

A N N U A L R E P O R T
31 DECEMBER 2010

PHEIM

PHEIM ASIA EX-JAPAN FUND

PHEIM ASIA EX-JAPAN ISLAMIC FUND



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Your **Need**
is our **Focus**

TRUST DIRECTORY

MANAGER

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BOARD OF DIRECTORS

Dr. Tan Chong Koay (Non-independent)
Azmi Malek Merican (Non-independent)
Teng Sin Wu @ Ten Sin Wu (Independent)
Wong Cheng Leong (Independent)

INVESTMENT COMMITTEE

Phua Lee Kerk (Non-independent)
Khadijah Harun (Non-independent)
Zarina Omar (Independent - *PAXJI only*)
Pee Ban Hock (Independent)
Ho Sen Feek (Independent)
Munawir Mohammad (Independent - *PAXJI only*, Alternate)

EXTERNAL INVESTMENT MANAGER

Pheim Asset Management Sdn Bhd (269564-A)

SHARIAH ADVISER

Amanie Business Solutions Sdn Bhd (684050-H)

TRUSTEE

Mayban Trustees Berhad (5004-P)

AUDITORS AND REPORTING ACCOUNTANTS

Ernst & Young

TAXATION CONSULTANT

Ernst & Young Tax Consultants Sdn Bhd (179793-K)

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Fund Information

Dear Valued Unit Holders

We are pleased to present the Manager's Report and the audited accounts for the financial period from 1 January 2010 to 31 December 2010 for the following funds:

- i. Pheim Asia Ex-Japan Fund (PAXJ)
- ii. Pheim Asia Ex-Japan Islamic Fund (PAXJI)

1 FUND INFORMATION

1.1 Fund Category and Type

| Fund | Category and type |
|--------------|--|
| PAXJ | PAXJ is an equity growth fund that aims to achieve capital appreciation in the long term by investing primarily in Asian markets excluding Japan. |
| PAXJI | PAXJI is an equity growth fund that aims to achieve capital appreciation in the long term by investing primarily in Asian markets excluding Japan through investments that comply with Shariah requirements. |

1.2 Fund's Investment Objective and Strategy

| Fund | Investment objective and strategy |
|--------------|---|
| PAXJ | PAXJ aims to achieve capital appreciation in the long term by investing primarily in Asian markets excluding Japan. PAXJ will invest, without restraint, in securities listed on the stock exchanges of the Asia Pacific region excluding Japan with initial focus in ASEAN countries, Hong Kong SAR, China, Taiwan, Korea, Australia, New Zealand and India. |
| PAXJI | PAXJI aims to achieve capital appreciation in the long term by investing primarily in Asian markets excluding Japan through investments that comply with Shariah requirements. PAXJI will invest in securities listed on the stock exchanges of the Asia Pacific region excluding Japan with initial focus in ASEAN countries, Hong Kong SAR, China, Taiwan, Korea, Australia, New Zealand and India that comply with Shariah requirements. |

Fund Information

1.3 Duration of the Funds

| Fund | Duration of the Funds |
|--------------|--|
| PAXJ | PAXJ was launched on 30 June 2006 and its offer period ended on 20 July 2006. It shall exist for as long as it appears to the Manager and the Trustee that it is in the interest of the Unit Holders for it to continue. |
| PAXJI | PAXJI was launched on 1 November 2006 and its offer period ended on 21 November 2006. It shall exist for as long as it appears to the Manager and the Trustee that it is in the interest of the Unit Holders for it to continue. |

1.4 Funds' Performance Benchmark

The performance benchmark of the PAXJ and PAXJI is 7% growth in NAV per annum over the long term.

This is not a guaranteed return and is only a measurement of fund performance. The PAXJ and PAXJI may or may not achieve the 7% per annum growth rate in any particular financial year but targets to achieve this growth over the long term.

1.5 Funds' Distribution Policy

| Fund | Distribution Policy |
|-------------------------|--|
| PAXJ & PAXJI | Distribution by the Funds is incidental. |

Fund Information

1.6 Breakdown Of Unit Holdings By Size As At 31.12.2010

1.6.1 PAXJ

| Size of holding | No. of units held | | Unitholders | | | |
|-------------------|-------------------|--------|-----------------|--------|--------------------|--------|
| | ('000) | % | No. of Accounts | % | No. of Unitholders | % |
| 5,000 and below | 290,195 | 0.58 | 90 | 23.32 | 88 | 23.47 |
| 5,001 - 10,000 | 701,002 | 1.41 | 96 | 24.87 | 93 | 24.80 |
| 10,001 - 50,000 | 2,756,943 | 5.56 | 135 | 34.97 | 129 | 34.40 |
| 50,001 - 500,000 | 6,975,246 | 14.06 | 48 | 12.44 | 48 | 12.80 |
| 500,001 and above | 38,896,049 | 78.39 | 17 | 4.40 | 17 | 4.53 |
| Total | 49,619,435 | 100.00 | 386 | 100.00 | 375 | 100.00 |

1.6.2 PAXJI

| Size of holding | No. of units held | | Unitholders | | | |
|-------------------|-------------------|--------|-----------------|--------|--------------------|--------|
| | ('000) | % | No. of Accounts | % | No. of Unitholders | % |
| 5,000 and below | 422,988 | 2.01 | 126 | 21.73 | 123 | 21.50 |
| 5,001 - 10,000 | 1,069,862 | 5.09 | 150 | 25.86 | 148 | 25.88 |
| 10,001 - 50,000 | 5,290,966 | 25.19 | 271 | 46.72 | 270 | 47.20 |
| 50,001 - 500,000 | 3,317,678 | 15.80 | 29 | 5.00 | 27 | 4.72 |
| 500,001 and above | 10,902,400 | 51.91 | 4 | 0.69 | 4 | 0.70 |
| Total | 21,003,894 | 100.00 | 580 | 100.00 | 572 | 100.00 |

Fund Performance

2 FUND PERFORMANCE

2.1 Pheim Asia Ex-Japan Fund

2.1.1 Portfolio composition

| | FYE 31.12.2010 (%) | FYE 31.12.2009 (%) | FYE 31.12.2008 (%) |
|---------------------------------|--------------------------|--------------------------|--------------------------|
| Industry Sector | (Percentage of NAV) | (Percentage of NAV) | (Percentage of NAV) |
| Construction | 4.81 | 4.18 | 4.18 |
| Consumer Products | 6.57 | 5.27 | 5.85 |
| Diversified | 1.58 | 3.06 | - |
| Energy and Water Supply | - | - | 2.00 |
| Electronics | - | 1.94 | - |
| Finance | 11.78 | 18.98 | 12.35 |
| Hotels | 0.34 | 0.42 | 0.45 |
| Industrial Products | 13.31 | 8.35 | 14.14 |
| Infrastructure | - | 2.57 | - |
| Manufacturing | - | 2.47 | 5.61 |
| Mining | 8.64 | 11.75 | 8.62 |
| Oil & Gas related | 3.58 | 1.02 | 1.82 |
| Pharmaceutical | 0.84 | - | 2.68 |
| Plantations | 14.62 | 8.84 | 5.57 |
| Properties | 0.36 | 8.79 | 7.77 |
| Retail | - | - | 1.16 |
| Technology | 10.47 | 10.75 | 0.60 |
| Telecommunications | 1.71 | 2.70 | 2.38 |
| Trading / Services | 2.06 | 4.25 | 4.76 |
| Transportation | - | - | 2.54 |
| Preference shares | - | - | 1.41 |
| Unquoted/Quoted Corporate Bonds | 0.67 | - | 1.38 |
| Cash and cash equivalents | 18.66 | 4.66 | 14.73 |
| Total | 100.00 | 100.00 | 100.00 |

Fund Performance

PAXJ

2.1.2 Other financial and performance data

| | FYE 31.12.2010 | FYE 31.12.2009 | FYE 31.12.2008 |
|--|-------------------|--------------------------|--------------------------|
| Net asset value (RM'000) | 45,935.36 | 44,524.91 | 22,627.83 |
| Units in circulation ('000) | 49,619.44 | 50,965.47 | 41,624.94 |
| Net asset value per unit (RM) | 0.9258 | 0.8736 | 0.5436 |
| NAV/ unit (RM) – ex-distribution | | | |
| NAV/ unit | 0.9258 | 0.8736 | 0.5436 |
| Highest NAV/ unit for the period | | | |
| NAV/ unit | 0.9603 | 0.9367 | 1.1391 |
| Lowest NAV/ unit for the period | | | |
| NAV/ unit | 0.8015 | 0.5059 | 0.5364 |
| Total returns for the period (RM'000) | | | |
| Capital growth | 654.76 | 12,634.54 | (16,237.24) |
| Income distribution | 759.60 | 4,906.60 | (3,844.75) |
| Income Distribution (Final) | n.a. | On 17.12.2009 | On 12.12.2008 |
| Gross distribution per unit (sen) | - | 6.05 | 6.03 |
| Net distribution per unit (sen) | - | 6.05 | 6.00 |
| Management expense ratio (MER) (%) | 1.82 | 1.66 | 1.76 |
| Portfolio turnover ratio (PTR) (time) | 1.22 | 1.35 | 0.93 |

Note:

- i) *MER is calculated based on total fees and expenses incurred by the fund divided by average value of the fund calculated on a daily basis. The MER for the year increased mainly due to the higher expenses incurred for the year.*
- ii) *PTR is calculated based on the average of the acquisitions and disposals of investments of the fund to the average value of the fund calculated on a daily basis. The lower PTR for the year was mainly due to the higher averaged NAV for the year.*

Fund Performance

PAXJ

2.1.3 Average total return ended 31 December 2010

| | (%) |
|-----------------|------|
| One Year | +6.0 |
| Three Years | -1.2 |
| Since inception | +5.1 |

2.1.4 Annual total return for each of the last five financial years

| Financial year ended 31 December : | (%) |
|---|--------|
| 2010 | +6.0 |
| 2009 | +72.0 |
| 2008 | - 47.0 |
| 2007 | +14.5 |
| 2006 (since inception, from end of the offer period 20/07/06) | +12.8 |

Note : *All returns above are calculated based on NAV per unit adjusted for income distribution*

Data source : *Bloomberg*

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

Fund Performance

2.2 Pheim Asia Ex-Japan Islamic Fund

2.2.1 Portfolio composition

| Industry Sector | FYE 31.12.2010 (%) (Percentage of NAV) | FYE 31.12.2009 (%) (Percentage of NAV) | FYE 31.12.2008 (%) (Percentage of NAV) |
|---------------------------|--|--|--|
| Construction | 12.06 | 10.65 | 10.37 |
| Consumer Products | 5.11 | 8.93 | 4.91 |
| Diversified | - | 3.06 | - |
| Electronics | - | 3.66 | - |
| Energy | 4.56 | - | - |
| Engineering | - | 0.70 | 0.93 |
| Industrial Products | 20.94 | 19.93 | 23.35 |
| Infrastructure | - | - | 4.18 |
| Machinery-Farm | 1.45 | 1.25 | 0.72 |
| Manufacturing | - | - | 4.03 |
| Mining | 4.26 | 12.27 | 9.71 |
| Oil & Gas related | 5.60 | - | 5.64 |
| Pharmacy and Cosmetics | - | - | 3.16 |
| Plantations | 18.46 | 7.74 | 7.90 |
| Properties | 0.98 | 1.97 | 3.54 |
| Retail | - | - | 1.31 |
| Technology | 8.85 | 11.22 | 2.48 |
| Telecommunications | 5.01 | 7.51 | 5.62 |
| Trading / Services | 3.41 | 3.70 | 1.91 |
| Cash and cash equivalents | 9.31 | 7.41 | 10.24 |
| Total | 100.00 | 100.00 | 100.00 |

Fund Performance

PAXJI

2.2.2 Other financial and performance data

| | FYE 31.12.2010 | FYE 31.12.2009 | FYE 31.12.2008 |
|--|-------------------|--------------------------|--------------------------|
| Net asset value (RM'000) | 17,843.58 | 23,601.62 | 16,367.38 |
| Units in circulation ('000) | 21,003.89 | 29,592.03 | 29,539.45 |
| Net asset value per unit (RM) | 0.8495 | 0.7976 | 0.5541 |
| NAV/ unit (RM) – ex-distribution | | | |
| NAV/ unit | 0.8495 | 0.7976 | 0.5541 |
| Highest NAV/ unit for the period | | | |
| NAV/ unit | 0.8577 | 0.8735 | 1.0498 |
| Lowest NAV/ unit for the period | | | |
| NAV/ unit | 0.7331 | 0.5171 | 0.5437 |
| Total returns for the period (RM'000) | | | |
| Capital growth | (161.34) | 6,175.48 | (12,252.33) |
| Income distribution | (134.08) | 2,538.78 | (261.12) |
| Income Distribution (Final) | n.a. | On 17.12.2009 | On 12.12.2008 |
| Gross distribution per unit (sen) | - | 6.07 | 6.07 |
| Net distribution per unit (sen) | - | 6.05 | 6.00 |
| Management expense ratio (MER) (%) | 2.00 | 1.70 | 1.83 |
| Portfolio turnover ratio (PTR) (time) | 1.22 | 0.99 | 0.65 |

Note:

- i) *MER is calculated based on total fees and expenses incurred by the fund divided by average value of the fund calculated on a daily basis. The MER for the year increased mainly due to the lower averaged NAV for the year.*
- ii) *PTR is calculated based on the average of the acquisitions and disposals of investments of the fund to the average value of the fund calculated on a daily basis. The increase in PTR for the year was mainly due to the lower averaged NAV for the year.*

Fund Performance

PAXJI

2.2.3 Average total return ended 31 December 2010

| | (%) |
|-----------------|------|
| One Year | +6.5 |
| Three Years | -1.3 |
| Since inception | +3.0 |

2.2.4 Annual total return for each of the last five financial years

| Financial year ended 31 December : | (%) |
|---|-------|
| 2010 | +6.5 |
| 2009 | +55.1 |
| 2008 | -41.8 |
| 2007 (since inception, from the end of the offer period 21/11/06) | +17.5 |

Note : *All returns above are calculated based on NAV per unit adjusted for income distribution*

Data source : *Bloomberg*

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

Manager's Report

3 MANAGER'S REPORT

3.1 Performance Review

3.1.1 PAXJ

For the year ended 31 December 2010, PAXJ, based on its net asset value (NAV) per unit, increased by 6.0%, under-performed the benchmark marginally by 1.0%. However, comparing against the MSCI Asia Ex-Japan Index return (in MYR) of +5.0%, the Fund out-performed by 1.0%. In the second half of 2010, PAXJ out-performed the benchmark by 9.7% as the equity market rose. The total NAV stood at approximately RM45.9 million as at 31 December 2010. The total NAV increased from approximately RM44.5 million to RM45.9 million during the year mainly due to appreciation in value of investments.

The Fund did not make any income distribution or unit split during the year. The Fund remains consistent with the aim to provide capital appreciation over a longer term period.

Performance table since the last review period (6 months):

| Benchmark/ Fund | As at 31.12.2010 | As at 30.06.2010 | Change % |
|--------------------------|---------------------|---------------------|-------------|
| 7% per annum (pro-rated) | - | - | +3.5 |
| NAV per unit (RM) | 0.9258 | 0.8178 | +13.2 |

Performance table for financial year 2010 (1 year):

| Benchmark/ Fund | As at 31.12.2010 | As at 31.12.2009 | Change % |
|--------------------------|---------------------|---------------------|-------------|
| 7% per annum (pro-rated) | - | - | +7.0 |
| NAV per unit (RM) | 0.9258 | 0.8736 | +6.0 |

3.1.2 PAXJI

For the year ended 31 December 2010, PAXJI, based on its net asset value (NAV) per unit, increased by 6.5%, under-performed the benchmark slightly by 0.5%. However, comparing against the MSCI Asia Ex-Japan Index return (in MYR) of +5.0%, the Fund out-performed by 1.5%. In the second half of 2010, PAXJI out-performed the benchmark by 9.0% as the equity market rose. The total NAV stood at approximately RM17.8 million as at 31 December 2010. The total NAV decreased from approximately RM23.6 million to RM17.8 million during the year mainly due to decrease in units in circulation.

The Fund did not make any income distribution or unit split during the year. The Fund remains consistent with the aim to provide capital appreciation over a longer term period.

Manager's Report

3.1.2 PAXJI (contd.)

Performance table since the last review period (6 months):

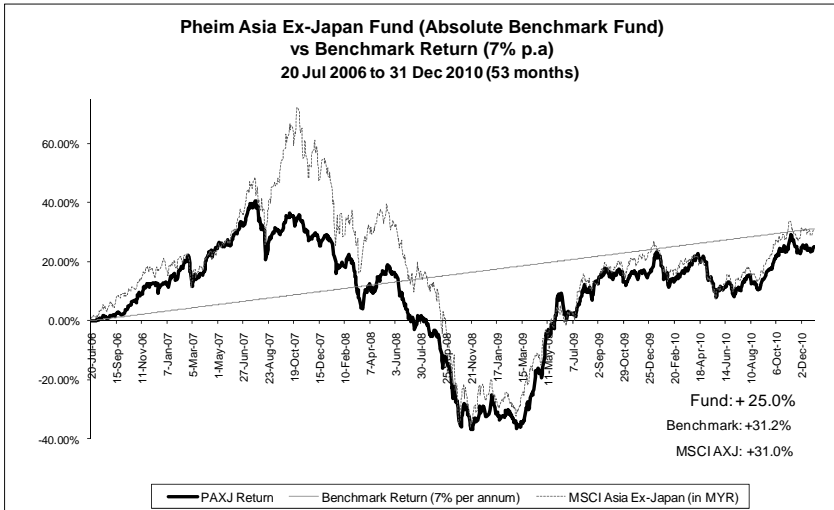
| Benchmark/ Fund | As at 31.12.2010 | As at 30.06.2010 | Change % |
|--------------------------|------------------|------------------|----------|
| 7% per annum (pro-rated) | - | - | +3.5 |
| NAV per unit (RM) | 0.8495 | 0.7554 | +12.5 |

Performance table for financial year 2010 (1 year):

| Benchmark/ Fund | As at 31.12.2010 | As at 31.12.2009 | Change % |
|--------------------------|------------------|------------------|----------|
| 7% per annum (pro-rated) | - | - | +7.0 |
| NAV per unit (RM) | 0.8495 | 0.7976 | +6.5 |

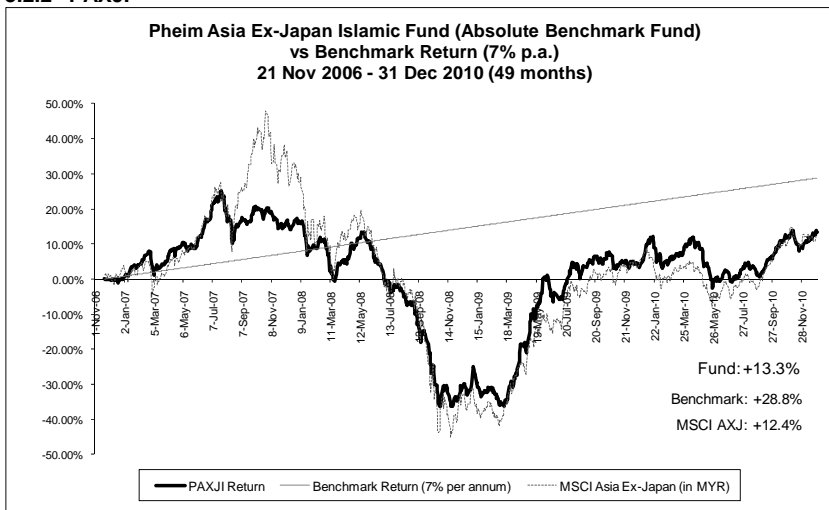
3.2 Performance Chart Since Inception

3.2.1 PAXJ



Manager's Report

3.2.2 PAXJI



Note: The data source for all the above performance returns is Bloomberg.

3.3 Changes in Asset Allocation since the last review (in percentage)

3.3.1 PAXJ

| Asset Class | As at 31.12.2010 | As at 31.12.2009 | Change |
|--------------------------------------|------------------|------------------|--------|
| Equity Securities – outside Malaysia | 62.64 | 90.97 | -28.33 |
| Equity Securities – in Malaysia | 18.03 | 4.37 | +13.66 |
| Corporate Bonds | 0.67 | - | +0.67 |
| Cash and cash equivalent | 18.66 | 4.66 | +14.00 |
| Total | 100.00 | 100.00 | |

3.3.2 PAXJI

| Asset Class | As at 31.12.2010 | As at 31.12.2009 | Change |
|--|------------------|------------------|--------|
| Shariah-compliant equity securities – outside Malaysia | 52.47 | 61.92 | -9.45 |
| Shariah-compliant equity securities – in Malaysia | 38.22 | 30.67 | +7.55 |
| Cash and cash equivalent | 9.31 | 7.41 | +1.90 |
| Total | 100.00 | 100.00 | |

Manager's Report

3.4 Funds' Strategies and Policies Employed

3.4.1 PAXJ

During the year, the total equity exposure reduced to 80.7% from 95.3%. For the year, the total equity exposure decreased by 14.7% as the Fund took the opportunity to take profit and reduce exposure. As at 31 December 2010, PAXJ's total equity exposure was 80.7% whereby 62.6% was invested in foreign equities and the remaining in domestic equities.

During the year, the PAXJ has invested in foreign equities listed in Hong Kong/ China, Singapore, Indonesia, Taiwan, Philippines, Thailand and Korea. The Fund's bond investment as at 31 December 2010 stood at 0.7%.

For the year ended 31 December 2010, PAXJ recorded the following gains or losses in the various markets invested.

| Market | Net realised and unrealised gain/ (loss) RM'000 |
|-------------|--|
| Malaysia | (104) |
| Indonesia | 2,056 |
| Korea | 192 |
| Philippines | 576 |
| Thailand | 260 |
| Singapore | (1,553) |
| Hong Kong | (970) |
| Taiwan | (9) |

3.4.2 PAXJI

During the year, the total Shariah-compliant equity exposure almost unchanged at above 90%. As at 31 December 2010, PAXJI's total Shariah-compliant equity exposure was 90.7% whereby 52.5% was invested in Shariah-compliant foreign equities and the remaining in domestic Shariah-compliant equities. During the year, the Fund took profit as equity market rose, while became a net buyer in Malaysia

During the period, the PAXJI has invested in Shariah-compliant foreign equities listed in Hong Kong/ China, Singapore, Indonesia, Taiwan, Philippines, Korea and Thailand. The Fund had not invested in any sukuk. We will invest only in sukuk that met our credit and maturity profile.

Manager's Report

3.4.2 PAXJI (contd.)

For the year ended 31 December 2010, PAXJI recorded the following gains or losses in the various markets invested.

| Market | Net realised and unrealised gain/ (loss) RM'000 |
|-------------|--|
| Malaysia | (868) |
| Indonesia | 493 |
| Korea | 12 |
| Philippines | (469) |
| Thailand | (67) |
| Singapore | (1,672) |
| Hong Kong | (805) |
| Taiwan | (255) |

3.5 Market Review, Outlook and Strategy

3.5.1 Malaysian Bond Market

3.5.1.1 Bond Market Review

Global financial markets started to show signs of stabilizing by early 2010, which prompted Bank Negara Malaysia policymakers to signal to market players a likelihood of near term interest rate hikes. This resulted in net selling activities along the domestic bond market as bond investors priced in outlook for rising interest rates. Indeed, Bank Negara started to raise the OPR starting with a hike of 25bps to 2.25% at the March 2010 MPC followed by a 25bps hike in May MPC to 2.50% and a final one at the July MPC by another 25bps hike to 2.75%.

However, by the middle of the year, despite the policy rate hikes, MGS yields were pressured downwards led by foreign buying interest, due to the outlook for the Ringgit's appreciation. This was largely owed to firm domestic economic fundamentals as well as anticipation China will revalue the Renminbi upwards as the Ringgit is seen as a close proxy to the Renminbi.

The lack of supply concerns also contributed to the sustained interest along the government bond market throughout the year. Total government offerings came up to only RM58.1 billion versus RM88.5 billion in 2009 as the fiscal deficit was projected at a lower 5.6% of GDP in 2010 (2009: 7.4%). Offerings in the Corporate Bond space started off slowly in 1Q10, but soon picked up in late in the same quarter as economic and credit outlook improved. The pace quickened alongside the recovery in economic and business conditions, whilst issuers hurried to offer new bonds ahead of the rising interest rate environment. However, due partly to the slow start, total PDS issues in 2010 fell to about RM40.2 billion during the period January to mid-December 2010, versus RM52.4 billion in the whole of 2009.

Manager's Report

3.5.1.2 Bond Market Outlook and Strategy

Given the moderate growth prospects and inflation, we expect interest rates to rise slightly in 2011. The current stance of the Bank Negara remains to further normalize domestic interest rates to keep up with slowly improving growth outlook. When the economy starts to gain firmer momentum eventually, we anticipate the central bank to resume the interest rate normalization pace starting from 2nd half of 2011. A bumper year is expected for the Ringgit government bond supply in 2011. Amidst a targeted lower fiscal deficit of 5.4% of GDP (RM45.5 billion) and adding on massive debt maturities amounting to RM45.0 billion, funding requirements could hit RM90.5 billion in the coming year (2010: RM58.1 billion). We also expect the pace of new Corporate Bond offerings to keep firm pace well into 2011, continuing on from the pace of offerings since the concluding months of 2010.

3.5.2 Stock Markets Review

3.5.2.1 Malaysia Market – Bursa Malaysia Securities

After an uninspiring and volatile 1H, the local bourse gathered momentum and performed relatively well in the 2H. The bellwether index, FBM KLCI, rose by 3.8% in the 1Q, consolidated and eased marginally by 0.5% in the 2Q before surging by 11.4% in the 3Q. This was largely on account of the influx of short-term capital to emerging markets, which was reinforced by the country's improved economic fundamentals and an appreciating currency. While a fresh round of quantitative easing in the US and sustained inflows of short-term capital continued to shore up the performance of the local bourse in the 4Q, the FBM KLCI benchmark only inched up 3.79% in 4Q.

In the 1H, the local market was characterised by bouts of volatility. The first major downshift occurred after 21 January 2010 when the FBM KLCI benchmark fell by 5.7% to a low of 1,233.86 on 9 February before the market resumed its uptrend. The second major downshift occurred from 13 May when the FBM KLCI benchmark lost 97.98 points or 7.3% to a low of 1,248.94 on 26 May before confidence was restored and the market rebounded. The local bourse, however, bounced back subsequently on stronger-than-expected 2Q GDP growth of 8.9% yoy for the Malaysian economy. This was further aided by the Central Bank announcing further liberalisation in the country's foreign exchange rules that boosted the Ringgit. Expectations of further strengthening of the Ringgit in turn attracted more foreign capital inflows into the country, which had already started flooding the emerging markets since June. The FBM KLCI surpassed the 1,400-mark on 23 August and continued to trend up and reached an all-time high of 1,528.01 on 10 November. This strong uptrend was mainly underpinned by expectations of further quantitative easing by the G3 countries, which in turn led to continuous inflows of short-term capital into emerging Asia in search for better returns.

Subsequently, the market went into a correction mode as concerns over credit tightening measures in China and euro-debt fears in Ireland returned to haunt investors. This was reinforced by surging commodity prices and concerns of rising inflation, particularly in China, and further policy tightening in emerging economies. As geopolitical risks in the Korean Peninsula emerged following North Korea's artillery attack on a South Korean island, the local bourse continued to trend lower, and this was made worse by fears of the

Manager's Report

Ireland debt crisis spreading to Portugal and Spain. The FBM KLCI corrected and fell to a low of 1,485 points on 30 November before bouncing back on account of improved economic data in the US and China, and as Ireland finally agreed to seek a bailout from the EU and IMF. The FBM KLCI closed at 1,518.91 on 31 December.

3.5.2.2 Singapore Market - Singapore Exchange (SGX)

FSSTI's return in 2010 was more muted, up 10.1% yoy, after a whopping 64.49% gain in 2009. In fact, it underperformed the regional index such as MSCI Asia Pac ex-Japan index by about 3%.

Singapore's GDP growth was 18.8% yoy in 1H2010, much stronger than expected. The Ministry of Trade and Industry has tripled its 2010 growth forecast from 4.5 – 6.5% at the start of 2010 to about 15%. At such rates, Singapore will lead the world with the strongest economic rebound in 2010. Strong gains in the goods-producing and service-producing sectors underpin this improvement.

On the back of strong GDP growth, inflation has crept up from 0.2% yoy in the early 1Q2010 to 3.8% in 4Q2010, driven mainly by higher accommodation and private transportation prices. The MAS has cautioned that inflation may exceed 4% yoy before moderating to around 2% in 2H2011. To curb inflation, the Monetary Authority of Singapore (MAS) announced in October that it will maintain its policy of modest and gradual increase in SGD NEER. Moreover, the MAS also "lightly" increased the slope of the policy band and widened the policy band due to volatility across international financial markets.

As mentioned earlier, one of the main factors for rising inflation is housing prices. In response to that, the government, on 30 Aug 2010, announced additional measures to maintain a stable housing market with: (1) Extension of seller's stamp duty (SSD) from 1 to 3 years, (2) increase in the minimum cash payment from 5% to 10% of the valuation limit for buyers with second home loan, (3) reduction in the maximum loan-to-value (LTV) limit from 80% to 70% for buyers with second home loan, (4) extension of minimum occupancy period for HDB flats from 3 to 5 years, and (5) disallowed concurrent ownership of private housing and HDB flat.

2010 was an eventful year for Singapore. Perhaps the most notable one was the opening of two integrated resorts. The inaugural Youth Olympics Games was also hosted in Singapore, as well as the annual F1 race event. YTD, 8.6mn tourists have entered the country, up 21.8% yoy, with 6.5mn visitors or 75.9% arriving by air. By end-2011, Gardens By The Bay, the new International Cruise Terminal at Marina South and Resorts World Sentosa's Marine Life Park will open and add to Singapore's tourism diversity.

3.5.2.3 Hong Kong/ China Market – Hong Kong Exchanges (HKEx)

China equities ended the year with the HSCEI Index falling 0.8% and the HSCCI Index gaining 2.7%. The RMB appreciated 3.37% against the US\$ to close the year at RMB6.6070/US\$.

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The market performance for China equities in 2010 was disappointing, considering China supported global growth by boosting domestic consumer demand at the time when US and Europe were falling very short. The broader market basically ended the year flat and underperformed most of the Asia-ex Japan peers in 2010. Only China domestic A-share market fared worse, with the Shanghai Composite index falling 14.3% for the year, in local currency terms.

The market was weak in 1H10 as concerns over Chinese monetary tightening took hold in January following the first of seven RRR hikes for the year. In April, the government announced aggressive property measures to control asset inflation. That, together with the European sovereign debt concerns, took the market down again in 2Q10. A more sustainable rally took hold in September with the expectations of QE2 and EU pulling together bailout packages for Greece and Ireland. By the last quarter, inflation concerns resurfaced and the market de-rated on tightening fears.

CPI readings of 3.6% in September, 4.4% in October and 5.1% in November were higher than market expectations. Upward pressure from higher food prices, international commodity prices, labour cost and pending reforms in oil, gas, electricity and water pricing, have raised inflation expectations. In the last quarter, PBOC raised interest rate twice, each time 25bps and RRR was hiked four times, each time 50bps. The two interest rate hikes were also the first time interest rates have been raised since the financial crisis, setting the stage for an interest rate upcycle. More hikes in interest rates and RRR are expected in 2011.

The 12th FYP (to run from 2011 to 2015) has goals of maintaining stable and fast growth, adjusting the economic structure and raising household income. The government also unveiled an ambitious plan to nurture seven emerging industries over the next five years to aggressively upgrade the country's manufacturing sectors. These industries include alternative energy, biotechnology, next generation IT, advanced equipment manufacturing, energy conservation, environmental protection technology, new materials and new energy automobiles. The government will provide direct funding to these projects and provide favourable policies in taxation, government procurement and corporate R&D.

Hong Kong equities rose 5.3% in 2010, as measured by the Hang Seng Index in local currency terms. The Hang Seng index outperformed both the offshore and domestic A-share Chinese equities, as measured by HSCEI index, HSCCI index and SHCOMP index. However, in comparison to most of the other Asia ex-Japan peers, Hong Kong equities underperformed. Small and mid-caps continued to run in 2010 and Macau gaming stocks are clear standouts in performance.

Linkages to China greatly benefited Hong Kong's economy, except for surging home prices, which is a concern for the government. The Hong Kong authorities recently stepped up efforts to cool the red-hot housing market. The impact of these measures was immediate with transactions drying up but within weeks, transaction volume starts to recover again as liquidity remains abundant, interest rates low, supply tight and demand from affluent mainland Chinese buyers remain strong. As long as US growth stays weak and Fed remains stimulative, Hong Kong's asset markets in general, and the housing sector in particular, will move higher.

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A pilot program allowing RMB-backed foreign trade settlements have been expanded nationwide since mid-2010. Over the past few months, RMB settlement of cross-border trade has increased exponentially, although it still accounts for a small fraction of China's overall external trade. RMB deposits have also surged, reaching RMB280bn at the end of November. Hong Kong's status as an offshore centre for the RMB has been further enhanced.

3.5.2.4 Indonesia Market – Jakarta Stock Exchange (JSE)

After rising 86.98% in 2009, the JCI turned in another strong year with 46.13% in 2010, making it one of the best performing markets in the region. The strong performance was driven by the 24 – 27% yoy earnings growth this year, which beat analysts' estimations of 15% by big margin. Consumer Staples, Miscellaneous Industry (which includes discretionary major Astra International) and Trading (which includes retailers) were the best performing sectors in 2010, each outperforming the JCI composite by over 10%.

Inflation crept up from 3.72% in January 2010 to 6.69% in December as global food supply constraints pushed up inflation after Hari Raya. Despite higher inflation numbers, BI has chosen to maintain its benchmark interest rates constant at 6.5% for the year as core inflation still hovers around 4% (BI has a "comfortable" level of 5% or less). Instead, it opted to manage liquidity by increasing the RRR to 8%. Apart from that, BI also required minimum holding period of one month on SBI and allow Rupiah to appreciate gradually to stem inflow/liquidity driven inflation. Such monetary policies led to worries of capital control, but the central bank denied such possibilities on several occasions.

Moody's, S&P and Fitch raised Indonesia's sovereign rating several times in 2010. Moody's and S&P place Indonesia two notches below investment grade, while Fitch already places Indonesia a notch away from investment grade. JCI of Japan has upgraded Indonesia to investment grade with a second Japanese rating agency said to be on the way. An investment grade should lower cost of debt further as well as open the country to investors who may be precluded from investing in non-investment-grade countries. Equity risk premium should also come down, leading to upgrades in valuation.

3.5.2.5 Thailand Market – Stock Exchange of Thailand (SET)

The SET gained 40.6% to close the year at 1,033 points, above the 1,000 points psychological barrier. The Thai baht appreciated 11.0% to quote THB 30.06 against the dollar. In US\$ terms, the SET is the best performer in 2010, amongst the Asia ex Japan equity markets we cover. The index's strong performance was underpinned by foreign inflow that was in excess of 70% higher than the level in year 2009. Among the index heavy weights, Thai Airways (+165.4%), CP Foods (+127.7%), and PTT Chemical (+104.5%) outperformed, while Land and Houses (+6.4%) and Bank of Ayudhya (+16.5%) were the main underperformers.

In the first half, investor sentiment drifted with global concerns over the European sovereign debt crisis, austerity measures, China wage hikes, domestic and regional liquidity tightening measures. The riots in Bangkok further depressed investor sentiment. However, as investors, particularly domestic investors, woke up to the idea that

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Thailand's economy had emerged relatively unscathed from the riots and regional issues, they piled on positions as the SET began its ascension. Thailand's 3Q10 GDP grew 6.7% yoy. The state planning agency revised its 2010 growth forecast to 7.9% from a range of 7 – 7.5%, and expects Thailand to grow 3.5 – 4.5% in 2011. Foreign investors who exited as the riots broke, joined in the chase during the last third of the year, and brought the index above 1,000 points, a level last seen in the last quarter of year 1996.

The Bank of Thailand (BoT) raised policy by 75 bps to 2.0% in year 2010, citing normalization of interest rates is necessary to prevent an asset bubble and accelerating input costs. The BoT and Finance Ministry joined hands to manage Thai baht appreciation in Q4 2010, allowing exporters to settle payment for goods and services with local companies in foreign currency and relaxing the minimum requirement for submission of foreign exchange transaction form from US\$ 20k to US\$ 50k. The long-standing 15% withholding waiver on the interest payments and capital gains earned by foreign investors on Thai bonds was reinstated.

3.5.2.6 Taiwan Stock Market – Taiwan Stock Exchange (TSE)

The Taiex gained 9.6% in 2010 to close at 8,973 points, reaching a two-year high. Most sectors generated a positive return, led by department stores (+52.5%), transportation (+47.8%) and autos (+45.9%). Cement (-2.2%), electronics (-0.0%) and steel (+1.6%) underperformed during the year. The New Taiwan dollar appreciated 9.2% to quote NT\$ 29.30 against the US dollar.

The first half of 2010 was range bound with negative bias of 15%, Investor sentiment drifted with global concerns over the European sovereign debt crisis, austerity measures, China wage hikes, domestic and regional liquidity tightening measures. However, as the year passed, these concerns did not seem to drag down Asian economies too drastically, as evidenced by resilient economic numbers. Taiwan's 3Q10 GDP grew 9.8% yoy, above consensus 8.3% yoy whilst decelerating from 12.9% yoy in 2Q10. Investors regained confidence in the last third of the year, with strong net purchases by foreigners. Investors also warmed up to the ECFA as its details evolved in the second half of 2010, overcoming the disbelief at its lack of details when it was first signed on 9th June.

The central bank raised discount rates by 12.5 bps each in the June, September and December quarterly meetings to 1.625%, pre-empting inflationary pressures. The central bank further emphasized on measures to cool the property market as well as manage currency appreciation as fund flows (especially foreign funds) chased up prices. Some measures include barring foreign institutional investors from using the New Taiwan dollar as stock borrow margin, capping home loans in the Taipei area to 70% of collateral and barring extensions on principal repayment.

The Taiwanese economy should continue to grow at trend rate in 2011, albeit slower compared to 2010. Economic data should become less lumpy and growth rates normalize in year 2011, providing a clearer picture for analysis of the economy's medium term trend. ECFA's benefits should also accrue in year 2011, making China's well being more important to Taiwan. The mainland (including Hong Kong) already accounts for more than 40% of Taiwan's exports.

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3.5.2.7 Philippine Market – The Philippines Stock Exchange (PSE)

The PCOMP registered a 37% gain on local currency terms from 3,053 points to 4,201 points with the Peso registering a 5.4% gain against the US dollar from P46.16 to P43.8. The market increased moderately in the 1st and 2nd quarter of the year at a 3.5% and 6.67% gain. However, PCOMP rallied by 21% in the 3rd quarter, outperforming the regional markets due to high foreign inflows as President Benigno Aquino III became the new president of Philippines. The market trended slightly higher by another 3.5% in 4th quarter, underperforming the regional markets as it was bogged down by massive capital-raising. Outperforming sectors include the following: cement/construction at 141%, banks at 70%, property at 62%.

The CPI number for the year surprised the market on the downside as it was on a downtrend from 4.3% in January to 3% in December, after it hit the low of 2.8% in October, well below the central bank's target of 3.5% - 5.5%. Hence, there were no incentives for central bank to increase its interest rate at 4%. The 10-year government bond yield reduced by 183bps in the second half of the year from a yield of 7.93% to 6.1% due to high foreign inflows and S&P upgrade of Philippines sovereign rating from BB- to BB. The 365-days T-bill yield was also reduced by 179bps in the month of November from a yield of 4.17% to 2.38%. Liquidity was ample, and was contributed by overseas foreign workers remittances at an increase of 9.3% yoy in October to reach US\$15.5bn from the beginning of the year until October. Net foreign inflow for the first 11 months of the year was strong at US\$4.18bn, almost 10x increase compared to US\$431mn inflow in the same period last year.

President Benigno Aquino III was sworn in as the 15th president of Philippines and succeeded Gloria Macapagal-Arroyo on 30 June 2010. Business and consumer confidence was high after the election as the president was expected to reduce corruption and he had appointed various technocrats and business leaders as his cabinet secretaries. Since then, the government targeted to roll out US\$7.1bn worth of Private Public Partnership projects in the next 5 years to build highways, railways and airports with US\$3.3bn up for grabs in 2011.

The government's fiscal condition in November turned to a surplus of P0.5bn as oppose to an average budget deficit of P31.7bn in the past and a P10bn of fiscal deficit in October. In this sense, the government is on track to meet its fiscal target of P325bn in deficit as the fiscal deficit for the first 11 months was P270bn.

3.5.2.8 Korea Market – Korean Stock Exchanges (KSE)

The KOSPI Index in local currency terms rose 21.9% for the year while the Korean Won appreciated 3.37% to close at W1,126.0/US\$.

For most part of the year, KOSPI a proxy for cyclical growth, tracks macro driven newsflow and Asia ex-Japan index closely. While the broader market is on an uptrend, performance among sectors varied widely. Transport Equipment (auto and shipbuilding), Chemicals, Transport and Storage (airlines and shipping) have led the market higher. Major laggards are pharmaceuticals, life insurance and steel.

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Economic recovery in 2010 was driven largely by strong rebound in exports, low interest-rate environment and a weak won. The recovery was relatively imbalanced, with the export-facing manufacturing sector faring better than the domestic economy. China takes about 30% of Korea's exports, so China's recovery has been a key factor for Korean exporters. On domestic demand, consumption was resilient from strengthened balance sheet and wage growth but construction was sluggish. Home prices have been struggling and the government has eased regulations to improve mortgage availability as well as delaying planned supply of public housing. The economy will slow down in 2011 as most of the positive factors (strong exports, low interest rate, weak won etc) will fade in coming months. The economy will return to trend growth (about 4-5%), and to being more balanced between exports and domestic demand than in 2010.

KRW will likely strengthen, notwithstanding more macro measures on short-term capital inflows, but it will remain competitive. While inflation has been rising, with CPI reaching 3.5% in December and 3.3% in November, the Bank of Korea has been slow to act. Being more reactive than pre-emptive, rate hikes are likely to come only after higher CPI readings. The policy rate was left unchanged at 2.50% at its December meeting.

North Korean risks are hard to predict and need to be followed closely. Recent skirmish in the Yellow Sea points to an escalation of tensions and a reminder that uncertainty on this front cannot be totally discounted.

3.5.3 Market Outlook and Strategy

We expect Asian markets to grind higher as the global recovery broadens out from Asia to the US. Although the Eurozone is still struggling with its fiscal and banking problems, a sovereign default will be unlikely this year as the European Central Bank is likely to continue with its approach of providing liquidity to the European banking system (although solvency issues should return in 2012). Hence, barring any major events, in this third year of recovery, fund performance is likely to be driven by stock and sector picks.

In our view, this is a year to be selective and cautious. The market is likely to move in fits and starts with central banks responding to the inflow of hot money and inflation via various policy measures and tools—including soft capital controls, higher policy rates, and tighter reserve requirement for banks—given the following investment environment. First, valuations are high in Asia, especially in the ASEAN markets. On trailing P/B multiples, Malaysia, Indonesia and the Philippines are already trading at multiples that are 1-standard deviation above their 10-year mean. While these markets could trade at elevated levels for a number of months, they invariably come down when earnings momentum and expectations are not sustained.

Second, the expansion in P/E and P/B multiples that Asian markets have witnessed in the last two years has been driven by liquidity. For markets to continue seeing an expansion in P/E multiples this year, inflows into the region must continue at a steady clip, perhaps around US\$20bn or more. According to EPFR Global, a consultancy which tracks fund flows, Asia ex-Japan funds registered an inflow of US\$21.5bn in 2010 versus US\$26.4bn in 2009. During the global financial crisis in 2008, fund outflows were US\$25.3bn. During 2006 and 2007, Asia ex-Japan funds registered inflows of US\$20.7bn and US\$20.5bn,

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respectively. With elevated valuations and global growth broadening out to the US, fund inflows into Asia ex-Japan funds may not be as strong in 2011 as it was in 2010, especially if the US economic recovery translates into US\$ strength against Asian currencies. Hence, in our view, it is unlikely that 2011 fund inflows will be of the same magnitude seen in 2009 and 2010.

Third, given the ample liquidity in the Asian financial system, central banks around the region have started to clamp down on both rising asset prices and consumer prices by the following actions: (i) imposing loan-to-value limits on lending by the banking system to the housing sector; (ii) raising reserve requirement ratios of the banking system (Indonesia, China); (iii) raising interest rates; and (iv) strengthening of their currencies gradually to contain imported inflation, in particular, food or soft commodities. More draconian policies may follow in 2011 if the current policies are not successful in sterilising the inflow of liquidity into the respective domestic financial systems.

Despite the above mentioned concerns, we are not overly worried that markets will take a sharp drop. With the exception of inflation, economic conditions are still sufficiently benign and industrial activity is still expanding. The manufacturing PMIs for December improved in Taiwan and Korea and stayed above 50 in India, China and Singapore. Korea's December PMI of 53.89 points (vs. 50.23 in November), was the highest level since May 2010. With the bottoming and an expected recovery in the US economy this year, industrial activity should gain traction in coming months. If anything, the global economic recovery remains intact but will experience a mid-cycle slowdown.

Against this backdrop, we remain selective. On valuations, we like countries like Korea, Taiwan, and China, and would be more selective in Malaysia, Indonesia and the Philippines. More specifically, in Korea, we like construction and technology. In Taiwan, we prefer selected consumers, financials, technology, and green energy companies. In China, we see some value in construction and building materials, green energy plays, selected consumer discretionary plays, selected manufacturing companies and agricultural plays. In Thailand, we favour companies that are beneficiaries of fiscal pump priming which would include selected building material companies, selected financial stocks given the continued recovery in the economy, and selected consumer stocks that still offer some value. On the other countries, we would be more stock specific, focusing on stocks that offer value.

3.6 Policy On Rebates And Soft Commission

It is our policy to pay all rebates from stockbrokers to the respective Funds. However, soft commissions from stockbrokers (if any) will be retained by the Manager only if the goods and services are demonstrable benefit to the unit holders such as research materials, quotation services and computer software incidental to the management of the Funds.

During the period, the Manager has not received any soft commissions from stockbrokers.



**Trustee's Report
For Financial Year Ended 31 December 2010**

We have acted as Trustee of PHEIM Asia Ex-Japan Fund for the financial year ended 31 December 2010. In our opinion, PHEIM Unit Trusts Berhad has managed PHEIM Asia Ex-Japan Fund in the financial year under review in accordance with the following:

1. the limitations imposed on the investment powers of the management company and the trustee under the Deed, the Supplemental Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Market and Services Act 2007 and other applicable laws;
2. the valuation or pricing of the Fund is carried out in accordance with the Deed, the Supplemental Deed and any regulatory requirement; and
3. the creation and cancellation of units of the Fund are carried out in accordance with the Deed, the Supplemental Deed and any regulatory requirement.

For **Mayban Trustees Berhad**

A handwritten signature in black ink, appearing to read "Ching", written over a light blue horizontal line.

JEFFREY CHING
Head, Unit Trust

Kuala Lumpur, Malaysia
22 FEB 2011

**STATEMENT BY MANAGER TO THE UNITHOLDERS OF
PHEIM ASIA EX-JAPAN FUND**

We, Teng Sin Wu @ Ten Sin Wu and Dr. Tan Chong Koay, being two of the directors of Pheim Unit Trusts Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements of Pheim Asia Ex-Japan Fund are drawn up in accordance with the Deed, applicable Financial Reporting Standards in Malaysia and applicable Securities Commission's Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of Pheim Asia Ex-Japan Fund as at 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

For and on behalf of the Manager,
PHEIM UNIT TRUSTS BERHAD

TENG SIN WU @ TEN SIN WU
Director

DR TAN CHONG KOAY
Director

Kuala Lumpur, Malaysia
22 FEB 2011

PHEIM ASIA EX-JAPAN FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

| | Note | 2010 RM | 2009 RM |
|--|-------------|--------------------|--------------------|
| INVESTMENT INCOME | | | |
| Gross dividend income | | 1,005,299 | 942,214 |
| Interest income | | 201,263 | 134,099 |
| Net gain/(loss) from investments: | | | |
| - financial assets at fair value through profit and loss ("FVTPL") | 7 | 2,553,615 | - |
| - available for sale ("AFS") financial assets | 8 | (133,530) | |
| - net realised gain on sale of investments | | - | 3,845,724 |
| - net realised loss on foreign exchange | | (16,142) | (9,796) |
| - net unrealised loss on fixed income and other debt securities | | | (3,060) |
| - net unrealised loss on foreign exchange | | - | (205,711) |
| - net unrealised gain on changes in value of investments | | - | 12,843,313 |
| | | <u>3,610,505</u> | <u>17,546,783</u> |
| EXPENSES | | | |
| Manager's fee | 3 | 699,424 | 521,652 |
| Trustee's fee | 4 | 32,640 | 24,628 |
| Auditor's remuneration | | 6,500 | 6,500 |
| Tax agent's fee | | 5,250 | 3,680 |
| Administrative expenses | | 105,344 | 24,510 |
| | | <u>849,158</u> | <u>580,970</u> |
| Net income before tax | | 2,761,347 | 16,965,813 |
| Tax recoverable/(expense) | 5 | 1,466 | (12,541) |
| Net income for the year | | <u>2,762,813</u> | <u>16,953,272</u> |
| Other comprehensive income | | | |
| Net change in fair value of AFS financial assets | | (1,050) | - |
| Cumulative gains transfer to profit or loss arising from: | | | |
| - impairment | | - | - |
| | | <u>(1,050)</u> | <u>-</u> |
| Total comprehensive income for the year | | <u>2,761,763</u> | <u>16,953,272</u> |
| Net income after tax is made up of the following: | | | |
| Net realised income | | 2,108,052 | 4,315,670 |
| Net unrealised income | | 654,761 | 12,637,602 |
| | | <u>2,762,813</u> | <u>16,953,272</u> |

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

PHEIM ASIA EX-JAPAN FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

| | Note | 2010 RM | 2009 RM | 1 January 2009 RM |
|---|--------|-------------------|-------------------|-------------------------|
| ASSETS | | | | |
| Investments | 6 | 37,362,305 | 42,758,557 | 19,293,578 |
| Deposits with licensed financial institutions | 9 | 8,502,230 | 2,705,198 | 3,807,074 |
| Tax recoverable | | 48,961 | 40,413 | 45,160 |
| Other receivables | | 40,200 | 27,217 | 32,270 |
| Amount due from brokers | | - | 1,318,827 | 1,473 |
| Cash at bank | | 937,536 | 437,003 | 56,876 |
| TOTAL ASSETS | | <u>46,891,232</u> | <u>47,287,215</u> | <u>23,236,431</u> |
| LIABILITIES | | | | |
| Amount due to brokers | | 911,400 | 2,685,310 | 560,973 |
| Amount due to Manager | 10 | 26,050 | 58,090 | 28,404 |
| Amount due to Trustee | | 2,721 | 2,612 | 1,428 |
| Other payables | | 15,700 | 16,298 | 17,800 |
| TOTAL LIABILITIES | | <u>955,871</u> | <u>2,762,310</u> | <u>608,605</u> |
| EQUITY | | | | |
| Unitholders' capital | | 45,548,469 | 46,899,776 | 39,346,078 |
| Retained earning/(Accumulated losses) | | 379,572 | (2,374,871) | (16,718,252) |
| Available for sale reserve | | 7,320 | - | - |
| TOTAL EQUITY | 12 | <u>45,935,361</u> | <u>44,524,905</u> | <u>22,627,826</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>46,891,232</u> | <u>47,287,215</u> | <u>23,236,431</u> |
| UNITS IN CIRCULATION | 12 (a) | <u>49,619,435</u> | <u>50,965,465</u> | <u>41,624,939</u> |
| NET ASSET VALUE ("NAV") PER UNIT | 13 | <u>0.9258</u> | <u>0.8736</u> | <u>0.5436</u> |

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

PHEIM ASIA EX-JAPAN FUND

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Unitholders' Capital Note 12(a) | Retained earnings/ (Accumulated losses) Note 12(b) and (c) | AFS reserves Note 12(d) | Total Equity |
|---|--|--|--|-------------------------|
| | RM | RM | RM | RM |
| At 1 January 2009 | 39,346,078 | (16,718,252) | - | 22,627,826 |
| Total comprehensive income for the year | - | 16,953,272 | - | 16,953,272 |
| Creation of units | 12,018,955 | - | - | 12,018,955 |
| Cancellation of units | (4,782,985) | - | - | (4,782,985) |
| Distribution equalisation | 587,867 | - | - | 587,867 |
| Income distribution (Note 11) | (270,139) | (2,609,891) | - | (2,880,030) |
| Balance at 31 December 2009 | <u>46,899,776</u> | <u>(2,374,871)</u> | <u>-</u> | <u>44,524,905</u> |
| At 1 January 2010 | 46,899,776 | (2,374,871) | - | 44,524,905 |
| Effects of adopting FRS 139 | - | (8,370) | 8,370 | - |
| | <u>46,899,776</u> | <u>(2,383,241)</u> | <u>8,370</u> | <u>44,524,905</u> |
| Total comprehensive income for the year | - | 2,762,813 | (1,050) | 2,761,763 |
| Creation of units | 9,893,457 | - | - | 9,893,457 |
| Cancellations of units | (10,930,990) | - | - | (10,930,990) |
| Distribution equalisation | (313,774) | - | - | (313,774) |
| Balance at 31 December 2010 | <u>45,548,469</u> | <u>379,572</u> | <u>7,320</u> | <u>45,935,361</u> |

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

PHEIM ASIA EX-JAPAN FUND**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

| | 2010 | 2009 |
|--|---------------------|--------------------|
| | RM | RM |
| CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 60,437,724 | 44,122,007 |
| Purchase of investments | (53,077,521) | (50,299,737) |
| Dividends received | 971,750 | 929,418 |
| Interest received from deposits with licensed financial institutions and other debt securities | 198,605 | 134,357 |
| Management fee paid | (697,080) | (496,276) |
| Trustee's fee paid | (32,530) | (23,443) |
| Payment for other fees and expenses | (117,691) | (36,192) |
| Income distribution paid | - | (13,702) |
| Net cash generated from/(used) in operating and investing activities | <u>7,683,257</u> | <u>(5,683,568)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from creation of units | 10,739,160 | 10,429,367 |
| Payment for cancellation of units | <u>(12,124,852)</u> | <u>(5,467,548)</u> |
| Net cash (used) in/generated from financing activities | <u>(1,385,692)</u> | <u>4,961,819</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | 6,297,565 | (721,749) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | |
| | <u>3,142,201</u> | <u>3,863,950</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | |
| | <u>9,439,766</u> | <u>3,142,201</u> |
| Cash and cash equivalents comprise the following: | | |
| Deposits with licensed financial institutions (Note 9) | 8,502,230 | 2,705,198 |
| Cash at bank | 937,536 | 437,003 |
| | <u>9,439,766</u> | <u>3,142,201</u> |

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

PHEIM ASIA EX-JAPAN FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010****1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

Pheim Asia Ex-Japan Fund ("the Fund") was established pursuant to a Deed dated 26 May 2006 as amended by the Supplemental Deed dated 3 December 2008 between the Manager; Pheim Unit Trusts Berhad, the Trustee; Mayban Trustees Berhad and the registered unitholders of the Fund.

The principal activity of the Fund is to invest in "Permitted Investments" as defined under Article 7 of the Deed, which includes stocks and shares of companies quoted on the Bursa Malaysia Securities Berhad or any other markets, collective investment schemes, unlisted securities, and other investments approved by the Securities Commission from time to time. The Fund commenced operations on 30 June 2006 and will continue its operations until terminated according to the conditions in the Deed.

The Manager, Pheim Unit Trusts Berhad, is incorporated in Malaysia and is a wholly owned subsidiary of the Pheim Asset Management Sdn Bhd, also incorporated in Malaysia. Its principal activity is the management of unit trust funds. Pheim Asset Management Sdn. Bhd. has been appointed by the Manager as the External Investment Manager of the Fund with responsibility for the provision of investment management services to the Fund.

The principal place of business of the Fund is located at 7th Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with the resolution of the directors on 22 February 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of Preparation**

The financial statements of the Fund are prepared under the historical cost convention modified to include the revaluation of investments and comply with Financial Reporting Standards and Guidelines on Unit Trust Funds issued by the Securities Commission.

2.2 Changes in Accounting Policies

The Accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and revised FRSs and IC Interpretations which are effective for the financial year beginning 1 January 2010. Except as discussed below, these new and revised FRSs and Interpretations do not give rise to any significant effects on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in Accounting Policies (Contd.)

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Fund has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures are included throughout the financial statements for the year ended 31 December 2010.

FRS 8 Operating Segment

FRS 8, which replaces FRS114 Segment Reporting, requires disclosure of information about the Fund's operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance, and replaces the requirement of the Fund to determine primary (business) and secondary (geographical) reporting segments.

For management purposes, the Fund is managed by two portfolios - equity and debt. Adoption of the standard has resulted in changes in the way segment information is being presented. The Fund has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 18.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standards separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, will all non-owner changes in equity presented as a single line. The standards also introduces the statement of comprehensive income, with all items of income and expense recognised directly and indirectly in equity, either in one single statement, or in two linked statements. The Fund has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 was adopted retrospectively by the Fund

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in Accounting Policies (Contd.)

Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 132 and FRS 101 became effective for annual periods beginning on or after 1 January 2010. The amendments to FRS 132 requires entities to classify puttable financial instruments as equity if instruments have certain particular features and meet specific conditions. The amendments to FRS 101 require disclosure of certain information relating to puttable instruments classified as equity.

The Unitholders' capital has features and meets the conditions for classifications as equity instruments. Consequently, upon adoption of the Amendments to FRS 132, Unitholders' Capital amounting to RM45,935,361 (31 December 2009: RM44,524,905 and 1 January 2009: RM22,627,826) is classified from financial liabilities to equity. Distribution made by the Fund is recognised as income distribution in equity in the period in which they are declared.

FRS 139 Financial Instruments: Recognition and Measurements

FRS 139 establishes principles for recognising and measuring financial assets , financial liabilities and some contracts to buy and sell non-financial items. The Fund has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transition provisions. The effects arising from the adoption of this standards has been accounted by adjusting the opening balance of retained earnings and available for sale ("AFS") reserves as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS139 are discussed below:

- Equity instruments and fixed income securities

Prior to 1 January 2010, the Fund's investment in quoted equity instruments and fixed income securities were carried at the last market price quoted on Bursa Malaysia as at the reporting date. The fair value adjustments on the investments were recognised in profit or loss.

Upon adoption of FRS 139, these investments are classified on 1 January 2010 as either financial instruments at fair value through profit or loss ("FVTPL") or AFS financial instruments and are stated at their respective fair values. The determination of fair value of various types of financial instruments is as described in Note 19. The classification of certain of these investments as financial instruments at FVTPL and AFS did not materially affect the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, Amendments to FRS and Interpretations of the Issues Committee ("IC Interpretations") were issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been applied by the Fund:

| | Effective for financial periods beginning on or after |
|--|--|
| FRS 1: First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| FRS 3: Business Combinations (revised) | 1 July 2010 |
| FRS 127: Consolidated and Separate Financial Statements (amended) | 1 July 2010 |
| Amendments to FRS 1: First time adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-Time Adopters | 1 January 2011 |
| Amendments to FRS 2: Share-based Payment | 1 July 2010 |
| Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 7: Improving Disclosures about Financial Instruments | 1 January 2011 |
| Amendments to FRS 132: Classification of Rights Issues | 1 March 2010 |
| Amendments to FRS 138: Intangible Assets | 1 July 2010 |
| Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives | 1 July 2010 |
| IC Interpretation 12: Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 15: Agreements for the Construction of Real Estate | 1 July 2010 |
| IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17: Distributions of Non-cash Assets to Owners | 1 July 2010 |

The adoption of the above FRSs, Amendments to FRSs and IC Interpretations upon their effective dates are not expected to have any significant impact to the financial statements of the Fund.

2.4 Significant Accounting Policies

(a) Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Fund become a party to the contractual provisions of the financial instruments. Regular way of purchase and sell of investments in financial instruments are recognised on trade dates. When financial assets are recognised initially, they are measured at fair value, plus attributable transaction cost, for investment not at fair value through profit or loss.

The Fund determines the classification of its financial assets at the initial recognition, and the categories include financial assets at fair value through profit, available for sale financial assets and loss and loans receivables. The Fund would, where allowed and appropriate, re-evaluates the designation at each financial year end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Financial Assets (Contd.)

(i) Financial assets at fair value through profit of loss ("FVTPL")

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such by the Manager upon initial recognition. Financial assets held for trading include securities and fixed income securities acquired principally for the purpose of selling them in near term.

Subsequent to initial recognition, financial assets at the FVTPL are measured at fair value at the date of the Statement of Financial Position. Changes in the fair value of those financial instruments are recorded in "Net gain or loss on financial assets through profit or loss". Interest earned and dividend revenue elements such as instruments are recorded separately in "Interest income" and "Dividend income", respectively. Changes in fair value on financial assets at FVTPL are not recognised separately in profit and loss but included in net gains or net losses on changes in fair value of financial assets at FVTPL.

The fair value of quoted investments are determined by reference to quoted bid prices at the close of business on the date of the Statement of Financial Position.

For investment in unquoted bonds, fair value are determined by reference to prices quoted by Bond Pricing Agency Malaysia registered with the Securities Commission at the close of business date of the Statement of Financial Position.

(ii) Available for sales ("AFS") financial assets

AFS are financial assets that are designated as available for sale or are not classified as financial assets at FVTPL or loans and receivables.

After initial recognition, AFS financial assets are measured at fair value. Changes in fair value of the AFS financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments, dividend income and interest calculated using effective interest method are recognised in profit or loss.

The cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustments when the financial assets is derecognised through disposal or until the investment is determined to be impaired. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an AFS equity instrument are recognised in profit or loss when the Fund's right to receive payment is established.

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without deduction for transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Financial Assets (Contd.)

(ii) Available for sales ("AFS") financial assets (Contd.)

A financial asset is derecognised where the asset is disposed and the contractual right to receive cash flows from the asset has expired. On derecognition of a financial assets in its entirety, the differences between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on trade date, i.e. the date that the fund commit to purchase or sell the asset.

(iii) Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as receivables. The Fund includes short term receivables such as balances due from broker, Manager and other receivables in the classification. Receivables are recognised initially at fair value including transaction costs.

Subsequent to initial recognition, receivables are measured at amortised cost using effective profit method. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, and through the amortisation process.

(b) Impairment of Financial Assets

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

(i) AFS financial assets

Significant or prolonged decline in fair value below cost, weaken fundamental, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired. At end of each financial year, the Manager would receive impairment proposal from the fund's external investment manager, if any financial assets of the fund, in their professional opinion, warrant an impairment exercise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(b) Impairment of Financial Assets (Contd.)

(i) AFS financial assets

If an AFS assets is impaired, an amount comprising the differences 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 equity to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent period. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss, up to the amount previously recognised as impairment loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(ii) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The impairment loss is recognised in Statement of Comprehensive Income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the amount is reduced through the use of an allowance amount. When a trade receivable becomes uncollectible, it's written off against allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in Statement of Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(c) Classification of Realised and Unrealised Gain and Losses

Unrealised gain and losses comprise changes in fair value of financial instruments for the period from reversal of prior period's unrealised gain and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified as part of "at fair value through profit or loss" are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payment or receipts made of derivative contracts (excluding payments or receipts on collateral margin accounts for such investments).

(d) Financial Liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, only when, the Fund become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

The Fund's financial liabilities which include amount due to broker, Manager and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at the amortised cost using effective profit method.

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

(e) Foreign Currency

(i) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(e) Foreign Currency

(ii) Functional and presentation currency

Transaction in foreign currencies are measured in functional currency of the Fund and are recorded on initial recognition in the functional currency at the exchange rates on the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the date the Statement of Financial Position.

Exchange differences arising on the settlement of assets and liabilities or on translating them at the reporting date are recognised in the Statement of Comprehensive Income.

The principal closing rates used in the translation of foreign currency amounts are as follows:

| | 2010 | 2009 |
|-----------------------|-------------|-------------|
| | RM | RM |
| 100 Indonesian Rupiah | 0.0342 | 0.0364 |
| Hong Kong Dollar | 0.3962 | 0.4416 |
| 100 Korean Won | 0.2714 | 0.2959 |
| New Taiwan Dollar | 0.1057 | 0.1072 |
| Philippines Peso | 0.0703 | 0.0739 |
| Singapore Dollar | 2.3923 | 2.4362 |
| Thailand Baht | 0.1021 | 0.1026 |

(f) Unitholders' Capital

The Unitholders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under the revised FRS 132. Consequently, the Unitholder's capital which were previously classified as financial liabilities, have been reclassified as equity instruments. Comparative figures have been restated.

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/adjusted accordingly when units are cancelled.

(g) Income Distribution

Income distributions are at the discretion of the Manager. Income distribution to the Fund's Unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as deduction from Unitholders' capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and deposits with financial institutions which have insignificant risk of changes in value.

(i) Income

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

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

Interest income is recognised using effective profit method.

(j) Income Tax

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

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income directly in equity.

No deferred tax is recognised as there are no material temporary differences.

(k) Segment Reporting

For management purposes, the Fund is managed by 2 main portfolios, namely (1) equity securities and (2) fixed income instruments. Each segment engages in separate business activities and the operating results are regularly reviewed by the Manager, External Investment Manager and the fund's Investment Committee. The External Investment Managers and the fund Investment Committee jointly assumes the role of chief operation decision maker, for performance assessment purposes and to make decision about resources allocated to each investment segment.

(l) Significant Accounting Estimates and Judgements

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

No major judgements 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 significant risk of causing material adjustment to the carrying amounts of assets and liabilities within next year.

3. MANAGER'S FEE

The Manager is entitled to an annual management fee of 1.5% p.a. of net asset value of the Fund (before deducting manager's and trustees for the day) calculated and accrued on a daily basis.

4. TRUSTEE'S FEE

The Trustee is entitled to a fee of 0.07% p.a. based on net asset value of the Fund (before deducting manager's and trustees for the day) calculated and accrued on a daily basis, subject to a minimum of RM18,000 p.a.

5. TAXATION

| | 2010 | 2009 |
|---|----------------|---------------|
| | RM | RM |
| Current year Malaysian tax | - | - |
| Prior year's (over)/under provision of Malaysian taxation | (1,466) | 12,541 |
| Malaysian tax expense based on results for the year | <u>(1,466)</u> | <u>12,541</u> |

Income tax is calculated at Malaysian Statutory tax rate 25% (2009: 25%) of the estimated assessable net income for the year.

The tax charge for the year is in relation to the taxable income earned by the Fund after deducting allowable expenses. In accordance with Schedule 6 of Income Tax Act 1967, interest income earned by the Fund is exempted from tax.

A reconciliation of income tax expense applicable to income before tax at the statutory income tax rate to income expense at the effective income tax rate of the Fund is as follows:

| | 2010 | 2009 |
|---|------------------|-------------------|
| | RM | RM |
| Income before tax | <u>2,761,347</u> | <u>16,965,813</u> |
| Taxation at Malaysian statutory rate of 25% (2009: 25%) | 690,337 | 4,241,453 |
| Tax effects of: | | |
| Income not subject to tax | (690,337) | (4,241,453) |
| Expenses not deductible for tax purposes | - | - |
| Restriction on tax deductible expenses for unit trust funds | - | - |
| (Over)/under provision of prior year's income tax expense | (1,466) | 12,541 |
| Tax (recoverable)/expense for the financial year | <u>(1,466)</u> | <u>12,541</u> |

6. INVESTMENTS

| | 2010 | 2009 | 1 January |
|---|-------------|-------------|------------------|
| | RM | RM | 2009 |
| | | | RM |
| Quoted investments | | | |
| equity investment in Malaysia | - | 1,943,929 | 1,730,637 |
| equity investment outside Malaysia | - | 40,506,258 | 17,251,511 |
| | - | 42,450,187 | 18,982,148 |
| - Unquoted investment | | | |
| Fixed income securities | | | |
| in Malaysia | - | 308,370 | 311,430 |
| Financial assets at fair value through profit or loss (Note 7) | | | |
| - Quoted investment | | | |
| equity investment in Malaysia | 8,283,268 | - | - |
| equity investment outside Malaysia | 28,771,717 | - | - |
| | 37,054,985 | - | - |
| Available for sale financial assets (Note 8) | | | |
| - Unquoted investment | | | |
| Fixed income securities | | | |
| in Malaysia | 307,320 | - | - |
| Total investment | 37,362,305 | 42,758,557 | 19,293,578 |

Prior to 1 January 2010, the investments of the Fund, although carried at fair values, need not to be classified as "financial assets at FVTPL" or "AFS financial assets". Market value of investments of the Fund was RM42,758,557 (31 December 2009) and RM19,293,578 (1 January 2009).

7. FINANCIAL ASSETS AT FVTPL

| | 2010 |
|--|-------------|
| | RM |
| Financial assets at FVTPL: | |
| Quoted equities | 37,054,985 |
| Net gain on financial assets at FVTPL comprised: | |
| Realised gain on disposals | 1,898,854 |
| Unrealised changes in fair values | 654,761 |
| | 2,553,615 |

7. FINANCIAL ASSETS AT FVTPL (CONTD.)

Financial assets at fair value through fair value through profit or loss as at 31 December 2010 are as detailed below:

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value as a % of net asset value |
|--|------------------|--------------------|--------------------------|---|
| QUOTED EQUITIES - IN MALAYSIA | | | | |
| Main Board | | | | |
| Construction | | | | |
| Benalec Holdings Bhd | 911,400 | 911,400 | 911,400 | 1.98 |
| Consumer Products | | | | |
| China Ouhua Winery Holdings Limited | 2,259,000 | 1,496,676 | 1,547,415 | 3.37 |
| Latitude Tree Holdings Bhd. | 150,000 | 337,313 | 249,000 | 0.54 |
| | <u>2,409,000</u> | <u>1,833,989</u> | <u>1,796,415</u> | <u>3.91</u> |
| Industrial Products | | | | |
| CB Industrial Product Holdings Bhd | 302,000 | 989,197 | 1,165,720 | 2.54 |
| Java Incorporated Bhd | 395,400 | 1,053,498 | 229,332 | 0.50 |
| KNM Group Bhd | 230,000 | 663,943 | 650,900 | 1.42 |
| Petronas Chemical Group Bhd | 92,000 | 483,184 | 506,920 | 1.10 |
| Ta Ann Holdings Bhd | 69,840 | 374,076 | 334,534 | 0.73 |
| | <u>1,089,240</u> | <u>3,563,898</u> | <u>2,887,406</u> | <u>6.29</u> |
| Plantations | | | | |
| IOI Corporation Bhd | 157,000 | 811,187 | 910,600 | 1.98 |
| Tradewinds Plantation Bhd | 310,300 | 812,721 | 1,048,814 | 2.28 |
| TSH Resources Bhd | 259,300 | 494,651 | 728,633 | 1.59 |
| | <u>726,600</u> | <u>2,118,559</u> | <u>2,688,047</u> | <u>5.85</u> |
| TOTAL QUOTED EQUITIES - IN MALAYSIA | <u>5,136,240</u> | <u>8,427,846</u> | <u>8,283,268</u> | <u>18.03</u> |

7. FINANCIAL ASSETS AT FVTPL (CONTD.)

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value as a % of net asset value |
|---|------------------|-------------------|-------------------|--|
| QUOTED EQUITIES | | | | |
| - OUTSIDE MALAYSIA | | | | |
| Hong Kong Stock Exchange | | | | |
| ("HKSE") | | | | |
| Bank Of China Ltd | 220,000 | 357,087 | 353,921 | 0.77 |
| Bank Of Communications Co-H | 140,000 | 500,066 | 433,249 | 0.94 |
| Centron Telecom International | 1,109,900 | 1,105,562 | 787,218 | 1.71 |
| China Citic Bank | 442,000 | 1,002,252 | 873,939 | 1.90 |
| China Construction Bank-H | 187,250 | 518,223 | 511,210 | 1.11 |
| China Coal Energy Co-H | 92,000 | 458,298 | 438,178 | 0.95 |
| Dalian Port (PDA) Co Ltd | 744,000 | 1,255,020 | 946,316 | 2.06 |
| Fushan International Energy Industrial & Commercial Bank of China | 407,550 | 976,372 | 926,939 | 2.02 |
| Petrochina Co Limited-H | 250,000 | 930,808 | 994,562 | 2.17 |
| Pax Global Technology Ltd | 154,000 | 181,884 | 176,351 | 0.38 |
| Real Gold Mining Ltd | 191,000 | 904,283 | 1,035,328 | 2.25 |
| Regal Hotels International Holdings | 131,400 | 381,047 | 154,636 | 0.34 |
| Skyworth Digital Holdings Ltd | 203,950 | 628,980 | 368,508 | 0.80 |
| Solomon Systech (Intl) Ltd | 1,300,000 | 676,758 | 229,225 | 0.50 |
| West China Cement Ltd | 610,000 | 727,235 | 681,612 | 1.48 |
| Zijin Mining Group Co Limited | 250,000 | 915,633 | 696,392 | 1.52 |
| | <u>7,083,050</u> | <u>12,933,079</u> | <u>10,952,026</u> | <u>23.83</u> |
| Jakarta Stock Exchange | | | | |
| ("JSX") | | | | |
| Aneka Tambang TBK PT | 700,000 | 521,794 | 581,054 | 1.26 |
| Astra Agro Lestari TBK PT | 105,000 | 773,132 | 941,667 | 2.05 |
| International Nickel Indones | 347,000 | 547,401 | 576,074 | 1.25 |
| Sampoerna Agro TBK PT | 1,403,500 | 1,312,423 | 1,513,317 | 3.29 |
| Timah TBK PT | 686,000 | 559,881 | 639,879 | 1.39 |
| | <u>3,241,500</u> | <u>3,714,631</u> | <u>4,251,991</u> | <u>9.24</u> |

7. FINANCIAL ASSETS AT FVTPL (CONTD.)

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value as a % of net asset value |
|-----------------------------------|------------------|------------------|------------------|--|
| QUOTED EQUITIES | | | | |
| - OUTSIDE MALAYSIA | | | | |
| Korea Stock Exchange | | | | |
| ("KE") | | | | |
| Hanmi Pharma Co Ltd | 1,601 | 355,694 | 385,397 | 0.84 |
| KB Financial Group Inc | 5,895 | 864,321 | 958,307 | 2.09 |
| Posco | 560 | 838,699 | 739,375 | 1.61 |
| Samsung Electronics Co Ltd | 300 | 715,107 | 771,833 | 1.68 |
| | <u>8,356</u> | <u>2,773,821</u> | <u>2,854,912</u> | <u>6.22</u> |
| Stock Exchange of Thailand | | | | |
| ("SET") | | | | |
| Power Line Engineering | | | | |
| - NVDR | 759,400 | 281,408 | 118,616 | 0.26 |
| | <u>759,400</u> | <u>281,408</u> | <u>118,616</u> | <u>0.26</u> |
| Singapore Exchange | | | | |
| ("SGX") | | | | |
| Chip Eng Seng Corp. Ltd | 974,000 | 1,110,873 | 1,036,877 | 2.26 |
| China Sports International Ltd | 663,750 | 520,906 | 182,604 | 0.40 |
| DBS Group Holdings | 23,394 | 786,940 | 810,366 | 1.76 |
| Golden Agri-Resources Limited | 575,000 | 701,807 | 1,100,440 | 2.40 |
| Hong Leong Asia Ltd | 119,000 | 949,716 | 893,892 | 1.95 |
| Keppel Corp Limited | 27,000 | 526,667 | 724,711 | 1.58 |
| Mewah International INC | 270,000 | 725,328 | 671,747 | 1.46 |
| Sino Techfibre Ltd | 834,000 | 590,101 | 219,466 | 0.48 |
| Sunshine Holdings Ltd | 1,063,000 | 390,525 | 165,293 | 0.36 |
| Wilmar International Limited | 35,000 | 478,886 | 471,395 | 1.03 |
| Yongmao Holdings Ltd | 372,000 | 352,809 | 142,387 | 0.31 |
| | <u>4,956,144</u> | <u>7,134,558</u> | <u>6,419,178</u> | <u>13.99</u> |

7. FINANCIAL ASSETS AT FVTPL (CONTD.)

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value as a % of net asset value |
|---|-------------------|-------------------|---------------------------|--|
| QUOTED EQUITIES - OUTSIDE MALAYSIA | | | | |
| Taiwan Stock Exchange ("TWSE") | | | | |
| Asustek Computer Incorporated | 30,000 | 726,536 | 862,757 | 1.88 |
| Cathay Financial Holdings Co | 105,000 | 556,480 | 543,426 | 1.18 |
| Hon Hai Precision Industry | 86,813 | 1,167,230 | 1,069,323 | 2.33 |
| King Yuan Electronics Co Ltd | 289,417 | 683,379 | 457,471 | 1.00 |
| Siliconware Precision Industry | 125,650 | 611,577 | 453,018 | 0.99 |
| Taiwan Semiconductor Manufacturer | 106,000 | 681,296 | 788,999 | 1.72 |
| | <u>742,880</u> | <u>4,426,498</u> | <u>4,174,994</u> | <u>9.10</u> |
| TOTAL QUOTED EQUITIES - OUTSIDE MALAYSIA | <u>16,791,330</u> | <u>31,263,995</u> | <u>28,771,717</u> | <u>62.64</u> |
| TOTAL QUOTED EQUITIES | | <u>39,691,841</u> | <u>37,054,985</u> | <u>80.67</u> |
| TOTAL FINANCIAL ASSETS AT FVTPL | | <u>39,691,841</u> | <u>37,054,985</u> | <u>80.67</u> |
| EXCESS OF COST OVER FAIR VALUE | | | <u>(2,636,856)</u> | |

8. AFS FINANCIAL ASSETS

| | 2010 RM |
|---|-------------------------|
| Unquoted fixed income securities | <u>307,320</u> |
| Net gain/(loss) from investments - AFS financial assets arising from: | |
| Impairment of AFS financial asset | <u>(133,530)</u> |
| Net loss from AFS financial assets | <u>(133,530)</u> |

8. AFS FINANCIAL ASSETS (CONTD.)**UNQUOTED FIXED INCOME SECURITIES**

| | | | | |
|-----------------------------|---------|---------|---------|------|
| Berjaya Land Bhd - 08/11 | 300,000 | 300,000 | 307,320 | 0.67 |
|-----------------------------|---------|---------|---------|------|

**EXCESS OF FAIR VALUE
OVER COST****7,320**

As at 1 January 2010, upon the adoption of FRS 139, the Fund has transferred Fiberchem Technologies Ltd from investment to AFS. The carrying amount of the investment in Fiberchem Technologies Ltd transferred at RM133,530 representing the market price as at 31 December 2009 and the unrealised mark-to-market losses of RM1,168,204 has been recognised as Day 1 impairment and adjusted against retained earning upon the adoption of FRS139.

During the year 2010, the Fund recognised an impairment of RM133,530 on 522,000 units of Fiberchem Technologies Ltd. as there was a "prolonged" decline in fair value due to its indefinite trading suspension by the Singapore Stock Exchange.

9. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

| | 2010 | 2009 | 1 January 2009 |
|--------------------------|-------------|-------------|---------------------------|
| | RM | RM | RM |
| Licensed investment bank | 8,502,230 | 2,705,198 | 3,807,074 |

The weighted average effective interest rate ("WAEIR") per annum and the average remaining maturities of deposits and placement are as follows:

| | 2010 | 2009 | Average remaining maturities | 2009 |
|--------------------------|-------------|-------------|---|----------------------|
| | % | % | 2010 Days | 2009 Days |
| Licensed investment bank | 2.66 | 1.95 | 8 | 4 |

10. AMOUNT DUE TO MANAGER

| | 2010 | 2009 |
|---|-----------------|-----------------|
| | RM | RM |
| Amount due from creation/(release) of units | 32,265 | (2,119) |
| Management fee | (58,315) | (55,971) |
| | <u>(26,050)</u> | <u>(58,090)</u> |

11. INCOME DISTRIBUTION

Distribution declared and paid on 17 December 2009 was 6.05 sen per unit less tax (net 6.05 sen per unit).

Distribution to unit holders are from the following sources:

| | 2009 |
|---|-------------------------|
| | RM |
| Dividend income | 408,901 |
| Interest income | 60,432 |
| Net realised gain from sale of investments | 1,872,814 |
| Net realised loss on foreign exchange | (4,438) |
| Previous year realised gain | <u>526,972</u> |
| | 2,864,681 |
| Less: | |
| Expenses | (254,790) |
| Taxation | - |
| Distribution out of realised reserves (Note 12 (b)) | <u>2,609,891</u> |
| Distribution equalisation (Note 12 (a)) | <u>270,139</u> |
| Distribution for the year | <u><u>2,880,030</u></u> |

There was no distribution to unitholders during the year 2010.

12. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

| | Note | 2010 | 2009 | 1 January |
|-----------------------|-------------|--------------------------|--------------------------|--------------------------|
| | | RM | RM | 2009 |
| | | | | RM |
| Unitholders' capital | (a) | 45,548,469 | 46,899,776 | 39,346,078 |
| Retained earnings | | | | |
| - Realised reserves | (b) | 4,051,102 | 1,943,050 | 234,211 |
| - Unrealised reserves | (c) | <u>(3,671,530)</u> | <u>(4,317,921)</u> | <u>(16,952,463)</u> |
| | | 379,572 | (2,374,871) | (16,718,252) |
| AFS reserve | (d) | <u>7,320</u> | - | - |
| | | <u><u>45,935,361</u></u> | <u><u>44,524,905</u></u> | <u><u>22,627,826</u></u> |

12. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS (CONTD.)

(a) Unitholders' Capital

| | 2010 | | 2009 | | 2008 | |
|-------------------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | Number of units | RM | Number of units | RM | Number of units | RM |
| Balance at beginning of the year | 50,965,465 | 46,899,776 | 41,624,939 | 39,346,078 | 37,829,018 | 37,552,928 |
| Add: Creation of units | 14,132,074 | 9,893,457 | 17,729,137 | 12,018,955 | 8,769,933 | 5,333,029 |
| Less: Cancellation of units | (15,478,104) | (10,930,990) | (8,388,611) | (4,782,985) | (4,974,012) | (3,510,490) |
| Distribution equalisation | - | (313,774) | - | 587,867 | - | (73,017) |
| Distribution (Note 11) | - | - | - | (270,139) | - | 43,628 |
| Balance at end of the year | <u>49,619,435</u> | <u>45,548,469</u> | <u>50,965,465</u> | <u>46,899,776</u> | <u>41,624,939</u> | <u>39,346,078</u> |

In accordance with Article 6.1.1 of the Deed and Securities Commission's approval letter dated 14 August 2006, the maximum number of units that can be issued for circulation is 200,000,000 units. As at 31 December 2010, the number not yet issued is 150,380,565 units (2009: 149,034,535).

(b) Realised - Distributable

| | 2010 RM | 2009 RM | 2008 RM |
|---|------------------|------------------|----------------|
| Balance at the beginning of the year | 1,943,050 | 234,211 | 6,300,441 |
| Net income/(loss) after taxation | 2,762,813 | 16,953,272 | (20,008,972) |
| Net unrealised (gain)/loss attributable to investments held transferred to unrealised reserve | (1,433,336) | (12,840,253) | 16,885,412 |
| Net unrealised foreign exchange (gain)/ loss attributable to foreign currency monetary items transferred to unrealised reserve | 778,575 | 205,711 | (648,177) |
| Distribution out of realised reserve | - | (2,609,891) | (2,294,493) |
| Balance at the end of the year | <u>4,051,102</u> | <u>1,943,050</u> | <u>234,211</u> |

12. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS (CONTD.)**(c) Unrealised - Non-distributable**

| | 2010 | 2009 | 2008 |
|---|--------------------|---------------------|---------------------|
| | RM | RM | RM |
| Balance at the beginning of the year | (4,317,921) | (16,952,463) | (715,228) |
| Effects of adoption of FRS 139 | (8,370) | - | - |
| | <u>(4,326,291)</u> | <u>(16,952,463)</u> | <u>(715,228)</u> |
| Net unrealised gain/(loss) attributable to investment held transferred from realised reserve | 1,433,336 | 12,840,253 | (16,885,412) |
| Net unrealised foreign exchange gain/(loss) attributable to foreign currency monetary items transferred from realised reserve | (778,575) | (205,711) | 648,177 |
| Balance at the end of the year | <u>(3,671,530)</u> | <u>(4,317,921)</u> | <u>(16,952,463)</u> |

(d) AFS Reserve - Non-distributable

The movement in AFS is as presented in the Statement of Changes in Equity

13. NET ASSET VALUE PER UNIT

Net asset value attributable to unitholders is classified as equity in the Statement of Financial Position.

In line with the adoption of FRS 139, quoted financial assets have been valued at the bid prices at the close of business. In accordance with the Deed, the calculation of net asset value attributable to unitholders per unit for the issuance and redemption of units, quoted financial assets are stated at the last done market price.

A reconciliation of net asset value attributable to unitholders for issuing/redeeming units at 31 December 2010 and the net asset value attributable to unitholders per the financial statements is as follows:-

| | 2010 | | 2009 | | 1 January 2009 | |
|--|-------------------|----------------|-------------------|----------------|-----------------------|----------------|
| | RM | RM/Unit | RM | RM/Unit | RM | RM/Unit |
| Net asset value attributable to unitholders for issuing/redeeming of units | 46,088,505 | 0.9288 | 44,524,905 | 0.8736 | 22,627,826 | 0.5436 |
| Effect from adopting bid prices as fair value | (153,144) | (0.0030) | - | - | - | - |
| Net asset value attributable to unitholders per financial statements | <u>45,935,361</u> | <u>0.9258</u> | <u>44,524,905</u> | <u>0.8736</u> | <u>22,627,826</u> | <u>0.5436</u> |

14. UNITS HELD BY RELATED PARTIES

| | 2010 | | 2009 | |
|---------------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| | Number of units | Valued at NAV RM | Number of units | Valued at NAV RM |
| Directors of the Manager [#] | 53,903 | 49,901 | - | - |

The Directors of the Manager are the legal and beneficial owners of the units.

15. TRANSACTIONS WITH BROKERS

Details of transactions with stockbroking companies and other investment banks for the financial year ended 31 December 2010 are as follows:

| | Trading value RM | % of total trading value | Brokerage fees RM | % of total brokerage fees |
|--|-------------------------|---------------------------------|--------------------------|----------------------------------|
| BNP Paribas Peregrine Securities Ltd - Singapore | 16,134,207 | 14.94 | 41,839 | 12.29 |
| PT Danareksa - Indonesia | 11,727,421 | 10.86 | 58,814 | 17.28 |
| CLSA Limited (Philippines) | 9,600,018 | 8.89 | 38,663 | 11.36 |
| CIMB-GK Securities Pte Ltd - Hong Kong | 8,092,219 | 7.49 | 20,244 | 5.95 |
| CIMB-GK Securities Ltd - Thailand | 7,440,632 | 6.89 | 26,092 | 7.66 |
| PT CIMB-GK Securities - Indonesia | 7,305,138 | 6.76 | 23,138 | 6.80 |
| KGI Securities Co. Ltd - Taiwan | 6,518,099 | 6.04 | 16,323 | 4.80 |
| Boci Securities Ltd - Hong Kong | 5,996,743 | 5.55 | 14,947 | 4.39 |
| DBS Vickers Securities Pte Ltd | 5,753,371 | 5.33 | 14,404 | 4.23 |
| Affin Investment Bank Bhd | 3,923,876 | 3.63 | 8,819 | 2.59 |
| Other brokers | 25,501,122 | 23.62 | 77,134 | 22.65 |
| | 107,992,846 | 100.00 | 340,417 | 100.00 |

16. MANAGEMENT EXPENSE RATIO

This comprises the ratio of the sum of the fees (inclusive of the manager's, trustee's, audit and other professional fees) and other administrative expenses of the Fund to the average net asset value ("NAV") of the Fund calculated on a daily basis. The average NAV of the Fund for the year ended 31 December 2010 was RM 46,670,490 (2009:RM34,902,366)

| | 2010 | 2009 |
|--------------------------|--------------|--------------|
| Management expense ratio | <u>1.82%</u> | <u>1.66%</u> |

17. PORTFOLIO TURNOVER

This comprises the ratio of the average of acquisitions and disposals of investments for the period to the average value of the Fund for the year calculated on a daily basis.

| | 2010 | 2009 |
|----------------------------|-------------|-------------|
| Portfolio turnover (times) | <u>1.22</u> | <u>1.35</u> |

18. SEGMENT INFORMATION

The Manager, the appointed External Investment Manager and Investment Committee of the Fund are responsible for allocating resources available to the Fund in accordance with the overall investment strategies as set out in the investment Guidelines of the Fund. The Fund is managed by two segments:

- A portfolio equity instruments
- A portfolio of fixed income portfolio, including debt securities and deposits with financial institutions.

The investment objective of each segment is to achieve consistent returns from the investments in each segment while safeguarding capital by investing in diversified portfolios. There have been no changes in reportable segments in the current financial period. The segment information provided is presented to the Manager, the appointed External Investment Manager and Investment Committee of the Fund.

Refer to next page for detail segment information.

18. SEGMENT INFORMATION (CONTD.)

| | 2010 | | | 2009 | | |
|--|---------------------------|------------------------------------|-------------|---------------------------|------------------------------------|-------------|
| | Equity Portfolio RM | Fixed income Portfolio RM | Total RM | Equity Portfolio RM | Fixed income Portfolio RM | Total RM |
| Gross dividend income | 1,005,299 | - | 1,005,299 | 942,214 | - | 942,214 |
| Interest income | - | 201,263 | 201,263 | - | 134,099 | 134,099 |
| Net gain/(loss) from investments: | | | | | | |
| - financial assets at fair value through profit and loss ("FVTPL") | 2,553,615 | - | 2,553,615 | - | - | - |
| - available for sale ("AFS") financial assets | (133,530) | - | (133,530) | - | - | - |
| - net realised gain on sale of investments | - | - | - | 3,845,724 | - | 3,845,724 |
| - net realised loss on foreign exchange | (16,142) | - | (16,142) | (9,796) | - | (9,796) |
| - net unrealised loss on fixed income and other debt securities | - | - | - | - | (3,060) | (3,060) |
| - net unrealised loss on foreign exchange | - | - | - | (205,711) | - | (205,711) |
| - net unrealised gain on changes in value of investments | - | - | - | 12,843,313 | - | 12,843,313 |
| Total segment operating income for the year | 3,409,242 | 201,263 | 3,610,505 | 17,415,744 | 131,039 | 17,546,783 |
| Investments | - | - | - | 42,316,657 | 308,370 | 42,625,027 |
| Financial assets at FVTPL | 37,054,985 | - | 37,054,985 | - | - | - |
| AFS assets | - | 307,320 | 307,320 | 133,530 | - | 133,530 |
| Other assets | 28,257 | 9,140 | 37,397 | 1,336,760 | 9,140 | 1,345,900 |
| Total segment assets | 37,083,242 | 316,460 | 37,399,702 | 43,786,947 | 317,510 | 44,104,457 |
| Other liabilities | 911,400 | - | 911,400 | 2,685,310 | - | 2,685,310 |
| Total segment liabilities | 911,400 | - | 911,400 | 2,685,310 | - | 2,685,310 |

During the year, there were no transactions between operating segments.

Expenses of the Fund are not considered part of the performance of any operating segment. The following table provides a reconciliation between reportable segment income and operating profits.

| | 2010 RM | 2009 RM |
|---|------------|------------|
| Net reportable segment operating income | 3,610,505 | 17,546,783 |
| Expenses | (849,158) | (580,970) |
| Net income before tax | 2,761,347 | 16,965,813 |
| Tax recoverable/(expense) | 1,466 | (12,541) |
| Net income after tax | 2,762,813 | 16,953,272 |

18. SEGMENT INFORMATION (CONTD.)

In addition, certain assets and liabilities are not considered to be part of the net assets and liabilities of an individual segment. The following table provides reconciliation between net reportable segment assets and liabilities and total assets and liabilities of the Fund.

| | 2010 | 2009 |
|--------------------------------------|-------------------|-------------------|
| | RM | RM |
| Total segment assets | 37,399,702 | 44,104,457 |
| Deposits with financial institutions | 8,502,230 | 2,705,198 |
| Tax recoverable | 48,961 | 40,413 |
| Other receivables | 2,803 | 144 |
| Cash at bank | 937,536 | 437,003 |
| Total assets of the Fund | <u>46,891,232</u> | <u>47,287,215</u> |
| Total segment liabilities | 911,400 | 2,685,310 |
| Other payables and accruals | 15,700 | 16,298 |
| Due to Manager | 26,050 | 58,090 |
| Due to Trustee | 2,721 | 2,612 |
| Total liabilities of the Fund | <u>955,871</u> | <u>2,762,310</u> |

19. FINANCIAL INSTRUMENTS**(a) Classification of financial instruments**

With effect from 1 January 2010, the Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognized. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position as at 31 December 2010 by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

Refer to next page for detail segment information.

19. FINANCIAL INSTRUMENTS (CONTD.)

(a) Classification of financial instruments (Contd.)

| | Financial assets at FVTPL RM | AFS financial assets RM | Loan and receivables RM | Financial liabilities at amortised cost RM | Total RM |
|--|---------------------------------------|----------------------------------|-------------------------------|---|-------------------|
| Assets | | | | | |
| Quoted equities | 37,054,985 | - | - | - | 37,054,985 |
| Unquoted fixed income instruments | - | 307,320 | - | - | 307,320 |
| Deposits with licensed financial institutions | - | - | 8,502,230 | - | 8,502,230 |
| Other receivables | - | - | 40,200 | - | 40,200 |
| Cash at bank | - | - | 937,536 | - | 937,536 |
| Total financial assets | <u>37,054,985</u> | <u>307,320</u> | <u>9,479,966</u> | - | <u>46,842,271</u> |
| Total non-financial assets | | | | | <u>48,961</u> |
| | | | | | <u>46,891,232</u> |
| Liabilities | | | | | |
| Amount due to brokers | - | - | - | 911,400 | 911,400 |
| Amount due to Manager | - | - | - | 26,050 | 26,050 |
| Amount due to Trustee | - | - | - | 2,721 | 2,721 |
| Other payables | - | - | - | 15,700 | 15,700 |
| Total financial liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>955,871</u> | <u>955,871</u> |
| Income, expense gains and losses RM | | | | | |
| Net gain from financial assets FVTPL | | | | 2,553,615 | |
| Net loss from AFS financial assets | | | | (133,530) | |
| Interest income, of which derived from: | | | | | |
| AFS financial assets | | | | 23,934 | |
| Interest income from receivables | | | | <u>177,329</u> | |

19. FINANCIAL INSTRUMENTS (CONTD.)

(b) Financial instruments that are carried at fair value

The Fund's financial assets at FVTPL and AFS financial assets are carried at fair value. The fair values of these financial assets were determined using prices in active markets for identical assets.

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

For instruments quoted on Bursa Malaysia, the market prices are determined by reference to the theoretical closing market prices as published by Bursa Malaysia. The bid prices of equity instruments quoted on other stock exchanges are determined by reference to information made publicly available by these respective stock exchanges.

Unquoted fixed income securities

The published market prices for RM-denominated unquoted fixed income securities are based on information provided by Bond Pricing Agency Malaysia Sdn Bhd.

20. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

The Fund maintains investment portfolios in a variety of listed and unlisted financial instruments as dictated by its Deed and investment management strategy.

The Fund is exposed to a variety of risks including market risk, credit risk, currency risk, stock specific risk, liquidity risk and interest rate risk. Whilst these are the most important types of financial risks inherent in each type of financial instruments, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

The Fund's objective in managing risk is the creation and protection of Unitholders' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring of risks. Financial risk management is also carried out through sound internal control systems and adherence to the investment restrictions as stipulated in the Trust Deed, the Securities Commission's Guidelines on Unit Trust Funds and the Capital Markets and Service Act, 2007.

(i) Market Risk

The Fund's principal exposure to market risk arises primarily due to changes or developments in the market environment and typically includes changes in regulations, politics and the economy of the country. Market risk is also influenced by global economics and geopolitical developments. The Fund seeks to diversify away some of this risk by investing into different sectors to mitigate risk exposure to any single asset class.

The Fund's market risk is affected primarily due to changes in market prices and interest rates.

20. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)**(i) Market Risk (Contd.)****(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 investments in quoted equity securities.

The table below summarises the effect of increases/decreases from the Fund's underlying investments in quoted equities on the asset value of the Fund due to possible changes in equity prices, with all other variables held constant:

| Change in equity price (%) | Effect on net asset value attributable to unitholders RM |
|-----------------------------------|---|
| +6/-6 | 2,241,738 /(2,241,738) |

(b) Interest Rate Risk

This risk refers to the effect of interest rate changes on the market value of fixed income securities and deposits with financial institutions. In the event of rising interest rates, the return on deposits with financial institutions will rise while prices of sukuk will decrease and vice versa, thus affecting the net asset value of the Fund. This risk will be minimized via the management of the duration structure of the portfolio of sukuk and deposits with financial institutions.

The following table demonstrates the sensitivity of the Fund's profit/(loss) for the year to a reasonably possible change in interest rates, with all other variables held constant:

2010

| Change In Basis Points * | Sensitivity Of Interest Income And Profit Increase/ (Decrease) RM |
|---------------------------------|--|
| +25/-25 | 466/(466) |

* *The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment*

20. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD)**(ii) Credit Risk**

The Fund's principal exposure to credit risk arises primarily due to changes in the financial conditions of companies issuing debt securities and stockbroking companies, which may affect their creditworthiness. This in turn may lead to default in the payment. Such events can lead to loss of capital or delayed or reduced income for the Fund resulting in a reduction in the Fund's asset value and thus unit price. This risk is mitigated by vigorous credit analysis and diversification of the bond portfolio of the Fund and to engage different stockbroking companies with good reputation. Bond rating of the Fund's portfolio was disclosed in Note 8.

(iii) Currency Risk

The Fund has financial assets/liabilities denominated in currencies other than Malaysian Ringgit. Hence, movements in the exchange rates can result in a decrease in returns and loss of capital. This risk is minimized by proper portfolio allocation and to avoid concentration in a single country.

(iv) Liquidity Risk

This risk occurs in thinly traded or illiquid equity securities. Should the Fund needs to sell a relatively large amount of such securities, the act itself may significantly depress the selling price. As the Fund is exposed to daily redemption of units, the risk is minimized by placing a prudent level of funds in short-term deposits and by investing in stocks whose liquidity is adjudged to be commensurate with the expected exposure level of the Funds.

The table in the following page summarises the maturity profile of the Fund's financial liabilities. Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

20. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

| | Less than 3 months RM | Above 3 months RM |
|---|--------------------------------------|----------------------------------|
| Financial assets: | | |
| Financial assets at FVTPL | 37,054,985 | - |
| AFS financial assets | - | 307,320 |
| Deposits with financial institutions | 8,502,230 | - |
| Other assets | 977,736 | 48,961 |
| Total undiscounted financial assets | <u>46,534,951</u> | <u>356,281</u> |
| Amount due to Manager | 26,050 | - |
| Amount due to stockbrokers | 911,400 | - |
| Amount due to Trustee | 2,721 | |
| Other payables | | 15,700 |
| Net asset value attributable to unitholders * | <u>45,935,361</u> | - |
| Liquidity gap | <u>(340,581)</u> | <u>340,581</u> |

* Net asset value attributable to unitholders are repayable on demand

(v) Stock Specific Risk

The Fund is exposed to the individual risk of the respective companies issuing securities which includes changes to the business performance of the company, consumer tastes and demand, lawsuits and management practices. This risk is minimised through the well diversified nature of the Fund.

(vi) Single Issuer Risk

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF PHEIM ASIA EX-JAPAN FUND

Report on the financial statements

We have audited the financial statements of Pheim Asia Ex-Japan Fund ("the Fund"), which comprise the Statement of Financial Position as at 31 December 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's and Trustee's responsibility for the financial statements

The Manager of the Fund, Pheim Unit Trusts Berhad, is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable fair presentation of these financial statements.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
PHEIM ASIA EX-JAPAN FUND (CONTD.)**

Opinion

In our opinion the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of the Fund as at 31 December 2010 and of its financial performance, the changes in net asset value and the cash flows of the Fund for the year then ended.

Other matters

This report is made solely to the unitholders of the Fund, as a body, 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

Gloria Goh Ewe Gim
No. 1685/04/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2011



**Trustee's Report
For Financial Year Ended 31 December 2010**

We have acted as Trustee of PHEIM Asia Ex-Japan Islamic Fund for the financial year ended 31 December 2010. In our opinion, PHEIM Unit Trusts Berhad has managed PHEIM Asia Ex-Japan Islamic Fund in the financial year under review in accordance with the following:

1. the limitations imposed on the investment powers of the management company and the trustee under the Deed, the Supplemental Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Market and Services Act 2007 and other applicable laws;
2. the valuation or pricing of the Fund is carried out in accordance with the Deed, the Supplemental Deed and any regulatory requirement; and
3. the creation and cancellation of units of the Fund are carried out in accordance with the Deed, the Supplemental Deed and any regulatory requirement.

For **Mayban Trustees Berhad**

A handwritten signature in black ink, appearing to read "Jeffrey Ching".

JEFFREY CHING
Head, Unit Trust

Kuala Lumpur, Malaysia

22 FEB 2011

SHARIAH ADVISER'S REPORT

To the Unitholders of Pheim Asia Ex-Japan Islamic Fund

We have acted as the Shariah Adviser of Pheim Asia Ex-Japan Islamic Fund. Our responsibility is to ensure that the procedures and process employed by Pheim Unit Trust Berhad and that the provisions of the Deed dated 12 September 2006 as amended by the Supplemental Deed dated 3 December 2008 are in accordance with Shariah principles.

In our opinion, PHEIM UNIT TRUSTS BERHAD has managed and administered Pheim Asia Ex-Japan Islamic in accordance with Shariah principles and complied with applicable guidelines, rulings or decisions issued by the Securities Commission pertaining to Shariah matters for the period ended 31 December 2010.

For Amanie Business Solutions Sdn Bhd,



Dr. Mohd Daud Bakar
President/CEO

22 FEB 2011

AMANIE BUSINESS SOLUTIONS SDN BHD 684050-H

P.O.Box 31, Suite 35.01, Level 35 Menara AmBank, No.8, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia
T: 603-2164 1651 F: 603-2164 1644

**STATEMENT BY MANAGER TO THE UNITHOLDERS OF
PHEIM ASIA EX-JAPAN ISLAMIC FUND**

We, Teng Sin Wu @ Ten Sin Wu and Dr. Tan Chong Koay, being two of the directors of Pheim Unit Trusts Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements of Pheim Asia Ex-Japan Islamic Fund are drawn up in accordance with the Deed, applicable Financial Reporting Standards in Malaysia and applicable Securities Commission's Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of Pheim Asia Ex-Japan Islamic Fund as at 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

For and on behalf of the Manager,
PHEIM UNIT TRUSTS BERHAD

TENG SIN WU @ TEN SIN WU
Director

DR TAN CHONG KOAY
Director

Kuala Lumpur, Malaysia
22 FEB 2011

PHEIM ASIA EX-JAPAN ISLAMIC FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Note | 2010 RM | 2009 RM |
|--|-------------|--------------------------|--------------------------|
| INVESTMENT INCOME | | | |
| Gross dividend income | | 525,096 | 577,099 |
| Profit from Shariah-based deposits with licensed financial institutions | | 61,800 | 61,522 |
| Net gain/(loss) from investments: | | | |
| - financial assets at fair value through profit and loss ("FVTPL") | 7 | 1,023,904 | - |
| - available for sale ("AFS") financial assets | 8 | (117,158) | |
| - net realised gain on sale of Shariah-compliant investments | | - | 2,540,717 |
| - net realised loss on foreign exchange | | (6,901) | (4,950) |
| - net unrealised gain on foreign exchange | | - | 185,983 |
| - net unrealised gain on changes in value of Shariah-compliant investments | | - | 5,989,501 |
| | | <u>1,486,741</u> | <u>9,349,872</u> |
| EXPENSES | | | |
| Manager's fee | 3 | 303,049 | 316,248 |
| Trustee's fee | 4 | 18,000 | 18,000 |
| Auditor's remuneration | | 7,300 | 6,500 |
| Tax agent's fee | | 3,699 | 4,465 |
| Administrative expenses | | 71,819 | 38,435 |
| | | <u>403,867</u> | <u>383,648</u> |
| Net income before tax | | 1,082,874 | 8,966,224 |
| Income tax expense | 5 | (5,703) | (32,510) |
| Net income after tax | | <u>1,077,171</u> | <u>8,933,714</u> |
| Total comprehensive income for the year | | <u>1,077,171</u> | <u>8,933,714</u> |
| Net income after tax is made up of the following: | | | |
| Net realised income | | 1,238,508 | 2,758,230 |
| Net unrealised (loss)/income | | (161,337) | 6,175,484 |
| | | <u>1,077,171</u> | <u>8,933,714</u> |

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

PHEIM ASIA EX-JAPAN ISLAMIC FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

| | Note | 2010 RM | 2009 RM | 1 January 2009 RM |
|---|--------|-------------------|-------------------|-------------------------|
| ASSETS | | | | |
| Quoted Shariah-compliant investments | 6 | 16,182,391 | 21,862,364 | 14,691,756 |
| Shariah-based deposits with licensed financial institutions | 9 | 1,646,991 | 1,194,103 | 2,932,164 |
| Tax recoverable | | 37,985 | 26,147 | 39,722 |
| Other receivables | | 225 | 12,991 | 38,592 |
| Amount due from brokers | | 20,940 | 866,145 | 4,615 |
| Cash at bank | | 535,000 | 1,031,488 | 98,353 |
| TOTAL ASSETS | | 18,423,532 | 24,993,238 | 17,805,202 |
| LIABILITIES | | | | |
| Other payables | | 20,093 | 21,263 | 21,506 |
| Amount due to brokers | | 505,126 | 1,358,147 | 1,406,389 |
| Amount due to manager | 10 | 53,201 | 10,682 | 8,394 |
| Amount due to trustee | | 1,529 | 1,529 | 1,534 |
| TOTAL LIABILITIES | | 579,949 | 1,391,621 | 1,437,823 |
| EQUITY | | | | |
| Unitholders' capital | | 21,305,415 | 28,140,620 | 28,074,238 |
| Accumulated losses | | (3,461,832) | (4,539,003) | (11,706,859) |
| TOTAL EQUITY | 12 | 17,843,583 | 23,601,617 | 16,367,379 |
| TOTAL EQUITY AND LIABILITIES | | 18,423,532 | 24,993,238 | 17,805,202 |
| UNITS IN CIRCULATION | 12 (a) | 21,003,894 | 29,592,033 | 29,539,452 |
| NET ASSET VALUE ("NAV") PER UNIT | 13 | 0.8495 | 0.7976 | 0.5541 |

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

PHEIM ASIA EX-JAPAN ISLAMIC FUND

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Unitholders' Capital Note 12(a) | Accumulated losses Note 12(b) and (c) | Total Equity |
|--|---------------------------------------|--|-------------------|
| | RM | RM | RM |
| At 1 January 2009 | 28,074,238 | (11,706,859) | 16,367,379 |
| Total comprehensive income for the year | - | 8,933,714 | 8,933,714 |
| Creation of units | 3,143,103 | - | 3,143,103 |
| Cancellation of units | (2,995,570) | - | (2,995,570) |
| Distribution equalisation | (219,455) | - | (219,455) |
| Income distribution (Note 11) | 138,304 | (1,765,858) | (1,627,554) |
| Balance at 31 December 2009 | <u>28,140,620</u> | <u>(4,539,003)</u> | <u>23,601,617</u> |
| At 1 January 2010 | 28,140,620 | (4,539,003) | 23,601,617 |
| Total comprehensive income for the year | - | 1,077,171 | 1,077,171 |
| Creation of units | 1,715,382 | - | 1,715,382 |
| Cancellations of units | (8,054,916) | - | (8,054,916) |
| Distribution equalisation | (495,671) | - | (495,671) |
| Balance at 31 December 2010 | <u>21,305,415</u> | <u>(3,461,832)</u> | <u>17,843,583</u> |

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

PHEIM ASIA EX-JAPAN ISLAMIC FUND**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

| | 2010 | 2009 |
|---|-------------------------|-------------------------|
| | RM | RM |
| CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES | | |
| Proceeds from sale of Shariah-compliant investments | 28,037,506 | 22,705,989 |
| Purchase of Shariah-compliant investments | (21,437,663) | (22,070,168) |
| Dividends received | 492,646 | 577,022 |
| Profits received from Shariah-based deposits with licensed financial institutions | 61,633 | 63,314 |
| Other receivables | 550 | |
| Management fee paid | (309,456) | (309,009) |
| Trustee's fee paid | (18,000) | (18,005) |
| Payment for other fees and expenses | (83,987) | (49,643) |
| Income distribution paid | - | (13,415) |
| Net cash generated from operating and investing activities | <u>6,743,229</u> | <u>886,085</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from creation of units | 1,852,026 | 1,655,359 |
| Payment for cancellation of units | <u>(8,638,854)</u> | <u>(3,346,370)</u> |
| Net cash used in financing activities | <u>(6,786,828)</u> | <u>(1,691,011)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (43,599) | (804,926) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>2,225,591</u> | <u>3,030,517</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>2,181,992</u> | <u>2,225,591</u> |

Cash and cash equivalents comprise the following:

| | | |
|--|-------------------------|-------------------------|
| Shariah-based deposits with licensed financial institutions (Note 9) | 1,646,991 | 1,194,103 |
| Cash at bank | <u>535,000</u> | <u>1,031,488</u> |
| | <u>2,181,991</u> | <u>2,225,591</u> |

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

PHEIM ASIA EX-JAPAN ISLAMIC FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010****1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

Pheim Asia Ex-Japan Islamic Fund ("the Fund") was established pursuant to a Deed dated 12 September 2006 as amended by the Supplemental Master Deed dated 3 December 2008 between the Manager; Pheim Unit Trusts Berhad, the Trustee; Mayban Trustees Berhad and the registered unit holders of the Fund.

The principal activity of the Fund is to invest in "Permitted Investments" in compliance with Shariah requirements as defined under Article 7 of the Deed, which includes quoted Shariah-compliant stocks and shares of companies quoted on the Bursa Malaysia Securities Berhad or any other markets, Shariah-based collective investment schemes, sukuk, and other Shariah-compliant investments approved by the Securities Commission from time to time. The activities of the Fund shall be conducted strictly in compliance with Shariah requirements and as approved by the Shariah Advisory Council of the Securities Commission and/or the Shariah Adviser of Pheim Asia Ex-Japan Islamic. The Fund commenced operations on 1 November 2006 and will continue its operations until terminated according to the conditions in the Deed.

The Manager, Pheim Unit Trusts Berhad, is incorporated in Malaysia and is a wholly owned subsidiary of the Pheim Asset Management Sdn Bhd, also incorporated in Malaysia. Its principal activity is the management of unit trust funds. Pheim Asset Management Sdn. Bhd. has been appointed by the Manager as the External Investment Manager of the Fund with responsibility for the provision of investment management services to the Fund.

The principal place of business of the Fund is located at 7th Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with the resolution of the directors on 22 February 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of Preparation**

The financial statements of the Fund are prepared under the historical cost convention modified to include the revaluation of investments and comply with Financial Reporting Standards and Guidelines on Unit Trust Funds issued by the Securities Commission.

2.2 Changes in Accounting Policies

The Accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and revised FRSs and IC Interpretations which are effective for the financial year beginning 1 January 2010. Except as discussed below, these new and revised FRSs and Interpretations do not give rise to any significant effects on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in Accounting Policies (Contd.)

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Fund has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures are included throughout the financial statements for the year ended 31 December 2010.

FRS 8 Operating Segment

FRS 8, which replaces FRS 114 Segment Reporting, requires disclosure of information about the Fund's operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance, and replaces the requirement of the Fund to determine primary (business) and secondary (geographical) reporting segments.

For management purposes, the Fund is managed by two portfolios - Shariah-compliant equity and sukuk. Adoption of the standard has resulted in changes in the way segment information is being presented. The Fund has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 17.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standards separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, will all non-owner changes in equity presented as a single line. The standards also introduces the statement of comprehensive income, with all items of income and expense recognised directly and indirectly in equity, either in one single statement, or in two linked statements. The Fund has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in financial statements. The revised FRS 101 was adopted retrospectively by the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in Accounting Policies (Contd.)

Amendments to FRS 132 *Financial Instruments: Presentation* and FRS 101 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

Amendments to FRS 132 and FRS 101 became effective for annual periods beginning on or after 1 January 2010. The amendments to FRS 132 requires entities to classify puttable financial instruments as Shariah-compliant equity if instruments have certain particular features and meet specific conditions. The amendments to FRS 101 require disclosure of certain information relating to puttable instruments classified as equity.

The Unitholders' capital has features and meets the conditions for classifications as Shariah-compliant equity instruments. Consequently, upon adoption of the Amendments to FRS 132, Unitholders' Capital amounting to RM17,843,583 (31 December 2009: RM23,601,617 and 1 January 2009: RM16,637,379) is classified from financial liabilities to equity. Distribution made by the Fund is recognised as income distribution in equity in the period in which they are declared.

FRS 139 *Financial Instruments: Recognition and Measurements*

FRS 139 establishes principles for recognising and measuring financial assets , financial liabilities and some contracts to buy and sell non-financial items. The Fund has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transition provisions. The effects arising from the adoption of this standards has been accounted by adjusting the opening balance of retained earnings and available for sale ("AFS") reserves as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS139 are discussed below:

- Shariah-compliant equity instruments and sukuk

Prior to 1 January 2010, the Fund's investment in quoted Shariah-compliant equity instruments and sukuk were carried at the last market price quoted on Bursa Malaysia as at the reporting date. The fair value adjustments on the investments were recognised in profit or loss.

Upon adoption of FRS 139, these investments are classified on 1 January 2010 as either financial instruments at fair value through profit or loss ("FVTPL") or AFS financial instruments and are stated at their respective fair values. The determination of fair value of various types of financial instruments is as described in Note 18. The classification of certain of these investments as financial instruments at FVTPL and AFS did not materially affect the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, Amendments to FRS and Interpretations of the Issues Committee ("IC Interpretations") were issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been applied by the Fund:

| | Effective for financial periods beginning on or after |
|--|--|
| FRS 1: First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| FRS 3: Business Combinations (revised) | 1 July 2010 |
| FRS 127: Consolidated and Separate Financial Statements (amended) | 1 July 2010 |
| Amendments to FRS 1: First time adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-Time Adopters | 1 January 2011 |
| Amendments to FRS 2: Share-based Payment | 1 July 2010 |
| Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 7: Improving Disclosures about Financial Instruments | 1 January 2011 |
| Amendments to FRS 132: Classification of Rights Issues | 1 March 2010 |
| Amendments to FRS 138: Intangible Assets | 1 July 2010 |
| Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives | 1 July 2010 |
| IC Interpretation 12: Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 15: Agreements for the Construction of Real Estate | 1 July 2010 |
| IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17: Distributions of Non-cash Assets to Owners | 1 July 2010 |

The adoption of the above FRSs, Amendments to FRSs and IC Interpretations upon their effective dates are not expected to have any significant impact to the financial statements of the Fund.

2.4 Significant Accounting Policies

(a) Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Fund become a party to the contractual provisions of the financial instruments. Regular way of purchase and sell of investments in financial instruments are recognised on trade dates. When financial assets are recognised initially, they are measured at fair value, plus attributable transaction cost, for investment not at fair value through profit or loss.

The Fund determines the classification of its financial assets at the initial recognition, and the categories include financial assets at fair value through profit, available for sale financial assets and loss and receivables. The Fund would, where allowed and appropriate, re-evaluates the designation at each financial year end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Financial Assets (Contd.)

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such by the Manager upon initial recognition. Financial assets held for trading include Shariah-compliant securities and sukuk acquired principally for the purpose of selling them in near term.

Subsequent to initial recognition, financial assets at the FVTPL are measured at fair value at the date of the Statement of Financial Position. Changes in the fair value of those financial instruments are recorded in "Net gain or loss on financial assets through profit or loss". Profit earned and dividend revenue elements such as instruments are recorded separately in "Profit income" and "Dividend income", respectively. Changes in fair value on financial assets at FVTPL are not recognised separately in profit and loss but included in net gains or net losses on changes in fair value of financial assets at FVTPL.

The fair value of quoted Shariah-compliant investments are determined by reference to quoted bid prices at the close of business on the date of the Statement of Financial Position.

(ii) AFS financial assets

AFS are financial assets that are designated as available for sale or are not classified as financial assets at FVTPL or receivables.

After initial recognition, AFS financial assets are measured at fair value. Changes in fair value of the AFS financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments, dividend income and profit calculated using effective profit method are recognised in profit or loss.

The cumulative gains or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustments when the financial assets is derecognised through disposal or until the Shariah-compliant investment is determined to be impaired. Profit income calculated using the effective profit method is recognised in profit or loss. Dividends on an AFS Shariah-compliant equity instrument are recognised in profit or loss when the Fund's right to receive payment is established.

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without deduction for transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Financial Assets (Contd.)

(ii) Available for sales ("AFS") financial assets

A financial asset is derecognised where the asset is disposed and the contractual right to receive cash flows from the asset has expired. On derecognition of a financial assets in its entirety, the differences between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on trade date, i.e. the date that the fund commit to purchase or sell the asset.

(iii) Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as receivables. The Fund includes short term receivables such as balances due from broker, Manager and other receivables in the classification. Receivables are recognised initially at fair value including transaction costs.

Subsequent to initial recognition, receivables are measured at amortised cost using effective profit method. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, and through the amortisation process.

(b) Impairment of Financial Assets

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

(i) AFS financial assets

Significant or prolonged decline in fair value below cost, weaken fundamental, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired. At end of each financial year, the Manager would receive impairment proposal from the fund's external investment manager, if any financial assets of the fund, in their professional opinion, warrant an impairment exercise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(b) Impairment of Financial Assets (Contd.)

(i) AFS financial assets (Contd.)

If an AFS assets is impaired, an amount comprising the differences 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 equity to profit or loss.

Impairment losses on AFS Shariah-compliant equity investments are not reversed in profit or loss in the subsequent period. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS sukuk investments, impairment losses are subsequently reversed in profit or loss, up to the amount previously recognised as impairment loss, if an increase in the fair value of the Shariah-compliant investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(ii) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The impairment loss is recognised in Statement of Comprehensive Income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the amount is reduced through the use of an allowance amount. When a trade receivable becomes uncollectible, it's written off against allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in Statement of Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(c) Classification of Realised and Unrealised Gain and Losses

Unrealised gain and losses comprise changes in fair value of financial instruments for the period from reversal of prior period's unrealised gain and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified as part of "at fair value through profit or loss" are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payment or receipts made of derivative contracts (excluding payments or receipts on collateral margin accounts for such investments).

(d) Financial Liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, only when, the Fund become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

The Fund's financial liabilities which include amount due to broker, Manager and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at the amortised cost using effective profit method.

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

(e) Foreign Currency

(i) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(e) Foreign Currency

(ii) Functional and presentation currency

Transaction in foreign currencies are measured in functional currency of the Fund and are recorded on initial recognition in the functional currency at the exchange rates on the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the date the Statement of Financial Position.

Exchange differences arising on the settlement of assets and liabilities or on translating them at the reporting date are recognised in the Statement of Comprehensive Income.

The principal closing rates used in the translation of foreign currency amounts are as follows:

| | 2010 | 2009 |
|-----------------------|-------------|-------------|
| | RM | RM |
| 100 Indonesian Rupiah | 0.0342 | 0.0364 |
| Hong Kong Dollar | 0.3962 | 0.4416 |
| New Taiwan Dollar | 0.1057 | 0.1072 |
| Philippines Peso | 0.0703 | 0.0739 |
| Singapore Dollar | 2.3923 | 2.4362 |
| Thailand Baht | 0.1021 | 0.1026 |

(f) Unitholders' Capital

The Unitholders' contributions to the Fund meet the definition of puttable instruments classified as Shariah-compliant equity instruments under the revised FRS 132. Consequently, the Unitholder's capital which were previously classified as financial liabilities, have been reclassified as Shariah-compliant equity instruments. Comparative figures have been restated.

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/adjusted accordingly when units are cancelled.

(g) Income Distribution

Income distributions are at the discretion of the Manager. Income distribution to the Fund's Unitholders is accounted for as a deduction from realised reserves except where dividend is sourced out of distribution equalisation which is accounted for as deduction from Unitholders' capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and Shariah-based deposits with financial institutions which have insignificant risk of changes in value.

(i) Income

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

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

Profit income is recognised using effective profit method.

(j) Income Tax

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

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income directly in equity.

(k) Segment Reporting

For management purposes, the Fund is managed by 2 main portfolios, namely (1) Shariah-compliant equity securities and (2) sukuk and Shariah-based deposits. Each segment engages in separate business activities and the operating results are regularly reviewed by the Manager, External Investment Manager and the fund's Investment Committee. The External Investment Managers and the fund Investment Committee jointly assumes the role of chief operation decision maker, for performance assessment purposes and to make decision about resources allocated to each investment segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Policies (Contd.)

(l) Significant Accounting Estimates and Judgements

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

No major judgements 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 significant risk of causing material adjustment to the carrying amounts of assets and liabilities within next year.

3. MANAGER'S FEE

The Manager is entitled to an annual management fee of 1.5% p.a. of net asset value of the Fund (before deducting manager's and trustees for the day) calculated and accrued on a daily basis.

4. TRUSTEE' S FEE

The Trustee is entitled to a fee of 0.07% p.a. based on net asset value of the Fund (before deducting manager's and trustees for the day) calculated and accrued on a daily basis, subject to a minimum of RM18,000 p.a.

5. TAXATION

| | 2010 | 2009 |
|--|--------------|---------------|
| | RM | RM |
| Current year Malaysian tax | 7,231 | 12,323 |
| Prior year's (over)/under provision of Malaysian tax | (1,528) | 20,187 |
| Malaysian tax expense based on results for the year | <u>5,703</u> | <u>32,510</u> |

Income tax is calculated at Malaysian Statutory tax rate 25% (2009: 25%) of the estimated assessable net income for the year.

The tax charge for the year is in relation to the taxable income earned by the Fund after deducting allowable expenses. In accordance with Schedule 6 of Income Tax Act 1967, interest income earned by the Fund is exempted from tax.

5. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to income before tax at the statutory income tax rate to income expense at the effective income tax rate of the Fund is as follows:

| | 2010 | 2009 |
|---|--------------|---------------|
| | RM | RM |
| Income before tax | 1,082,874 | 8,966,224 |
| Tax at Malaysian statutory rate of 25% (2009: 25%) | 270,719 | 2,241,556 |
| Tax effects of: | | |
| Income not subject to tax | (356,604) | (2,316,971) |
| Expenses not deductible for tax purposes | 22,462 | 14,168 |
| Restriction on tax deductible expenses for unit trust funds | 70,654 | 73,570 |
| (Over)/under provision of prior year's income tax expense | (1,528) | 20,187 |
| Tax expense for the financial year | <u>5,703</u> | <u>32,510</u> |

6. QUOTED SHARIAH-COMPLIANT INVESTMENTS

| | 2010 | 2009 | 1 January |
|---|-------------------|-------------------|-------------------|
| | RM | RM | 2009 |
| | | | RM |
| Quoted Shariah-compliant equity | | | |
| - Shariah-compliant equity | | | |
| in Malaysia | - | 7,237,298 | 3,769,873 |
| outside Malaysia | - | 14,625,066 | 10,921,883 |
| Financial assets at fair value through profit or loss (Note 7) | | | |
| - Shariah-compliant equity | | | |
| in Malaysia | 6,816,958 | - | - |
| outside Malaysia | 9,365,433 | - | - |
| Total Shariah-compliant investment | <u>16,182,391</u> | <u>21,862,364</u> | <u>14,691,756</u> |

Prior to 1 January 2010, the Shariah-compliant investments of the Fund, although carried at fair values, need not to be classified as "financial assets at FVTPL" or "AFS financial assets". Market value of Shariah-compliant investments of the Fund was RM21,862,364 (31 December 2009) and RM14,691,756 (1 January 2009).

7. FINANCIAL ASSETS AT FVTPL

| | 2010 |
|--|-------------------|
| | RM |
| Financial assets at FVTPL: | |
| Quoted Shariah-compliant equities | <u>16,182,391</u> |
| Net gain on financial assets at FVTPL comprised: | |
| Realised gain on disposals | 1,185,241 |
| Unrealised changes in fair values | <u>(161,337)</u> |
| | <u>1,023,904</u> |

Financial assets at fair value through profit or loss as at 31 December 2010 are as detailed below:

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value as a % of net asset value |
|--|------------------|------------------|------------------|--|
| QUOTED SHARIAH-COMPLIANT EQUITIES | | | | |
| - IN MALAYSIA | | | | |
| Main Board | | | | |
| Construction | | | | |
| Benalec Holdings Bhd | 358,000 | 358,000 | 358,000 | 2.01 |
| Crest Builder Holdings Bhd | 162,400 | 173,492 | 111,244 | 0.62 |
| IJM Corporation Berhad | 75,000 | 396,667 | 467,250 | 2.62 |
| WCT Bhd | 120,000 | 369,323 | 382,800 | 2.15 |
| | <u>715,400</u> | <u>1,297,482</u> | <u>1,319,294</u> | <u>7.40</u> |
| Consumer Products | | | | |
| Latitude Tree Holdings Bhd | 150,000 | 337,425 | 249,000 | 1.40 |
| Power Root Bhd | 480,000 | 747,434 | 278,400 | 1.56 |
| Tradewinds (M'sia) Bhd | 20,200 | 135,641 | 135,138 | 0.76 |
| | <u>650,200</u> | <u>1,220,500</u> | <u>662,538</u> | <u>3.72</u> |
| Industrial Products | | | | |
| CB Industrial Product Holdings Bhd | 47,000 | 155,729 | 181,420 | 1.02 |
| Hiap Teck Venture Bhd | 220,000 | 290,546 | 255,200 | 1.43 |
| Java Bhd | 299,800 | 936,615 | 173,884 | 0.97 |
| Kinsteel Berhad | 500,000 | 493,354 | 430,000 | 2.41 |
| KNM Group Berhad | 205,625 | 863,635 | 581,919 | 3.26 |
| Petronas Chemical Group Bhd | 80,000 | 420,160 | 440,800 | 2.47 |
| Ta Ann Holdings Bhd | 102,000 | 538,498 | 488,580 | 2.74 |
| WTK Holdings Berhad | 400,000 | 659,567 | 504,000 | 2.82 |
| YTL Cement Bhd | 40,000 | 188,725 | 190,400 | 1.07 |
| | <u>1,894,425</u> | <u>4,546,829</u> | <u>3,246,203</u> | <u>18.19</u> |

7. FINANCIAL ASSETS AT FVTPL (CONTD.)

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value as a % of net asset value |
|--|------------------|------------------|------------------|--|
| QUOTED SHARIAH-COMPLIANT EQUITIES | | | | |
| - IN MALAYSIA | | | | |
| Plantation | | | | |
| Tradewinds Plantation Bhd | 120,000 | 358,086 | 405,600 | 2.27 |
| TSH Resources Berhad | 205,000 | 537,560 | 576,050 | 3.23 |
| | <u>325,000</u> | <u>895,646</u> | <u>981,650</u> | <u>5.50</u> |
| Trading/ Services | | | | |
| Scomi Marine Bhd | 489,100 | 274,894 | 281,233 | 1.58 |
| Tenaga Nasional Bhd | 39,000 | 365,327 | 326,040 | 1.83 |
| | <u>528,100</u> | <u>640,221</u> | <u>607,273</u> | <u>3.41</u> |
| TOTAL QUOTED SHARIAH-COMPLIANT EQUITIES | | | | |
| - IN MALAYSIA | | | | |
| | | <u>8,600,678</u> | <u>6,816,958</u> | <u>38.22</u> |
| QUOTED SHARIAH-COMPLIANT EQUITIES | | | | |
| - OUTSIDE MALAYSIA | | | | |
| Hong Kong Stock Exchange | | | | |
| ("HKSE") | | | | |
| Angang Steel Co Ltd-H | 72,000 | 377,828 | 339,498 | 1.90 |
| China Coal Energy Co-H | 66,000 | 379,491 | 314,345 | 1.76 |
| China Mobile Limited | 15,000 | 657,807 | 456,468 | 2.56 |
| China National Offshore Oil Corporation | 58,000 | 374,036 | 417,811 | 2.34 |
| China Shenhua Energy Co-H | 39,000 | 568,487 | 499,144 | 2.80 |
| Fushan International Energy | 160,000 | 378,349 | 330,940 | 1.85 |
| Real Gold Mining Ltd | 60,000 | 368,936 | 325,234 | 1.82 |
| Solomon Systech (Intl) Limited # | 1,988,000 | 885,781 | 350,538 | 1.96 |
| Zijin Mining Group Co Ltd-H | 156,000 | 545,068 | 434,548 | 2.44 |
| | <u>2,614,000</u> | <u>4,535,783</u> | <u>3,468,526</u> | <u>19.43</u> |

7. FINANCIAL ASSETS AT FVTPL (CONTD.)

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value as a % of net asset value |
|---|------------------|------------------|------------------|--|
| Jakarta Stock Exchange ("JSX") | | | | |
| BW Plantation TBK PT | 2,100,000 | 795,543 | 920,103 | 5.16 |
| Sampoerna Agro TBK PT | 720,000 | 790,440 | 776,336 | 4.35 |
| | <u>2,820,000</u> | <u>1,585,983</u> | <u>1,696,439</u> | <u>9.51</u> |
| Philippines Stock Exchange ("PSE") | | | | |
| Globe Telecom | 7,200 | 535,382 | 404,537 | 2.27 |
| Paxys Inc | 338,040 | 308,644 | 32,566 | 0.18 |
| | <u>345,240</u> | <u>844,026</u> | <u>437,103</u> | <u>2.45</u> |
| Thailand Stock Exchange ("SET") | | | | |
| Lalin Property PCL-Foreign | 400,000 | 191,205 | 100,457 | 0.56 |
| Lalin Property PCL-NVDR | 300,000 | 132,956 | 75,342 | 0.42 |
| | <u>700,000</u> | <u>324,161</u> | <u>175,799</u> | <u>0.98</u> |
| Singapore Stock Exchange ("SGX") | | | | |
| China Farm Equipment Limited | 424,000 | 532,768 | 258,651 | 1.45 |
| China Sport International # | 902,500 | 840,278 | 248,287 | 1.39 |
| Chip Eng Seng Corp Ltd | 682,000 | 924,391 | 726,027 | 4.07 |
| First Resources Ltd | 165,000 | 562,128 | 615,768 | 3.45 |
| Leader Environment Tech | 70,000 | 35,521 | 36,003 | 0.20 |
| Sino Techfibre Ltd | 1,400,000 | 940,607 | 368,408 | 2.06 |
| Yongmao Holdings Ltd | 273,000 | 277,053 | 104,494 | 0.59 |
| | <u>3,916,500</u> | <u>4,112,746</u> | <u>2,357,638</u> | <u>13.21</u> |
| Taiwan Stock Exchange ("TWSE") | | | | |
| Catcher Technology Co Ltd | 9,438 | 142,199 | 104,278 | 0.58 |
| Hon Hai Precision Co. Ltd | 54,691 | 750,215 | 673,659 | 3.78 |
| Pegatron | 36 | 150 | 160 | - |
| Siliconware Precision Industry Inc | 65,450 | 340,789 | 235,973 | 1.32 |
| Taiwan Semiconductor Manufacturer | 29,000 | 185,479 | 215,858 | 1.21 |
| | <u>158,615</u> | <u>1,418,832</u> | <u>1,229,928</u> | <u>6.89</u> |

7. FINANCIAL ASSETS AT FVTPL (CONTD.)

| Name of Counter | Quantity | Cost RM | Fair value RM | Fair value as a % of net asset value |
|--|------------|------------|--------------------|--|
| TOTAL SHARIAH-COMPLIANT QUOTED EQUITIES | | | | |
| - OUTSIDE MALAYSIA | 10,554,355 | 12,821,531 | 9,365,433 | 52.47 |
| TOTAL FINANCIAL ASSETS AT FVTPL | | | | |
| | | 21,422,209 | 16,182,391 | 90.69 |
| EXCESS OF COST OVER FAIR VALUE | | | | |
| | | | (5,239,818) | |

As at the financial period ended 31 December 2010, two equity counters i.e. Solomon Systech (Intl) Ltd and China Sports International which were Shariah compliant equities at the time investment has been reclassified as Shariah non-compliant equities by the Fund Shariah Adviser . The Fund has been advised to hold the investment for now and to dispose them when the market value of investment held is equal to the original cost of investment.

8. AFS FINANCIAL ASSETS

**2010
RM**

| | |
|---|------------------|
| Net loss from investments - AFS financial assets: | |
| Impairment of AFS financial asset | (117,158) |
| Net loss from AFS financial assets | <u>(117,158)</u> |

As at 1 January 2010, upon the adoption of FRS 139, the Fund has transferred Fiberchem Technologies Ltd from investment to AFS. The carrying amount of the investment in Fiberchem Technologies Ltd transferred at RM117,158 representing the market price as at 31 December 2009 and the unrealised mark-to-market losses of RM876,919 has been recognised as Day 1 impairment and adjusted against retained earning upon the adoption of FRS139.

During the year 2010, the Fund recognised an impairment of RM117,158 on 458,000 units of Fiberchem Technologies Ltd. as there was a "prolonged" decline in fair value due to its indefinite trading suspension by the Singapore Stock Exchange.

9. SHARIAH-BASED DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

| | 2010 | 2009 | 1 January |
|----------------------------------|-------------|-------------|------------------|
| | RM | RM | 2009 |
| | | | RM |
| General Investment Account with: | | | |
| Licensed investment bank | 1,646,991 | 1,194,103 | 2,932,164 |

The weighted average effective rate of return ("WAERR") per annum and the average remaining maturities of the Islamic deposits are as follows:

| | 2010 | 2009 | Average | 2010 | 2009 |
|--------------------------|-------------|-------------|-------------------|-------------|-------------|
| | % | % | remaining | Days | Days |
| | | | maturities | | |
| Licensed investment bank | 2.50 | 1.80 | 2 | 2 | 3 |

10. AMOUNT DUE TO MANAGER

| | 2010 | 2009 |
|---|-----------------|-----------------|
| | RM | RM |
| Amount due from (release)/creation of units | (30,418) | 5,522 |
| Management fee | (22,783) | (29,190) |
| Others | - | 12,986 |
| | <u>(53,201)</u> | <u>(10,682)</u> |

11. INCOME DISTRIBUTION

Distribution declared and paid on 17 December 2009 was 6.07 sen per unit less tax (net 6.05 sen per unit)

Distribution to unitholders are from the following sources:

| | 2009 |
|--|------------------|
| | RM |
| Dividend income | 302,729 |
| Profit income | 33,993 |
| Net realised gain from sale | |
| Shariah-compliant investments | 1,452,576 |
| Loss from foreign exchange | (2,798) |
| Other income | 31 |
| Previous year's realised gain | 191,369 |
| | <u>1,977,900</u> |
| Less: | |
| Expenses | (205,978) |
| Taxation | (6,064) |
| Distribution out of realised reserves (Note 12(b)) | 1,765,858 |
| Distribution equalisation (Note 12(a)) | (138,304) |
| Distribution for the year | <u>1,627,554</u> |

11. INCOME DISTRIBUTION (CONTD.)

There was no distribution to unitholders during the year 2010.

12. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

| | Note | 2010 RM | 2009 RM | 1 January 2009 RM |
|-----------------------|------|-------------------|-------------------|-------------------------|
| Unitholders' capital | (a) | 21,305,415 | 28,140,620 | 28,074,238 |
| Accumulated losses | | | | |
| - Realised reserves | (b) | 2,654,904 | 1,416,396 | 424,024 |
| - Unrealised reserves | (c) | (6,116,736) | (5,955,399) | (12,130,883) |
| | | (3,461,832) | (4,539,003) | (11,706,859) |
| | | <u>17,843,583</u> | <u>23,601,617</u> | <u>16,367,379</u> |

(a) Unitholders' Capital

| | 2010 | | 2009 | | 2008 | |
|-----------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | Number of units | RM | Number of units | RM | Number of units | RM |
| Balance at beginning | | | | | | |
| of the year | 29,592,033 | 28,140,620 | 29,539,452 | 28,074,238 | 29,321,382 | 28,642,670 |
| Add: Creation of units | 3,762,009 | 1,715,382 | 4,826,212 | 3,143,103 | 3,845,602 | 2,133,599 |
| Less: Cancellation of units | (12,350,148) | (8,054,916) | (4,773,631) | (2,995,570) | (3,627,532) | (2,651,818) |
| Distribution equalisation | - | (495,671) | - | (219,455) | - | (234,524) |
| Distribution (Note 11) | - | - | - | 138,304 | - | 184,311 |
| Balance at end | | | | | | |
| of the year | <u>21,003,894</u> | <u>21,305,415</u> | <u>29,592,033</u> | <u>28,140,620</u> | <u>29,539,452</u> | <u>28,074,238</u> |

In accordance with Article 6.1.1 of the Deed and Securities Commission's approval letter dated 14 August 2006, the maximum number of units that can be issued for circulation is 200,000,000 units. As at 31 December 2010, the number not yet issued is 178,996,106 units (2009: 170,407,967).

12. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS (CONTD.)**(b) Realised - Distributable**

| | 2010 | 2009 | 2008 |
|--|------------------|------------------|----------------|
| | RM | RM | RM |
| Balance at the beginning of the year | 1,416,396 | 424,024 | 2,234,432 |
| Net income/(loss) after tax | 1,077,171 | 8,933,714 | (12,278,923) |
| Net unrealised (gain)/(loss) attributable to Shariah-compliant investments held transferred to unrealised reserve | (292,833) | (5,989,501) | 12,523,778 |
| Net unrealised foreign exchange loss/ (gain) attributable to foreign currency monetary items transferred to unrealised reserve | 454,170 | (185,983) | (271,452) |
| Distribution out of realised reserve | - | (1,765,858) | (1,783,811) |
| Balance at the end of the year | <u>2,654,904</u> | <u>1,416,396</u> | <u>424,024</u> |

(c) Unrealised - Non-distributable

| | 2010 | 2009 | 2008 |
|---|--------------------|--------------------|---------------------|
| | RM | RM | RM |
| Balance at the beginning of the year | (5,955,399) | (12,130,883) | 121,443 |
| Net unrealised gain/(loss) attributable to Shariah-compliant investment held transferred from realised reserve | 292,833 | 5,989,501 | (12,523,778) |
| Net unrealised foreign exchange (loss)/gain attributable to foreign currency monetary items transferred from realised reserve | (454,170) | 185,983 | 271,452 |
| Balance at the end of the year | <u>(6,116,736)</u> | <u>(5,955,399)</u> | <u>(12,130,883)</u> |

13. NET ASSET VALUE PER UNIT

Net asset value attributable to unitholders is classified as equity in the Statement of Financial Position.

In line with the adoption of FRS 139, quoted financial assets have been valued at the bid prices at the close of business. In accordance with the Deed, the calculation of net asset value attributable to unitholders per unit for the issuance and redemption of units, quoted financial assets are stated at the last done market price.

A reconciliation of net asset value attributable to unitholders for issuing/redeeming units at 31 December 2010 and the net asset value attributable to unitholders per the financial statements is as follows:-

| | 2010 | | 2009 | | 1 January 2009 | |
|--|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | RM | RM/Unit | RM | RM/Unit | RM | RM/Unit |
| Net asset value attributable to unitholders for issuing/redeeming of units | 17,923,858 | 0.8534 | 23,601,617 | 0.7976 | 16,367,379 | 0.5541 |
| Effect from adopting bid prices as fair value | (80,275) | (0.0039) | - | - | - | - |
| Net asset value attributable to unitholders per financial statements | <u>17,843,583</u> | <u>0.8495</u> | <u>23,601,617</u> | <u>0.7976</u> | <u>16,367,379</u> | <u>0.5541</u> |

14. TRANSACTIONS WITH BROKERS

Details of transactions with stockbroking companies and other investment banks for the financial year ended 31 December 2010 are as follows:

| | Trading value RM | % of total trading value | Brokerage fees RM | % of total brokerage fees |
|--|---------------------|--------------------------|----------------------|---------------------------|
| PT Danareksa - Indonesia | 6,704,752 | 14.71 | 33,611 | 25.40 |
| BNP Paribas Peregrine Securities Ltd - Singapore | 5,907,380 | 12.96 | 13,302 | 10.05 |
| Affin Investment Bank Bhd | 4,924,780 | 10.80 | 11,100 | 8.39 |
| Maybank Investment Bank Berhad | 3,185,222 | 6.99 | 8,282 | 6.26 |
| PT CIMB-GK Securities - Indonesia | 2,903,635 | 6.37 | 8,933 | 6.75 |
| KGI Securities Co. Ltd - Taiwan | 2,747,779 | 6.03 | 6,881 | 5.20 |
| CIMB-GK Securities Pte Ltd - Thailand | 2,726,410 | 5.98 | 9,186 | 6.94 |
| DBS Vickers Securities Pte Ltd - Hong Kong | 2,159,266 | 4.74 | 5,395 | 4.08 |

14. TRANSACTIONS WITH BROKERS (CONTD.)

| | Trading value RM | % of total trading value | Brokerage fees RM | % of total brokerage fees |
|---|------------------------|--------------------------------|-------------------------|---------------------------------|
| CIMB-GK Securities Pte Pte Ltd - Hong Kong | 1,974,345 | 4.33 | 4,930 | 3.72 |
| KAF Seagroatt & Campbell Securities Sd | 1,675,782 | 3.68 | 3,779 | 2.85 |
| Other brokers | 10,671,144 | 23.41 | 26,947 | 20.36 |
| | <u>45,580,495</u> | <u>100.00</u> | <u>132,346</u> | <u>100.00</u> |

15. MANAGEMENT EXPENSE RATIO

This comprises the ratio of the sum of the fees (inclusive of the manager's, trustee's, audit and other professional fees) and other administrative expenses of the Fund to the average net asset value ("NAV") of the Fund calculated on a daily basis. The average NAV of the Fund for the year ended 31 December 2010 was RM20,197,375 (31 December 2009: RM22,574,011).

| | 2010 | 2009 |
|--------------------------|--------------|--------------|
| Management expense ratio | <u>2.00%</u> | <u>1.70%</u> |

16. PORTFOLIO TURNOVER

This comprises the ratio of the average of acquisitions and disposals of Shariah-compliant investments for the year to the average value of the Fund for the year calculated on a daily basis.

| | 2010 | 2009 |
|----------------------------|-------------|-------------|
| Portfolio turnover (times) | <u>1.22</u> | <u>0.99</u> |

17. SEGMENT INFORMATION

The Manager, the appointed External Investment Manager and Investment Committee of the Fund are responsible for allocating resources available to the Fund in accordance with the overall investment strategies as set out in the investment Guidelines of the Fund. The Fund is managed by two segments:

- A portfolio of Shariah-compliant equity instruments
- A portfolio of Shariah based financial instruments, i.e. Shariah-based deposits with financial institutions.

The investment objective of each segment is to achieve consistent returns from the investments in each segment while safeguarding capital by investing in diversified portfolios. There have been no changes in reportable segments in the current financial period. The segment information provided is presented to the Manager, the appointed External Investment Manager and Investment Committee of the Fund.

Detail segment information is as follow.

| | 2010 | | Total RM | Equity | 2009 | Total RM |
|--|---------------------------|---|-------------|-----------------|--------|-------------|
| | Equity Portfolio RM | Shariah- based financial instrument Portfolio RM | | Portfolio RM | | |
| Gross dividend income | 525,096 | - | 525,096 | 577,099 | - | 577,099 |
| Profit from Shariah-based deposits with licensed financial institution | - | 61,800 | 61,800 | - | 61,522 | 61,522 |
| Net gain/(loss) from Shariah-compliant investments: | | | | | | |
| - financial assets at fair value through profit and loss ("FVTPL") | 1,023,904 | - | 1,023,904 | - | - | - |
| - available for sale ("AFS") financial assets | (117,158) | - | (117,158) | - | - | - |
| - net realised gain on sale of Shariah-compliant investments | - | - | - | 2,540,717 | - | 2,540,717 |
| - net realised loss on foreign exchange | (6,901) | - | (6,901) | (4,950) | - | (4,950) |
| - net unrealised gain on foreign exchange | - | - | - | 185,983 | - | 185,983 |
| - net unrealised gain on changes in value of Shariah-compliant investments | - | - | - | 5,989,501 | - | 5,989,501 |
| Total segment operating income for the year | 1,424,941 | 61,800 | 1,486,741 | 9,288,350 | 61,522 | 9,349,872 |
| Investments | - | - | - | 21,745,206 | - | 21,745,206 |
| Financial assets at FVTPL | 16,182,391 | - | 16,182,391 | - | - | - |
| AFS financial assets | - | - | - | 117,158 | - | 117,158 |
| Other assets | 20,940 | - | 20,940 | 879,077 | - | 879,077 |
| Total segment assets | 16,203,331 | - | 16,203,331 | 22,741,441 | - | 22,741,441 |
| Other liabilities | 505,126 | - | 505,126 | 1,358,147 | - | 1,358,147 |
| Total segment liabilities | 505,126 | - | 505,126 | 1,358,147 | - | 1,358,147 |

During the year, there were no transactions between operating segments.

17. SEGMENT INFORMATION (CONTD.)

Expenses of the Fund are not considered part of the performance of any operating segment. The following table provides a reconciliation between reportable segment income and operating profits.

| | 2010 | 2009 |
|---|------------------|------------------|
| | RM | RM |
| Net reportable segment operating income | 1,486,741 | 9,349,872 |
| Expenses | <u>(403,867)</u> | <u>(383,648)</u> |
| Net income before tax | 1,082,874 | 8,966,224 |
| Income tax expense | <u>(5,703)</u> | <u>(32,510)</u> |
| Net income after tax | <u>1,077,171</u> | <u>8,933,714</u> |

In addition, certain assets and liabilities are not considered to be part of the net assets and liabilities of an individual segment. The following table provides reconciliation between net reportable segment assets and liabilities and total assets and liabilities of the Fund.

| | 2010 | 2009 |
|--|-------------------|-------------------|
| | RM | RM |
| Total segment assets | 16,182,391 | 22,741,441 |
| Shariah-based deposits with financial institutions | 1,646,991 | 1,194,103 |
| Tax recoverable | 37,985 | 26,147 |
| Other receivables | 225 | 59 |
| Amount due to broker | 20,940 | 0 |
| Cash at bank | <u>535,000</u> | <u>1,031,488</u> |
| Total assets of the Fund | <u>18,423,532</u> | <u>24,993,238</u> |
| Total segment liabilities | 505,126 | 1,358,147 |
| Other payables and accruals | 20,093 | 21,263 |
| Amount due to Manager | 53,201 | 10,682 |
| Amount due to Trustee | <u>1,529</u> | <u>1,529</u> |
| Total liabilities of the Fund | <u>579,949</u> | <u>1,391,621</u> |

18. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

With effect from 1 January 2010, the Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognized. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position as at 31 December 2010 by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

| | Financial assets at FVTPL RM | Receivables RM | Financial liabilities at amortised cost RM | Total RM |
|---|---|---------------------------|---|---------------------|
| Assets | | | | |
| Quoted Shariah-compliant equities | 16,182,391 | - | - | 16,182,391 |
| Shariah-based deposits with licensed financial institutions | - | 1,646,991 | - | 1,646,991 |
| Amount due from brokers | - | 20,940 | - | 20,940 |
| Other receivables | - | 225 | - | 225 |
| Cash at bank | - | 535,000 | - | 535,000 |
| Total financial assets | <u>16,182,391</u> | <u>2,203,156</u> | <u>-</u> | <u>18,385,547</u> |
| Total non-financial assets | | | | <u>37,985</u> |
| | | | | <u>18,423,532</u> |
| Liabilities | | | | |
| Amount due to brokers | - | - | 505,126 | 505,126 |
| Amount due to Manager | - | - | 53,201 | 53,201 |
| Amount due to Trustee | - | - | 1,529 | 1,529 |
| Other payables | - | - | 20,093 | 20,093 |
| Total financial liabilities | <u>-</u> | <u>-</u> | <u>579,949</u> | <u>579,949</u> |
| | | | Income, expense gains and losses RM | |
| Net gain from financial assets FVTPL | | | 1,023,904 | |
| Net loss from AFS financial assets | | | (117,158) | |
| Profit income from receivables | | | <u>61,800</u> | |

18. FINANCIAL INSTRUMENTS (CONTD.)

(b) Financial instruments that are carried at fair value

The Fund's financial assets at FVTPL and AFS financial assets are carried at fair value. The fair values of these financial assets were determined using prices in active markets for identical assets.

Quoted Shariah-compliant equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

For Shariah-compliant instruments quoted on Bursa Malaysia, the market prices are determined by reference to the theoretical closing market prices as published by Bursa Malaysia. The bid prices of Shariah-compliant equity instruments quoted on other stock exchanges are determined by reference to information made publicly available by these respective stock exchanges.

19. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

The Fund maintains investment portfolios in a variety of listed and unlisted financial instruments as dictated by its Deed and investment management strategy.

The Fund is exposed to a variety of risks including market risk, credit risk, stock specific risk, liquidity risk, interest rate risk and reclassification of Shariah status risk. Whilst these are the most important types of financial risks inherent in each type of financial instruments, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

The Fund's objective in managing risk is the creation and protection of Unitholders' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring of risks. Financial risk management is also carried out through sound internal control systems and adherence to the investment restrictions as stipulated in the Trust Deed, the Securities Commission's Guidelines on Unit Trust Funds and the Capital Markets and Service Act, 2007.

(i) Market Risk

The Fund's principal exposure to market risk arises primarily due to changes or developments in the market environment and typically includes changes in regulations, politics and the economy of the country. Market risk is also influenced by global economics and geopolitical developments. The Fund seeks to diversify away some of this risk by investing into different sectors to mitigate risk exposure to any single asset class.

The Fund's market risk is affected primarily due to changes in market prices and interest rates.

19. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD)

(i) Market Risk

(a) Equity Price Risk

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

The table below summarises the effect of increases/decreases from the Fund's underlying investments in quoted Shariah-compliant equities on the asset value of the Fund due to possible changes in Shariah-compliant equity prices, with all other variables held constant:

| Change in Shariah-compliant equity price (%) | Effect on net asset value attributable to unitholders RM |
|---|---|
| +6/-6 | 970,943 /(970,943) |

(b) Interest Rate Risk

This risk refers to the effect of interest rate changes on the demand for sukuk and Shariah-based deposits with financial institutions. In the event of rising interest rates, the return on Shariah-based deposits with financial institutions will rise while demand for sukuk will decrease and vice versa, thus affecting the net asset value of the Fund. This risk will be minimized via the management of the duration structure of the portfolio of sukuk and Shariah-based deposits with financial institutions.

Interest rate is a general economic indicator that will have an impact on the management of fund regardless of whether it is a Shariah-based fund or otherwise. It does not in any way suggest that this fund will invest in conventional financial instruments. All investments carried out for this fund are in accordance with requirement of the Shariah.

The following table demonstrates the sensitivity of the Fund's profit/(loss) for the year to a reasonably possible change in interest rates, with all other variables held constant:

19. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD)**(b) Interest Rate Risk****2010**

| Change In Basis Points * | Sensitivity Of Profit Income And Profit Increase/ (Decrease) RM |
|---------------------------------|--|
| +25/-25 | 45/(45) |

** The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment*

(ii) Credit Risk

The Fund's principal exposure to credit risk arises primarily due to changes in the financial conditions of stockbroking companies, which may affect their creditworthiness. This in turn may lead to default in the payment. Such events can lead to loss of capital or delayed or reduced income for the Fund resulting in a reduction in the Fund's asset value and thus unit price. This risk is mitigated by engaging different stockbroking companies with good reputation.

(iii) Currency Risk

The Fund has financial assets/liabilities denominated in currencies other than Malaysian Ringgit. Hence, movements in the exchange rates can result in a decrease in returns and loss of capital. This risk is minimized by proper portfolio allocation and to avoid concentration in a single country.

19. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD)**(iv) Liquidity Risk**

This risk occurs in thinly traded or illiquid Shariah-compliant securities. Should the Fund needs to sell a relatively large amount of such securities, the act itself may significantly depress the selling price. As the Fund is exposed to daily redemption of units, the risk is minimized by placing a prudent level of funds in short-term Shariah-based deposits and by investing in stocks whose liquidity is adjudged to be commensurate with the expected exposure level of the Funds.

The following table summarises the maturity profile of the Fund's financial liabilities. Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

| | Less than 3 months RM | Above 3 months RM |
|--|--------------------------------------|----------------------------------|
| Financial assets: | | |
| Financial assets at FVTPL | 16,182,391 | - |
| AFS financial assets | - | - |
| Shariah-based deposits with financial institutions | 1,646,991 | - |
| Other assets | 556,165 | 37,985 |
| Total undiscounted financial assets | <u>18,385,547</u> | <u>37,985</u> |
| Amount due to Manager | 53,201 | - |
| Amount due to stockbrokers | 505,126 | - |
| Amount due to Trustee | | |
| Other payables | 1,529 | 20,093 |
| Net asset value attributable to unitholders * | <u>17,843,583</u> | - |
| Liquidity gap | <u>(17,892)</u> | <u>17,892</u> |

* Net asset value attributable to unitholders are repayable on demand

(v) Stock Specific Risk

The Fund is exposed to the individual risk of the respective companies issuing Shariah-compliant securities which includes changes to the business performance of the company, consumer tastes and demand, lawsuits and management practices. This risk is minimised through the well diversified nature of the Fund.

19. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTD)**(vi) Single Issuer Risk**

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

(vii) Reclassification of Shariah Status Risk

This risk refers to the risk that the currently held Shariah-compliant securities in the portfolio of Shariah-based funds may be reclassified to be Shariah non-compliant upon review of the securities by the SACSC performed twice yearly. If this occurs, the value of the fund may be adversely affected where the Manager will take the necessary steps to dispose of such securities.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF PHEIM ASIA EX-JAPAN ISLAMIC FUND

Report on the financial statements

We have audited the financial statements of Pheim Asia Ex-Japan Islamic Fund ("the Fund"), which comprise the Statement of Financial Position as at 31 December 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's and Trustee's responsibility for the financial statements

The Manager of the Fund, Pheim Unit Trusts Berhad, is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable fair presentation of these financial statements.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

**REPORT OF THE AUDITORS TO THE UNITHOLDERS OF
PHEIM ASIA EX-JAPAN ISLAMIC FUND (CONTD.)***Opinion*

In our opinion the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds in Malaysia so as to give a true and fair view of the financial position of the Fund as at 31 December 2010 and of its financial performance, the changes in net asset value and the cash flows of the Fund for the year then ended.

Other matters

This report is made solely to the unitholders of the Fund, as a body, 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

Gloria Goh Ewe Gim
No. 1685/04/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2011



For enquiries about the Funds offered by Pheim Unit Trusts Berhad,

please call **(603) - 2142 8888**

between 9.00 a.m. to 5.00 p.m. (Monday - Friday)
and 9.00 a.m. to 1.00 p.m. (Saturday)

or fax to (603) - 2141 9199 or email to support@pheimunittrusts.com
or visit our Website : www.pheimunittrusts.com