

PMB WHOLESale SUKUK FUND

**ANNUAL REPORT
AS AT
31 DECEMBER 2017**

PMB INVESTMENT BERHAD (256439-D)

(A member of Pelaburan MARA Group)

Level 20, 1 Sentral

Jalan Rakyat

Kuala Lumpur Sentral

50470 Kuala Lumpur

Dear Valued Customer

PMB INVESTMENT BERHAD – PRIVACY NOTICE UNDER PERSONAL DATA PROTECTION ACT 2010

Effective from 15 November 2013, the Personal Data Protection Act 2010 (PDPA) was introduced to regulate the personal data processed in commercial transactions.

PMB INVESTMENT BERHAD respects and is committed to the protection of your personal information and your privacy. This Personal Data Protection Notice explains how we collect and handle your personal information in accordance with the Malaysian Personal Data Protection Act 2010. Please note that PMB INVESTMENT BERHAD may amend this Personal Data Protection Notice at any time without prior notice and will notify you of any such amendment via our website or by email.

Privacy Notice content involves matters concerning the processing of your personal information by us in connection with your investment account and/or services with us. Please take time to read and take note of the contents of the Privacy Notice in effect.

If you would like to access your personal information, please refer to our Personal Data Access @ www.pmbinvestment.com.my and/or visit our offices whether head office or other branches.

If you would like to obtain further information, please do not hesitate to contact us at Customer Care Line 03-2785 9900.

CORPORATE INFORMATION

MANAGER

PMB INVESTMENT BERHAD

(A member of Pelaburan MARA Group)

HEAD OFFICE

Level 20, 1 Sentral

Jalan Rakyat, Kuala Lumpur Sentral

Peti Surat 10701

50722 Kuala Lumpur

Tel: (03) 2785 9800 Fax: (03) 2785 9901

E-mail: investorrelation@pelaburanmara.com.my

Website: www.pmbinvestment.com.my

BOARD OF DIRECTORS

Dato' Abdul Malik bin Ismail - Chairman

Dato' Sri Hj Abd Rahim bin Hj Abdul

Dato' Mohammad Safie bin Asnan @ Asnawi

Prof. Dr. Faridah binti Hj Hassan

Mansoor bin Ahmad

Nik Mohamed Zaki bin Nik Yusoff

Dato' Ahmad Nazim bin Abd Rahman

Najmi bin Haji Mohamed

CHIEF EXECUTIVE OFFICER

Najmi bin Haji Mohamed

COMPANY SECRETARIES

Shahrizat binti Othman

INVESTMENT COMMITTEE MEMBERS

Mansoor bin Ahmad

Nik Mohamed Zaki bin Nik Yusoff

Dato' Ahmad Nazim bin Abd Rahman

Prof. Dr. Mohamed Aslam bin Mohamed Haneef

TRUSTEE

AMANAHRAYA TRUSTEES BERHAD

SHARIAH ADVISER

BIMB SECURITIES SDN. BHD.

AUDITORS

JAMAL, AMIN & PARTNERS

No.	CONTENTS	PAGES
1.	FUND INFORMATION	5
1.1	FUND NAME	5
1.2	DATE OF LAUNCH	5
1.3	FUND CATEGORY/TYPE	5
1.4	FUND OBJECTIVE	5
1.5	FUND PERFORMANCE BENCHMARK	5
1.6	FUND DISTRIBUTION POLICY	5
1.7	BREAKDOWN OF UNIT HOLDING BY SIZE	5
2.0	FUND PERFORMANCE	6
2.1	FUND COMPOSITION	6
2.2	FUND DISTRIBUTION/UNIT SPLIT	7
3.0.	MANAGER'S REPORT	8 – 13
3.1	FUND'S PERFORMANCE MEASURED AGAINST FUND OBJECTIVE	8
3.2	FUND'S PERFORMANCE MEASURED AGAINST BENCHMARK	8
3.3	ANALYSIS OF FUND'S PERFORMANCE	8
3.4	POLICY AND STRATEGY EMPLOYED	9
3.5	ASSET ALLOCATION	9

No.	CONTENTS	PAGES
3.6	MARKET REVIEW	10
3.7	FIXED INCOME MARKET OUTLOOK	11
3.8	INCOME DISTRIBUTION	12
3.9	UNIT SPLIT	12
3.10	SIGNIFICANT OF UNIT HOLDERS	12
3.11	REBATES AND SOFT COMMISSION	12
3.12	RISK FACTORS	13
4.	TRUSTEE'S REPORT	14
5.	SHARIAH ADVISOR'S REPORT	15
6.	STATEMENT BY MANAGER	16
7.	AUDITOR'S REPORT	17 – 19
8.	FINANCIAL STATEMENT	20 – 36
9.	CALCULATION BASIS	37
10.	LIST OF CHANNEL DISTRIBUTION	38 – 39
11.	INFORMATION OF INVESTOR RELATION	40
12.	INVESTOR PROFILE UPDATE FORM	41

1. FUND INFORMATION**1.1 FUND NAME**

PMB Wholesale Sukuk Fund - PMB WSF.

1.2 DATE OF LAUNCH

3 March 2015.

1.3 FUND CATEGORY/TYPE

Sukuk / Income.

1.4 FUND OBJECTIVE

To provide investors with consistent income stream and a steady capital appreciation in the medium to long term by investing primarily in sukuk.

1.5 FUND PERFORMANCE BENCHMARK

Maybank's 12-Month General Investment Account (GIA) Rate (MBB 12-Month GIA Rate).

1.6 FUND DISTRIBUTION POLICY

Subject to availability of income, the Fund will distribute its income on annual basis.

Income distribution will be paid in the form of units.

1.7 BREAKDOWN OF UNIT HOLDING BY SIZE AS AT 31 DECEMBER 2017

Size of Holdings	No. of Unit Holder	%	No. of Units	%
250,000 - 500,000	-	-	-	-
500,001 and above	1	100.00	14,623,848.81	100.00
Total	1	100.00	14,623,848.81	100.00

2.0 FUND PERFORMANCE

2.1 FUND COMPOSITION

	31 DECEMBER		
	2017	2016	2015
Category	%	%	%
Fixed Income - Sukuk	65.03	66.93	70.63
Islamic deposits	34.92	32.82	29.22
Al-Wadiah savings	0.05	0.25	0.15
Total	100.00	100.00	100.00
Performance Data			
Total Net Asset Value (NAV) - xD (RM'000)	15,137	14,642	20,989
Unit in Circulation - xD ('000)	14,624	14,343	20,992
NAV per unit - xD (RM)	1.0351	1.0209	0.9999
NAV per Unit - xD: Highest Price (RM)	1.0599	1.0632	1.0041
Lowest Price (RM)	1.0177	0.9993	0.9839
Total Return # (%)	3.84	4.13	(0.03)
- Capital Growth # (%)	1.39	2.13	(0.03)
- Income Return (%)	2.45	2.00	0.00
Management Expenses Ratio (MER) (%)	* 0.86	0.86	0.55
Portfolio Turnover Ratio (PTR) (times)	** 0.26	0.99	0.69

Source: Lipper

* MER in the financial year ended 31 December 2017 unchanged at 0.86% from the previous financial year. Total expenses decreased by 20.12% during the period under review. The average fund size also drop by 20.84% from RM19.220 million (2016) to RM15.215 million (2017).

** PTR decreased 73.74% to 0.26 times in the financial year ended 31 December 2017 from 0.99 times in the previous financial year. The decreased was mainly due to the reduction in sales and purchase of securities.

Past performance is not necessarily indicative of future performance, unit prices and investment returns may fluctuate.

2.1 FUND COMPOSITION (CONT.)

# AVERAGE TOTAL RETURN (31 DECEMBER)		
	1 Year	Since Inception (20/05/2015 - 31/12/2017)
PMB SUKUK	3.84%	3.01%
BENCHMARK	3.36%	3.61%

# ANNUAL TOTAL RETURN (31 DECEMBER)			
	2017	2016	Since Inception (20/05/2015 - 31/12/2015)
PMB SUKUK	3.84%	4.13%	-0.03 %
BENCHMARK	3.36%	3.86%	2.32 %

Source: Lipper

2.2 FUND DISTRIBUTION/UNIT SPLIT

Date of Distribution	Gross Distribution per unit (sen)	Net Distribution per unit (sen)	Unit Split Ratio
31 December 2017	2.50	2.50	Nil
31 December 2016	2.00	2.00	Nil
31 December 2015	Nil	Nil	Nil

Note: Distribution is in the form of units.

Unit split (if any) are not entitled for the distribution.

Past performance is not necessarily indicative of future performance, unit prices and investment returns may fluctuate.

3.0 MANAGER'S REPORT

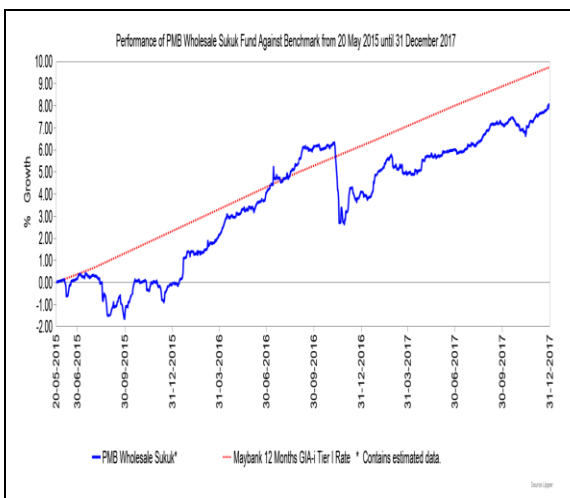
3.1 FUND'S PERFORMANCE MEASURED AGAINST FUND OBJECTIVE

For the period under review, the Manager is of the opinion that the Fund has met its objective of providing of maintaining consistent income stream by investing in the medium to long term sukuk.

For the financial year ended 31 December 2017, the Fund registered a return of 3.84% against the Benchmark 12-month General Investment Account (GIA) rate quoted by Maybank Berhad which registered a return of 3.36%.

3.2 FUND'S PERFORMANCE MEASURED AGAINST BENCHMARK

Since inception, the Fund registered a return of 8.09% compared to the benchmark of 9.75%. Hence, the Fund underperformed the Benchmark by 1.66%. The Net Asset Value (NAV) per unit of the Fund as at 31 December 2017 stood at RM15.1 million.



3.3 ANALYSIS OF FUND'S PERFORMANCE BASED ON NAV

For the period under review ended 31 December 2017, NAV per unit increase by RM0.0392 or 3.84%, which is from RM1.0209 (xD) at 31 December 2016 to RM1.0601 (cD) for the year ended 31 December 2017.

3.4 POLICY AND STRATEGY EMPLOYED

To invest a minimum 70% of the Fund's NAV in a diversified portfolio of RM-denominated sukuk issued by the Government, Bank Negara Malaysia (BNM), quasi-government institutions or Malaysian private corporations.

For investment in sukuk issued by the Malaysian private corporations, the minimum credit ratings of sukuk are as follows:-

1) Long Term Ratings

- * A2 (by RAM) or A (by MARC) or an equivalent rating by any other recognized foreign credit rating agencies

2) Short Term Ratings

- * P2 (by RAM) or MARC-2 (by MARC) or an equivalent rating by any other recognized foreign credit rating agencies

The balance not invested in sukuk will be invested in Islamic money market instruments, Islamic deposit placements and/or products, Shariah-compliant collective investment schemes and/or other Shariah-compliant permitted investments.

Minimum 70% of the Fund's NAV in sukuk and maximum of 30% of the Fund's NAV in Islamic money market instruments, Islamic deposit placements and/or products, Shariah-compliant collective investment schemes and/or other Shariah-compliant permitted investments.

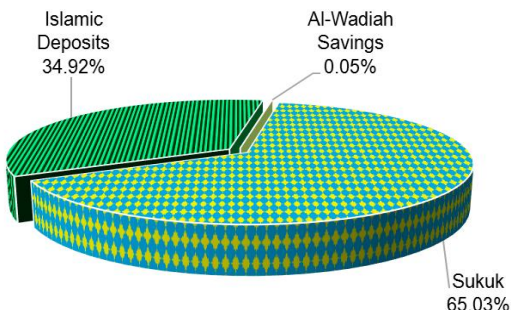
3.5 ASSET ALLOCATION

ASSET ALLOCATION				
	31 Dec 2017 (%)	31 Dec 2016 (%)	Change (%)	Average Exposure (%)
Fixed Income - Sukuk	65.03	66.93	(1.90)	65.98
Islamic Deposits	34.92	32.82	2.10	33.87
Al-Wadiah savings	0.05	0.25	(0.20)	0.15

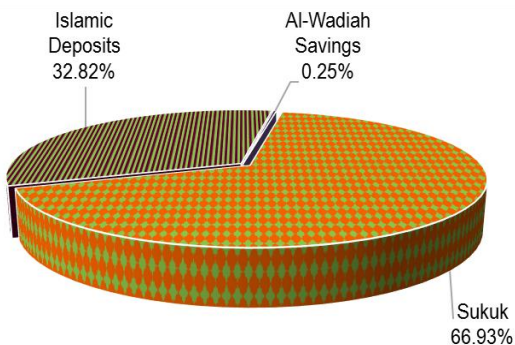
As at 31 December 2017, 65.03% of the Fund's NAV was invested in fixed income sukuk and 34.92% was in Islamic deposits, while the balance of 0.05% was held in Al-Wadiah savings.

3.5 ASSET ALLOCATION (CONT.)

ASSET ALLOCATION PMB WSF AS AT 31 DECEMBER 2017



ASSET ALLOCATION PMB WSF AS AT 31 DECEMBER 2016



3.6 MARKET REVIEW

The Monetary Policy Committee (MPC) decided to keep the Overnight Policy Rate (OPR) unchanged at 3.00% p.a at its most recent MPC meeting on 9 November 2017. The Central Bank has maintained the OPR at 3.00% p.a since July 2016, when it reduced the OPR by 25 basis points from 3.25% to 3.00%.

The Budget 2018 aims to cut budget deficit in 2018, albeit marginally to RM38.8 billion (2017: RM38.9 billion, 2016: RM38.4 billion, 2015: RM37.2 billion) after two consecutive years of widening in 2017 and 2016. With healthy growth, the cut is expected to bring the fiscal deficit down to 2.8% in 2018 from 3.0% in 2017.

3.6 MARKET REVIEW (CONT.)

In term of currency, for YTD basis, Ringgit Malaysia strengthened against 100 Indonesia Rupiah (+11.56%), Philippine Peso (+11.33%), US Dollar (+10.87%), 100 Japanese Yen (+6.79%), Australian Dollar (+2.46%), Singapore Dollar (+2.34%), UK Pound Sterling (+0.80%) and Thailand Bhat (+0.70%) but weakened against Euro Dollar (-2.56%). The appreciation in the local currency was due to the strengthening in the oil price, strong trade surplus and BNM hawkish guidance on potential credit tightening measures in 2018.

The US Federal Open Market Committee ("FOMC") decided to increase Federal Fund Rate ("FFR") by 25 basis point ("bps") from 1.25% to 1.50% in its MPC due to the positive economic growth. Bank of England increased its Bank Rate by 25 bps from 0.25% to 0.50% in its Monetary Policy Meeting due to the hike in inflation rate to peak above 3.0% in October 2017. Meanwhile, Reserve Bank of Australia, Bank of Japan, Bank of England and European Central Bank decided to keep their interest rate unchanged at 1.50%, -0.1%, 0.50% and 0.00% respectively. Generally, other major Central Bank kept interest rates at record lows and reiterated their stance to maintain accommodative monetary policies to support growth.

3.7 FIXED INCOME MARKET OUTLOOK

In 2017, BNM had released its securities auctions which consist of 32 (2016: 29) offerings comprising of 16 each for Malaysia Government Security ("MGS") and Government Investment Issue ("GII") offerings. The gross government bond issuance in 2017 is RM107.0 billion (2016: RM86.0 billion) with RM33.3 billion in first half of 2017.

Local bond markets are expected to be influenced by the 14th general election ("GE14") uncertainty, 2018 earnings prospects amid ongoing December reporting season and Morgan Stanley downgraded Malaysia to equal-weight from over-weight. In addition, there were also fears of vicious economic cycle as a result of the current episode of property imbalances warned by BNM and Moody's.

Total volumes traded for MGS and GII in 2017 was RM217.2 billion with RM30.5 billion being issued in December 2017. This was lower than RM51.8 billion in November 2017 due to the low trading levels.

There were 57 rating actions in December 2017. Rating Agency Malaysia ("RAM") has placed Alliance Bank Malaysia Berhad's (the Group) A1/P1 financial institution ratings and the ratings of its outstanding debt instruments on a positive outlook. The positive outlook is driven by the Group's proven track record of robust strong asset quality, solid funding and liquidity profile and health capital buffers. Meanwhile, RAM has lifted the negative Rating Watch on Cendana Sejati Sdn Bhd's (the Issuer) RM360 million Senior Sukuk Murabahah MTN Programme.

3.7 FIXED INCOME MARKET OUTLOOK (CONT.)

Concurrently, RAM has downgraded its long term rating from AA1 to BB2, and revised its outlook to negative. The Senior Sukuk is backed by a portfolio of consumer-financing receivables to civil servants, with a principal balance of RM68 million. To address the shortfall in monthly cashflow as well as to ensure the prompt and continued performance of the Senior Sukuk's obligations, the Originator which is Masraf Al Barakah Sdn Bhd (Masraf) has proposed to inject new, shorter-tenured receivables into the transaction via the staggered issuance of additional Junior Sukuk over the next 3 years. Overall, credit condition remain healthy and stable.

3.8 INCOME DISTRIBUTION

The Manager with the approval of the Trustee has declared income distribution 2.50 sen (net) in the form of new units to unitholders for the financial period ended 31 December 2017.

The effect of the income distribution, the NAV per unit of the fund adjusted from RM1.0601 to RM1.0351.

3.9 UNIT SPLIT

No unit split were declared during the period under review.

3.10 SIGNIFICANT OF UNITHOLDERS

For the financial period under review, there is no circumstances that materially affect any interest of the unit holders others than business transaction accordance with the limitations imposed under the Deeds, Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA), the Capital Markets and Services Act 2007 and other applicable laws during the financial period then ended.

3.11 REBATES AND SOFT COMMISSION

The management company may receive goods or services which include research materials, data and quotation services and investment related publications by way of soft commissions provided they are of demonstrable benefit to the Fund and unitholders.

During the financial year under review, the Fund has not received goods or services by way of soft commissions.

3.12 RISK FACTORS

The specific risks that the Fund are exposed to include:

i. Credit/Default Risk

Investments in sukuk are subject to the risk of non-payment and/or untimely payment of the principal amount as well as the profits when they fall due. Credit/default risk is assessed based on the issuer's overall ability to meet its obligations when they fall due. For example, an issuer suffering an adverse change in its financial condition could have the credit rating of the sukuk lowered, leading to greater price volatility of the sukuk thus unable to service any profit payments or pay the principal upon maturity. In such cases, the Unit Holder may suffer significant capital losses with respect to their capital invested and profit purpose. A downgrade of the credit rating of a sukuk may also impact the sukuk's liquidity, making it more difficult to sell and greater volatility on the Fund's valuation.

However, such risk can be mitigated through vigorous credit analysis and having regular updates on the business profile and the financial position of the sukuk issuer.

ii. Profit/Interest Rate Risk

The risk refers to how the change in the profit/interest rate environment affects the performance of the sukuk portfolio of the Fund. In the event of a rising profit/interest rate environment, the prices of sukuk may decrease and vice versa. Generally, there is an inverse relationship between profit/interest rate and sukuk prices, where an increase of profit/interest rate may lower the prices of the sukuk. In addition, sukuk with longer maturity and lower profit rates are more sensitive to profit/interest rate changes. This risk may be mitigated through the management of the duration of the sukuk portfolio based on profit/interest rate outlook.

Profit/interest such as Overnight Policy Rate (OPR) will have an impact on the management of the Fund regardless whether it is a conventional or Shariah-compliant fund. It does not in any way suggest that the Fund will invest in conventional financial instruments.

iii. Liquidity Risk

This risk refers to the possibility that the sukuk and Islamic money market instruments held by the Fund cannot be readily sold at or near its fair value due to insufficient trading volume. This in turn may adversely affect the value of the Fund. Thus, the manager may reduce its portion of higher risk assets, such as lower rated or longer tenure Sukuk and increase its liquid instruments to safeguard the investment portfolio of the Fund provided such investments are within the investment objective of the Fund. The manager will further manage the Fund as such that there is sufficient portfolio diversification i.e spreading risk across a basket of different sukuk as part of its risk management strategy.

In addition, the manager will ensure that the Fund will hold adequate level of Islamic liquid assets (Islamic deposits and/or Islamic money market instruments) to serve as a buffer for meeting short term liquidity requirements.

4. TRUSTEE'S REPORT

To the Unit Holders of PMB WHOLESale SUKUK FUND

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee for PMB WHOLESale SUKUK FUND for the financial year ended 31 December 2017. In our opinion, PMB INVESTMENT BERHAD, the Manager, has operated and managed PMB WHOLESale SUKUK FUND in accordance with the limitations imposed on the investment powers of the management company under the Deed, securities laws and the applicable Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework during the financial year then ended.

We are also of the opinion that:

- (a) Valuation and pricing is carried out in accordance with the Deed and any regulatory requirement;
- (b) Creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements; and
- (c) The distribution of income made by PMB WHOLESale SUKUK FUND as declared by the Manager is appropriate and reflects the investment objective of PMB WHOLESale SUKUK FUND.

For AMANAHRAYA TRUSTEES BERHAD

HABSAH BINTI ABU BAKAR
Chief Executive Officer

KUALA LUMPUR

22 February 2018

5. SHARIAH ADVISOR'S REPORT

To the Unit Holders of PMB WHOLESale SUKUK FUND

We have acted as the Shariah Adviser of PMB WHOLESale SUKUK FUND. Our responsibility is to ensure that the procedures and processes employed by its fund manager, PMB INVESTMENT BERHAD as well as the provisions of its Deed dated 26 February 2015 and its First Supplemental Deed dated 27 April 2017, are in accordance with Shariah.

In our opinion based on the periodical reports submitted to us, PMB INVESTMENT BERHAD has managed and administered PMB WHOLESale SUKUK FUND in accordance with Shariah and has complied with applicable guidelines, rulings and decisions issued by the Shariah Advisory Council of the Securities Commission Malaysia for the period ended 31 December 2017.

We confirm that the investment portfolios of PMB WHOLESale SUKUK FUND consist of unquoted Sukuk approved by Securities Commission Malaysia and Islamic deposits which have been placed with Islamic Financial Institutions approved by Bank Negara Malaysia.

For **BIMB SECURITIES SDN BHD**

IR. DR. MUHAMAD FUAD ABDULLAH
Designated Shariah Person

KUALA LUMPUR

23 February 2018

6. STATEMENT BY MANAGER

Dear Unit Holders
PMB WHOLESALE SUKUK FUND

We, MANSOOR BIN AHMAD and YBHG. DATO' AHMAD NAZIM BIN ABD RAHMAN, being two of the directors of PMB INVESTMENT BERHAD, do hereby state that in the opinion of the Manager, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2017 and of its financial performance, changes in equity and cash flows for the year ended 31 December 2017 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA) in Malaysia.

For and on behalf of
PMB INVESTMENT BERHAD
As Manager of PMB WHOLESALE SUKUK FUND

MANSOOR BIN AHMAD
Director

YBHG. DATO' AHMAD NAZIM BIN ABD RAHMAN
Director

KUALA LUMPUR

5 February 2018

7. AUDITOR'S REPORT

To the Unit Holders of PMB WHOLESALE SUKUK FUND

Report on the Financial Statements

Opinion

We have audited the financial statements of PMB WHOLESALE SUKUK FUND, which comprise the statement of financial position as at 31 December 2017, and the income statement, statement of changes in equity value and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements set out give a true and fair view of the financial position of the Fund as at 31 December 2017 and of its financial performance, changes in equity and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA) in Malaysia.

We have also verified the Management Expenses Ratio and Portfolio Turnover Ratio as disclosed in Notes 16 and 17 of the financial statements.

Basis for Opinion

We conducted our audit in accordance with approved standards on 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 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 Auditor's Report Thereon

The Managers of the Fund is responsible for the other information. The other information comprises the Manager's Report and Statement by Manager, 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.

Auditors' Report To the Unitholders of PMB WHOLESALE SUKUK FUND (CONT.)

Responsibilities of the Manager 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, International Financial Reporting Standards and the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA) in Malaysia. The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error. The Trustee is 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' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company 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 on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement 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.

Auditors' Report To the Unitholders of PMB WHOLESALE SUKUK FUND (CONT.)

Auditors' Responsibility for the Audit of the Financial Statements (Cont.)

- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements 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 Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA) in Malaysia and for no other purposes. We do not assume responsibility to any other person for the contents of this report.

JAMAL, AMIN & PARTNERS
(No. AF 1067)
Chartered Accountants

AHMAD HILMY BIN JOHARI
(No: 2977/03/18(J))
Chartered Accountants

5 February 2018

KUALA LUMPUR

8. FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	<u>NOTE</u>	<u>2017</u> RM	<u>2016</u> RM
ASSETS			
INVESTMENTS			
Unquoted Sukuk at Fair Value	4	9,961,850	9,909,150
Islamic Deposits	5	5,367,646	4,859,306
		15,329,496	14,768,456
OTHER ASSETS			
Accrued profit from:			
- Unquoted Sukuk		129,782	128,432
- Islamic Deposits		52,003	11,617
Al-Wadiah Savings		7,157	36,186
		188,942	176,235
TOTAL ASSETS		15,518,438	14,944,691
LIABILITIES			
Due to Manager	6	9,832	9,483
Due to Trustee		262	253
Distribution	7	365,596	286,859
Other Payables		6,106	6,084
TOTAL LIABILITIES		381,796	302,679
EQUITY			
Unitholders' Capital	8	14,278,966	13,992,104
Retained Earnings		857,676	649,908
TOTAL EQUITY		15,136,642	14,642,012
TOTAL EQUITY AND LIABILITIES		15,518,438	14,944,691
UNITS IN CIRCULATION	8	14,623,849	14,342,945
NET ASSET VALUE PER UNIT (RM) - xD	9	1.0351	1.0209

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>NOTE</u>	<u>2017</u> RM	<u>2016</u> RM
INVESTMENT INCOME			
Profit from Unquoted Sukuk		473,175	637,811
Profit from Sales of Sukuk		-	86,619
Profit from Islamic Deposits		178,093	197,543
Hibah from Al-Wadiah Savings		79	-
Profit from Unquoted Sukuk at fair value through profit and loss	10	52,700	182,300
		704,047	1,104,273
EXPENSES			
Management Fee	11	114,090	144,604
Trustee's Fee	12	3,042	4,214
Audit Fee		4,500	4,500
Tax Agent's Fee		1,000	1,000
Good and Services Taxation		7,028	8,929
Administrative Expenses		1,023	1,141
		130,683	164,388
NET PROFIT BEFORE TAXATION		573,364	939,885
Taxation	13	-	-
NET PROFIT AFTER TAXATION		573,364	939,885
NET PROFIT AFTER TAXATION IS MADE UP AS FOLLOWS:			
REALISED PROFIT		520,664	757,585
UNREALISED PROFIT		52,700	182,300
		573,364	939,885

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>NOTE</u>	<u>Unitholders` Capital</u> RM	<u>Retained Earnings</u> RM	<u>Total Equity</u> RM
Balanced at 1 January 2016		20,992,104	(3,118)	20,988,986
Realised Profit		-	757,585	757,585
Unrealised Profit		-	182,300	182,300
Cancellation of units		(7,000,000)	-	(7,000,000)
Distribution	7	-	(286,859)	(286,859)
Balanced at 31 December 2016		13,992,104	649,908	14,642,012
Balanced at 1 January 2017		13,992,104	649,908	14,642,012
Realised Profit		-	520,664	520,664
Unrealised Profit		-	52,700	52,700
Creation of units		291,042	-	291,042
Cancellation of units		(4,180)	-	(4,180)
Distribution	7	-	(365,596)	(365,596)
Balanced at 31 December 2017		14,278,966	857,676	15,136,642

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>2017</u> RM	<u>2016</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from Unquoted Sukuk	471,825	585,922
Profit from Islamic Deposits	137,707	197,314
Proceed from Sales of Unquoted Sukuk	-	5,157,824
Hibah from Al-Wadiah Savings	79	-
Management fee paid	(113,742)	(148,449)
Trustee's fee paid	(3,033)	(4,672)
Payment for audit fee	(4,500)	(4,500)
Payment of Tax agent's fee	(1,000)	(1,000)
Payment of other expenses	(8,028)	(10,328)
Net cash generated from operating activities	479,308	5,772,111
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	4,183	-
Payment of cancellation of units	(4,180)	(7,000,000)
Net cash generated from/(used in) financing activities	3	(7,000,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	479,311	(1,227,889)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,895,492	6,123,381
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5,374,803	4,895,492
CASH AND CASH EQUIVALENTS COMPRISE		
Al-Wadiah Savings	7,157	36,186
Islamic Deposits	5,367,646	4,859,306
	5,374,803	4,895,492

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

PMB WHOLESALE SUKUK FUND (the "Fund") was constituted pursuant to the execution of a Master Deed dated 26 February 2015 (the "Deed") entered into between PMB INVESTMENT BERHAD (the "Manager") and DEUTSCHE TRUSTEES MALAYSIA BERHAD (the retiring "Trustee"). Pursuant to clause 3.3.1 of the Principal Deed, the retiring Trustee via notice dated 14 February 2017 served to the Manager, has expressed their desire to retire as the Trustee of the Fund effective after 30 April 2017. Pursuant to clause 3.3.2 of the Principal Deed, the Manager via a letter dated 23 February 2017 has appointed AmanahRaya Trustee Berhad (the "Trustee") to replace retiring Trustee as the Trustee of the Fund and the Trustee is duly registered with Securities Commission (SC) and has agreed to be the Trustee of the Fund effective 5 May 2017. The Fund commenced operations on 20 May 2015. It will continue operating until terminated by the Trustee as provided in the Deed.

The principal activity of the Fund is to invest a minimum 70% of its Net Asset Value in Sukuk and the remaining portion in Islamic money market instruments, Islamic deposits, and any other shariah compliant investments as may be agreed upon by the Manager and the Trustee.

The Manager is a company incorporated in Malaysia and is a wholly owned subsidiary of Pelaburan MARA Berhad. The principal activity of the Manager is the establishment and management of unit trust funds and corporate funds.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk, credit risk, non-compliance risk, liquidity risk, specific risk, profit rate risk and capital management. Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA) in Malaysia.

(a) Market Risk

Exposure to market risk arises in the normal course of business of the Fund by the uncertainty in the market price of which is influenced by changes in the market environment, including changes in global economic, regulatory, political and profitability. Market risk is managed through investment policies and guidelines as well as diversification of portfolio and changes in asset allocation.

(b) Credit Risk

Credit risk refers to the inability of an issuer or counterparty to make timely payments of profit, principles and proceeds from realization of Syariah-compliant investment. The manager manages the credit risks by undertaking credit evaluation to minimize such risk.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

(b) Credit Risk (Cont.)

Credit risk arising from unquoted sukuk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the Syariah-compliant investment in accordance with the objective of the Fund.

Credit risk arising from placements on Islamic deposit in licensed institutions is managed by ensuring that the Fund will only place Islamic deposits in reputable licensed financial institutions.

The settlements terms of the proceeds from the creation of units receivable from Manager and redemptions of units payable to the Manager are governed by SC's Guidelines on Unit Trust Funds.

The maximum exposure to credit risk before any credit enhancements is carrying amount of the financial assets as set out below:

	<u>2017</u> RM	<u>2016</u> RM
Financial assets at fair value through profit or loss	9,961,850	9,909,150
Bank balance and Islamic deposits with licensed financial institutions	5,367,646	4,859,306
	<u>15,329,496</u>	<u>14,768,456</u>

(c) Non-Compliance Risk

The risk arising from non-conformance with regulations and internal policies and procedures by Manager due to situation such as system failures and oversight may adversely affect the investment of Unit Holders. The non-compliance may also expose the unit trust fund to high risks that may result in a fall in the value of the unit trust fund. The risk can be mitigated by the internal controls and compliance monitoring undertaken by the Managers.

Fair Value estimation

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.

The fair value of financial assets and liabilities traded in an active market (such as publicly traded Syariah-compliant derivatives and trading Syariah-compliant securities) are based on quoted market prices at the close of trading as at the year end date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

(c) Non-Compliance Risk (Cont.)

Fair Value estimation (Cont.)

An active market is a market in which transaction for the assets and liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques.

The carrying values of cash and cash equivalents, current liabilities are reasonable approximately of their fair values due to their short-term nature.

Fair value hierarchy

The Fund classifies fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following level:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement entirely. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset and liability.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

(d) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as and when they fall due.

The Fund maintains a sufficient level of liquid assets to meet anticipated payments and redemptions by unitholders.

(e) Specific Risk

Exposure to specific risk is from investment in companies that experience a change in business performance, tastes and consumer demands, lawsuits and management practices. This risk can be reduced through diversification in investment and investment restrictions outlined in the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA) and based on the principles of Shariah.

(f) Profit Rate Risk

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

The risk is crucial since unquoted sukuk portfolio management depends on forecasting profit rate movements. Unquoted sukuk with longer maturity and lower yield coupon rates are more susceptible to profit rate movements.

Investors should note that unquoted investments in sukuk and Islamic money market instruments may be subject to unanticipated rise in profit rates which may impair the ability of the issuers to make payments of profit and principal, especially if the issuer are highly leverage. An increase in profit rates may therefore increase the potential for default by an issuer.

(g) Capital Management

The Fund's capital represents unitholders' subscription to the Fund. The amount of capital can fluctuate according to the daily subscription and redemption of units at the discretion of unitholders. The Fund's capital is managed in accordance with the objectives of the Fund while maintaining sufficient liquidity to meet redemption of units.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value and comply with the Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRS) and the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA).

The Fund has not yet adopted the following MFRSs that have been issued by the Malaysian Accounting Standards Board (MASB) but not yet effective. These MFRSs shall become effective on or after 1 January 2017, and the Fund will adopt these MFRSs during the financial years commencing on their respective effective dates.

		<u>Effective date</u>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018

Application of the abovementioned standards is not expected to have a material effect on the financial statements of the Fund.

(b) Accounting Estimates and Judgements

The preparation of the Fund's financial statements in conformity with MFRS and IFRS requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities at the reporting date. Actual results may differ from these estimates.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in these financial statements.

(c) Income Recognition

Profit from Sukuk and Islamic deposits is recognised on the accrual basis using the effective profit method.

(d) Creation and Cancellation of Units

Proceeds received from creation of units and payments on cancellation of units are based on the market value of the units calculated by reference to the net assets value of the units at the close of business on the relevant dealing day.

(e) Distribution Equalisation

Distribution equalisation 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(f) Cash and Cash Equivalents

Cash and cash equivalents consists of Islamic deposits and Al-Wadiah savings with licensed financial institutions which have an insignificant risk of changes in value.

(g) Financial Instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Fund categories financial instruments as follows:-

Financial Assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category are debt instruments that are not quoted in an active market that comprises deposits, bank balances and receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective profit method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Financial Instruments (Cont.)

(ii) Financial instrument categories and subsequent measurement (cont.)

Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset the difference between the carrying amount and the consideration received and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) Taxation

Current tax is the expected amount of tax payable on the taxable income for the year. The tax rate and tax laws used to compute the amount of tax are those that are enacted or substantially enacted at the reporting date.

4. INVESTMENTS

Details are as follows:-

	<u>2017</u> RM	<u>2016</u> RM
(a) Unquoted Sukuk	9,961,850	9,909,150
(b) Islamic deposits	5,367,646	4,859,306
Total Investments	15,329,496	14,768,456

Details of Unquoted Sukuk as at 31 December 2017 are set out as follows:

<u>Name of Counter</u>	<u>Nominal Value</u> RM	<u>Aggregate Cost</u> RM	<u>Fair Value As At 31/12/2017</u> RM	<u>Unrealised Loss</u> RM
Jambatan Kedua Sdn Bhd	5,000,000	5,000,000	4,945,100	(54,900)
Danainfra Nasional Bhd	5,000,000	5,170,500	5,016,750	(153,750)
Total	10,000,000	10,170,500	9,961,850	(280,650)

5. ISLAMIC DEPOSITS

Islamic deposits are with licensed financial institutions in Malaysia as follows:-

	<u>2017</u> RM	<u>2016</u> RM
(a) Islamic Bank	2,871,097	3,697,365
(b) Investment Bank	2,496,549	1,161,941
	5,367,646	4,859,306

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. ISLAMIC DEPOSITS (CONT.)

Average profit during the financial year and average maturity period at the end of the financial year are as follows:-

	<u>Average Profit</u> %	<u>Number of days to maturity</u>
(a) Islamic Bank	3.50	189
(b) Investment Bank	3.56	39

6. DUE TO MANAGER

The amount due to the Manager represents accrued management fee at the end of the financial period.

7. DISTRIBUTION

Distributions to unitholders are recommended at the end of the financial year, depending on the performance of the Fund itself. The distribution of income in the form of units during the year ended 31 December 2017: 2.50 cent (gross) (net: 2.50 cent) [2016: 2.00 cent (gross) (net: 2.00 cent)].

Distribution declared are derived from the following sources:-

	<u>2017</u> RM	<u>2016</u> RM
Profit from Unquoted Sukuk	473,175	637,811
Profit from Sales of Sukuk	-	86,619
Profit from Islamic deposits	178,093	197,543
Hibah from Al-Wadiah savings	79	-
Undistributed profit for the year	(155,068)	(470,726)
	<u>496,279</u>	<u>451,247</u>
Expenses	(130,683)	(164,388)
Taxation	-	-
	<u>365,596</u>	<u>286,859</u>
Units in circulation	<u>14,623,849</u>	<u>14,342,945</u>
Gross distribution per unit (cent)	<u>2.50</u>	<u>2.00</u>
Net distribution per unit (cent)	<u>2.50</u>	<u>2.00</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. UNITHOLDERS' CAPITAL

	<u>2017</u>		<u>2016</u>	
	Unit	RM	Unit	RM
Balance b/f	14,342,945	13,992,104	20,992,104	20,992,104
Creation of units during the year	285,000	291,042	-	-
	<u>14,627,945</u>	<u>14,283,146</u>	20,992,104	20,992,104
Cancellation of units during the year	(4,096)	(4,180)	(6,649,159)	(7,000,000)
Balance c/f	<u>14,623,849</u>	<u>14,278,966</u>	14,342,945	13,992,104

9. NET ASSET VALUE PER UNIT

Net Asset Value per unit is calculated by dividing the total equity by the number of units in circulation at the end of the financial year.

10. PROFIT FROM UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>2017</u>	<u>2016</u>
	RM	RM
Unrealised loss for the year	(208,650)	(261,350)
Less: Unrealised loss from previous year	<u>(261,350)</u>	<u>(443,650)</u>
	<u>52,700</u>	<u>182,300</u>

11. MANAGEMENT FEE

Management fee is computed on a daily basis at 0.75% per annum of the Net Asset Value of the Fund before deducting Management fee and Trustee's fee for that particular day.

12. TRUSTEE'S FEE

Trustee's fee is computed on a daily basis up to 0.02% per annum of the Net Asset Value of the Fund before deducting Management fee and Trustee's fee for that particular day.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. TAXATION

	<u>2017</u> RM	<u>2016</u> RM
Taxation for the year	-	-

Taxation is calculated at the Malaysian statutory tax rate of 24% on the estimated assessable profit for the period. A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:-

	<u>2017</u> RM	<u>2016</u> RM
Profit before taxation	573,364	939,885
Taxation at the rate of 24%	(137,607)	(225,572)
Tax effect of income not subject to tax	168,971	265,025
Tax effect of expenses not allowed	(31,364)	(39,453)
Tax expense for the year	-	-

14. TRANSACTIONS WITH DEALERS

Dealer	Value of Transaction RM	%	Commission & Fee RM	%
Bank Islam Malaysia Bhd.	2,622,717	32.54	-	-
Kuwait Finance House (M) Bhd.	2,379,589	29.53	-	-
Bank Muamalat Malaysia Bhd.	1,508,208	18.71	-	-
KAF Investment Bank Bhd.	1,158,494	14.37	-	-
Maybank Investment Bhd.	390,950	4.85	-	-
Total Transaction	8,059,958	100.00	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. MANAGER'S AND DIRECTORS' INTERESTS

Details of Manager's and Directors' interests in the Fund are as follows:-

(a) Unit Holding	<u>2017</u>	<u>2016</u>
PMB INVESTMENT BERHAD	Nil	Nil
Directors	Nil	Nil
(b) Expenses		
Management fee paid and accrued	RM114,090	RM144,604

16. MANAGEMENT EXPENSES RATIO (MER)

MER is calculated as follows:

	<u>2017</u>	<u>2016</u>
MER = $\frac{\text{Fees + Expenses incurred}}{\text{Average net asset value of Fund calculated on a daily basis}} \times 100$	0.86%	0.86%

17. PORTFOLIO TURNOVER RATIO (PTR)

PTR is calculated as follows:

	<u>2017</u>	<u>2016</u>
PTR = $\frac{\text{Total acquisition + Total Disposals}}{\text{Average net asset value of Fund calculated on a daily basis}} / 2$	0.26 times	0.99 times

18. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Ringgit Malaysia, which is the Fund's functional and presentation currency.

SCHEDULE A**LIST OF INVESTMENTS AS AT 31 DECEMBER 2017**

NO.	NAME OF INVESTMENT	COST	FAIR VALUE	PERCENTAGE OF NET ASSET VALUE
		RM	RM	%
A QUOTED SUKUK				
1	Jambatan Kedua Sdn. Bhd.	5,000,000	4,945,100	32.67
2	Danainfra Nasional Bhd	5,170,500	5,016,750	33.14
		10,170,500	9,961,850	65.81

NO.	FINANCIAL INSTITUTION	TYPE	COST	FAIR VALUE	PERCENTAGE OF NET ASSET VALUE
			RM	RM	%
B ISLAMIC DEPOSITS					
1	Bank Islam Malaysia Bhd	Wafiah	1,527,097	1,528,854	10.10
2	Kuwait Finance House (Malaysia) Bhd	Commodity Murabahah	1,187,008	1,191,556	7.87
3	Kuwait Finance House (Malaysia) Bhd	Commodity Murabahah	1,309,541	1,312,759	8.67
4	Maybank Islamic Bank Bhd	General Investment Account	1,244,000	1,284,438	8.49
5	Maybank Islamic Bank Bhd	General Investment Account	100,000	102,042	0.68
			5,367,646	5,419,649	35.81
				15,381,499	101.62

9. CALCULATION BASIS

◆ Single Pricing Regime (SPR)

Effective 1 July 2007, SPR were implemented to replace the current dual pricing. Under the SPR, the creation, cancellation, selling and repurchase prices should be the NAV per unit of the Fund as the next valuation point following an application to purchase or request for repurchase of unit of the Fund is received by the Manager. The sales charges will be computed and charged separately.

◆ Net Asset Value (NAV)

The NAV of the Fund means the total value of the Fund's investments, assets and properties less the Fund's expenses or liabilities incurred. NAV per unit is calculated at the end of each business day. There is no sales charge or redemption charge for the Fund.

◆ Selling Price Per Unit

Selling price per unit will be the NAV of the unit at the end of business day divided by unit in circulation.

◆ Purchase Price Per Unit

The Purchase Price per Unit will be the NAV per unit at the end of the business day on the day when the Manager received the application. An exit fee will be charge on repurchase/redemption of investment before its maturity.

◆ Management Expenses Ratio (MER)

MER is derived from the following calculation:

$$\text{MER} = \frac{\text{Fee} + \text{Expenses Incurred} \times 100}{\text{Average NAV of Fund Calculated on a daily basis}}$$

◆ Portfolio Turnover Ratio (PTR)

PTR is derived from the following calculation:

$$\text{PTR} = \frac{(\text{Total Aquisition} + \text{Total Disposals}) / 2}{\text{Average NAV of Fund Calculated on a daily basis}}$$

◆ Annual Total Returns

Annual total returns of the Fund is derived from the following calculation:

$$\frac{\text{NAV (cD for current financial period)} - 1}{\text{NAV (xD for previous financial period)}} \\ (\text{adjusted for unit split and distribution paid out for the period})$$

10. LIST OF CHANNEL DISTRIBUTION

REGIONAL OFFICES:

Head Office

Level 21, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel: (03) 27859900 Fax: (03) 27859901
E-mail: investorrelation@pelaburanmara.com.my

Central Regional

Tingkat 1, Wisma PMB
No. 1A, Jalan Lumut
50400 Kuala Lumpur
Tel: (03) 40454000 Fax: (03) 40443800
H/P: (013) 2710392 (Suhaila Malzuki)
E-mail: pmbi.central@pelaburanmara.com.my
suhaila@pelaburanmara.com.my

North Regional

No. 46 1/F Jalan Todak 2
Pusat Bandar Seberang Jaya
13700 Perai, Pulau Pinang
Tel: (04) 3909036 Fax: (04) 3909041
H/P: (012) 4703914 (Ahmad Shahril Md Yusof)
E-mail: pmbi.north@pelaburanmara.com.my
shahril@pelaburanmara.com.my

East Regional

Lot D103, Tingkat 1, Mahkota Square
Jalan Mahkota, 25000 Kuantan
Pahang Darul Makmur
Tel: (09) 5158545 Fax: (09) 5134545
H/P: (017) 7710117 (Ameer Khalifa Mohd Azman)
E-mail: pmbi.east@pelaburanmara.com.my
ameer.khalifa@pelaburanmara.com.my

South Regional

No. 17-01, Jalan Molek 1/29
Taman Molek, 81100 Johor Bahru
Johor Darul Takzim
Tel: (07) 3522120 Fax: (07) 3512120
H/P: (017) 2809653 (Mohd Shohada Ahmad Mokhtar)
E-mail: pmbi.south@pelaburanmara.com.my
shohada@pelaburanmara.com.my

REGIONAL OFFICES:

Sarawak

No. 59, Tingkat Satu, Jalan Tun Jugah
93350 Kuching, Sarawak
Tel: (082) 464402 Fax: (082) 464404
H/P: (013) 8230645 (John Nyaliaw)
E-mail: pmbi.sarawak@pelaburanmara.com.my
john@pelaburanmara.com.my

Sabah

Lot 2-3-19C, Tingkat 2, Plaza Wawasan
Lorong Plaza Wawasan
88000 Kota Kinabalu, Sabah
Tel: (088) 244129 Fax: (088) 244419
H/P: (013) 8808273 (Hadjira@Azeera Mangguna)
E-mail: pmbi.sabah@pelaburanmara.com.my
azeera@pelaburanmara.com.my

AGENCY OFFICES:

Kuala Lumpur

Najdiah Abu Bakar
Heroz Ventures Resources
19-1 Jalan Danau Lumayan, Bandar Permaisuri
56000 Kuala Lumpur
H/P: (019) 2773776
E-mail: najdiah.abubakar@gmail.com

Melaka

Datuk Md. Ramly bin Mohamad
No. 253-A, Jalan TMR 3, Taman Melaka Raya
75000 Melaka
Tel: (06) 2815051 Fax: (06) 2815046 H/P: (012) 6093859
E-mail: dtkmdr@yahoo.com.my

11. INFORMATION OF INVESTOR RELATION

CUSTOMER SERVICES

You may communicate with us by:-

- e-mail : investorrelation@pelaburanmara.com.my
- walk-in, write or call during normal business hours, 8.30 a.m. to 4.00 p.m. (Monday to Friday) at (03) 2785 9800, or customer service careline: (03) 2785 9900

Our Customer Service Personnel would assist your queries on our unit trust funds.

NOTES TO PROSPECTIVE INVESTORS

Past performance of the Fund is not an indication of future performance and unit prices and investment returns may fluctuate. Prospective investor should read and understand the contents of the Prospectus and if necessary, consult their adviser(s).

Capital protection is only applicable to Unit Holders who hold investment until the Maturity Date. Redemption of Units before Maturity Date would be based on the NAV of the Fund on that day and may be charged a Redemption Fee. No units will be issued or sold after the offer period.

12. INVESTOR PROFILE UPDATE FORM