

令和元年6月期 決算短信 (平成30年7月1日～令和元年6月30日)

令和元年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 令和元年12月18日

I ファンドの運用状況

1. 2019年6月期の運用状況 (平成30年7月1日～令和元年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
	百万円	%	百万円	%	百万円	%
2019年6月期	400,862	(100)	413	(-)	401,275	(100)
2018年6月期	400,859	(100)	△224	(-)	400,635	(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)
	千口	千口	千口	千口
2019年6月期	32,679	1,437	2,480	31,636
2018年6月期	34,019	1,180	2,520	32,679

(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)
	百万円	百万円	百万円	円
2019年6月期	407,656	6,381	401,275	12,684
2018年6月期	411,100	10,464	400,635	12,259

(4) 分配金

		1口当たり分配金
*		*円 (米ドル)
2019年6月期	2019年7月22日	177 (1.64)
2018年12月期	2019年1月22日	190 (1.76)
2018年6月期	2018年7月23日	199 (1.84)
2017年12月期	2018年1月22日	188 (1.74)

* 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=108.25円の換算率(2019年9月13日に株式会社三菱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
 ② ①以外の会計方針の変更

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STATEMENT OF NET ASSETS

As at 30th June 2019

	Notes	30.06.2019 US\$	30.06.2018 US\$
Assets			
Current assets			
Investments	8(f), 10(b)&(c)	3,703,115,036	3,703,091,528
Amounts receivable on subscription of units		3,514,602	–
Amounts due from brokers		46,958,408	81,292,908
Other receivables		7,187	–
Cash at banks	8(e)	12,287,784	13,309,163
Total assets		<u>3,765,883,017</u>	<u>3,797,693,599</u>
Liabilities			
Current liabilities			
Amounts payable on redemption of units		1,167,325	1,132,451
Amounts due to brokers		50,001,330	87,976,464
Audit fee payable		70,862	72,040
Trustee fee payable	8(d)	140,560	149,312
Management fee payable	8(c)	1,003,519	1,055,148
Index license fee payable	9(a)	205,597	120,256
Other payables		6,361,400	6,165,700
Liabilities (excluding net assets attributable to unitholders)		<u>58,950,593</u>	<u>96,671,371</u>
Net assets attributable to unitholders	3	<u>3,706,932,424</u>	<u>3,701,022,228</u>

HSBC Institutional Trust
Services (Singapore) Limited

State Street Global Advisors
Singapore Limited

The notes on pages 16 to 51 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June 2019

	<i>Notes</i>	For the year ended 30.06.2019 <i>US\$</i>	For the year ended 30.06.2018 <i>US\$</i>
Income			
Interest income on bank deposits	<i>8(e)</i>	103,622	44,555
Net gain on investments	<i>6</i>	261,409,145	84,912,561
Net foreign exchange loss		(464,569)	(590,023)
Security lending income	<i>5, 8(g)</i>	21,325	–
Other income	<i>5</i>	407,074	116,178
		261,476,597	84,483,271
Total investment income			
Expenses			
Management fee	<i>8(c)</i>	4,275,241	4,248,240
Trustee fee	<i>8(d)</i>	1,831,470	1,941,660
Index license fee	<i>9(a)</i>	349,040	349,040
Publication and printing expenses		41,092	38,891
Audit fee		72,108	73,208
Processing agent fee	<i>9(b)</i>	16,467	12,922
Safe custody and bank charges	<i>8(e)</i>	16,960	16,507
Legal and professional fees		430,894	190,739
Annual insurance premium		29,425	26,750
Other operating expenses		15,112	26,285
		7,077,809	6,924,242
Total operating expenses			
		254,398,788	77,559,029
Operating profit			
Finance costs			
Distributions to unitholders	<i>12</i>	(117,396,320)	(113,472,967)
Interest expense	<i>8(e)</i>	(20,228)	(17,193)
		(117,416,548)	(113,490,160)
Profit/(loss) after distributions and before tax			
Taxation	<i>7</i>	136,982,240	(35,931,131)
		(9,653,841)	(10,537,039)
Profit/(loss) after distributions and tax/increase/ (decrease) in net assets attributable to unitholders from operations			
		127,328,399	(46,468,170)

The notes on pages 16 to 51 form part of these financial statements.

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 30th June 2019

	For the year ended 30.06.2019 <i>US\$</i>	For the year ended 30.06.2018 <i>US\$</i>
Balance at beginning of the year	3,701,022,228	3,903,994,527
Issuance of units	162,556,561	136,894,063
Redemption of units	(283,974,764)	(293,398,192)
Net redemption of units	(121,418,203)	(156,504,129)
Increase/(decrease) in net assets attributable to unitholders	127,328,399	(46,468,170)
Balance at the end of the year	<u>3,706,932,424</u>	<u>3,701,022,228</u>

The notes on pages 16 to 51 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30th June 2019

	For the year ended 30.06.2019 <i>US\$</i>	For the year ended 30.06.2018 <i>US\$</i>
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to unitholders	127,328,399	(46,468,170)
Adjustment for:		
Interest income on bank deposits	(103,622)	(44,555)
Interest expense	20,228	17,193
Distributions to unitholders	117,396,320	113,472,967
Taxation	9,653,841	10,537,039
Revaluation gain in foreign exchange	(211,742)	(21,497)
	254,083,424	77,492,977
Operating profit before working capital changes	254,083,424	77,492,977
Net (increase)/decrease in investments	(23,508)	204,518,927
Net decrease/(increase) in amounts due from brokers	34,334,500	(57,173,223)
Net decrease in interest receivable	-	1
Net increase in other receivable	(7,187)	-
Net (decrease)/increase in amounts due to brokers	(37,975,134)	54,696,660
Net increase/(decrease) in accounts payable and accrued expenses	14,290	(378,857)
	250,426,385	279,156,485
Cash generated from operations	250,426,385	279,156,485
Interest income on bank deposits received	103,622	44,556
Taxes paid	(9,448,649)	(9,686,909)
	241,081,358	269,514,132
Net cash generated from operating activities	241,081,358	269,514,132
Cash flows from financing activities		
Distributions paid to unitholders	(117,396,320)	(113,472,967)
Interest expense paid	(20,228)	(17,193)
Issuance of units	159,041,959	136,894,063
Redemption of units	(283,939,890)	(294,561,019)
	(242,314,479)	(271,157,116)
Net cash used in financing activities	(242,314,479)	(271,157,116)
Net decrease in cash and cash equivalents	(1,233,121)	(1,642,984)
Effect of currency translation	211,742	21,497
Cash and cash equivalents at the beginning of the year	13,309,163	14,930,650
	12,287,784	13,309,163
Cash and cash equivalents at the end of the year	12,287,784	13,309,163
Analysis of balance of cash and cash equivalents:		
Cash at banks	12,287,784	13,309,163

The notes on pages 16 to 51 form part of these financial statements.

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STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 30th June 2019

Reconciliation of liabilities arising from financing activities

	For the year ended 30.06.2019 <i>US\$</i>	For the year ended 30.06.2018 <i>US\$</i>
At 1st July	1,132,451	2,295,278
Changes from financing cash flows		
Redemption paid	(283,939,890)	(294,561,019)
Other changes		
Redemption of units	283,974,764	293,398,192
At 30th June	<u>1,167,325</u>	<u>1,132,451</u>

The notes on pages 16 to 51 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, a Third Amending and Restating Deed dated 24th June 2011, and a Fourth Amending and Restating Deed dated 10th July 2018. 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 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 Dollar, Indonesian Rupiah, Korean Won, Malaysian Ringgit, Philippine Peso, Singapore Dollar 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 (“**IFRSs**”). 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 IFRSs 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

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and derecognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1st January 2018.

Classification and measurement of debt assets are driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(a) Basis of preparation *(Continued)*

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

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. IFRS9 also introduces a new expected credit loss (“ECL”) impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b).The Fund’s investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st July 2018 that have a material effect on the financial statements of the Fund.

New standards and amendments to the standards that are relevant to the Fund but are effective after 1st July 2018 and have not been early adopted by the Fund.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st July 2018, and have not been adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(b) Investments

Classification

Assets

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

As such, the Fund classifies all of its investment portfolio as financial assets at fair value through profit or loss.

Recognition, derecognition and measurement

Purchases and sales of investments are accounted for on the trade date basis – the date on which the Fund commits to purchase or sell the investment. 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 year in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets or financial liabilities at fair value through profit or loss" category are presented in the statement of comprehensive income within net gain/(loss) on investments in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(b) Investments *(Continued)*

Fair value estimation

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

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.

Transfers between levels of the fair value hierarchy

Transfers between levels of the 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. Security lending income and other income are 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) 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 may potentially be liable to pay PRC withholding income tax on the PRC sourced capital gains and interest income, unless reduced or exempted under relevant tax treaty. Withholding taxes are disclosed separately in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(f) **Cash and cash equivalents**

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

(g) **Amounts due from/to brokers**

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Net Assets date respectively. The amounts due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant known financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. For the purposes of measurement for presentation in the financial statements, a significant increase in credit risk is defined as any contractual payment which is more than 30 days past due, and any contractual payment which is more than 90 days past due is considered credit impaired. The Manager has measures in place to monitor exposures and increase in credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(h) Securities lending

Securities on loan are included in the investment portfolio of the Fund as the Fund is entitled to the interest income from the fixed income securities on loan and retain substantially all the risks and rewards. Relevant securities lending income received by the Fund is included in security lending income in the Statement of Comprehensive Income.

Collateral received for the purpose of securities on loan generally consists of fixed income securities collateral. Fixed income securities collateral received is treated as an off-balance sheet transaction and is therefore not included in the Statement of Net Assets because the Fund is not entitled to the interest income from the fixed income securities collateral and do not retain substantially all the risks and rewards. Interest received from fixed income securities collateral is paid to the counterparty that provides the collateral to the Fund.

(i) Translation of foreign currencies

Functional and presentation currency

The Fund's subscription and redemption of units are denominated in United States Dollar ("US\$"). The performance of the Fund is measured and reported to the investors in the United States Dollar, 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.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'net foreign exchange gains or losses'.

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(j) Redeemable units

The Fund issues redeemable units, which are redeemable at the unitholder'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 unitholder exercises the right to put the unit back to the Fund.

Redeemable units are issued and redeemed at the unitholder'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 unitholders with the total number of outstanding redeemable units.

(k) 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.

(l) Distributions

Proposed distributions to unitholders 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND NUMBER OF UNITS IN ISSUE

Net assets attributable to unitholders

The Fund's capital is represented by the units in the Fund, and is shown as net assets attributable to unitholders 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 Unitholders. 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.

Net assets attributable to unitholders 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 unitholders exercised the right to redeem units in the Fund.

Number of units in issue

	30.06.2019 <i>units</i>	30.06.2018 <i>units</i>
Units in issue at the beginning of the year	32,678,844	34,018,734
Issuance of units	1,436,930	1,180,110
Redemption of units	<u>(2,480,000)</u>	<u>(2,520,000)</u>
Units in issue at the end of the year	<u><u>31,635,774</u></u>	<u><u>32,678,844</u></u>
	<i>2019</i> <i>US\$</i>	<i>2018</i> <i>US\$</i>
Net assets attributable to unitholders	<u><u>3,706,932,424</u></u>	<u><u>3,701,022,228</u></u>
Net assets attributable to unitholders (per unit)	<u><u>117.18</u></u>	<u><u>113.25</u></u>
Net asset value per Creation unit (1 Creation unit is equivalent to 10,000 units)	<u><u>1,171,753</u></u>	<u><u>1,132,544</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 Manager is of the opinion that the Fund has no critical accounting estimates and assumptions during the financial year.

5. SECURITY LENDING INCOME AND OTHER INCOME

Security lending income is calculated daily, determined on the closing value of loaned securities at agreed lending fee rate.

For each application for the subscription or redemption of units, the Fund is entitled to receive a transaction fee of HK\$1,000 (approximately US\$128) per application and 0.23% for creation of units and 0.125% for redemption of units dilution charges from authorised participants. Transaction fee received by the Fund is recognised within "Other income" in the Statement of Comprehensive Income.

6. NET GAINS ON INVESTMENTS

	2019 <i>US\$</i>	2018 <i>US\$</i>
Change in unrealised gain/(loss) in value of investments	167,007,478	(85,013,697)
Realised gain on sale of investments	<u>94,401,667</u>	<u>169,926,258</u>
	<u><u>261,409,145</u></u>	<u><u>84,912,561</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. TAXATION

No provision for Hong Kong profits tax has been made as the Fund is 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 (12A) 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 had incurred taxes of US\$9,653,841 (2018: US\$10,537,039) during the year ended 30th June 2019. The amount includes withholding taxes from China, Philippines and Indonesia totalling US\$8,859,123 (2018: US\$9,807,373) and the remaining portion of US\$794,718 (2018: US\$729,666) relates to payments of corporate income tax and other taxes.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. TAXATION *(Continued)*

Capital gains on debt securities in PRC

The Fund invests in RMB denominated bonds (“**RMB bonds**”) in the China Inter bank Bond Market (“**CIBM**”) 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 by foreign institutional investors. 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 at the rate of 10%, unless reduced or exempted under relevant tax treaty. Based on the current verbal interpretation of the PRC State Administration of Taxation and the local PRC tax authorities, the authorities are with the view that capital gains derived by foreign institutional investors from disposal of PRC debt securities should not be treated as PRC sourced income and thus should not be subject to PRC withholding income tax. However, there are no written tax regulations issued by the PRC tax authorities to confirm this interpretation. As a matter of practice, PRC withholding income tax on capital gains realised by non-PRC tax resident enterprises from the trading of debt securities has not been strictly enforced by the PRC tax authorities. 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 tax authority since the commencement of operation of the Fund. As such, no provision was made for taxation from such gains in the financial statements. However, there is a possibility that the PRC tax authorities may change their current interpretation or issue specific regulation to clarify the tax treatment on bond trading gains. 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.

Furthermore, according to the notice Caishui [2016] No. 36 (“**Circular 36**”), Value-Added Tax (“**VAT**”) at 6% shall be levied on the difference between the selling and buying prices of those marketable securities effective from 1st May 2016, unless specifically reduced or exempted under the prevailing regulations. The gains derived from trading of RMB denominated debt securities by the foreign institutional investors recognised by People’s Bank of China in CIBM are exempted from VAT in the PRC under Circular 36 and Caishui [2016] No. 70.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. TAXATION *(Continued)*

Interest income on debt securities in PRC

PRC withholding tax was charged on certain interest income received during the year.

On 7th November 2018, the Ministry of Finance and the PRC State Administration of Taxation (“**SAT**”) jointly issued a notice Caishui [2018] No.108 (“**Circular 108**”) which stipulates that foreign institutional investors are temporarily exempted from PRC withholding tax and VAT in respect of bond interest income received from 7th November 2018 to 6th November 2021.

Hence, the Manager has decided to change the tax provision policy of the Fund and ceased to make provisions for PRC withholding tax on the interest income received from PRC non-government bonds from 7th November 2018 to 6th November 2021.

As at 30th June 2019, the Fund made provision of US\$4,621,376 for withholding income tax on interest income from PRC non-government securities received up to 6th November 2018 (2018: US\$3,966,939). The amount is included in “Other payables” in the Statement of Net Assets. In addition, according to Circular 36, interest received from government bonds and local government bonds are exempted from VAT. However, the prevailing VAT regulations do not specifically exempt VAT on interest received by foreign institutional investors for the period from 1st May 2016 to 6th November 2018. Hence, interest income for the period from 1st May 2016 to 6th November 2018 on non-government bonds (including corporate bonds) may subject to 6.72% VAT and local surtaxes.

As at 30th June 2019 and 30th June 2018, the Manager does not consider that the potential VAT and surtaxes exposure arising from the Fund’s accumulated interest income received from PRC non-government bonds since 1st May 2016 to 6th November 2018 to be material.

8. TRANSACTIONS AND BALANCES 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. To the best of the Manager’s knowledge, the Fund does not have any other transactions with the Connected Persons of the Manager except for those disclosed below.

ABF Pan Asia Bond Index Fund

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

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

During the year ended 30th June 2019, the Manager transacted in foreign currency transactions totalling US\$878,441,978 (2018: US\$922,577,384) through its affiliated party, State Street Global Markets, LLC and the Trustee's affiliated parties, HSBC Hong Kong and HSBC Australia for the Fund's investments and settlement purpose. The amount represents 100% (2018: 100%) of the Fund's foreign currency transactions during the year ended 30th June 2019.

Name of company	Aggregate value of foreign currency transactions US\$	% of total foreign currency transactions %
2019		
HSBC Australia	601,543,835	68.48
HSBC Hong Kong	216,618,143	24.66
State Street Global Markets, LLC	60,280,000	6.86
2018		
HSBC Australia	573,165,015	62.13
HSBC Hong Kong	229,272,369	24.85
State Street Global Markets, LLC	120,140,000	13.02

During the years ended 30th June 2019 and 2018, 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 commissions paid to Connected Persons of the Manager or the Trustee during the years ended 30th June 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(b) Holdings of units

As at 30th June 2019, the directors and officers of the Manager did not hold any units in the Fund (2018: Nil). The Hong Kong and Shanghai Banking Corporation Limited, a related party of the Trustee, held 27,155,314 units (2018: 27,841,917 units) of the Fund as nominee on behalf of its clients, representing 85.84% (2018: 85.17%) of the Fund's net assets.

(c) 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.

(d) 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.

ABF Pan Asia Bond Index Fund

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(e) Bank balances

The bank balance of the Fund is held with a related party of the Trustee, (i.e. The Hongkong Shanghai Banking Corporation Limited). The details of such transactions are as follows:

	As at 30.06.2019 US\$	As at 30.06.2018 US\$
Bank balances	<u>12,287,784</u>	<u>13,309,163</u>

During the year ended 30th June 2019 and 2018, the below income and expenses related to the bank balance of the Fund stated in Statement of Comprehensive Income was earned/paid from/to a related party of the Trustee, (i.e. The Hongkong Shanghai Banking Corporation Limited).

	For the year ended 30.06.2019 US\$	For the year ended 30.06.2018 US\$
Interest income	103,622	44,555
Interest expenses	<u>20,228</u>	<u>17,193</u>

(f) Investments

As at 30th June 2019 and 2018, the Fund placed investments with a related party of the Trustee, (i.e. HSBC Institutional Trust Services (Asia) Limited). The details of such investments are as follows:

	As at 30.06.2019 US\$	As at 30.06.2018 US\$
Investments	<u>3,703,115,036</u>	<u>3,703,091,528</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(g) Security Lending Arrangement

During the year ended 30th June 2019, the Fund put in place a securities lending arrangement with a related party of the Trustee (i.e. HSBC Bank Plc) as a security lending agent. The details of such transactions are as follows:

	For the year ended 30.06.2019 <i>US\$</i>	For the year ended 30.06.2018 <i>US\$</i>
Collateral held by HSBC Bank Plc in segregated accounts	72,241,674	–
Aggregate securities lending transactions through HSBC Bank Plc	136,330,050	–

(h) Bond transactions with connected persons of the Manager and the Trustee

(i) During the year ended 30th June 2019, the Fund transacted in bond trades through Trustee's affiliated party as buyers or sellers as follows:

	Aggregate value of purchase transactions <i>US\$</i>	Aggregate value of sale transactions <i>US\$</i>
2019		
HSBC Bank (China) Company Limited	36,139,035	–
HSBC Singapore	176,125,390	175,296,692
2018		
HSBC Bank (China) Company Limited	31,787,283	38,049,690
HSBC Singapore	73,928,743	129,294,083

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(h) Bond transactions with connected persons of the Manager and the Trustee *(Continued)*

(ii) During the year ended 30th June 2019, the Fund transacted in bond trades through Trustee's affiliated party as delivering or receiving agents as follows:

Name of company	Aggregate value	Aggregate value
	of transactions 30.06.2019	of transactions 30.06.2018
	US\$	US\$
HSBC Bank (China) Company Limited	36,139,035	69,836,973
HSBC Hong Kong	52,604,243	37,312,343
HSBC Indonesia	38,162,900	52,066,649
HSBC Malaysia	9,107,655	25,209,761
HSBC Philippine	13,082,916	13,686,175
HSBC Seoul	141,352,470	87,586,819
HSBC Singapore	94,866,401	7,008,546
HSBC Thailand	35,516,051	13,265,556

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 (2018: 0.0175% per annum) on the daily average net asset value of the Fund, subject to a minimum of US\$184,000 per annum (2018: 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 subscription 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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 “financial assets or liabilities at amortised cost” except for investments, 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:

(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 is designated to track the performance of the Markit iBoxx ABF Pan-Asia Index, therefore the exposures to market risk in the Fund will be substantially the same as the tracked index. The Manager manages the Fund’s exposures to market risk by ensuring that the key characteristics of the portfolio, are closely aligned with the characteristics of the tracked index. As at year end, the overall market exposures were as follows:

	2019			2018		
	Fair value US\$	Cost US\$	% of net assets	Fair value US\$	Cost US\$	% of net assets
Investments						
– Debt securities	3,703,115,036	3,755,547,560	99.90	3,703,091,528	3,922,531,530	100.06
	<u>3,703,115,036</u>	<u>3,755,547,560</u>	<u>99.90</u>	<u>3,703,091,528</u>	<u>3,922,531,530</u>	<u>100.06</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) **Market price risk** *(Continued)*

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.

	2019 <i>US\$ equivalent</i>	2018 <i>US\$ equivalent</i>
Markets exposed to		
China	871,695,396	900,043,434
Hong Kong	317,541,716	329,116,331
Indonesia	294,238,106	284,000,035
Malaysia	436,970,965	412,771,256
Philippines	207,064,750	215,795,823
Singapore	589,996,952	580,742,371
South Korea	611,539,891	614,873,284
Thailand	374,067,260	365,748,994
	<u>3,703,115,036</u>	<u>3,703,091,528</u>

There were investments issued by a single issuer with market value exceeding 10% of the Fund's net asset value at 30th June 2019 or 30th June 2018, as follows:

	2019 %	2018 %
China Government	18.36	18.17
Korea Treasury	16.03	16.23
Singapore Government	13.90	14.06

During the year ended 30th June 2019, the Underlying Index increased by 7.33% (1 year return as of 30th June 2018: increased by 2.08%), while the returns of the Fund including dividends increased by 6.80% (1 year return as of 30th June 2018: increased by 1.59%).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) **Market price risk** *(Continued)*

Market exposures (Continued)

The table below summarises the impact on net assets attributable to unitholders 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.

	2019		2018	
	Change in market index %	Impact <i>US\$</i>	Change in market index %	Impact <i>US\$</i>
	+/-	+/-	+/-	+/-
Markit iBoxx ABF Pan-Asia Index in US\$	6.00	222,186,902	6.00	222,185,492

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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. FINANCIAL RISK MANAGEMENT (Continued)

(c) **Interest rate risk** (Continued)

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.

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 30.06.2019

	Up to 1 year US\$	1-5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
Assets					
Investments	194,449,342	1,387,393,459	2,121,272,235	-	3,703,115,036
Cash at banks	12,287,784	-	-	-	12,287,784
Amounts receivable on subscription of units	-	-	-	3,514,602	3,514,602
Amounts due from brokers	-	-	-	46,958,408	46,958,408
Other receivables	-	-	-	7,187	7,187
Total assets	<u>206,737,126</u>	<u>1,387,393,459</u>	<u>2,121,272,235</u>	<u>50,480,197</u>	<u>3,765,883,017</u>
Liabilities					
Amounts payable on redemption of units	-	-	-	(1,167,325)	(1,167,325)
Amounts due to brokers	-	-	-	(50,001,330)	(50,001,330)
Audit fee payable	-	-	-	(70,862)	(70,862)
Trustee fee payable	-	-	-	(140,560)	(140,560)
Management fee payable	-	-	-	(1,003,519)	(1,003,519)
Index license fee payable	-	-	-	(205,597)	(205,597)
Other payables	-	-	-	(6,361,400)	(6,361,400)
Net assets attributable to unitholders	-	-	-	(3,706,932,424)	(3,706,932,424)
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,765,883,017)</u>	<u>(3,765,883,017)</u>
Total interest sensitivity gap	<u>206,737,126</u>	<u>1,387,393,459</u>	<u>2,121,272,235</u>		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

As at 30.06.2018

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$
Assets					
Investments	205,286,809	1,480,368,561	2,017,436,158	-	3,703,091,528
Cash at banks	13,309,163	-	-	-	13,309,163
Amounts due from brokers	-	-	-	81,292,908	81,292,908
	<u>218,595,972</u>	<u>1,480,368,561</u>	<u>2,017,436,158</u>	<u>81,292,908</u>	<u>3,797,693,599</u>
Total assets					
Liabilities					
Amounts payable on redemption of units	-	-	-	(1,132,451)	(1,132,451)
Amounts due to brokers	-	-	-	(87,976,464)	(87,976,464)
Audit fee payable	-	-	-	(72,040)	(72,040)
Trustee fee payable	-	-	-	(149,312)	(149,312)
Management fee payable	-	-	-	(1,055,148)	(1,055,148)
Index license fee payable	-	-	-	(120,256)	(120,256)
Other payables	-	-	-	(6,165,700)	(6,165,700)
Net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,701,022,228)</u>	<u>(3,701,022,228)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,797,693,599)</u>	<u>(3,797,693,599)</u>
Total liabilities					
Total interest sensitivity gap					
	<u>218,595,972</u>	<u>1,480,368,561</u>	<u>2,017,436,158</u>		

At 30th June 2019, should interest rates have lowered/risen by 50 basis points (2018: 50 basis points) with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately US\$133,011,421 and US\$123,722,914 respectively (2018: US\$124,127,783 and US\$115,951,702), 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.

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, assets held with the custodians and collaterals held by security lending agents.

The table below summarises the assets placed with banks, custodians and security lending agents at 30th June 2019 and 2018:

As at 30.06.2019

	US\$	Credit rating	Source of credit rating
Custodians and Banks			
The Hongkong & Shanghai Banking Corporation Limited	3,715,402,820	Aa1	Moody's
Security Lending Agent			
HSBC Bank PLC	72,241,674	Aa2	Moody's

As at 30.06.2018

	US\$	Credit rating	Source of credit rating
Custodians and Banks			
The Hongkong & Shanghai Banking Corporation Limited	3,716,400,691	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 Standard & Poor's or iBoxx.

Portfolio by rating category

Rating (Markit iBoxx)	2019 <i>% of Investment</i>	2018 <i>% of Investment</i>
AAA	15	14
AA	25	25
A	36	35
BBB	18	22
Non-rated	6	4
Total	100	100

During the year ended 30th June 2019, the Fund put in place a securities lending arrangement. Any securities lending activities for the Fund would be carried out for the sole purpose of efficient portfolio management, which aims to generate additional income for the scheme with minimal increase in risk. At the time that any securities are lent or proposed to be lent, the amount of securities of that issue being lent must not be more than 50% of the aggregate market holding of securities. The Fund will only lend securities to a borrower approved by the Trustee. Borrowers will be restricted to persons who satisfy the criteria for a counterparty to a securities lending agreement as required under all applicable laws and regulations. At present, borrowers of security lending transactions are required to have a minimum long-term rating of 'A' by Moody's, 'A' by Standard and Poor's or 'A' by Fitch. For more details, please refer to the Details of Security Lending Arrangements (Unaudited).

As part of its securities lending transactions, the Fund will receive collateral, the value of which, during the duration of the securities lending agreement, will exceed 100% of the global valuation of the securities lent, marked to market on a daily basis. The collateral that is to be acquired in respect of securities lending shall comprise securities of the underlying index, non-index securities and/or other high quality cash equivalent investments approved by the Trustee and permitted under the Trust Deed. For non-cash collateral, eligible collateral includes government debt or supranational debt with a minimum long-term rating of 'A' by Moody's, 'A' by Standard and Poor's or 'A' by Fitch. The Fund will only accept cash collateral in circumstances where collateral is accepted through the Euroclear SA collateral management system, and the collateral substitution process for the system requires the interstitial acceptance of cash collateral. No interest would be paid on such cash collateral, which would be held by HSBC Bank Plc as banker. The Fund will not reinvest collateral received in connection with its securities lending.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit and counterparty risk *(Continued)*

The table below categorised the securities on loan by credit rating of the collateral provider sourced from Moody's Rating Services.

As at 30.06.2019

Collateral provider	Credit rating of the collateral provider ¹	Fair value of collateral US\$	Securities on loan US\$
BNP Paribas London	Aa3	72,241,674	67,676,811
		<u>72,241,674</u>	<u>67,676,811</u>

As at 30th June 2018, no securities were lent by the Fund.

¹ Credit ratings of long term counterparty risk by Moody's Rating Services

The maximum exposure to credit and counterparty risk as at 30th June 2019 and 2018 is the carrying amount of the financial assets as set out below:

	2019 US\$	2018 US\$
Investments	3,703,115,036	3,703,091,528
Amounts receivable on subscription of units	3,514,602	-
Amounts due from brokers	46,958,408	81,292,908
Other receivable	7,187	-
Cash at banks	12,287,784	13,309,163
	<u>3,765,883,017</u>	<u>3,797,693,599</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit and counterparty risk *(Continued)*

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.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. At 30th June 2019 and 30th June 2018, other receivables, amounts due from brokers, amount receivable on subscription of units, cash at banks are due to be settled within 1 month. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(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. During the year ended 30th June 2019, the Fund put in place securities lending transactions. As at 30th June 2019, investments of US\$67,676,811 were lent to the borrower and callable on demand.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

	Less than 1 month US\$	1 month to less than 3 months US\$	Over 3 months US\$
As at 30.06.2019			
Amounts payable on redemption of units	1,167,325	-	-
Amounts due to brokers	50,001,330	-	-
Audit fee payable	-	70,862	-
Trustee fee payable	-	140,560	-
Management fee payable	-	1,003,519	-
Index license fee payable	-	205,597	-
Other payables	37,668	79,838	6,243,894
Net assets attributable to unitholders	<u>3,706,932,424</u>	<u>-</u>	<u>-</u>
Contractual cash outflows	<u>3,758,138,747</u>	<u>1,500,376</u>	<u>6,243,894</u>
As at 30.06.2018			
Amounts payable on redemption of units	1,132,451	-	-
Amounts due to brokers	87,976,464	-	-
Audit fee payable	-	72,040	-
Trustee fee payable	-	149,312	-
Management fee payable	-	1,055,148	-
Index license fee payable	-	120,256	-
Other payables	37,451	89,547	6,038,702
Net assets attributable to unitholders	<u>3,701,022,228</u>	<u>-</u>	<u>-</u>
Contractual cash outflows	<u>3,790,168,594</u>	<u>1,486,303</u>	<u>6,038,702</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. FINANCIAL RISK MANAGEMENT *(Continued)*

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

Units are redeemed on demand at the unitholder'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 unitholders typically retain their units for the medium to long term. At 30th June 2019 and 2018, there were 2 unitholders, which were the nominee account unitholders of the Fund holding more than 10% of the Fund's units. Please refer to note 13 for details.

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 <i>US\$</i>	1-12 months <i>US\$</i>
As at 30.06.2019		
Total assets	<u>3,765,883,017</u>	<u>–</u>
	<i>US\$</i>	<i>US\$</i>
As at 30.06.2018		
Total assets	<u>3,797,693,599</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 subscription 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:

	2019 <i>US\$ equivalents</i>	2018 <i>US\$ equivalents</i>
Hong Kong Dollar	318,166,675	329,366,690
Indonesian Rupiah	294,480,902	283,459,165
Malaysian Ringgit	434,833,778	412,871,787
Philippine Peso	206,829,532	215,387,906
Renminbi	875,080,442	897,457,451
Singapore Dollar	591,742,465	580,031,150
South Korean Won	612,308,613	616,675,797
Thai Baht	374,204,705	366,480,362

The table below summarises the impact on net assets attributable to unitholders 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.

	2019		2018	
	Change % +/-	Impact <i>US\$</i> +/-	Change % +/-	Impact <i>US\$</i> +/-
Hong Kong Dollar	1	3,181,667	1	3,293,667
Indonesian Rupiah	12	35,337,708	12	34,015,100
Malaysian Ringgit	12	52,180,053	12	49,544,614
Philippine Peso	12	24,819,544	12	25,846,549
Renminbi	11	96,258,849	11	98,720,320
Singapore Dollar	8	47,339,397	8	46,402,492
South Korean Won	12	73,477,034	12	74,001,096
Thai Baht	12	44,904,565	12	43,977,643

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; and 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 unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of the unitholders. 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 unitholders 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 unitholders.

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 that the Fund can access at the measurement date (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 judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment 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 2019 and 2018:

As at 30.06.2019	Level 1 <i>US\$</i>	Level 2 <i>US\$</i>	Level 3 <i>US\$</i>	Total balance <i>US\$</i>
Investments				
– Debt securities	–	3,703,115,036	–	3,703,115,036
	–	3,703,115,036	–	3,703,115,036
	<u>–</u>	<u>3,703,115,036</u>	<u>–</u>	<u>3,703,115,036</u>
As at 30.06.2018				
	Level 1 <i>US\$</i>	Level 2 <i>US\$</i>	Level 3 <i>US\$</i>	Total balance <i>US\$</i>
Investments				
– Debt securities	–	3,703,091,528	–	3,703,091,528
	–	3,703,091,528	–	3,703,091,528
	<u>–</u>	<u>3,703,091,528</u>	<u>–</u>	<u>3,703,091,528</u>

Investments whose values are based on quoted market prices in active markets are classified within Level 1. As of 30th June 2019 and 2018, 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 2019 and 2018, 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 2019 and 2018, the Fund did not hold any investments classified in Level 3.

There was no transfer between levels for the years ended 30th June 2019 and 2018.

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.

The Manager has not participated in any soft dollar arrangements in respect of any transactions for the account of the Fund during the years ended 30th June 2019 and 30th June 2018.

12. DISTRIBUTIONS

	2019 <i>US\$</i>	2018 <i>US\$</i>
Interim distribution		
– US\$1.76 on 32,757,754 units paid on 31st January 2019	57,653,647	–
– US\$1.74 on 33,021,584 units paid on 1st February 2018	–	57,457,556
Final distribution		
– US\$1.84 on 32,468,844 units paid on 2nd August 2018	59,742,673	–
– US\$1.65 on 33,948,734 units paid on 3rd August 2017	–	56,015,411
Total distribution	<u>117,396,320</u>	<u>113,472,967</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 IFRSs.

There were no changes in the reportable segments during the years ended 30th June 2019 and 2018.

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. 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 underlying index of the Fund namely Markit iBoxx ABF Pan-Asia Index, did not have any constituent stock that accounted for more than 10% of the index as at 30th June 2019 (2018: Nil).

The Fund also has a diversified unitholder population. As at 30th June 2019, there were 2 unitholders, which were the nominee account unitholders of the Fund (2018: two unitholders) holding more than 10% of the Fund's units. The two nominee account unitholders hold 86% and 10% (2018: 85% and 11%) of the Fund's units as at 30th June 2019.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

14. SUPPLEMENTAL RATIOS

	2019	2018
Expense ratio ¹	0.19%	0.18%
Turnover ratio ²	21.15%	41.46%

¹ 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\$7,077,809 (2018: US\$6,924,242) divided by the average net asset value of US\$3,671,577,409 (2018: US\$3,894,741,334) 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.

² 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 purchases of US\$776,605,239 (2018: purchases of US\$1,614,654,216) of the underlying investments, divided by the average daily net asset value of US\$3,671,577,409 (2018: US\$3,894,741,334). In line with Statement of Recommended Accounting Practice 7 "Reporting framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants, 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\$1.64 per unit on 15th July 2019. The dividend was paid on 1st August 2019. The net assets attributable to unitholders as at 30th June 2019 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 27th September 2019.