

平成 27 年 6 月期 決算短信 (平成 26 年 7 月 1 日～平成 27 年 6 月 30 日)

平成 27 年 10 月 1 日

ファンド名 ABF 汎アジア債券インデックス・ファンド 上場取引所 東京証券取引所  
 コード番号 1349  
 連動対象指標 Markit iBoxx ABF パン・アジア指数  
 主要投資資産 有価証券  
 売買単位 1 口  
 管理会社 ステート・ストリート・グローバル・アドバイザーズ・シンガポール・リミテッド  
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 有価証券報告書提出予定日 平成 27 年 12 月 18 日

I ファンドの運用状況

1. 2015 年 6 月期の運用状況 (平成 26 年 7 月 1 日～平成 27 年 6 月 30 日)

(1) 資産内訳 (百万円未満切捨て)

	主要投資資産		現金・預金・その他の資産 (負債控除後)		合計 (純資産)	
	金額	構成比	金額	構成比	金額	構成比
2015 年 6 月期	百万円 380,784	% (100)	百万円 600	% (0)	百万円 381,385	% (100)
2014 年 6 月期	365,751	(99)	2,554	(1)	368,306	(100)

(2) 設定・交換実績 (千口未満四捨五入)

	前計算期間末 発行済口数(①)	設定口数(②)	交換口数(③)	当計算期間末 発行済口数 (①+②-③)
2015 年 6 月期	千口 24,514	千口 2,826	千口 767	千口 26,573
2014 年 6 月期	27,758	1,926	5,170	24,514

(3) 基準価額 (百万円未満切捨て)

	総資産 (①)	負債 (②)	純資産 (③(①-②))	1 口当たり基準価額 (③/当計算期間末発行済口数×1 口)
2015 年 6 月期	百万円 385,159	百万円 3,774	百万円 381,385	円 14,352
2014 年 6 月期	373,645	5,339	368,306	15,024

(4) 分配金

		1 口当たり分配金	
*		*円	(米ドル)
2015 年 6 月期	2015 年 7 月 22 日	202	(1.67)
2014 年 12 月期	2015 年 1 月 22 日	228	(1.89)
2014 年 6 月期	2014 年 7 月 22 日	253	(2.09)
2013 年 12 月期	2014 年 1 月 22 日	246	(2.04)

\* 各期間における分配のための基準日を記載しております。  
 \* 日本円への換算は下記(注)記載の換算率で計算されており(円位未満切捨て)、実際に受益者に分配される金額とは異なることがあります。

(注) 日本円への換算は、1 米ドル=120.82 円の換算率(2015 年 9 月 11 日に株式会社三菱東京 UFJ 銀行が発表した対顧客電信売・買相場の仲値)により計算されています。

2. 会計方針の変更

- ① 会計基準等の改正に伴う会計方針の変更 有・無  
 ② ①以外の会計方針の変更 有・無

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**STATEMENT OF NET ASSETS**

*As at 30th June 2015*

		30th June 2015 US\$	30th June 2014 US\$
	<i>Notes</i>		
<b>Assets</b>			
<b>Current assets</b>			
Investments	<i>10(b)</i>	3,151,668,101	3,027,242,661
Amounts due from brokers		15,096,590	26,816,708
Cash at banks	<i>8(f)</i>	<u>21,118,077</u>	<u>38,519,218</u>
<b>Total assets</b>		<u>3,187,882,768</u>	<u>3,092,578,587</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts due to brokers		26,170,651	39,602,468
Amounts due to the Manager	<i>8(c)</i>	–	407,298
Audit fee payable		47,336	32,012
Trustee fee payable	<i>8(e)</i>	261,910	128,934
Management fee payable	<i>8(d)</i>	586,559	289,716
Index license fee payable	<i>9(a)</i>	173,561	90,136
Other payables		<u>4,001,327</u>	<u>3,641,857</u>
<b>Liabilities (excluding net assets attributable to holders of redeemable units)</b>		<u>31,241,344</u>	<u>44,192,421</u>
<b>Net assets attributable to holders of redeemable units</b>	<i>3</i>	<u>3,156,641,424</u>	<u>3,048,386,166</u>

HSBC Institutional Trust  
Services (Singapore) Limited

State Street Global Advisors  
Singapore Limited

*The notes on pages 12 to 38 form part of these financial statements.*

**ABF Pan Asia Bond Index Fund**  
Annual Report 2015

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30th June 2015

	<i>Notes</i>	For the year ended 30th June 2015 US\$	For the year ended 30th June 2014 US\$
<b>Income</b>			
Interest income on bank deposits		73,502	47,979
Net (loss)/gain on investments	6	(27,739,255)	77,806,304
Net foreign exchange (loss)/gain		(833,671)	4,234,169
Other income	5	410,798	918,948
		<u>                    </u>	<u>                    </u>
<b>Total investment (loss)/income</b>		<u>                    </u> <u>                    </u>	<u>                    </u> <u>                    </u>
<b>Expenses</b>			
Management fee	8(d)	3,409,263	3,316,792
Trustee fee	8(e)	1,620,132	1,596,965
Index license fee	9(a)	295,756	354,087
Publication and printing expenses		171,284	49,795
Audit fee		75,694	47,596
Processing agent fee	9(b)	12,381	17,535
Safe custody and bank charges		27,727	45,332
Legal and professional fees		181,350	156,427
Annual insurance premium		31,000	31,072
Other operating expenses		27,584	30,604
		<u>                    </u>	<u>                    </u>
<b>Total operating expenses</b>		<u>                    </u> <u>                    </u>	<u>                    </u> <u>                    </u>
<b>Operating (loss)/profit</b>		<u>                    </u> <u>                    </u>	<u>                    </u> <u>                    </u>
<b>Finance costs</b>			
Distributions to holders of redeemable units	12	(99,677,237)	(100,903,520)
		<u>                    </u>	<u>                    </u>
<b>Loss after distributions and before tax</b>		<u>                    </u> <u>                    </u>	<u>                    </u> <u>                    </u>
Withholding taxes	7	(8,570,211)	(10,440,073)
		<u>                    </u>	<u>                    </u>
<b>Loss after distributions and tax/decrease in net assets attributable to holders of redeemable units from operations</b>		<u>                    </u> <u>                    </u>	<u>                    </u> <u>                    </u>

The notes on pages 12 to 38 form part of these financial statements.

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS  
OF REDEEMABLE UNITS**

*For the year ended 30th June 2015*

	For the year ended 30th June 2015 US\$	For the year ended 30th June 2014 US\$
Balance at beginning of the year	3,048,386,166	3,472,656,056
Issue of units	343,478,697	234,528,738
Redemption of units	(93,035,194)	(624,816,230)
Net issue/(redemption) of units	250,443,503	(390,287,492)
Decrease in net assets attributable to holders of redeemable units from operations	(142,188,245)	(33,982,398)
Balance at the end of the year	<u>3,156,641,424</u>	<u>3,048,386,166</u>

*The notes on pages 12 to 38 form part of these financial statements.*

**ABF Pan Asia Bond Index Fund**  
Annual Report 2015

**STATEMENT OF CASH FLOWS**

*For the year ended 30th June 2015*

	For the year ended 30th June 2015 US\$	For the year ended 30th June 2014 US\$
<b>Cash flows from operating activities</b>		
Decrease in net assets attributable to holders of redeemable units from operations	(142,188,245)	(33,982,398)
Adjustment for:		
Interest income on bank deposits	(73,502)	(47,979)
Distributions to holders of redeemable units	99,677,237	100,903,520
	<hr/>	<hr/>
<b>Operating (loss)/profit before working capital changes</b>	(42,584,510)	66,873,143
	-----	-----
Net (increase)/decrease in investments	(124,425,440)	440,773,893
Net decrease in amounts due from brokers	11,720,118	8,738,386
Net decrease in other receivables	-	72,813
Net (decrease) in amounts due to brokers	(13,431,817)	(2,236,478)
Net (decrease)/increase in amounts due to the Manager	(407,298)	407,298
Net increase in accounts payable and accrued expenses	888,038	1,757,109
	<hr/>	<hr/>
<b>Cash (used in)/generated from operations</b>	(168,240,909)	516,386,164
	-----	-----
Interest income on bank deposits received	73,502	47,979
	<hr/>	<hr/>
<b>Net cash (used in)/generated from operating activities</b>	(168,167,407)	516,434,143
	-----	-----
<b>Cash flows from financing activities</b>		
Distributions paid to holders of redeemable units	(99,677,237)	(100,903,520)
Issue of units	343,478,697	237,155,548
Redemption of units	(93,035,194)	(624,816,230)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>	150,766,266	(488,564,202)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(17,401,141)	27,869,941
Cash and cash equivalents at the beginning of the year	38,519,218	10,649,277
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	21,118,077	38,519,218
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balance of cash and cash equivalents:		
Cash at banks	21,118,077	38,519,218
	<hr/> <hr/>	<hr/> <hr/>

*The notes on pages 12 to 38 form part of these financial statements.*

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

ABF Pan Asia Bond Index Fund (the "Fund") is a Singapore unit trust authorised under Section 286 of the Securities and Futures Act (Cap. 289) of Singapore and Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong. The Fund was constituted by a trust deed dated 21st June 2005 between State Street Global Advisors Singapore Limited and HSBC Institutional Trust Services (Singapore) Limited (the "Trust Deed"). The Trust Deed was amended and restated by an Amending and Restating Deed on 28th June 2006, a Second Amending and Restating Deed dated 28th June 2007, a supplemental deed dated 27th June 2008 and a Third Amending and Restating Deed dated 24th June 2011. The Trust Deed and all supplemental deeds are governed in accordance with the laws of Singapore. The Fund is also listed on The Stock Exchange of Hong Kong Limited and Tokyo Stock Exchange. The date of commencement of operation of the Fund was on 29th June 2005.

The investment objective of the Fund is to seek to provide investment results that correspond closely to the total return of the Markit iBoxx ABF Pan-Asia Index (the "Underlying Index"), before fees and expenses. The Underlying Index is determined and composed by Markit Indices Limited (the "Index Provider"). The Underlying Index is an indicator of investment returns of debt obligations denominated in China Renminbi, Hong Kong Dollars, Indonesian Rupiah, Korean Won, Malaysian Ringgits, Philippine Pesos, Singapore Dollars or Thai Baht (each an "Asian Currency") issued or guaranteed by government, quasi-government organizations or supranational financial institutions, in each case as determined by the Index Provider and which are for the time being constituent securities of the Underlying Index.

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **(a) Basis of preparation**

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

*New and amended standards that are effective in the current year and have been adopted by the Fund*

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1st July 2014 that would be expected to have a material impact on the Fund.

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **(a) Basis of preparation** *(Continued)*

*New standards and amendments to the standards that are relevant to the Fund but are not yet effective and have not been early adopted by the Fund*

IFRS 9, "Financial instruments" (effective for annual periods beginning on or after 1st January 2018), addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption is permitted. The Manager of the Fund is yet to assess IFRS 9's full impact.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **(b) Investments**

The Fund invests in debt securities which are classified as financial assets at fair value through profit or loss. These investments are designated by the Manager at fair value through profit or loss at inception. Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are included in the Statement of Comprehensive Income in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Investments that are listed or traded on an exchange are fair valued based on quoted bid prices. Investments which are not listed on an exchange are valued by using quotes from brokers. The investments are fair valued based on quoted bid prices inclusive of accrued interests.

Foreign exchange contracts are valued at the difference between forward rates ruling at the valuation date and the contract rates. Realised and unrealised gains and losses on foreign exchange contracts are recognised in the Statement of Comprehensive Income.

Transfers between levels of fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

#### **(c) Income**

Interest income on bank deposits is recognised on a time-proportionate basis using the effective interest method. Interest income on investments is accounted for as part of net gain/loss on investments in the Statement of Comprehensive Income. Other income is accounted for in the Statement of Comprehensive Income on an accrual basis.

#### **(d) Expenses**

Expenses are accounted for in the Statement of Comprehensive Income on an accrual basis.

#### **(e) Cash and cash equivalents**

Cash and cash equivalents include cash in hand and demand deposits with original maturities of three months or less.

#### **(f) Amounts due from/to brokers**

Amounts due from/to brokers represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled by the end of the year.

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **(g) Translation of foreign currencies**

##### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in United States dollars (“US\$”), which is the Fund’s functional and presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

#### **(h) Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount is reported in the Statement of Net Assets, where the Fund currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### **(i) Redeemable units**

The Fund issues redeemable units, which are redeemable at the holder’s option and are classified as financial liabilities. Redeemable units can be put back to the Fund for cash equal to a proportionate share of the Fund’s net asset value. The redeemable unit is carried at the redemption amount that is payable at the date of redemption if the holder exercises the right to put the unit back to the Fund.

Redeemable units are issued and redeemed at the holder’s option at prices based on the Fund’s net asset value per unit at the time of issue or redemption. The Fund’s net asset value per unit is calculated by dividing the net assets attributable to the holders of redeemable units with the total number of outstanding redeemable units.

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(j) **Segmental information**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

(k) **Distributions**

Proposed distributions to holders of redeemable units are recognised in the Statement of Comprehensive Income when they are appropriately authorised. The distribution on redeemable units is recognised as a finance cost in the Statement of Comprehensive Income.

(l) **Comparatives**

Certain comparative year balances have been reclassified to conform with the current year's presentation.

### **3. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS AND NUMBER OF UNITS IN ISSUE**

**Net assets attributable to holders of redeemable units**

The Fund's capital is represented by the units in the Fund, and is shown as net assets attributable to holders of redeemable units in the Statement of Net Assets. In accordance with the Fund's Trust Deed, redeemable units are generally only issued and redeemed in blocks of 10,000 units with effect from 20th June 2013 or in whole multiples thereof. Subscriptions and redemptions of units during the year are shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In order to achieve the investment objectives, the Fund endeavors to invest its capital in accordance with the defined investment policies, whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments.

Net assets attributable to holders of redeemable units represent a liability in the Statement of Net Assets, carried at the redemption amount that would be payable at the Statement of Net Assets date if the holders of redeemable units exercised the right to redeem units in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**3. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS AND NUMBER OF UNITS IN ISSUE** *(Continued)*

Number of units in issue

	2015 <i>units</i>	2014 <i>units</i>
Units in issue at the beginning of the year	24,514,240	27,757,780
Issue of units	2,826,024	1,926,460
Redemption of units	<u>(767,000)</u>	<u>(5,170,000)</u>
Units in issue at the end of the year	<u><u>26,573,264</u></u>	<u><u>24,514,240</u></u>

	2015 <i>US\$</i>	2014 <i>US\$</i>
Net assets attributable to holders of redeemable units	<u><u>3,156,641,424</u></u>	<u><u>3,048,386,166</u></u>
Net assets attributable to holders of redeemable units (per unit)	<u><u>118.79</u></u>	<u><u>124.35</u></u>
Net asset value per Creation unit (1 Creation unit is equivalent to 10,000 units)	<u><u>1,187,901</u></u>	<u><u>1,243,516</u></u>

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

*Fair value of investments*

The Fund holds a number of unlisted debt securities that are valued by reference to broker quotes. In determining the fair value of such investments, the Manager exercises judgments and estimates on the sources of brokers and the quantity and quality of quotes used. Such quotes adopted to fair value the investments may be indicative and not executable or legally binding. As such, broker quotes do not necessarily indicate the price at which the security could actually be traded as of 30th June 2015. Actual transacted prices may differ from the quotes provided by the brokers. The Manager considers that in the absence of any other reliable market sources, the broker quotes available to them reflect the best estimate of fair value.

**5. OTHER INCOME**

For each application for the creation or redemption of units, the Fund is entitled to receive a transaction fee of HK\$1,000 (approximately US\$128) per application and 0.125% for dilution charges.

**6. NET (LOSS)/GAIN ON INVESTMENTS**

	2015 US\$	2014 US\$
Change in unrealised gain/loss in value of investments	(138,442,302)	(27,899,869)
Realised gain on sale of investments	<u>110,703,047</u>	<u>105,706,173</u>
	<u><u>(27,739,255)</u></u>	<u><u>77,806,304</u></u>

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **7. TAXATION**

No provision for Hong Kong profits tax has been made as the Fund was authorised as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempted from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

The Fund is also a designated unit trust in Singapore and therefore, the following income is exempted from tax in accordance with sections 35(12) and (12)A of the Income Tax Act (Cap 134):

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in future contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities of financial index; and
- (e) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

The Fund invests in RMB denominated bonds ("RMB bonds") listed on the stock exchanges in the People's Republic of China ("PRC"). Under the prevailing PRC tax regulations, there are no specific rules or regulations governing the taxation of the disposal of RMB bonds. Under the general taxing provision of the Corporate Income Tax Law, the Fund may potentially be liable to pay PRC withholding income tax on the PRC sourced capital gains, unless reduced or exempted under relevant tax treaty. It is uncertain as to the PRC tax authorities' position on whether gain on disposal of RMB bond is PRC sourced and hence subject to PRC withholding income tax. However, in practice, the PRC tax authorities have not strictly enforced the collection of PRC withholding income tax in respect of gains derived by non-PRC tax resident enterprises from the trading of RMB bonds. The Manager has assessed the likelihood of such exposure and believes that there is no material tax exposure on the basis that no collection has been made by the China government since the commencement of operation of the Fund. As such, no provision was made for taxation from such gains in the financial statements. The Manager continues to monitor the position and will make an appropriate adjustment if and when it is considered that there are sufficient grounds to do so.

Overseas and PRC withholding tax was charged on certain interest income received during the year. As at 30th June 2015, the Fund made provision of US\$2,467,840 for withholding tax on interest income from PRC non-government securities (2014: US\$2,237,707). The amount is included in "Other payables" in the Statement of Net Assets.

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**8. TRANSACTIONS WITH RELATED PARTIES INCLUDING THE MANAGER AND ITS CONNECTED PERSONS**

Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"). The Manager and the Trustee of the Fund are State Street Global Advisors Singapore Limited and HSBC Institutional Trust Services (Singapore) Limited, respectively. State Street Global Advisors Singapore Limited is a subsidiary of State Street Corporation. HSBC Institutional Trust Services (Singapore) Limited is a subsidiary of HSBC Holdings plc. All transactions entered into during the year between the Fund and the related parties including the Manager and its Connected Persons were carried out in the ordinary course of business and on normal commercial terms.

**(a) Foreign currency transactions with connected persons of the Manager and the Trustee**

During the year ended 30th June 2015, the Manager transacted total of US\$952,293,341 (2014: US\$1,344,670,609) in foreign currency transactions through its affiliated party, State Street Global Markets, LLC, State Street Global Markets, Australia and Trustee's affiliated parties, HSBC Hong Kong and HSBC Australia for the Fund's investments and settlement purpose. The amount represents 100% (2014: 90.06%) of all the Fund's foreign currency transactions during the year ended 30th June 2015.

Name of company	Aggregate value of foreign currency transactions US\$	% of total foreign currency transactions %
2015		
HSBC Australia	610,839,626	64.15
HSBC Hong Kong	200,594,715	21.06
State Street Global Markets, Australia	100,000	0.01
State Street Global Markets, LLC	140,759,000	14.78
2014		
HSBC Australia	49,360,778	3.31
HSBC Hong Kong	1,044,550,862	69.96
State Street Global Markets, LLC	250,758,969	16.79

During the years ended 30th June 2015 and 2014, the Connected Persons of the Manager and the Trustee as listed above had included normal bid-offer spread for the foreign currency transactions entered with the Fund, which were carried out in the ordinary course of business and on normal commercial terms. There were no direct commission paid to the Connected Persons of the Manager and the Trustee during the years ended 30th June 2015 and 2014.

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**8. TRANSACTIONS WITH RELATED PARTIES INCLUDING THE MANAGER AND ITS CONNECTED PERSONS** *(Continued)*

**(b) Manager's holding in the Fund**

As at 30th June 2015, the directors and officers of the Manager did not hold any units in the Fund (2014: Nil).

**(c) Amounts due to the Manager**

During the year, some of the Fund's expenses such as audit fee, index license fee etc. are paid by the Manager on behalf of the Fund. As at 30th June 2015, Nil (2014: US\$407,298) was payable to the Manager.

**(d) Management fee**

The Fund pays the Manager a management fee\*, monthly in arrears and accrued daily, determined on the average daily net assets of the Fund at the rate as follows:

For first US\$1 billion	0.13%
For next US\$250 million	0.12%
For next US\$250 million	0.11%
Thereafter	0.10%

\* This fee may be increased to a maximum of 0.25% per annum upon three months' notice in writing to unitholders.

**(e) Trustee fee**

The Fund pays the Trustee a trustee fee\*, monthly in arrears and accrued daily, of 0.05% per annum of the average daily net assets of the Fund.

\* This fee may be increased to a maximum of 0.15% per annum upon three months' notice in writing to unitholders.

**(f) Bank balances**

The bank balance of the Fund held with a related party of the Trustee is:

	As at 30th June 2015 US\$	As at 30th June 2014 US\$
Bank balances	21,118,077	38,519,218

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **9. OTHER EXPENSES**

#### **(a) Index license fee**

The index license fee is paid to the Index Provider of the Underlying Index. The index license fee is calculated at a scale rate with a maximum of 0.0175% per annum (2014: 0.0175% per annum) on the daily average net asset value of the Fund, subject to a minimum of US\$184,000 per annum (2014: US\$184,000 per annum). The index license fee is accrued daily and is payable quarterly in arrears.

#### **(b) Processing agent fee**

The processing agent fee is paid to Hong Kong Conversion Agency Services Limited. The processing agent performs, through Hong Kong Securities Clearing Company Limited, certain of its services in connection with the creation and redemption of Units by authorised participants including facilitating the deposit of units into Central Clearing and Settlement System ("CCASS") upon creation of units and the withdrawal of units from CCASS upon redemption.

A monthly retainer fee of HK\$5,000 is also charged to the Fund.

### **10. FINANCIAL RISK MANAGEMENT**

#### **(a) Strategy in using financial instruments**

The investment objective of the Fund is to seek to provide investment results that correspond closely to the total return of the Underlying Index, before fees and expenses. The Underlying Index is determined and composed by the Index Provider. The Underlying Index is an indicator of investment returns of Asian Currency denominated debt obligations issued or guaranteed by an Asian government, quasi Asian government organisations or supranational financial institutions, in each case as determined by the Index Provider and which are for the time being constituent securities of the Underlying Index.

All the financial assets and liabilities are classified as loans and receivables except for investments and derivative financial instruments, which are classified as financial assets at fair value through profit or loss.

The Fund is exposed to risks including market price risk, interest rate risk, credit risk, liquidity risk, currency risk and emerging market risk.

These risks, and the respective risk management policies employed by the Fund to manage these risks, are discussed below:

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 10. FINANCIAL RISK MANAGEMENT *(Continued)*

#### (b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Fund's fixed income securities are susceptible to market price risk arising from uncertainties about future price of the securities. The Fund's market price risk is managed through diversification of the investment portfolio. As at year end, the overall market exposures were as follows:

	2015			2014		
	Fair value US\$	Cost US\$	% of net assets	Fair value US\$	Cost US\$	% of net assets
Investments						
– Debt securities	3,151,668,101	3,209,856,349	99.84	3,027,242,661	2,948,245,547	99.31
	<u>3,151,668,101</u>	<u>3,209,856,349</u>	<u>99.84</u>	<u>3,027,242,661</u>	<u>2,948,245,547</u>	<u>99.31</u>

#### Market exposures

The following table shows the market exposure the Fund has to various markets, incorporating the underlying market risk through all financial assets and liabilities held by the Fund.

	2015 US\$ equivalent	2014 US\$ equivalent
Markets exposed to		
China	628,722,154	615,063,945
Hong Kong	469,541,966	467,353,903
Indonesia	211,968,335	200,687,278
Malaysia	360,634,839	346,117,398
Philippines	170,698,455	153,919,771
Singapore	488,808,972	464,820,873
South Korea	538,430,816	508,820,540
Thailand	282,862,564	270,458,953
	<u>3,151,668,101</u>	<u>3,027,242,661</u>

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**10. FINANCIAL RISK MANAGEMENT** *(Continued)*

(b) Market price risk *(Continued)*

There were investments issued by a single issuer with market value exceeding 10% of the Fund's net asset value at 30th June 2015 and 30th June 2014, as follows:

	2015	2014
	%	%
Hong Kong Government	14.08	13.79
China Government	18.11	18.03
Korea Treasury	15.93	14.95
Singapore Government	14.22	13.74
Malaysia Government	10.01	–

During the year ended 30th June 2015, the Underlying Index decreased by 0.76% (2014: increased by 3.04%), while the returns of the Fund including dividends decreased by 1.34% (2014: increased by 2.58%).

The table below summarises the impact on net assets attributable to holders of redeemable units as a result of increases/decreases of the Underlying Index to which the Fund is exposed. The analysis is based on the assumption that the Underlying Index had increased/decreased by the respective percentage with all other variables held constant and the Fund's investments moved according to the historical correlation with the Underlying Index.

	2015		2014	
	Change in market index %	Impact US\$	Change in market index %	Impact US\$
	+/-	+/-	+/-	+/-
Markit iBoxx ABF Pan-Asia Index in US\$	6.00	189,100,086	7.00	211,906,986

Assumption: The change is based on the annualised return of the Underlying Index since inception and takes into consideration the Fund's historical correlation with the Underlying Index, which would be revised when there is evidence that the Underlying Index have become significantly more volatile.

The Investment Manager has used their view of what would be a "reasonable shift" in each key market to estimate the change for use in the market sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index % are revised annually depending on management's current view of market volatility and other relevant factors.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 10. FINANCIAL RISK MANAGEMENT *(Continued)*

#### (c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments.

The majority of the Fund's financial assets and liabilities are interest bearing; as a result, the Fund is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The table below summarises the Fund's exposure to interest rate risk. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

#### As at 30th June 2015

	Up to 1 year <i>US\$</i>	1-5 years <i>US\$</i>	Over 5 years <i>US\$</i>	Non-interest bearing <i>US\$</i>	Total <i>US\$</i>
<b>Assets</b>					
Investments	180,815,881	1,304,166,030	1,666,686,190	–	3,151,668,101
Cash at banks	21,118,077	–	–	–	21,118,077
Amounts due from brokers	–	–	–	15,096,590	15,096,590
<b>Total assets</b>	<u>201,933,958</u>	<u>1,304,166,030</u>	<u>1,666,686,190</u>	<u>15,096,590</u>	<u>3,187,882,768</u>
<b>Liabilities</b>					
Amounts due to brokers	–	–	–	(26,170,651)	(26,170,651)
Other liabilities	–	–	–	(5,070,693)	(5,070,693)
Net assets attributable to holders of redeemable units	–	–	–	<u>(3,156,641,424)</u>	<u>(3,156,641,424)</u>
<b>Total liabilities</b>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,187,882,768)</u>	<u>(3,187,882,768)</u>
<b>Total interest sensitivity gap</b>	<u>201,933,958</u>	<u>1,304,166,030</u>	<u>1,666,686,190</u>		

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

**10. FINANCIAL RISK MANAGEMENT** (Continued)

(c) Interest rate risk (Continued)

**As at 30th June 2014**

	Up to 1 year US\$	1-5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>Assets</b>					
Investments	91,153,748	1,371,822,563	1,564,266,350	–	3,027,242,661
Cash at banks	38,519,218	–	–	–	38,519,218
Amounts due from brokers	–	–	–	26,816,708	26,816,708
<b>Total assets</b>	<u>129,672,966</u>	<u>1,371,822,563</u>	<u>1,564,266,350</u>	<u>26,816,708</u>	<u>3,092,578,587</u>
<b>Liabilities</b>					
Amounts due to brokers	–	–	–	(39,602,468)	(39,602,468)
Amounts due to the Manager	–	–	–	(407,298)	(407,298)
Other liabilities	–	–	–	(4,182,655)	(4,182,655)
Net assets attributable to holders of redeemable units	–	–	–	(3,048,386,166)	(3,048,386,166)
<b>Total liabilities</b>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,092,578,587)</u>	<u>(3,092,578,587)</u>
<b>Total interest sensitivity gap</b>	<u>129,672,966</u>	<u>1,371,822,563</u>	<u>1,564,266,350</u>		

At 30th June 2015, should interest rates have lowered/risen by 50 basis points (2014: 50 basis points) with all other variables remaining constant, the increase/decrease in net assets attributable to holders of redeemable units for the year would amount to approximately US\$90,899,095 and US\$ 95,406,522, respectively (2014: US\$87,085,551 and US\$84,475,979), arising substantially from the increase/decrease in market values of debt securities.

Assumption: The change is based on the historical interest rate fluctuations and would be revised when there is evidence that interest rates have become significantly more volatile.

The Manager manages the investment portfolio by ensuring that the Fund replicates the Underlying Index movements effectively based on market exposures as well as duration risks across the yield curve.

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**10. FINANCIAL RISK MANAGEMENT** *(Continued)*

(d) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

All transactions in securities are settled/paid for upon delivery using approved brokers. The risk of default from transactions is considered minimal, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund's financial assets which are potentially subject to concentration of counterparty risk consist principally of bank deposits and assets held with the custodians.

The table below summarises the assets placed with banks and custodians at 30th June 2015 and 2014:

**As at 30th June 2015**

	US\$	Credit rating	Source of credit rating
Custodians and Banks			
The Hongkong & Shanghai Banking Corporation Limited	3,172,786,178	Aa2	Moody's

**As at 30th June 2014**

	US\$	Credit rating	Source of credit rating
Custodians and Banks			
The Hongkong & Shanghai Banking Corporation Limited	3,065,761,879	Aa2	Moody's

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

**10. FINANCIAL RISK MANAGEMENT** (Continued)

(d) Credit and counterparty risk (Continued)

The table below categorised the investment portfolio by credit rating sourced from Markit iBoxx and supplemented by Standard & Poor's (converted to the Markit iBoxx credit rating for disclosure purpose):

*Portfolio by rating category*

Rating (Markit iBoxx)	2015 % of Investment	2014 % of Investment
AAA	28	19
AA	20	46
A	28	18
BBB	14	15
BB	7	–
Non-rated	3	2
Total	<u>100</u>	<u>100</u>

The Manager has assessed the credit quality of the investments based on the nature of the issuers and historical information about the issuers' default rates.

The maximum exposure to credit and counterparty risk as at 30th June 2015 and 2014 is the carrying amount of the financial assets as set out below:

	2015 US\$	2014 US\$
Investments	3,151,668,101	3,027,242,661
Amounts due from brokers	15,096,590	26,816,708
Cash at banks	21,118,077	38,519,218
	<u>3,187,882,768</u>	<u>3,092,578,587</u>

None of these assets are impaired nor past due but not impaired.

The Manager limits the Fund's exposure to counterparty risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Manager considers to be well established.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 10. FINANCIAL RISK MANAGEMENT *(Continued)*

#### (e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty or incur higher costs in settling a liability, including a redemption request.

The Fund is exposed to daily redemptions of units in the Fund. The Manager invests the majority of the Fund's assets in investments that are traded in an active market which can be readily disposed of.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the year-end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month <i>US\$</i>	1 month to less than 3 months <i>US\$</i>	Over 3 months <i>US\$</i>
<b>As at 30th June 2015</b>			
Amounts due to brokers	26,170,651	–	–
Audit fee payable	–	47,336	–
Trustee fee payable	–	261,910	–
Management fee payable	–	586,559	–
Index license fee payable	–	173,561	–
Other payables	19,786	49,759	3,931,782
Net assets attributable to holders of redeemable units	<u>3,156,641,424</u>	<u>–</u>	<u>–</u>
<b>Contractual cash out flows</b>	<b><u>3,182,831,861</u></b>	<b><u>1,119,125</u></b>	<b><u>3,931,782</u></b>
<b>As at 30th June 2014</b>			
Amounts due to brokers	39,602,468	–	–
Amounts due to the Manager	–	407,298	–
Audit fee payable	–	32,012	–
Trustee fee payable	–	128,934	–
Management fee payable	–	289,716	–
Index license fee payable	–	90,136	–
Other payables	57,862	20,380	3,563,615
Net assets attributable to holders of redeemable units	<u>3,048,386,166</u>	<u>–</u>	<u>–</u>
<b>Contractual cash out flows</b>	<b><u>3,088,046,496</u></b>	<b><u>968,476</u></b>	<b><u>3,563,615</u></b>

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**10. FINANCIAL RISK MANAGEMENT** *(Continued)*

(e) **Liquidity risk** *(Continued)*

Units are redeemed on demand at the holder's option. However, the Trustee and the Manager do not envisage that the contractual maturity disclosed in the tables above will be representative of the actual cash outflows, as the holders typically retain their units for the medium to long term. At 30th June 2015 and 2014, there were two unitholders holding more than 10% of the Fund's units.

The Fund manages its liquidity risk by investing in investments that it expects to be able to liquidate within one month or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month US\$	1-12 months US\$
<b>As at 30th June 2015</b>		
Total assets	<u>3,187,882,768</u>	<u>–</u>
	Less than 1 month US\$	1-12 months US\$
<b>As at 30th June 2014</b>		
Total assets	<u>3,092,578,587</u>	<u>–</u>

(f) **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than US dollars, the functional currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. Although the Fund has not actively engaged in hedging activities, the Manager may enter into spot and forward foreign exchange contracts from time to time to hedge against the fluctuations in exchange rates in relation to the settlement of creation and redemption of units, and other operational uses such as covering the Fund's exposure to currency risk from re-balancing the portfolios prior to market closure due to holiday.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 10. FINANCIAL RISK MANAGEMENT *(Continued)*

#### (f) Currency risk *(Continued)*

The table below summarises the Fund's monetary exposure to currency risks:

	2015 <i>US\$</i> <i>equivalents</i>	2014 <i>US\$</i> <i>equivalents</i>
Hong Kong Dollar	470,975,128	468,782,124
Indonesian Rupiah	211,824,183	201,004,628
Malaysian Ringgit	360,842,948	346,522,369
Philippine Peso	171,071,612	154,467,785
Renminbi	632,088,938	633,500,568
Singapore Dollar	488,986,001	465,409,025
South Korean Won	537,859,791	508,572,727
Thai Baht	282,846,237	270,480,483

The table below summarises the impact on net assets attributable to holders of redeemable units as a result of increases/decreases of key exchange rates on the exposures tabled above, to which the Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by the respective percentage (based on historical currency fluctuations and would be revised when the currency have become significantly more volatile) with all other variables held constant.

	2015		2014	
	Change	Impact	Change	Impact
	% +/-	<i>US\$</i> +/-	% +/-	<i>US\$</i> +/-
Hong Kong Dollar	1	4,709,751	1	4,687,821
Indonesian Rupiah	12	25,418,902	12	24,120,555
Malaysian Ringgit	10	36,084,295	10	34,652,237
Philippine Peso	10	17,107,161	10	15,446,779
Renminbi	3	18,962,668	3	19,005,017
Singapore Dollar	6	29,339,160	6	27,924,542
South Korean Won	10	53,785,979	10	50,857,273
Thai Baht	10	28,284,624	10	27,048,048

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **10. FINANCIAL RISK MANAGEMENT** *(Continued)*

#### **(g) Emerging market risk**

The Fund invests in certain Asian bond markets that are considered to be emerging markets. These markets are subject to special risks associated with foreign investment in these emerging markets including, but not limited to: generally less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange controls; imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; lesser regulation of securities markets; smaller market capitalization; different accounting and disclosure standards; governmental interference; greater risk of market shutdown; the risk of expropriation of assets; higher inflation; social, economic and political uncertainties.

The Fund is designed to track the performance of the Underlying Index, a broad Asian local currency bond index; therefore the exposure to emerging market risk in the Fund will be substantially the same as the Underlying Index. As an index fund, the Manager manages the Fund's exposure to emerging market risk by ensuring that the key characteristics of the Fund, such as market weights and duration, are closely aligned to the characteristics of the Underlying Index.

#### **(h) Capital risk management**

The Fund's capital is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of the holders of redeemable units. The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for the holders of redeemable units and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- monitor the level of daily subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the Trust Deed and supplemental deeds.

The Trustee and Manager monitor capital on the basis of the value of net assets attributable to holders of redeemable units.

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **10. FINANCIAL RISK MANAGEMENT** *(Continued)*

#### **(i) Fair value estimation**

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current bid price.

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

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

IFRS 13, requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

**10. FINANCIAL RISK MANAGEMENT** (Continued)

(i) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Fund's investments (by class) measured at fair value at 30th June 2015 and 2014:

<b>As at 30th June 2015</b>	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total balance US\$
<b>Investments</b>				
– Debt securities	–	3,151,668,101	–	3,151,668,101
	–	3,151,668,101	–	3,151,668,101
	<u>–</u>	<u>3,151,668,101</u>	<u>–</u>	<u>3,151,668,101</u>
	<u>–</u>	<u>3,151,668,101</u>	<u>–</u>	<u>3,151,668,101</u>
<b>As at 30th June 2014</b>	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total balance US\$
<b>Investments</b>				
– Debt securities	–	3,027,242,661	–	3,027,242,661
	–	3,027,242,661	–	3,027,242,661
	<u>–</u>	<u>3,027,242,661</u>	<u>–</u>	<u>3,027,242,661</u>
	<u>–</u>	<u>3,027,242,661</u>	<u>–</u>	<u>3,027,242,661</u>

Investments whose values are based on quoted market prices in active markets are classified within Level 1. As of 30th June 2015 and 2014, the Fund did not hold any investments classified in Level 1.

Financial instruments that trade in markets that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As of 30th June 2015 and 2014, the Fund held investments in debt securities which were classified in Level 2.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As of 30th June 2015 and 2014, the Fund did not hold any investments classified in Level 3.

There was no transfer between levels for the years ended 30th June 2015 and 2014.

The assets and liabilities included in the Statement of Net Assets, except for investments are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**11. SOFT DOLLAR PRACTICES**

The Manager may effect transactions, provided that any such transaction is consistent with standards of “best execution”, by or through the agency of another person for the account of the Fund with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Fund as a whole and may contribute to an improvement in the performance of the Fund. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees’ salaries or direct money payments.

Since the inception of the Fund, the Manager has not participated in any soft dollar arrangements in respect of any transactions for the account of the Fund.

**12. DISTRIBUTIONS**

	2015	2014
	<i>US\$</i>	<i>US\$</i>
Interim distribution		
– US\$1.89 on 25,542,474 units paid on 4th February 2015	48,275,276	–
– US\$2.04 on 25,387,230 units paid on 6th February 2014	–	51,789,949
	<hr/>	<hr/>
Final distribution		
– US\$2.09 on 24,594,240 units paid on 5th August 2014	51,401,961	–
– US\$1.77 on 27,747,780 units paid on 5th August 2013	–	49,113,571
	<hr/>	<hr/>
Total distribution	<u>99,677,237</u>	<u>100,903,520</u>

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **13. SEGMENT INFORMATION**

The Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by the Manager, which are used to make strategic decisions.

The Manager is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The Manager's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to seek to provide investment results that correspond to the total return of the Markit iBoxx ABF Pan-Asia Index, before fees and expenses.

The internal reporting provided to the Manager for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

There were no changes in the reportable segments during the years ended 30th June 2015 and 2014.

All activities of the Fund are in a single business of investment activities conducted mainly in the Asia Pacific region. The Fund's income is from investments in debt securities issued by organisations in the Asia Pacific region.

The Fund has no assets classified as non-current assets. The Fund has a diversified portfolio of investments. During the year ended 30th June 2015, there were no investments which each accounted for more than 10% of the Fund's income (2014: Nil). Please refer to note 10 for investment holdings issued by a single issuer that account for more than 10% of the Fund's net assets.

The Fund also has a diversified unitholder population. As at 30th June 2015, there were two unitholders, which were the nominee account holders of the Fund (2014: two unitholders) holding more than 10% of the Fund's units. The two nominee account holders hold 73% and 18% (2014: 73% and 18%) of the Fund's units as at 30th June 2015.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 14. SUPPLEMENTAL RATIOS

	2015	2014
Expense ratio <sup>1</sup>	0.19%	0.18%
Turnover ratio <sup>2</sup>	18.35%	23.51%

<sup>1</sup> The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at financial year end was based on total operating expenses of US\$5,852,171 (2014: US\$5,646,205) divided by the average net asset value of US\$3,104,129,510 (2014: US\$3,152,726,285) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales, being sales of US\$569,631,923 (2014: purchases of US\$741,129,571) of the underlying investments, divided by the average daily net asset value of US\$3,104,129,510 (2014: US\$3,152,726,285). In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants in June 2012, total value of purchases or sales for the current year do not include brokerage and other transaction costs.

### 15. EVENT OCCURRING AFTER YEAR END DATE

Subsequent to the year end, the Fund announced a dividend distribution of US\$1.67 per unit on 14 July 2015. The dividend was paid on 4th August 2015. The net assets attributable to holders of redeemable units as at 30th June 2015 has not accrued the dividend distribution payable as mentioned above.

### 16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 25th September 2015.