the Pacific Income Fund turned a net buyer of domestic equities and increased equity exposure from 32.9% at end-September to 34.5% in October. The domestic economy remained buoyant with GDP growth of 5.9% in 2017 and strengthening crude oil prices supporting Ringgit stability despite net foreign fund outflows from substantial MGS maturities. Subsequently, the local market staged a sharp rebound, boosted by buoyant global sentiment post the approval of the tax reform bill in the US and the rapid appreciation of the Ringgit after Bank Negara governor guided an interest rate hike in the near term.

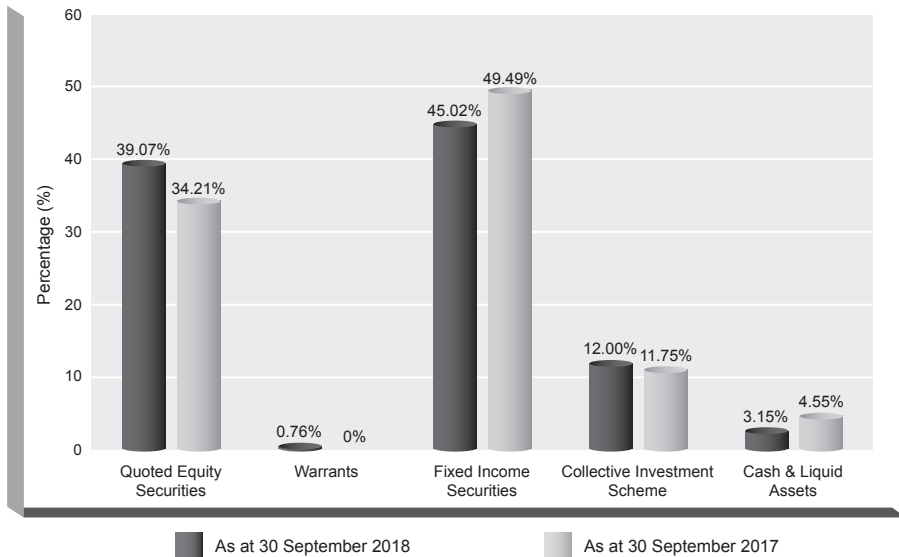
During the period from December 2017 to March 2018, equity exposure ranged from 31% to 33%, as the Fund took an opportunistic stance to take profits and re-invest amid volatile market conditions as valuations became stretched while hawkish comments from the Federal Reserve as well as trade tensions between US and China tempered bullish sentiments. The equity allocation of the Fund was 29.7% just prior to the 14<sup>th</sup> General Election, the result of which was widely unexpected and the local bourse corrected sharply by 6.9% in May 2018. The Fund maintained a cautious view of the domestic market amidst this uncertainty with an equity allocation of 30.5% at the start of June 2018. The Fund gradually increased equity allocation to a high of 38.8% in August as business and consumer sentiment rose sharply after the general election, 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 stabilize at a smaller quantum of RM0.1 million in August and September. The Fund ended the financial year with equity allocation of 39.1%.

As at 30 September 2018, fixed income allocation (inclusive of collective investment scheme in bonds only) of the Pacific Income Fund declined to 56.71% from 59.49% a year earlier. Lower allocation was due to net selling activities and maintaining target weight within its strategized allocation.

During the first half of the financial year under review, the Fund sought trading positions in the sovereign segment for capital gains potential. Thereafter reinvestment activities were mainly targeted at yield enhancements while prudently managing credit risk.

Fixed income allocation of the portfolio was kept within the range of 60-65% for most of the financial year under review except towards mid-3Q2018 where allocation was reduced to 56-58% following the revision in strategic asset allocation decisions to increase equities allocation. Fundamentals of the underlying bond portfolio were satisfactory with decent earnings expectations and rating stability.

### Asset Allocation



The quoted equity allocation of Pacific Income Fund increased to 39.07% as at 30 September 2018 from 34.21% recorded at the beginning of the financial year under review due to net equity purchases.

Allocation of fixed income securities (inclusive of collective investment scheme) decreased to 57.02% from 61.24% due to net selling activities and maintaining target weight within its strategized allocation.

The 12.00% in collective investment scheme was placed in Pacific Dana Murni (11.69%), a sukuk fund, and Pacific Islamic Deposit Fund (0.31%), an Islamic money market fund. These funds are managed by the Manager. Such investments are in line with the objective of Pacific Income Fund and are an efficient way to manage the exposure of Pacific Income Fund in fixed income securities. The exposure of Pacific Income Fund in the collective investment scheme is taken into account when assessing the asset allocation of Pacific Income 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 Income Fund decreased from RM0.4452 to RM0.4237 during the financial year under review. Meanwhile, total NAV of the Fund decreased from RM78,014,999 to RM64,876,503 mainly due to net fund redemptions.

### **Market Review**

#### **Equity Market Review**

The financial year under review started in a downtrend before a late end of year run-up driven by foreign fund inflows due to a strong Ringgit and higher crude oil prices. Positive momentum ended as uncertainty rose over the new government's policy reform and fears of a trade war. Subsequently the FBM KLCI rebounded to end the financial year under review up 2% as uncertainty subsided.

The FBM KLCI trended lower in October 2017, in contrast to the global equities rally during the month. The underperformance came despite the tabling of a positive Budget 2018, which would benefit civil servants, B40 and M40 households, SMEs, and infrastructure companies. Attributable to profit-taking activities, the selling pressure remained unabated in November, despite Ringgit's strength and highly anticipated demerger exercise by Sime Darby. Amidst a traditionally quiet December, both foreign and local funds returned to the market. Buying activities intensified towards month end, pushing the FBM KLCI to the year's high of 1,796.81 points on the last trading day. Blue chips and PNB-related counters were main gainers during the rebound.

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 2018 was a volatile month however as a sell-off in the US bond market triggered a global market correction. The FBM KLCI was not spared in the sell-off but managed to rebound from its lowest point of 1,812 on 6 February to close at 1,856, down only -0.7% for the month, outperforming the MSCI Asia Pacific ex Japan Index (MXASJ) which fell -5%.

April was another good month for the Malaysian market with the benchmark FBM KLCI gaining 0.4% for the month, driven by net foreign buying to the tune of RM1.5 billion, and outperforming the MXASJ which lost -0.1%. The parliament was dissolved on 7 April with elections set for 9 May. It was widely expected that Barisan Nasional would continue its record as the longest ruling coalition party in a democratic nation.

As the election results trickled out in the wee hours of the morning of 10 May, it had become evident that history was about to be made. The surprise win of the opposition coalition, Pakatan Harapan had a devastating effect on the Malaysian bourse as the FBM KLCI plummeted 6.9% in the month, reversing all of its gains for the year and ended down -3.1% for the period from January to May 2018. Many stocks were sold down aggressively with stocks hitting the limit down target set by the Bursa exchange. Stocks that had close political relations to the previous government along with construction related stocks suffered the brunt of the selling as mega construction projects were called off.

The month of June fared no better for the local stock market which continued its sell-down, along with global markets on fears of a global trade war escalation. President Donald Trump directed the US Trade Representative to identify USD200 billion worth of Chinese goods for potential additional tariffs at a rate of 10% if China retaliated with its own set of tariffs. Beijing vowed further retaliation. Foreigners were net sellers of RM4.9 billion in June, bringing 1H2018 foreign net selling to RM6.8 billion versus net inflow of RM10.8 billion in 2017.

Malaysia's economy expanded 5.4% year-on-year in 1Q18, slowing from 5.9% year-on-year in 4Q17 and falling shy of consensus expectation of 5.6% year-on-year growth. The drag was due to slower domestic demand, government consumption and investments but offset by higher contribution from net trade. From a sector perspective, growth in agriculture fell to 2.8% year-on-year in 1Q18 from 10.7% year-on-year in 4Q17 due to high base effect as palm oil and rubber production staged strong recoveries last year. Other sectors that fell include manufacturing and construction, but the service industry grew at a faster pace (+6.5% year-on-year in 1Q18 versus +6.2% year-on-year in 4Q17) thanks to a pick-up in the insurance industry.

Current account surplus widened to RM15.0 billion or 4.4% of GDP in 1Q18 due to higher goods surplus and narrower services deficit. The financial account more than doubled quarter-on-quarter due to an influx of net direct investment and other investment. However, Malaysians were investing more overseas due to favourable market conditions which caused the portfolio account to sink to a deficit of -RM2.6 billion in 1Q18.

Headline inflation rose up to 1.8% year-on-year in May, on par with consensus estimate but higher than in April (+1.4% year-on-year). Transport inflation surged to 3.8% year-on-year in May, due to higher global oil prices which resulted in higher retail fuel prices and air fares. Food inflation were subdued despite the Ramadan month in May (+2.2% year-on-year versus +2.6% year-on-year in April), due to smaller price gains for food at home. As of 5M18, CPI is at 1.7% year-on-year.

Malaysia's international reserves amounted to USD104.7 billion as at 29 June 2018 compared with USD107.9 billion as at 14 June 2018. This is equivalent to 7.5 months of retained imports and 1.1 times the short-term external debt.

As anticipated, Bank Negara Malaysia kept its overnight policy rate unchanged at 3.25% at the Monetary Policy Committee (MPC) meeting in May. The central bank highlighted that monetary policy is accommodative and supportive of local economic activity.

In July, net foreign selling continued for the third consecutive month but the quantum eased to RM1.7 billion in July, from RM4.7 billion in the previous month. Key sector developments include potential reduction in construction cost for MRT2 and drafting of National Housing Policy 2.0 which is scheduled to be released by September. In economic data, July CPI came in at 0.8% year-on-year, lower than consensus estimate of 1.3% year-on-year reflecting the zero-rating GST. May IPI rose 3% year-on-year, in-line with estimate driven by a rise in manufacturing output. Exports and imports in May came in higher at 3.4% year-on-year and 0.1% year-on-year, respectively. As a result, trade balance came in at RM8.12 billion. Separately, Bank Negara left the overnight policy rate unchanged at 3.25%.

2Q18 GDP released in August was weaker than expected as it registered a 4.5% year-on-year growth versus consensus 5.2% year-on-year. June Industrial production was also weak at 1.1% year-on-year versus estimate of 3.2% year-on-year due to contraction in both manufacturing and mining. Exports and imports in June came in lower than expected at 7.6% year-on-year (versus 10.3%) and 14.9% year-on-year (versus 15.3%) each, resulting in a trade surplus of RM6.0 billion. Economic reform continued with the shelving of East Coast Rail Line (ECRL) and two pipeline projects in East Malaysia, the upcoming implementation of the Sales and Services Tax (SST) as well as a persistent commitment by the government to budget deficit targets. Foreign net selling was reduced to just RM0.1 million (July: -RM1.7 billion) bringing 8M18 net sell to RM8.6 billion versus net inflow of RM10.8 billion in 2017.

August CPI remained subdued at 0.2% year-on-year versus estimates of 0.4% year-on-year. July IPI rose 2.6% year-on-year, above estimates of 1.4% year-on-year, lifted by an expansion across three sub-sectors. July exports and imports came in higher than expected at 9.4% year-on-year and 10.3% year-on-year, respectively, bringing trade balance to RM8.3 billion from RM6.05 billion in June. Malaysia August Nikkei PMI hit 51.2, the first mark crossing 50 in seven months. The government will impose minimum wage of RM1,050/month starting January 2019, the KL-SG high speed rail has been deferred to May 2020 and the government has cancelled the contract of Klang Valley Double Track worth RM5.2 billion. Foreigners turned net buyers of RM100 million, bringing from January 2018 to September 2018 net selling to RM8.5 billion versus RM10.8 billion in 2017.

### **Bond Market Review**

Yields were on a general uptrend as interest rates rose on higher growth expectations. Macroeconomic data continued to surprise positively which has led the Federal Reserve (Fed) to move ahead with four rate hikes during the financial year under review despite continued benign inflation. Into 2018, yields rose at a robust pace as strong jobs data gave further fuel to growth and inflation expectations on the back of the US tax reform bill passed in December. The 10-year yield touched its psychological 3% threshold on several counts during the year following hawkish policy tones and a stream of positive data before the Turkish headlines and heightened US China trade tensions caused yields to oscillate within 2.80-2.90% before closing the period at 3.06%.

The Federal Open Market Committee (FOMC) saw a change of helm as Jerome Powell took over as the new Fed chair in early February. Short-term yields remained under pressure as the new Fed chair stayed on course with its monetary normalization. The Fed funds rate was raised three times under the new chairmanship to a target range of 2.00-2.25%. The latest summary of economic projections showed the Fed solidifying around a fourth rate increase this year and more supportive of further rate hikes through 2019. During the financial year, the 2-year Treasury increased by 135 basis points to 2.82% while the 10-year yield rose by 73 basis points to 3.06%. Higher Treasury yields during the financial year represented expectations of higher levels of inflation and stronger economic growth, a view shared by the bond market and the Federal Reserve.

The local bond yields closed marginally higher during the financial year on the back of weaker Treasuries and the overnight policy rate hike in January. Yields started to move higher boosted by rate hike expectations following hawkish assessments by Bank Negara on its intention to review the current degree of monetary accommodation. Soon after, the Monetary Policy Committee (MPC) delivered a 25 basis points hike in the overnight policy rate to 3.25% in the January meeting, in light of the steady economic growth and in a bid to pre-empt the build-up of risks as a result of prolonged low interest rates. Thereafter, the local bond market saw a general upward trend across the curve with sentiment largely affected by rising Treasury yields coupled with the post-election sell-off. Market players were cautious over the policy direction of the new government and more importantly its implications on the Ringgit and fiscal impact from the implementation of the new government's key election proposals such as abolishment of GST and re-introduction of fuel subsidies.

Towards the end of 3Q2018, trade tensions and a strong Dollar continued to dominate headlines. Buying momentum were sustained by the weaker-than-expected second quarter GDP which came in at 4.50% as well as the continued soft headline inflation which rose by 1.30% for the first eight months of the year. Meanwhile, the overnight policy rate was maintained at 3.25% after the first hike in January. Over the financial year, the 3-year MGS increased by 22 basis points to 3.61% while the 10-year yields increased by a lesser quantum of 15 basis points to 4.07%.

#### Income Distribution

|   | <u>Pacific Income Fund</u> |
|---|----------------------------|
| <b>Gross distribution per unit</b>                                  | 1.00 sen                   |
| <b>Net distribution per unit</b>                                    | 0.99 sen                   |
| <b>NAV per unit before declaration</b><br>(as at 28 September 2018) | RM0.4336                   |
| <b>NAV per unit after declaration</b><br>(as at 28 September 2018)  | RM0.4237                   |

#### 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:

|   | <b>Previous Provision</b>  | <b>New Provision</b>  |
|---|--|---|
| Designated Person Responsible For The Investment Management Of The Equity Portion Of The Fund | <p>Tan Yee Cheng<br/>Head of Equities, Investment</p> <ul style="list-style-type: none"> <li>• She has over 22 years of experience in investment research and fund management. Prior to joining Pacific Mutual in May 2007 as Senior Manager, Investment, she was an investment manager in an American-based insurance company. She had earlier worked as a senior analyst and a research manager at two local stockbroking firms and headed the investment research of a local unit trust company.</li> <li>• Master of Science in Economics (University of Idaho, USA); CFA® charterholder (CFA Institute).</li> <li>• She is the designated person responsible for the investment management of the equity portion of the Pacific Income Fund.</li> </ul> | <p>Jolynn Kek Yen Ai<br/>Head of Equities, Investment</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Bachelor of Science (Honours) in Applied Accounting (Oxford Brookes University); ACCA programme (Association of Chartered Certified Accountants).</li> <li>• She is the designated person responsible for the investment management of the equity portion of the Pacific Income Fund.</li> </ul> |

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 INCOME FUND**

We, **CIMB COMMERCE TRUSTEE BERHAD**, being the Trustee of **PACIFIC INCOME FUND** ("the Fund"), are of the opinion that **PACIFIC MUTUAL FUND BHD** ("the Manager"), acting in the capacity as Manager of the Fund, has fulfilled its duties in the following manner for the financial year ended 30 September 2018.

- (a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager under the Deeds, the Securities Commission Malaysia's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws;
- (b) Valuation and pricing for the Fund has been carried out in accordance with the Deeds and relevant regulatory requirements;
- (c) Creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) The distribution of returns by the Fund is relevant and reflects the investment objectives of the Fund.

For and on behalf of  
**CIMB COMMERCE TRUSTEE BERHAD**



**LEE KOOI YOKE**  
Chief Operating Officer

Kuala Lumpur, Malaysia  
1 November 2018



**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 20 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 INCOME FUND** as at 30 September 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  
1 November 2018

## INDEPENDENT AUDITORS' REPORT

To the Unitholders of **PACIFIC INCOME FUND**

### Report On The Audit Of The Financial Statements

#### *Opinion*

We have audited the financial statements of **PACIFIC INCOME FUND** ("the Fund"), which comprise the statement of financial position as at 30 September 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 20 to 43.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 September 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 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 the 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 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  
1 November 2018



**Brandon Bruce Sta Maria**  
No. 02937/09/2019 J  
Chartered Accountant

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 September 2018**

|  | Note | 2018<br>RM         | 2017<br>RM         |
|--|------|--------------------|--------------------|
| <b>Assets</b>                                      |      |                    |                    |
| Investments  | 3    | 62,832,376         | 74,470,837         |
| Dividend receivable                                |      | 107,536            | 81,210             |
| Interest receivable                                |      | 443,683            | 620,582            |
| Amount due from brokers/dealers                    | 7    | 539,840            | 49,091             |
| Cash and cash equivalents                          | 5    | 2,716,364          | 5,755,803          |
| <b>Total Assets</b>                                |      | <u>66,639,799</u>  | <u>80,977,523</u>  |
| <b>Liabilities</b>                                 |      |                    |                    |
| Amount due to Manager                              | 6    | 156,503            | 169,951            |
| Amount due to brokers/dealers                      | 7    | 71,784             | 168,027            |
| Other payables                                     |      | 15,213             | 19,300             |
| Distribution payable                               | 13   | 1,519,796          | 2,605,246          |
| <b>Total Liabilities</b>                           |      | <u>1,763,296</u>   | <u>2,962,524</u>   |
| <b>Net Asset Value Of The Fund</b>                 |      | <u>64,876,503</u>  | <u>78,014,999</u>  |
| <b>Equity</b>                                      |      |                    |                    |
| Unitholders' capital                               |      | 77,993,953         | 87,536,106         |
| Accumulated losses                                 |      | (13,367,993)       | (9,814,738)        |
| Available-for-sale reserves                        |      | 250,543            | 293,631            |
| <b>Net Asset Value Attributable To Unitholders</b> | 14   | <u>64,876,503</u>  | <u>78,014,999</u>  |
| <b>Total Equity And Liabilities</b>                |      | <u>66,639,799</u>  | <u>80,977,523</u>  |
| <b>Number Of Units In Circulation (Units)</b>      | 15   | <u>153,134,000</u> | <u>175,248,000</u> |
| <b>Net Asset Value Per Unit (ex-distribution)</b>  | 14   | <u>RM0.4237</u>    | <u>RM0.4452</u>    |

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the financial year ended 30 September 2018**

|  | Note | 2018<br>RM         | 2017<br>RM       |
|--|------|--------------------|------------------|
| <b>Investment (Loss)/Income</b>  |      |                    |                  |
| Gross dividends from financial assets at fair value through profit or loss                                   |      | 1,000,433          | 1,157,041        |
| Interest income  |      | 1,901,890          | 2,330,358        |
| Net (loss)/gain from sale of financial assets at fair value through profit or loss                           |      | (277,730)          | 361,884          |
| Net gain/(loss) from sale of available-for-sale financial assets   |      | 32,569             | (45,142)         |
| Net unrealised (loss)/gain on changes in fair value of financial assets at fair value through profit or loss |      | <u>(2,901,469)</u> | <u>863,480</u>   |
|  |      | <u>(244,307)</u>   | <u>4,667,621</u> |
| <b>Expenses</b>  |      |                    |                  |
| Audit fee  |      | 7,600              | 7,600            |
| Tax agent's fee  |      | 4,750              | 3,700            |
| Manager's fee  | 8    | 1,006,726          | 1,287,324        |
| Trustee's fee  | 9    | 43,446             | 77,779           |
| Brokerage and other transaction fees   |      | 403,844            | 221,423          |
| Administration expenses  |      | <u>78,700</u>      | <u>110,397</u>   |
|  |      | <u>1,545,066</u>   | <u>1,708,223</u> |
| <b>Net (Loss)/Income Before Taxation</b>   |      | (1,789,373)        | 2,959,398        |
| <b>Taxation</b>  | 12   | -                  | 1,118            |
| <b>Net (Loss)/Income After Taxation</b>  |      | <u>(1,789,373)</u> | <u>2,960,516</u> |
| <b>Other Comprehensive (Loss)/Income</b>   |      |                    |                  |
| Net changes in fair value of available-for-sale financial assets   |      | <u>(43,088)</u>    | <u>4,487</u>     |
| <b>Total Comprehensive (Loss)/Income</b>   |      | <u>(1,832,461)</u> | <u>2,965,003</u> |
| <b>Total Comprehensive (Loss)/Income Is Made Up As Follows:</b>  |      |                    |                  |
| Realised income  |      | 1,112,096          | 2,097,036        |
| Unrealised (loss)/income   |      | <u>(2,944,557)</u> | <u>867,967</u>   |
|  |      | <u>(1,832,461)</u> | <u>2,965,003</u> |

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

**STATEMENT OF CHANGES IN NET ASSET VALUE**  
**For the financial year ended 30 September 2018**

|                             | Note      | Unitholders'<br>Capital<br>RM | Accumulated<br>Losses<br>RM | Available-<br>For-Sale<br>Reserves<br>RM | Net<br>Asset Value<br>Attributable<br>To<br>Unitholders<br>RM |
|-----------------------------|-----------|-------------------------------|-----------------------------|--|---|
| <b>At 1 October 2016</b>    |           | 112,496,622                   | (9,351,999)                 | 289,144                                  | 103,433,767   |
| Net income after taxation   |           | -                             | 2,960,516                   | -  | 2,960,516   |
| Other comprehensive income  |           | -                             | -                           | 4,487                                    | 4,487   |
| Creation of units           |           | 2,334,369                     | -                           | -  | 2,334,369   |
| Cancellation of units       |           | (28,112,894)                  | -                           | -  | (28,112,894)  |
| Distribution                | <b>13</b> | 818,009                       | (3,423,255)                 | -  | (2,605,246)   |
| <b>At 30 September 2017</b> |           | <b>87,536,106</b>             | <b>(9,814,738)</b>          | <b>293,631</b>                           | <b>78,014,999</b>   |
| <b>At 1 October 2017</b>    |           | 87,536,106                    | (9,814,738)                 | 293,631                                  | 78,014,999  |
| Net loss after taxation     |           | -                             | (1,789,373)                 | -  | (1,789,373)   |
| Other comprehensive loss    |           | -                             | -                           | (43,088)                                 | (43,088)  |
| Creation of units           |           | 2,592,848                     | -                           | -  | 2,592,848   |
| Cancellation of units       |           | (12,379,087)                  | -                           | -  | (12,379,087)  |
| Distribution                | <b>13</b> | 244,086                       | (1,763,882)                 | -  | (1,519,796)   |
| <b>At 30 September 2018</b> |           | <b>77,993,953</b>             | <b>(13,367,993)</b>         | <b>250,543</b>                           | <b>64,876,503</b>   |

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

**STATEMENT OF CASH FLOWS**  
**For the financial year ended 30 September 2018**

|   | <b>2018</b>         | <b>2017</b>         |
|---|---------------------|---------------------|
|   | <b>RM</b>           | <b>RM</b>           |
| <b>Cash Flows From Operating And Investing Activities</b>       |                     |                     |
| Proceeds from sale of investments                               | 79,855,852          | 78,568,319          |
| Purchase of investments   | (72,086,290)        | (52,017,000)        |
| Dividends received  | 622,876             | 594,200             |
| Interest received   | 2,111,629           | 2,448,397           |
| Tax refunded  | -                   | 39,618              |
| Manager's fee paid  | (1,030,072)         | (1,320,711)         |
| Trustee's fee paid  | (44,172)            | (82,517)            |
| Payment for other fees and expenses                             | (87,675)            | (118,329)           |
| Net cash generated from operating and investing activities      | <u>9,342,148</u>    | <u>28,111,977</u>   |
| <b>Cash Flows From Financing Activities</b>                     |                     |                     |
| Cash proceeds from units created                                | 2,592,848           | 2,451,927           |
| Cash paid on units cancelled                                    | (12,369,189)        | (28,221,348)        |
| Distributions paid  | (2,605,246)         | (2,320,960)         |
| Net cash used in financing activities                           | <u>(12,381,587)</u> | <u>(28,090,381)</u> |
| <b>Net (Decrease)/Increase In Cash And Cash Equivalents</b>     | (3,039,439)         | 21,596              |
| <b>Cash And Cash Equivalents At Beginning Of Financial Year</b> | 5,755,803           | 5,734,207           |
| <b>Cash And Cash Equivalents At End Of Financial Year</b>       | <u>2,716,364</u>    | <u>5,755,803</u>    |
| <b>Cash And Cash Equivalents Comprise:</b>                      |                     |                     |
| Cash at banks   | 26,364              | 15,803              |
| Deposits with financial institutions                            | 2,690,000           | 5,740,000           |
|   | <u>2,716,364</u>    | <u>5,755,803</u>    |

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



**NOTES TO THE FINANCIAL STATEMENTS****30 September 2018****1. The Fund, The Manager And Their Principal Activities**

Pacific Income Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Deed dated 14 April 1999 as amended by the First Supplemental Deed dated 13 June 2000, Second Supplemental Deed dated 7 August 2000, Third Supplemental Deed dated 18 December 2000, Fourth Supplemental Deed dated 30 August 2007, Supplemental Master Deed dated 27 April 2011, Second Supplemental Master Deed dated 2 June 2011 and its Third Supplemental Master Deed dated 4 March 2013 (hereinafter referred to as "the Deeds") made between the Manager, Pacific Mutual Fund Bhd, the Trustee, CIMB Commerce Trustee 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. The Fund was launched on 18 August 2000 and will continue its operations until terminated 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 1 November 2018.

**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 Amendments to MFRSs which are effective for the financial year beginning on or after 1 January 2017. These amendments to MFRSs did not give rise to any significant effect on the financial statements.

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, except for MFRS 9 of which the key area impacted would be as follows:

**Classification And Measurement Of Financial Assets**

Fixed income securities which are currently classified as available-for-sale financial assets and measured at fair value through other comprehensive income will be reclassified under MFRS 9 as at fair value through profit and loss. Accordingly, the available-for-sale reserves of RM250,543 on transition date of 1 October 2018 will be reclassified to retained earnings.

**Pronouncements issued but not yet effective:**

|  | <b>Effective dates for financial periods beginning on or after</b> |
|--|--|
| MFRS 9 - Financial Instruments (IFRS 9 - Financial Instruments as issued by International Accounting Standards Board in July 2014) | 1-Jan-18   |
| MFRS 15 - Revenue from Contracts with Customers*   | 1-Jan-18   |
| IC Interpretation 22 - Foreign Currency Transactions and Advance Consideration   | 1-Jan-18   |
| Clarifications to MFRS 15 Revenue from Contracts with Customers*   | 1-Jan-18   |
| Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)*   | 1-Jan-18   |
| Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (Amendments to MFRS 4)*                                  | 1-Jan-18   |
| Annual Improvements to MFRS Standards 2014-2016 Cycle  |  |
| (i) Amendments to MFRS 1 - First-time Adoption of MFRSs  | 1-Jan-18   |
| (ii) Amendments to MFRS 128 - Investments in Associates and Joint Ventures*  | 1-Jan-18   |
| Transfers of Investment Property (Amendments to MFRS 140)*   | 1-Jan-18   |
| 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, available-for-sale financial assets, receivables and financial liabilities.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

*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 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.

*Available-For-Sale Financial Assets*

Available-for-sale financial assets are those non-derivative financial assets intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or not classified in any of the other preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gain or loss recognised in other comprehensive income until the financial asset is derecognised or until the financial asset is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is transferred from available-for-sale reserve to profit or loss.

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.

*Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include cash and cash equivalents, amount due from 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**

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

*Available-For-Sale Financial Assets*

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

*Financial Assets Carried At Amortised Cost*

If a financial asset carried at amortised cost is impaired, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

**(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 or 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<br>RM        | 2017<br>RM        |
|--|-------------------|-------------------|
| <b>Available-For-Sale Financial Assets</b>                   |                   |                   |
| Fixed income securities                                      | <u>29,207,972</u> | <u>38,612,287</u> |
| <b>Financial Assets At Fair Value Through Profit Or Loss</b> |                   |                   |
| Quoted investments   |                   |                   |
| - Equity securities  | 25,345,861        | 26,691,252        |
| - Warrants   | 493,155           | -                 |
| - Collective investment scheme                               | <u>7,785,388</u>  | <u>9,167,298</u>  |
|  | <u>33,624,404</u> | <u>35,858,550</u> |
| <b>Total investments</b>                                     | <u>62,832,376</u> | <u>74,470,837</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<br>RM | Cost<br>RM        | Fair Value<br>RM  | Fair Value                      |
|------------------------------------|---------------|---------------------|-------------------|-------------------|---------------------------------|
|                                    |               |                     |                   |                   | As A % Of<br>Net Asset<br>Value |
| TSH Sukuk Ijarah Sdn Bhd           | AA-           | 1,000,000           | 1,000,000         | 1,012,460         | 1.56                            |
| WCT Holdings Berhad                | AA-           | 3,500,000           | 3,507,868         | 3,500,770         | 5.40                            |
| Alpha Circle Sdn Bhd               | AA-           | 1,000,000           | 999,916           | 1,000,230         | 1.54                            |
| Bank Muamalat<br>Malaysia Berhad   | A             | 2,000,000           | 2,000,920         | 2,016,840         | 3.11                            |
| TSH Sukuk Ijarah Sdn Bhd           | AA-           | 1,000,000           | 1,000,000         | 1,010,590         | 1.56                            |
| Jimah East Power Sdn Bhd           | AA-           | 1,000,000           | 1,048,805         | 1,052,120         | 1.62                            |
| Bank Islam Malaysia Berhad         | A1            | 2,000,000           | 2,037,627         | 2,037,460         | 3.14                            |
| Mumtaz Rakyat Sukuk Berhad         | AA3           | 2,000,000           | 2,006,239         | 2,013,880         | 3.10                            |
| Edra Energy Sdn Bhd                | AA3           | 2,000,000           | 2,046,077         | 2,056,760         | 3.17                            |
| Lebuhraya DUKE Fasa 3<br>Sdn Bhd   | AA-           | 1,000,000           | 1,015,351         | 1,031,030         | 1.59                            |
| GII Murabahah                      | GG            | 2,150,000           | 2,144,626         | 2,163,760         | 3.34                            |
| Danainfra Nasional Berhad          | GG            | 2,000,000           | 2,000,000         | 2,019,580         | 3.11                            |
| Alliance Bank<br>(Malaysia) Berhad | A2            | 4,150,000           | 4,150,000         | 4,225,572         | 6.51                            |
| Affin Bank Berhad                  | A1            | 4,000,000           | 4,000,000         | 4,066,920         | 6.27                            |
|                                    |               | <u>28,800,000</u>   | <u>28,957,429</u> | <u>29,207,972</u> | <u>45.02</u>                    |

**UNREALISED GAIN FROM  
FIXED INCOME SECURITIES**

250,543



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

|  | Weighted Average<br>Rate Of Return<br>(% Per Annum) |      | Weighted Average<br>Remaining Maturity<br>(Days) |       |
|--|---|------|--|-------|
|  | 2018  | 2017 | 2018   | 2017  |
|  | Fixed income securities                             | 5.03 | 5.00   | 1,451 |

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<br>RM | Fair Value<br>RM | Fair Value<br>As A % Of<br>Net Asset<br>Value |
|-------------------------------------|---|------------|------------------|---|
| <b>Automobiles &amp; Components</b> |   |            |                  |   |
| 165,500                             | UMW Holdings Berhad                                   | 1,484,191  | 830,810          | 1.28  |
| <b>Banks</b>                        |   |            |                  |   |
| 190,500                             | AMMB Holdings Berhad                                  | 1,249,799  | 786,765          | 1.21  |
| 34,600                              | Malayan Banking Berhad                                | 337,004    | 338,734          | 0.52  |
|                                     |   | 1,586,803  | 1,125,499        | 1.73  |
| <b>Capital Goods</b>                |   |            |                  |   |
| 46,000                              | Gamuda Berhad   | 194,046    | 154,560          | 0.24  |
| 592,100                             | Kumpulan Perangsang<br>Selangor Berhad                | 1,000,501  | 959,202          | 1.48  |
|                                     |   | 1,194,547  | 1,113,762        | 1.72  |
| <b>Consumer Services</b>            |   |            |                  |   |
| 681,500                             | Berjaya Sports Toto Berhad                            | 1,871,918  | 1,615,155        | 2.49  |
| 120,900                             | Genting Berhad  | 1,091,158  | 944,229          | 1.46  |
| 452,300                             | Landmarks Berhad                                      | 530,594    | 266,857          | 0.41  |
|                                     |   | 3,493,670  | 2,826,241        | 4.36  |
| <b>Energy</b>                       |   |            |                  |   |
| 1,964,600                           | Bumi Armada Bhd                                       | 2,077,874  | 1,041,238        | 1.60  |
| 1,504,600                           | Icon Offshore Bhd                                     | 819,177    | 218,167          | 0.34  |
| 729,700                             | Malaysia Marine and Heavy<br>Engineering Holdings Bhd | 1,094,118  | 456,062          | 0.70  |
| 1,514,900                           | Sapura Energy Berhad                                  | 2,494,968  | 621,109          | 0.96  |
| 349,700                             | Serba Dinamik Holdings Berhad                         | 1,343,016  | 1,332,357        | 2.05  |
| 150,400                             | Yinson Holdings Berhad                                | 690,500    | 691,840          | 1.07  |
|                                     |   | 8,519,653  | 4,360,773        | 6.72  |

| Quantity                                       | Name Of Counter                             | Cost<br>RM       | Fair Value<br>RM | Fair Value<br>As A % Of<br>Net Asset<br>Value |
|--|---|------------------|------------------|---|
| <b>Food, Beverage &amp; Tobacco</b>            |   |                  |                  |   |
| 45,800   | British American Tobacco<br>Malaysia Berhad | 1,747,696        | 1,452,776        | 2.24  |
| 67,100   | Carlsberg Brewery<br>Malaysia Berhad        | 1,346,092        | 1,342,000        | 2.07  |
| 835,300  | FGV Holdings Berhad                         | 2,417,596        | 1,294,715        | 2.00  |
|  |   | <u>5,511,384</u> | <u>4,089,491</u> | <u>6.31</u>                                   |
| <b>Materials</b>                               |   |                  |                  |   |
| 583,300  | Jaya Tiasa Holdings Berhad                  | 1,436,005        | 384,978          | 0.59  |
| 190,600  | Lafarge Malaysia Berhad                     | 783,582          | 522,244          | 0.81  |
|  |   | <u>2,219,587</u> | <u>907,222</u>   | <u>1.40</u>                                   |
| <b>Media</b>                                   |   |                  |                  |   |
| 581,000  | Astro Malaysia Holdings Bhd                 | 1,712,667        | 854,070          | 1.32  |
| 1,496,200                                      | Media Chinese<br>International Limited      | 1,303,238        | 396,493          | 0.61  |
| 884,200  | Media Prima Berhad                          | 1,238,917        | 433,258          | 0.67  |
|  |   | <u>4,254,822</u> | <u>1,683,821</u> | <u>2.60</u>                                   |
| <b>Real Estate</b>                             |   |                  |                  |   |
| 1,010,000                                      | KIP REIT                                    | 1,010,000        | 843,350          | 1.30  |
| 211,000  | Naim Holdings Berhad                        | 620,485          | 109,720          | 0.17  |
| 500,050  | SBC Corporation Berhad                      | 683,092          | 285,029          | 0.44  |
|  |   | <u>2,313,577</u> | <u>1,238,099</u> | <u>1.91</u>                                   |
| <b>Retailing</b>                               |   |                  |                  |   |
| 385,600  | Bermaz Auto Bhd                             | 830,646          | 813,616          | 1.25  |
| <b>Software &amp; Services</b>                 |   |                  |                  |   |
| 824,000  | MY E.G. Services Bhd                        | 1,372,853        | 1,442,000        | 2.22  |
| <b>Technology Hardware<br/>&amp; Equipment</b> |   |                  |                  |   |
| 370,500  | Inari Amertron Berhad                       | 847,102          | 844,740          | 1.30  |

| Quantity                                       | Name Of Counter  | Cost<br>RM        | Fair Value<br>RM    | Fair Value<br>As A % Of<br>Net Asset<br>Value |
|--|--|-------------------|---------------------|---|
| <b>Telecommunication Services</b>              |  |                   |                     |   |
| 279,041  | Axiata Group Berhad                                    | 1,607,568         | 1,272,427           | 1.96  |
| 300,000  | Telekom Malaysia Berhad                                | 1,504,043         | 966,000             | 1.49  |
|  |  | <u>3,111,611</u>  | <u>2,238,427</u>    | <u>3.45</u>                                   |
| <b>Transportation</b>                          |  |                   |                     |   |
| 1,544,000                                      | Shin Yang Shipping Corp Bhd                            | 929,546           | 501,800             | 0.77  |
| <b>Utilities</b>                               |  |                   |                     |   |
| 86,000   | Tenaga Nasional Berhad                                 | 1,339,154         | 1,329,560           | 2.05  |
|  | <b>Total Equity Securities</b>                         | <u>39,009,146</u> | <u>25,345,861</u>   | <u>39.07</u>                                  |
| <b>WARRANTS</b>                                |  |                   |                     |   |
| 1,826,500                                      | Malaysian Resources Corporation Berhad - WB 29/10/2027 | 689,929           | 493,155             | 0.76  |
| <b>COLLECTIVE INVESTMENT SCHEME</b>            |  |                   |                     |   |
| 14,014,615                                     | Pacific Dana Murni*                                    | 7,390,394         | 7,583,308           | 11.69   |
| 200,000  | Pacific Islamic Deposit Fund*                          | 200,000           | 202,080             | 0.31  |
|  |  | <u>7,590,394</u>  | <u>7,785,388</u>    | <u>12.00</u>                                  |
| <b>TOTAL QUOTED INVESTMENTS</b>                |  | <u>47,289,469</u> | <u>33,624,404</u>   | <u>51.83</u>                                  |
| <b>UNREALISED LOSS FROM QUOTED INVESTMENTS</b> |  |                   | <u>(13,665,065)</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).

|  | <b>Level 1<br/>RM</b> | <b>Level 2<br/>RM</b> | <b>Total<br/>RM</b> |
|--|-----------------------|-----------------------|---------------------|
| <b>2018</b>  |                       |                       |                     |
| <b>Available-For-Sale Financial Assets</b>                   |                       |                       |                     |
| Fixed income securities                                      | <u>-</u>              | <u>29,207,972</u>     | <u>29,207,972</u>   |
| <b>Financial Assets At Fair Value Through Profit Or Loss</b> |                       |                       |                     |
| Quoted investments   | <u>33,624,404</u>     | <u>-</u>              | <u>33,624,404</u>   |
| <b>2017</b>  |                       |                       |                     |
| <b>Available-For-Sale Financial Assets</b>                   |                       |                       |                     |
| Fixed income securities                                      | <u>-</u>              | <u>38,612,287</u>     | <u>38,612,287</u>   |
| <b>Financial Assets At Fair Value Through Profit Or Loss</b> |                       |                       |                     |
| Quoted investments   | <u>35,858,550</u>     | <u>-</u>              | <u>35,858,550</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.

|  | <b>2018<br/>RM</b> | <b>2017<br/>RM</b> |
|--|--------------------|--------------------|
| Cash at banks                                  | <u>26,364</u>      | <u>15,803</u>      |
| Deposits with licensed financial institutions: |                    |                    |
| - Commercial bank                              | 480,000            | -                  |
| - Investment banks                             | <u>2,210,000</u>   | <u>5,740,000</u>   |
|  | <u>2,690,000</u>   | <u>5,740,000</u>   |
| Cash and cash equivalents                      | <u>2,716,364</u>   | <u>5,755,803</u>   |

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

|  | <b>Weighted Average<br/>Rate Of Return<br/>(% Per Annum)</b> |             | <b>Weighted Average<br/>Remaining Maturity<br/>(Days)</b> |             |
|--|--|-------------|---|-------------|
|  | <b>2018</b>  | <b>2017</b> | <b>2018</b>   | <b>2017</b> |
| Deposits with licensed financial institutions: |  |             |   |             |
| - Commercial bank                              | 3.25   | -           | 4   | -           |
| - Investment banks                             | <u>3.41</u>  | <u>3.50</u> | <u>3</u>  | <u>4</u>    |

**6. Amount Due To Manager**

The amount due to Manager represents amount payable for units cancelled and/or amount payable for management fee.

Management fee is payable on a monthly basis and amount payable for units cancelled is 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 schemes as agreed by the Trustee and the Manager as follows:

| <b>Name of Funds</b>         | <b>Rate p.a.</b> |
|------------------------------|------------------|
| 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 0.06% (2017: 0.1%) per annum of the net asset value attributable to unitholders of the Fund, calculated on a daily basis. Effective from 2 May 2017, the Trustee's fee was lowered to 0.06% per annum subject to a minimum annual fee of RM 12,000.

**10. Portfolio Turnover Ratio**

|                                  | <b>2018</b>       | <b>2017</b>       |
|----------------------------------|-------------------|-------------------|
| Portfolio turnover ratio ("PTR") | <u>1.05 times</u> | <u>0.71 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**

|   | <b>2018</b>  | <b>2017</b>  |
|---|--------------|--------------|
| Management expense ratio ("MER") <sup>1</sup> | <u>1.58%</u> | <u>1.62%</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.

<sup>1</sup> The MER does not include brokerage and other transaction fees.

**12. Taxation**

|                              | <b>2018</b> | <b>2017</b>    |
|------------------------------|-------------|----------------|
|                              | <b>RM</b>   | <b>RM</b>      |
| Malaysian income tax:        |             |                |
| Overprovision in prior years | <u>-</u>    | <u>(1,118)</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 financial year due to tax exempt income received.

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

|   | <b>2018</b><br><b>RM</b> | <b>2017</b><br><b>RM</b> |
|---|--------------------------|--------------------------|
| Net (loss)/income before taxation                           | <u>(1,789,373)</u>       | <u>2,959,398</u>         |
| Taxation at Malaysian statutory rate of 24%                 | (429,450)                | 710,256                  |
| Tax effects of:   |                          |                          |
| Income not subject to tax                                   | (704,374)                | (1,131,063)              |
| Losses not subject to tax                                   | 763,008                  | 10,834                   |
| Expenses not deductible for tax purpose                     | 122,000                  | 94,424                   |
| Restriction on tax deductible expenses for unit trust funds | 248,816                  | 315,549                  |
| Underprovision in prior years                               | -                        | (1,118)                  |
| Tax for the financial year                                  | <u>-</u>                 | <u>(1,118)</u>           |

### 13. Distribution

|   | <b>2018</b><br><b>RM</b> | <b>2017</b><br><b>RM</b> |
|---|--------------------------|--------------------------|
| Net final distribution, to be paid on 4 October 2018/<br>paid on 5 October 2017 | <u>1,519,796</u>         | <u>2,605,246</u>         |
| Distribution to unitholders is from the following sources:                      |                          |                          |
| Dividend income   | 1,000,433                | 1,157,041                |
| Interest income   | 1,893,343                | 2,324,534                |
| Realised (loss)/gain on sale of investments                                     | (245,161)                | 316,742                  |
| Previous years' realised income   | 920,423                  | 1,109,864                |
| Distribution equalisation   | <u>(244,086)</u>         | <u>(818,009)</u>         |
|   | 3,324,952                | 4,090,172                |
| Less:   |                          |                          |
| Expenses  | (1,793,612)              | (1,461,452)              |
| Taxation  | <u>(11,544)</u>          | <u>(23,474)</u>          |
|   | <u>1,519,796</u>         | <u>2,605,246</u>         |
| Gross distribution per unit (sen)   | 1.00                     | 1.50                     |
| Net distribution per unit (sen)   | 0.99                     | 1.49                     |

The unrealised losses arising from investments at the reporting date was RM13,414,522 (2017: RM10,469,965).

**14. Net Asset Value Attributable To Unitholders**

|   | <b>2018</b>       | <b>2017</b>       |
|---|-------------------|-------------------|
|   | <b>RM</b>         | <b>RM</b>         |
| Unitholders' capital                        | 77,993,953        | 87,536,106        |
| Accumulated losses                          |                   |                   |
| - Realised reserves                         | 297,072           | 948,858           |
| - Unrealised deficits                       | (13,665,065)      | (10,763,596)      |
| Available-for-sale reserves                 | 250,543           | 293,631           |
| Net asset value attributable to unitholders | <u>64,876,503</u> | <u>78,014,999</u> |

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

**15. Number Of Units In Circulation**

|                                    | <b>2018</b>         | <b>2017</b>         |
|------------------------------------|---------------------|---------------------|
|                                    | <b>No. Of Units</b> | <b>No. Of Units</b> |
| At beginning of the financial year | 175,248,000         | 232,096,000         |
| Creation                           | 5,839,000           | 5,221,000           |
| Cancellation                       | (27,953,000)        | (62,069,000)        |
| At end of the financial year       | <u>153,134,000</u>  | <u>175,248,000</u>  |

**16. Units Held By The Manager And Its Related Parties**

|         | <b>2018</b>                     |              | <b>2017</b>                     |              |
|---------|---------------------------------|--------------|---------------------------------|--------------|
|         | <b>No. Of Units<sup>^</sup></b> | <b>RM</b>    | <b>No. Of Units<sup>^</sup></b> | <b>RM</b>    |
| Manager | <u>3,708</u>                    | <u>1,608</u> | <u>5,439</u>                    | <u>2,502</u> |

There were no units held by other related parties.

<sup>^</sup> 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:

| <b>Brokers/Dealers</b>              | <b>Value Of Trade#<br/>RM</b> | <b>% Of Total Trades</b> | <b>Brokerage Fee*<br/>RM</b> | <b>% Of Total Brokerage Fees</b> |
|-------------------------------------|-------------------------------|--------------------------|------------------------------|----------------------------------|
| CIMB Investment Bank Bhd            | 18,988,249                    | 13.88                    | 62,349                       | 20.08                            |
| RHB Investment Bank Bhd             | 18,698,883                    | 13.67                    | 34,729                       | 11.18                            |
| Hong Leong Investment Bank Bhd      | 15,158,382                    | 11.08                    | 52,227                       | 16.82                            |
| Hong Leong Bank Bhd                 | 14,344,730                    | 10.48                    | -                            | -                                |
| UOB Kay Hian Securities (M) Sdn Bhd | 14,112,516                    | 10.31                    | 48,538                       | 15.63                            |
| Maybank Investment Bank Bhd         | 14,003,559                    | 10.23                    | 49,123                       | 15.82                            |
| Nomura Securities Malaysia Sdn Bhd  | 11,169,023                    | 8.16                     | 39,116                       | 12.60                            |
| CIMB Bank Berhad                    | 9,522,420                     | 6.96                     | -                            | -                                |
| AmBank (M) Bhd                      | 8,056,527                     | 5.89                     | -                            | -                                |
| Alliance Investment Bank Berhad     | 4,463,168                     | 3.26                     | 10,058                       | 3.24                             |
| Others                              | 8,326,960                     | 6.08                     | 14,377                       | 4.63                             |
|                                     | <u>136,844,417</u>            | <u>100.00</u>            | <u>310,517</u>               | <u>100.00</u>                    |

# Exclusive of 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<br>Attributable To Unitholders<br>Increase/(Decrease) |                    |
|----------------------------|---|--------------------|
|                            | 2018<br>RM  | 2017<br>RM         |
| +5/                        | 1,681,220/  | 1,792,928/         |
| (5)                        | <u>(1,681,220)</u>  | <u>(1,792,928)</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 and vice versa, 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 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 generally arises 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**

| <b>RAM<br/>Credit Rating</b> | <b>MARC<br/>Credit Rating</b> | <b>Government<br/>Guaranteed</b> | <b>As A % Of Net<br/>Asset Value</b> |
|------------------------------|-------------------------------|----------------------------------|--------------------------------------|
| -                            | -                             | GG                               | 6.45                                 |
| AA3                          | AA-                           | -                                | 19.54                                |
| A1                           | -                             | -                                | 9.41                                 |
| A2                           | A                             | -                                | 9.62                                 |
|                              |                               |                                  | 45.02                                |

**2017**

| <b>RAM<br/>Credit Rating</b> | <b>MARC<br/>Credit Rating</b> | <b>Government<br/>Guaranteed</b> | <b>As A % Of Net<br/>Asset Value</b> |
|------------------------------|-------------------------------|----------------------------------|--------------------------------------|
| -                            | -                             | GG                               | 2.57                                 |
| AAA                          | -                             | -                                | 1.54                                 |
| AA1                          | -                             | -                                | 2.59                                 |
| AA2                          | -                             | -                                | 2.57                                 |
| AA3                          | AA-                           | -                                | 15.94                                |
| A1                           | -                             | -                                | 14.35                                |
| A2                           | A                             | -                                | 9.93                                 |
|                              |                               |                                  | 49.49                                |

(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 risks 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 operating 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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## **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.

Pacific Mutual does not send out e-mails or SMS requesting clients to provide or to verify personal information. Please avoid logging in through website links contained in e-mails supposedly from Pacific Mutual and do not complete any forms that request for your personal information from such e-mails.

Please ensure that the website you are accessing contains the correct address as below:

<https://www.pacificmutual.com.my/>

### **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](http://www.pacificmutual.com.my) or call 03-7726 6332 | e-mail [customer@pacificmutual.com.my](mailto:customer@pacificmutual.com.my)

### **Certificates Of Unitholdings**

Please be informed that notwithstanding any certificates issued to any unitholder on the holdings of units in the Pacific Income Fund, the final and conclusive proof of ownership and details to the units of the Fund shall be according to the Register of Unitholders as required to be kept and maintained by the Manager.

The information stated on the certificate may not reflect the latest information on the holdings of units in the Fund due to subsequent transactions that were entered into between the unitholder and the Manager such as the sale of units, repurchase of units, transfer of units, and creation of additional units due to distribution of the funds. Unitholders may refer to the Statement of Account and/or Transaction Advice Slip for details of the transactions made with the Manager.

# Growing Together

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

That's the essence of  
growing together with  
Pacific Mutual  
for a brighter future.

**PACIFIC MUTUAL FUND BHD** (336059-U)  
**A member of the OCBC Group**

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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.*