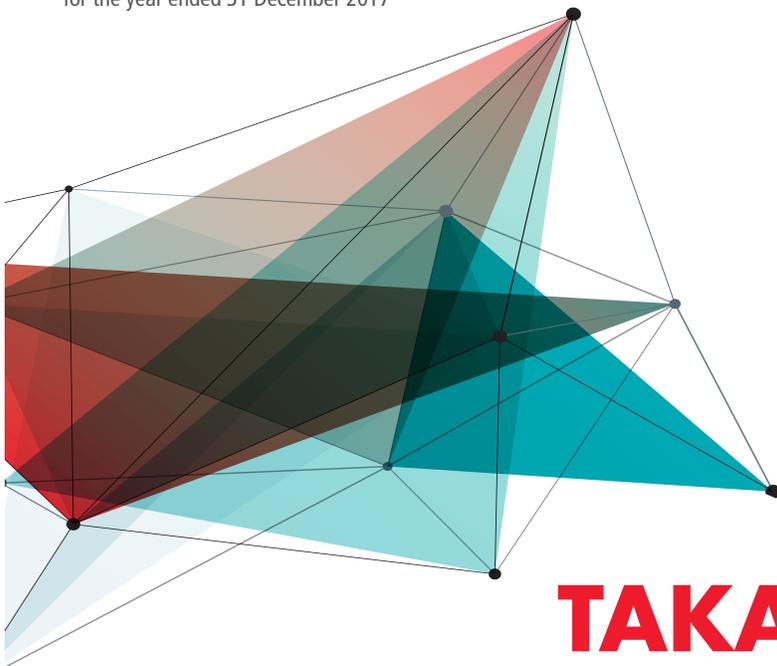


# TAKAFULINK FUNDS REPORT 2017

Takafulink Reports and Statements  
for the year ended 31 December 2017

PRUDENTIAL BSN

TAKAFUL



# TAKAFUL

For All. For Life

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## Dear Certificate Holders,

We have the pleasure in presenting to you the **Takafulink Funds Report 2017** of Prudential BSN Takaful Berhad. This report is also available on our website at [www.prubsn.com.my](http://www.prubsn.com.my).

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## CEO'S MESSAGE

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**In the name of Allah, Most Gracious  
and Most Merciful**

**I am humbled to have assumed the  
role of CEO since 15 September 2017  
after serving in several management  
positions at PruBSN. During my 7-year  
tenure here, I have witnessed the  
company transformed from a startup  
to an industry leader. Under the  
leadership of previous CEOs  
– Mohamad Salihuddin Ahmad,  
Azim Mithani and Aman Chowla  
– and with the support of the entire  
team, we have built a reputable  
company, buoyed by an exceptional  
family-oriented culture with Shariah  
values at heart.**



## CEO'S MESSAGE

2017 has been quite an exciting year for PruBSN. Our business momentum and solid execution have enabled us to deliver positive results amidst volatile global economic environment. We grew our new business Annual Contribution Equivalent (ACE)<sup>1</sup> close to 5% year-on-year to RM467.5 million. The data provided by Insurance Services Malaysia confirms that PruBSN retained its position as the Number 1 Family Takaful Operator in Malaysia with a 31% market share as at December 2017. We would like to thank our customers for their trust and loyalty in us in meeting their financial protection needs, which has been and always will be the number one reason for us to continue doing well.

Business performance aside, we remain focused on our efforts to help new and existing customers build better future for themselves and their families by helping to fill the savings and protection gap that exists in the country. In November last year, we introduced *PruBSN Anugerah*, a comprehensive entry-level life protection plan with rider options for medical and critical illness coverage. We became one of the first takaful operators to offer *Perlindungan Tenang* through our online-based product named *Lindungi* to promote financial inclusion to the underserved.

In line with our mission of securing the future of Malaysian families through innovative solutions, we continued to safeguard our customers' wellbeing by introducing the first mobile-based nutrigenomics test *myDNA*, which allows our customers to make informed decisions and customise their diet and fitness programme based on their DNA sample. We also partnered with Prudential Corporation Asia and Prudential Assurance Malaysia to launch the *Prudential Relationship Index Report* to delve deeper into how relationships work and how to make them stronger and more rewarding through conversations with more than 5,000 people across 10 different countries in Asia.

Additionally, we have moved from delivering physical statements to digital format via our customer portal, PruBSN Touch, in our effort to reduce use of paper. We have also enhanced our core takaful system with the introduction of straight through processing which allows certificate holders to be covered within hours.

Through our charitable investment arm, *PruBSN Prihatin* continues to help build stronger and more sustainable communities, supporting our customers, our colleagues and the environment. Our flagship *CSR Challenge* – where we bring together employees across the company to create their own CSR initiatives – has resulted in a total of 240 volunteers contributing more than 1,500 volunteering hours through 10 new programmes supporting various communities. More recently, *PruBSN Prihatin* teamed up with the National Heart Institute to refurbish the Paediatric Physiotherapy Ward, whereby an estimated 3,000 children will benefit from this facility every year.

<sup>1</sup> Annual Contribution Equivalent (ACE) is a global and widely accepted standard for measurement of new business performance of insurance and takaful companies. ACE is the total amount of regular premiums from new business plus (+) 10% of the total amount of single premium on business written during the year.

## CEO'S MESSAGE

Our commitment to innovation and being a sustainable business was recognised by both local and international organisations. At the annual *Malaysian Takaful Association's StarNite Award*, we brought home more than 14 awards including Best Operator for Agency and Family Takaful Business, Best CSR, and Most Innovative Product. We were also named the *Best Family Takaful* by CPI Financial and recognised by HR Asia as one of the *Best Companies to Work For in Asia*.

Our Partnership Channels have performed vigorously and consistently throughout 2017, thanks to our ties with strong local and international household names in the banking industry which includes Bank Simpanan Nasional, Affin Islamic, Standard Chartered Saadiq and United Overseas Bank.

I am very pleased that we have such talented employees, and I extend my warmest thanks to them for their hard work and outstanding dedication. Special thanks also go to our business partners, as well as our capable takaful consultants, quality agents, leaders and specialists nationwide.

We greatly appreciate your continued patronage. Please be assured that we will not rest on our laurels and continue to make progress. Until next time, I trust this report will be a valuable guide as you plan for your financial needs and goals for 2018.

With Best Wishes,



**Nor Azman Zainal**  
Chief Executive Officer  
Prudential BSN Takaful Berhad

## FUND OBJECTIVES

The Takafulink Dana Ekuiti Fund aims to maximise returns over medium-to-long term by investing in high quality Shariah-compliant equities listed on Bursa Malaysia.

The Takafulink Dana Bon Fund aims to provide medium-to-long term accumulation of capital by investing in selected sukuk and Islamic money market instruments.

The Takafulink Dana Urus Fund seeks to maximise returns over medium-to-long term by investing in Shariah-compliant equities, sukuk and Islamic money market instruments through Takafulink Dana Ekuiti and Takafulink Dana Bon, and in any other such Takafulink funds that may become available in the future.

The Takafulink Dana Ekuiti Dinasti Fund aims to provide long-term capital appreciation by investing in Shariah-compliant investments with exposure to the Greater China region.

## INVESTMENT REVIEW

### Equity Market

1Q2017 saw global markets start the year on a positive note, on the expectations that Trump's policies for the US will be reflationary in nature, focused on tax cuts and corporate tax overhaul, infrastructure spending in the US, and increased protectionism. The US markets took a breather towards the end of the quarter, as oil prices corrected with rising inventory levels and higher rig counts in the US. Malaysian equities rallied in tandem with global markets, supported by a firmer ringgit given Bank Negara Malaysia ("BNM") efforts to clamp down on currency speculation. Announcements by PNB related companies to restructure the UMW Holdings and UMW Oil and Gas, and Sime Darby's intentions to spin-off various divisions brought some excitement to the market. M&A news dominated news in the 1Q as Saudi Aramco announced their JV with Petronas in RAPID during the Saudi Arabia King's visit to Malaysia, the media speculated the potential merger between Telekom Malaysia and Axiata, and Alibaba's Jack Ma's announcement of establishing an e-commerce hub in the new Digital Free Trade Zone in Sepang.

Global markets continued to perform well in the 2Q2017, despite uncertainty regarding US President Trump and potential trade protectionist policy, French elections, UK elections, tensions with North Korea, and crude oil over-supply concerns. Investors spent much of the 2Q2017 distracted by the US policy issues with China, on normalisation, and on potential tax reform. U.K. Prime Minister Theresa May overestimated her support at the snap elections held on 8 June, and ended up with a minority government. North Korea has been busy testing the patience of the UN Security Council members, with 6 missile test launches in 2Q alone, seemingly making rapid progress in the development of their missile technology; unnerving the US, South Korea and Japan. Crude oil ended the quarter lower at about US\$46 per barrel ("bbl"), down almost 5% year-on-year ("yoy"), on supply concerns, despite the calls by Saudi Arabia and three other Gulf countries to boycott Qatar. Malaysian equities continued its uptrend in the early part of 2Q, supported continued foreign fund flows and an appreciating ringgit. However the positive momentum hit a speed bump mid 2Q when TRX City announced that they were terminating the 60% stake sale of Bandar Malaysia to IWH-CREC joint venture, which brought up concerns of whether this could potentially jeopardise Malaysia's relationship with China ahead of China's One-Belt-One-Road Summit. Towards the end of the 2Q, profit taking activities set in ahead of the Hari Raya holidays, which also coincided with a flurry of M&A related news such as DRB Hicom and Zhejiang Geely signing the agreement for 49.9% stake in Proton.

## Investment Review

### Equity Market (continued)

The Malaysian equity market started the 3Q2017 on a volatile note, sparked by the lackluster response for the biggest IPO deal in Malaysia since 2012, as confidence in the IPO waned culminated by the disastrous results reported on the last day of the month. The annual Invest Malaysia conference did not provide much catalyst for the market, although the Prime Minister's positive message on the state of economy and outlook provided investors with comfort. Malaysia's lackluster 2Q2017 reported corporate earnings did nothing to help the direction of the market, in light of growing uncertainty regarding geopolitical tensions concerning North Korea, and the impact from US Hurricane Harvey which was the first major hurricane to make landfall in the United States since 2005. Malaysia's GDP growth for 2Q of 5.8% yoy surprised on the upside but was not enough of a catalyst to drive investor interest. Equity markets in Malaysia ended the quarter lower, succumbing to selling pressure, when the Federal Reserve signaled one more rate hike towards the year end. The launch of Apple's Iphone X and Iphone 8 in the US was a little disappointing given the minimal obvious differences between the Iphone 7 and Iphone 8, and the high price point of the Iphone X.

The Malaysian equity market started the 4Q2017 in a correction mode, as the big cap stocks succumbed to some sell down, despite the rising Brent crude oil prices and the tabling of Budget 2018. The Budget 2018 announcement on the 27th October was as expected, focused on implementing measures to increase households' disposable income, in particular the bottom 40% (B40) income group, with special cash payments to be made to the 1.6m civil servants and civil servant retirees. Equity markets in Malaysia remained weak despite the stronger than expected 3Q2017 GDP growth data reported in November, and growing expectations of Bank Negara potentially hiking Overnight Policy Rate in 2018. OPEC also announced their decision to extend its production cutting deal for another nine months, providing support for oil prices. By the end of the 4Q2017, Brent crude oil hit USD66.8/bbl, levels not seen since May 2015, on the back of extended production cuts by OPEC and improving demand outlook as global growth recovery continues to be underway. Being one of the few net beneficiaries in the regions of higher oil prices, the Malaysian ringgit appreciated sharply towards the end of the 4Q to close at RM4.046/USD. FTSE Bursa Malaysia Shariah EMAS Index ("FBMSHA") saw some changes to its constituents with the addition of Nestle, Sime Darby Property, and Sime Darby Plantations. The FBMSHA ended the 4Q on a new high due to window dressing activities.

The FBMSHA closed the year under review at 13,302.92 points, up 10.72%. The broader FTSE Bursa Malaysia EMAS Index (FBMEMAS) closed the period under review higher by 12.87%. The MSCI Asia Pacific ex-Japan Index rose by 38.71% in USD terms.

## Investment Review

### Sukuk Market Review

During the period under review, BNM adopted an accommodative monetary policy by keeping the Overnight Policy Rate (“OPR”) at 3.00%, to ensure that the domestic economy continues on a steady growth path amid stable core inflation. However, BNM’s tone turned more hawkish in the latest Monetary Policy Committee (“MPC”) meeting on 9 November, citing that they may consider reviewing the current degree of monetary policy accommodation given the strength of the global and domestic macroeconomic conditions.

On the economic front, Malaysia’s economy grew at a faster pace of 6.2% yoy (consensus: 5.7%) in 3Q2017, is on track to beat government’s forecast of 5.2-5.7%. Meanwhile, headline inflation inched higher this year, though is still within BNM’s expected range of 3-4%. Notably, the increase was mainly driven by rise in transportation costs and food and non-alcoholic beverages while core inflation (2.2% yoy in November) remained stable. For 2018, headline inflation is projected to moderate on expectations of a smaller effect from global cost factors. Nevertheless, the trend of headline inflation will be dependent on future global oil prices which remain highly uncertain.

On 27 October, the Federal Government unveiled its 2018 national budget with the theme “Prospering an Inclusive Economy, Balancing between Worldly and Hereafter, For The Wellbeing of Rakyat, Towards TN50 Aspirations”. Overall, fiscal consolidation remains on track as the Government remains committed to a budget deficit at 3.0% of GDP in 2017 and expects it to improve further to 2.8% of GDP in 2018. Meanwhile, the Federal Government’s debt to GDP has dropped to 50.9% as at end-June 2017 (2016: 53.2%) in line with continued efforts to embrace prudent debt management efforts.

Unlike 2015 and 2016, the US Federal Reserve (“Fed”) finally followed through on their own interest rate projections made at the beginning of the year. The key interest rates increased by 75 basis points (“bps”) to between 1.25-1.50% despite subdued inflation, on robust growth and a strong labor market. Meanwhile, the Fed raised their forecast for US economic growth in 2018 to 2.5% from 2.1%, as the Fed expects economic boost from potential tax cuts. Fed policymakers also maintained its forecast of three rate hikes in 2018.

Separately, the Fed confirmed that it will wind down its balance sheet as the central bank is expected to start reducing its balance sheet in October. The gradual unwinding of its massive USD4.5 trillion balance sheet will be the first policy shift since the central bank started its stimulus program after the economy entered a severe recession nearly a decade ago. The Fed indicated that it will start reducing its balance sheet by trimming reinvestments by USD10 billion in October and raising that amount gradually to USD50 billion in the months to come.

<sup>1</sup>Source: Bloomberg; World indices

## Investment Review

### Sukuk Market Review (continued)

For the period under review, the 3-, 5-, 10- and 15-year sovereign yields decreased by 23bps, 1bps, 18bps and 0bps to close at 3.43%, 3.79%, 4.19% and 4.65% respectively. Government securities started off with positive note but the yields started to creep higher in the 1Q2017 mainly attributable to a 25bps hike in the Fed's rate in March. That said, sovereign yields corrected in 2Q2017 after BNM expanded short-selling of Malaysian Government Securities and allowing registered non-bank entities to have a net forward hedge position which helped to improve liquidity of the domestic bond market and onshore foreign exchange. In 2H2017, sovereign securities managed to withstand the higher US interest rate environment on the back of improving investor sentiment as Ringgit recovered towards the end of the year.

Corporate sukuk yields generally moved in tandem with sovereign sukuk yields, albeit at a lag. Activities in the corporate sukuk market were supported by ample liquidity and a stable credit environment. On the supply front, total corporate issuances as at end December 2017 stood at RM102 billion of which approximately 30% was conventional and 70% was Islamic. Major primary issuances during the year were mainly government guaranteed, corporates and banking sectors. Notable issuances include RM10.1 billion from Danainfra, RM6.75 billion from LPPSA, RM8.7 billion from Cagamas, RM6.0 billion from Prasarana, RM4.0 billion from PTPN, RM4.2 billion from GovCo Holdings Berhad, RM4.5 billion from CIMB Bank Berhad and RM3.7 billion from Southern Power Generation.

### Global and Asia

In 2017, global economic growth was steady, prolonged and widespread. Political risks remained subdued, despite the news headlines, and volatility in equity markets was at record lows. The result was a stellar year for equities with assets across the world and investment spectrum seeing gains. In particular, Emerging Market ("EM") and Asian equities took a strong lead. But what made 2017 special was the quality of the gains. In other words, the 2017 equity gains were backed by strong corporate earnings and robust economic growth. Set this against the 'recovery' years of 2003 and 2009 when markets bounced from low points, or the speculative gains of the dotcom era in the 1990s.

So why 2017? The answer is simple. It wasn't one thing. It was a combination of various positive factors coming together over one 12-month long period while there was a notable absence of entries in the negative column too. The outperformance of risk assets in the mature years of a bull market is far from exceptional. And neither will it go on forever so the golden question remains, how long will it last?

## Investment Review

### Global and Asia (continued)

The first pillar supporting equity outperformance everywhere last year was corporate earnings. Growth in corporate earnings measured by Earnings Per Share (“EPS”) grew by around 14% in 2017 in Developed Markets (“DM”). But that solid growth figure pales in comparison to EM which saw EPS grow by a whopping 23% on average, according to JP Morgan analysis. Backing up the strong corporate earnings was the key pillar of broad economic growth. According to the International Monetary Fund, in 2016, global growth was below 3%. For 2017 it is likely to settle around 3.6%, the fastest pace the world has seen since 2011 when it was still recovering from the financial crisis and it predicts 3.7% for 2018.

For EMs, the emphasis was also on low inflation, robust manufacturing figures as well as a recovery in commodity prices. However here, reform is just as important, and almost everywhere, the world’s developing economies moved forward. To take just one example (and the biggest), China started to cut back production in parts of its economy that simply produce too much. The net result of these de-frothing measures was an improvement in profit margins, cashflows and balance sheets and stock performance. Reform didn’t stop at China’s borders. In India, the government recapitalised its state-owned banking system and finally introduced Goods and Services Tax in an attempt to equalise tax rates. Tax reform in the Philippines helped push that index to all-time highs; social security reform in Brazil came to the top of the legislative pile. In fact, the positive macroeconomic datapoints for 2017 are almost endless.

This takes us to the third reason for equities’ outperformance in 2017: liquidity. In 2017 central banks remained net buyers of bonds, especially in the big markets of Europe and Japan and that meant there was plenty of money to be put to work in the equity markets. The dynamic in EMs was different with several central banks still managing to cut interest rates. In China, liquidity remained plentiful despite the government introducing several measures to reduce it especially in starting to regulate its shadow banking system and deleveraging its colossal debt pile. This was enough to stop debt growing – it even began to fall by some measures – and was also enough to encourage the stock market because it reassured investors the government would not allow rampant liquidity, built solely on credit, to underpin equity performance.

The result of this perfect storm of conditions is that equity markets globally recorded strong gains through the year. Amid the gains, there were strong outperformers and underperformers around the world. For all the strength of DMs, which gained around 20%, EMs outperformed with the MSCI EM Index gaining 34%. In fact, the index outperformed its DM counterpart in ten months out of 12. Within EMs, Asia outperformed Latin America, Europe, the Middle East and Africa, China and Korea outperformed in Asia, and South East Asia (SEA) underperformed.

## Investment Review

### Global and Asia (continued)

From another angle, Momentum outperformed other styles. Technology stocks topped the sector league table by some distance backed by strong earnings. The sweet spot was Chinese and Korean IT stocks that rose 92% and 64% respectively, while Chinese and consumer discretionary and insurance names hardly had a bad year with 62% returns each, according to MSCI Index data. The strength of tech's performance in 2017 was exceptional but should not be underestimated for its strength was underpinned not only by corporate earnings per se but also by improved balance sheets and margins. In addition, in Asia, the drivers for IT's outperformance were twofold. First was the Apple supply chain ahead of new iPhone models launched in the autumn and the second was demand for server Dynamic Random Access Memory (DRAMs) ahead of an expected expansion of Artificial Intelligence. Both benefitted large IT companies in north Asia, and helps explain north Asia's outperformance over SEA, and indeed the rest of the EM universe.

There were other illusions elsewhere. Oil prices in 2017 were supported by an agreement by Organisation of the Petroleum Exporting Countries (OPEC) members and non-members in 2016 to cut production, a decision that led to Brent rising by more than 20% over the year (or an almost 50% rise in the second half of the year after it hit a low in June).

## FUND PERFORMANCE

### Takafulink Dana Ekuiti

As at 31 December 2017, the Fund's Net Asset Value per unit appreciated by 10.77% to RM2.32014 as compared to RM2.09467 as at 31 December 2016.

Since inception (1 December 2006), the Fund registered a positive return of 131.85%.

### Takafulink Dana Bon

As at 31 December 2017, the Fund's Net Asset Value per unit increased to RM1.53461 from RM1.46903 as at 31 December 2016, recording a return of 4.46% for the period under review.

Since inception (1 December 2006), the Fund registered a positive return of 53.41%.

### Takafulink Dana Urus

As at 31 December 2017, the Net Asset Value per unit of the Takafulink Dana Urus was RM2.14088 compared to RM1.95231 as at 31 December 2016, recording a positive return of 9.66% for the period under review.

Since inception (1 December 2006), the Fund registered a positive return of 113.96%.

### Takafulink Dana Ekuiti Dinasti

As at 31 December 2017, the Fund's Net Asset Value per unit appreciated by 33.66% to RM2.12341 as compared to RM1.58865 as at 31 December 2016.

Since inception (5 April 2010), the Fund registered a positive return of 112.34%.

# INVESTMENT OUTLOOK

## Equity Market

A synchronised global recovery seems to be gaining momentum spurred by continued efforts by US President Trump to push through tax reform proposals and major central banks continue to ease out of accommodative monetary policy. The stronger ringgit and the expectation of it to retain its strength amid improving economic data for Malaysia may provide the much needed wealth effect to boost corporate earnings. In 2017 thus far, GDP growth had exceeded expectations but corporate earnings did not provide similar positive surprises. Nevertheless, much effort is being made by the government domestically to boost disposable income and ensure consumer spending resilience. The positive momentum is likely to continue for at least the 1H 2018, even with the prospect of a rate hike in Malaysia and General Elections likely to be called. We are generally positive on the market however given the recent rally we remain selective preferring to focus on stocks with strong fundamentals and prospects but with reasonable valuations.

## Sukuk

In December's Federal Open Market Committee ("FOMC") meeting, the U.S Federal Reserve ("Fed") raised its federal funds rate by 25bps to 1.25%-1.50% from 1.00%-1.25%. The Fed followed through on an expected interest-rate increase but raised their forecast for economic growth in 2018 to 2.5% from 2.1%, as the Fed expects economic boost from tax cuts. Fed policymakers also maintained its forecast of three rate hikes in 2018. That said, we believe the Fed will to continue its policy normalisation on a gradual basis.

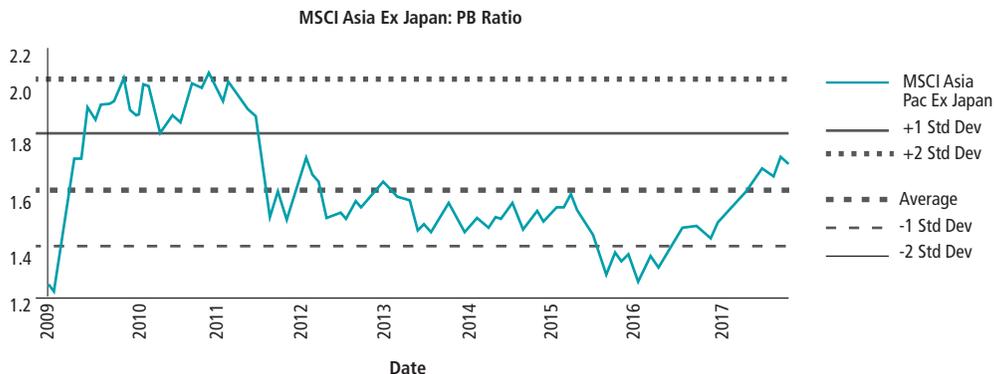
On the domestic front, BNM made it clear that the 25 bps hike in January meeting was a pre-emptive move, to prevent a build-up of risks that could arise from interest rates being too low for a prolonged period of time. As BNM continue to expect strong growth in 2018 on the back of stronger global growth and domestic demand, we expect BNM's action to be skewed towards another rate hike in 2018 with timing being data dependent.

Meanwhile, we expect less surplus pressure on Malaysian government fixed income market in 2018 as the government is committed to continue its fiscal consolidation efforts with a new target of -2.8% of GDP in 2018 (2017: -3.0%). This reflects a total net government supply of around RM40 billion (gross issuance of around RM107 billion) which can be absorbed by local investors.

Domestic corporate securities market is expected to see better supply in the pipeline in the coming months as issuers are rushing to tap the market in expectation of rising interest rates. This is mainly due to the prospects for tighter monetary policy in the advanced countries. That said, we expect demand for corporate securities to remain strong as investors are in search of yields.

## Investment Outlook

### Global and Asia



December saw equity markets end on a perfect high, the final trading day of the year notwithstanding as major indices reached fresh record highs at the end of the month. In December the market driver changed again, this time away from surging technology and robust economic growth, to the potential for what could be delivered in 2018.

This took the form of US tax reform, which by almost all estimates, could benefit many US domestic stocks as the corporate tax rate will be slashed, and the cash potentially distributed to shareholders in the form of dividends and share buybacks. It is a technical support in so much as it doesn't add to underlying corporate profits but it is a support nevertheless and was responsible for both a sector rotation away from technology and into cyclicals (including banks), and a final surge of stocks in general around the world.

By the end of the year, equities were certainly more expensive than at the beginning but measured by book value or price-to-earnings, not excessively so.

2018 outlook details how the drivers for equities' outperformance in 2017 will still be around in 2018. That suggests the party isn't over just yet but at the same time, there are crouching bears potentially waiting their turn. That means watching carefully for signs of inflation, a deteriorating geopolitical landscape and liquidity drying up, while also being mindful of those unknown unknowns too.

# FINANCIAL HIGHLIGHTS

## Comparative Performance Table for financial year ended 31 December 2017

### Takafulink Dana Ekuiti

Description	2017 %	2016 %	2015 %	2014 %	2013 %
<b>Equity</b>					
Automotive	-	1.42	2.02	4.03	4.04
Banking & Finance	<b>3.97</b>	4.26	3.81	2.00	2.81
Building Materials	-	0.45	-	-	-
Conglomerates	<b>7.96</b>	10.16	10.10	10.12	8.74
Construction	<b>5.94</b>	3.84	3.20	4.37	5.45
Consumer Products	<b>3.50</b>	2.79	3.13	7.82	2.10
Health Care	<b>5.80</b>	9.34	10.19	-	-
Takaful	-	-	-	1.31	1.05
Manufacturing	<b>4.12</b>	-	-	1.82	0.57
Media	-	-	-	0.10	-
Oil & Gas	<b>18.24</b>	13.76	10.68	11.06	22.82
Plantation	<b>11.34</b>	8.84	5.49	8.07	10.04
Power	<b>9.79</b>	11.00	10.77	9.59	9.93
Property	<b>6.45</b>	6.52	6.36	6.71	4.09
Services	<b>0.18</b>	-	-	-	-
Technology	<b>6.56</b>	1.50	2.16	1.80	1.11
Telecommunications	<b>7.81</b>	16.65	21.26	22.94	25.06
Transport / Logistic related	<b>0.14</b>	-	-	-	-
Transportation	<b>4.84</b>	4.90	5.50	3.34	0.85
	<b>96.64</b>	95.43	94.67	95.08	98.66
<b>Cash and Islamic Deposits</b>	<b>7.08</b>	6.54	6.37	5.68	3.46
<b>Other Assets</b>	<b>0.42</b>	0.29	0.35	0.46	0.79
<b>Total Liabilities</b>	<b>(4.14)</b>	(2.26)	(1.39)	(1.22)	(2.91)
<b>Total</b>	<b>100.00</b>	100.00	100.00	100.00	100.00

## Financial Highlights

### Comparative Performance Table for financial year ended 31 December 2017

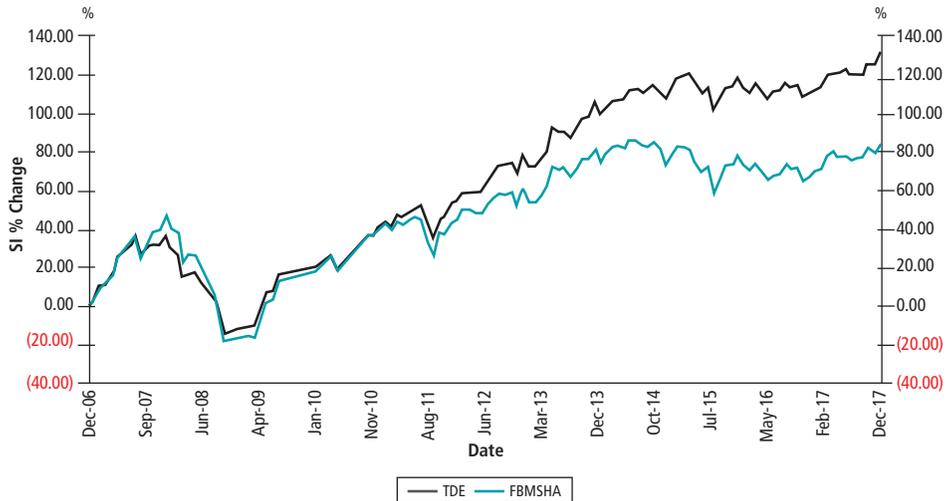
#### Takafulink Dana Ekuiti

Description	2017 %	2016 %	2015 %	2014 %	2013 %
Total Net Asset Value (RM)	<b>1,060,260,359</b>	782,472,204	676,457,441	557,891,215	444,277,106
Units in Circulation	<b>456,982,084</b>	373,553,331	310,420,558	269,098,535	216,923,836
NAV Per Unit (RM)	<b>2.32014</b>	2.09467	2.17916	2.07319	2.04808
Highest NAV per unit (RM)	<b>2.32030</b>	2.17909	2.23588	2.14104	2.05432
Lowest NAV per unit (RM)	<b>2.09296</b>	2.05017	1.93892	1.95167	1.69330
Total Return (+)					
- Capital Growth	<b>10.77%</b>	(3.88%)	5.11%	1.23%	15.11%
<b>Average Annual Return – Fund (+)</b>					
<b>Period</b>					
One year	<b>10.77%</b>	(3.88%)	5.11%	1.23%	15.11%
Three years	<b>3.82%</b>	0.75%	6.99%	10.76%	13.35%
Five years	<b>5.45%</b>	6.54%	9.15%	11.65%	18.47%
<b>Average Annual Return – Benchmark:</b>					
<b>FTSE-Bursa Malaysia EMAS</b>					
<b>Shariah Index (FBMSHA)</b>					
<b>Period</b>					
One year	<b>10.72%</b>	(6.14%)	2.35%	(4.17%)	13.29%
Three years	<b>2.08%</b>	(2.72%)	3.57%	6.68%	9.07%
Five years	<b>2.92%</b>	3.13%	4.94%	8.01%	17.01%

## Financial Highlights

### Takafulink Dana Ekuiti Fund Performance

Takafulink Dana Ekuiti Vs. FTSE – Bursa Malaysia Emas Shariah Index (FBMSHA)



+ The Fund returns are calculated based on five decimal places.

The unit prices of the Funds may go down as well as up and the past performance figures shown are not indicative of future performance.

## Financial Highlights

### Comparative Performance Table for financial year ended 31 December 2017

#### Takafulink Dana Bon

Description	2017 %	2016 %	2015 %	2014 %	2013 %
Sukuk:					
- Sukuk	<b>70.63</b>	81.78	91.22	88.84	89.97
- Government	<b>1.05</b>	1.50	1.72	1.92	2.59
- Quasi Government	<b>19.13</b>	15.42	4.14	4.71	6.04
Cash and Islamic Deposits	<b>8.68</b>	0.60	2.45	3.95	0.86
Other Assets	<b>0.96</b>	1.11	0.83	0.95	0.91
Total Liabilities	<b>(0.45)</b>	(0.41)	(0.36)	(0.37)	(0.37)
<b>Total</b>	<b>100.00</b>	100.00	100.00	100.00	100.00
Total Net Asset Value(RM)	<b>97,055,675</b>	68,157,730	59,926,292	53,317,726	39,738,109
Units in Circulation	<b>63,244,670</b>	46,396,573	42,779,802	39,403,967	30,454,959
NAV Per Unit (RM)	<b>1.53461</b>	1.46903	1.40081	1.35311	1.30482
Highest NAV per unit (RM)	<b>1.53461</b>	1.48039	1.40170	1.35459	1.32384
Lowest NAV per unit (RM)	<b>1.46919</b>	1.40096	1.35325	1.30083	1.28849
Total Return (+)					
- Capital Growth	<b>4.46%</b>	4.87%	3.53%	3.70%	0.22%

## Financial Highlights

### Comparative Performance Table for financial year ended 31 December 2017

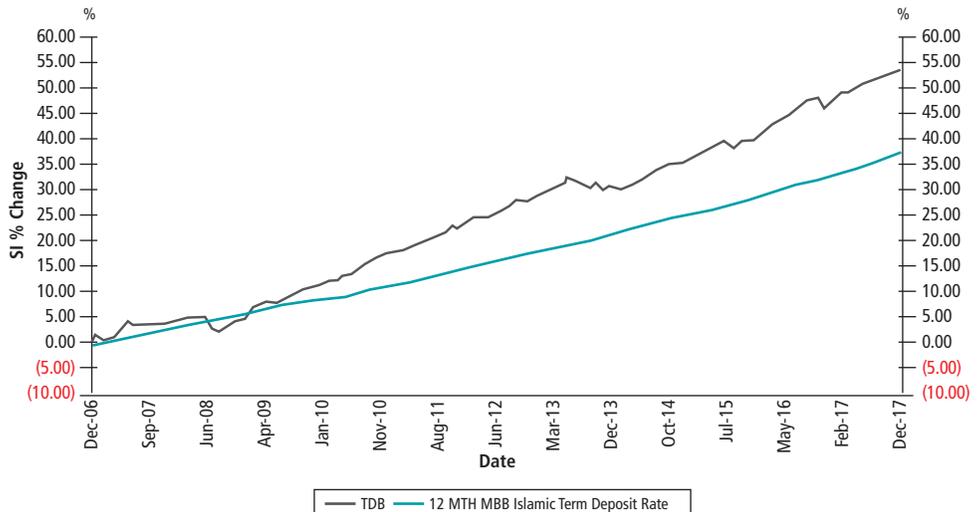
#### Takafulink Dana Bon

Description	2017 %	2016 %	2015 %	2014 %	2013 %
<b>Average Annual Return – Fund (+)</b>					
<b>Period</b>					
One year	4.46%	4.87%	3.53%	3.70%	0.22%
Three years	4.28%	4.03%	2.76%	3.18%	3.58%
Five years	3.51%	3.59%	3.59%	3.98%	4.24%
<b>Average Annual Return – Benchmark:</b>					
<b>MBB 12 months Islamic Deposit-i rate</b>					
<b>Period</b>					
One year	3.12%	3.30%	3.09%	2.89%	2.75%
Three years	3.17%	3.09%	2.91%	2.83%	2.84%
Five years	3.03%	2.97%	2.90%	2.78%	2.63%

## Financial Highlights

### Takafulink Dana Bon Fund Performance

Takafulink Dana Bon Vs. 12 MTH MBB Islamic Term Deposit Rate



+ The Fund returns are calculated based on five decimal places.

The unit prices of the Funds may go down as well as up and the past performance figures shown are not indicative of future performance.

## Financial Highlights

### Comparative Performance Table for financial year ended 31 December 2017

#### Takafulink Dana Urus

Description	2017 %	2016 %	2015 %	2014 %	2013 %
Investment in -					
Takafulink Dana Ekuiti	<b>84.58</b>	80.05	79.11	77.32	77.43
Takafulink Dana Bon	<b>15.42</b>	19.95	20.89	22.68	22.57
Cash and Islamic Deposits	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Liabilities	-	-	-	-	-
<b>Total</b>	<b>100.00</b>	100.00	100.00	100.00	100.00
Total Net Asset Value (RM)	<b>271,402,328</b>	215,046,447	195,840,723	166,801,352	127,408,086
Units in Circulation	<b>126,771,632</b>	110,149,953	98,226,016	87,659,334	68,180,347
NAV Per Unit(RM)	<b>2.14088</b>	1.95231	1.99378	1.90284	1.86869
Highest NAV per unit (RM)	<b>2.14088</b>	2.00153	2.02576	1.94914	1.87235
Lowest NAV per unit (RM)	<b>1.95116</b>	1.91101	1.81783	1.80062	1.60699
Total Return (+)					
- Capital Growth	<b>9.66%</b>	(2.08%)	4.78%	1.82%	11.85%

## Financial Highlights

### Comparative Performance Table for financial year ended 31 December 2017

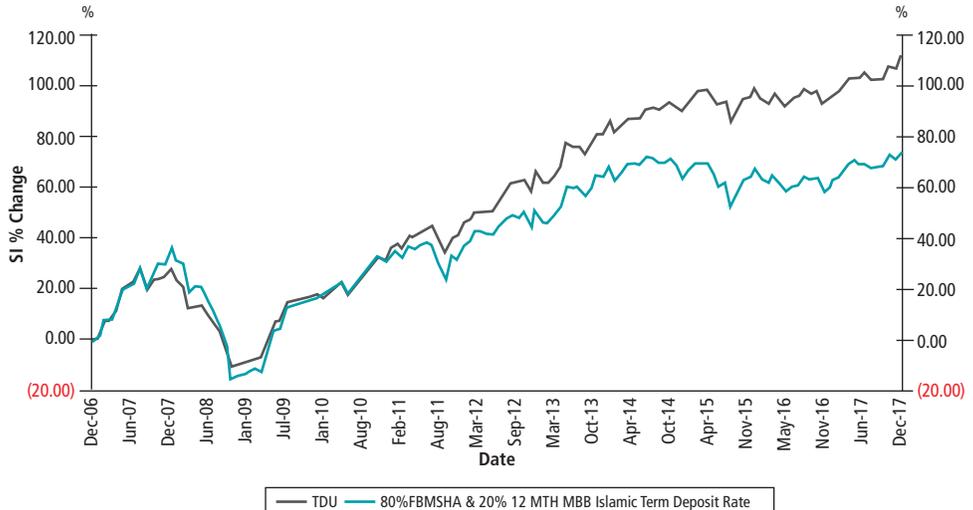
#### Takafulink Dana Urus

Description	2017 %	2016 %	2015 %	2014 %	2013 %
<b>Average Annual Return – Fund (+)</b>					
<b>Period</b>					
One year	<b>9.66%</b>	(2.08%)	4.78%	1.82%	11.85%
Three years	<b>4.01%</b>	1.47%	6.07%	9.06%	11.05%
Five years	<b>5.08%</b>	5.88%	7.88%	9.98%	15.34%
<b>Average Annual Return –Benchmark:</b>					
<b>80% FBMSHA + 20% 12 Months Maybank</b>					
<b>Islamic Deposit rate</b>					
<b>Period</b>					
One year	<b>9.19%</b>	(4.28%)	2.61%	(2.76%)	11.18%
Three years	<b>2.36%</b>	(1.52%)	3.52%	5.96%	7.76%
Five years	<b>3.00%</b>	3.16%	4.54%	6.95%	14.03%

## Financial Highlights

### Takafulink Dana Urus Fund Performance

Takafulink Dana Urus Vs. 80% FBMSHA + 20% 12 MTH MBB Islamic Term Deposit Rate



+ The Fund returns are calculated based on five decimal places.

The unit prices of the Funds may go down as well as up and the past performance figures shown are not indicative of future performance.

## Financial Highlights

### Comparative Performance Table for financial year ended 31 December 2017

#### Takafulink Dana Ekuiti Dinasti

Description	2017 %	2016 %	2015 %	2014 %	2013 %
Investment in -					
Eastspring Investments Dinasti Equity Fund	<b>101.68</b>	100.91	100.76	100.38	102.23
Cash and Islamic Deposits	<b>0.14</b>	0.20	0.31	0.33	-
Other Assets	<b>0.27</b>	0.37	0.24	0.20	0.74
<b>Total Liabilities</b>	<b>(2.09)</b>	(1.48)	(1.31)	(0.91)	(2.97)
<b>Total</b>	<b>100.00</b>	100.00	100.00	100.00	100.00
Total Net Asset Value (RM)	<b>47,682,771</b>	31,872,838	24,417,988	17,713,152	14,001,888
Units in Circulation	<b>22,455,799</b>	20,062,820	16,829,444	14,470,661	11,866,743
NAV Per Unit (RM)	<b>2.12341</b>	1.58865	1.45091	1.22407	1.17993
Highest NAV per unit (RM)	<b>2.20533</b>	1.63542	1.53505	1.23372	1.18820
Lowest NAV per unit (RM)	<b>1.58867</b>	1.26837	1.22329	1.09389	0.99548
Total Return (+)					
- Capital Growth	<b>33.66%</b>	9.49%	18.53%	3.75%	10.03%

## Financial Highlights

### Comparative Performance Table for financial year ended 31 December 2017

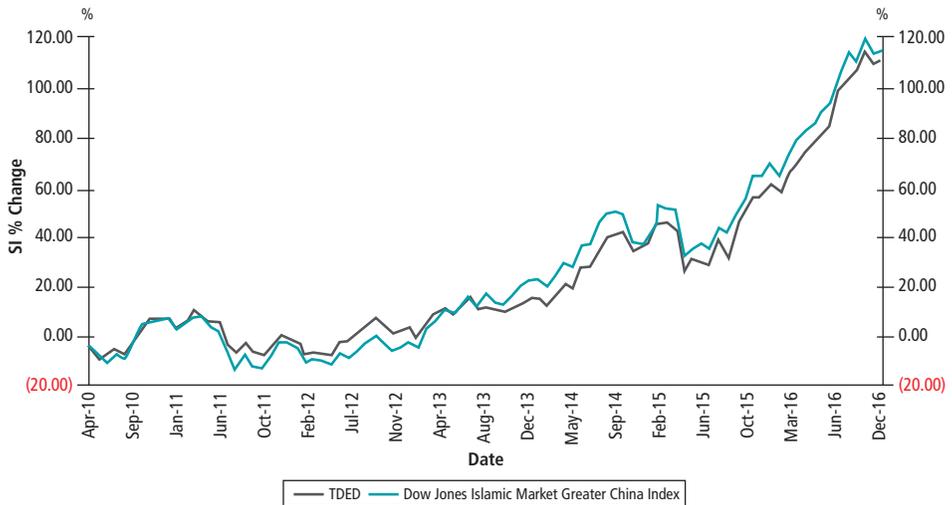
#### Takafulink Dana Ekuiti Dinasti

Description	2017 %	2016 %	2015 %	2014 %	2013 %
<b>Average Annual Return – Fund (+)</b>					
<b>Period</b>					
One year	33.66%	9.49%	18.53%	3.75%	10.03%
Three years	20.15%	10.42%	10.60%	8.06%	2.55%
Five years	14.64%	10.37%	5.81%	n/a	n/a
<b>Average Annual Return – Benchmark:</b>					
<b>Dow Jones Islamic</b>					
<b>Market Greater China Index</b>					
<b>Period</b>					
One year	30.21%	8.51%	16.97%	9.91%	18.04%
Three years	18.23%	11.74%	14.92%	12.83%	2.96%
Five years	16.48%	12.76%	7.01%	n/a	n/a

## Financial Highlights

### Takafulink Dana Ekuiti Dinasti Fund Performance

Takafulink Dana Ekuiti Dinasti Vs. Dow Jones Islamic Market Greater China Index



+ The Fund returns are calculated based on five decimal places.

The unit prices of the Funds may go down as well as up and the past performance figures shown are not indicative of future performance.

# STATEMENT OF ASSETS AND LIABILITIES

as at 31 December 2017

## Takafulink Dana Ekuiti

	2017 RM	%	2016 RM	%
<b>Investments</b>				
Shariah-Compliant Equities	1,024,638,882	96.64	746,717,426	95.43
Cash and Deposits	75,017,294	7.08	51,175,977	6.54
Cash at bank	37,294	0.01	25,977	0.00
Islamic Deposits	74,980,000	7.07	51,150,000	6.54
Tax Assets	1,178	0.00	1,178	0.00
Other Assets	4,552,320	0.42	2,269,110	0.29
Dividend Receivable	4,265,948	0.40	2,250,133	0.28
Due from Stockbrokers	262,136	0.02	-	-
Accrued Profit	24,236	0.00	18,977	0.01
<b>Total Assets</b>	<b>1,104,209,674</b>	<b>104.14</b>	<b>800,163,691</b>	<b>102.26</b>
Provision for Deferred Tax	(10,223,840)	(0.96)	(3,697,069)	(0.47)
Provision for Taxation	(849,053)	(0.08)	(280,648)	(0.04)
Other Liabilities	(32,876,422)	(3.10)	(13,713,770)	(1.75)
Due to Stockbrokers	(31,486,307)	(2.97)	(12,653,674)	(1.62)
Other Liabilities	(1,390,115)	(0.13)	(1,060,096)	(0.13)
<b>Total Liabilities</b>	<b>(43,949,315)</b>	<b>(4.14)</b>	<b>(17,691,487)</b>	<b>(2.26)</b>
<b>Net Asset Value of the Fund</b>	<b>1,060,260,359</b>	<b>100.00</b>	<b>782,472,204</b>	<b>100.00</b>
<b>Participants Fund</b>				
Capital	821,414,217	77.47	636,346,870	81.33
Generated Income Carried Forward	238,846,142	22.53	146,125,334	18.67
<b>Total Participants Fund</b>	<b>1,060,260,359</b>	<b>100.00</b>	<b>782,472,204</b>	<b>100.00</b>
<b>Net Asset Value Per Unit (RM)</b>	<b>2.32014</b>		<b>2.09467</b>	
<b>NUMBER OF UNITS</b>	<b>456,982,084</b>		<b>373,553,331</b>	

## Statement of Assets and Liabilities

as at 31 December 2017

## Takafulink Dana Bon

	2017 RM	%	2016 RM	%
<b>Investments</b>				
Sukuk	88,139,830	90.81	67,274,401	98.70
<b>Cash and Deposits</b>	8,429,037	8.68	409,975	0.60
Cash at bank	39,037	0.04	29,975	0.04
Islamic Deposits	8,390,000	8.64	380,000	0.56
<b>Other Assets</b>	932,692	0.96	758,739	1.11
<b>Total Assets</b>	97,501,559	100.45	68,443,115	100.41
Provision for Taxation	(360,656)	(0.37)	(239,434)	(0.35)
Provision for Deferred Tax	(43,279)	(0.04)	(16,781)	(0.02)
<b>Other Liabilities</b>	(41,949)	(0.04)	(29,170)	(0.04)
<b>Total Liabilities</b>	(445,884)	(0.45)	(285,385)	(0.41)
<b>Net Asset Value of the Fund</b>	97,055,675	100.00	68,157,730	100.00
<b>Participants Fund</b>				
Capital	80,482,628	82.92	55,190,286	80.97
Generated Income Carried Forward	16,573,047	17.08	12,967,444	19.03
<b>Total Participants Fund</b>	97,055,675	100.00	68,157,730	100.00
<b>Net Asset Value Per Unit (RM)</b>	1.53461		1.46903	
<b>NUMBER OF UNITS</b>	63,244,670		46,396,573	

## Statement of Assets and Liabilities

as at 31 December 2017

### Takafulink Dana Urus

	2017 RM	%	2016 RM	%
Investments				
Takafulink Dana Ekuiti	229,546,660	84.58	172,144,253	80.05
Takafulink Dana Bon	41,846,125	15.42	42,902,588	19.95
Other Assets	9,543	0.00	-	-
<b>Total Assets</b>	<b>271,402,328</b>	<b>100.00</b>	215,046,841	100.00
Other Liabilities	-	-	(394)	(0.00)
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	(394)	(0.00)
<b>Net Asset Value of the Fund</b>	<b>271,402,328</b>	<b>100.00</b>	215,046,447	100.00
<b>Participants Fund</b>				
Capital	209,577,246	77.22	175,452,259	81.59
Generated Income Carried Forward	61,825,082	22.78	39,594,188	18.41
<b>Total Participants Fund</b>	<b>271,402,328</b>	<b>100.00</b>	215,046,447	100.00
<b>Net Asset Value Per Unit (RM)</b>	<b>2.14088</b>		1.95231	
<b>NUMBER OF UNITS</b>	<b>126,771,632</b>		110,149,953	

## Statement of Assets and Liabilities

as at 31 December 2017

## Takafulink Dana Ekuiti Dinasti

	2017 RM	%	2016 RM	%
Investments				
Eastspring Investments Dinasti Equity Fund	48,481,272	101.68	32,164,187	100.91
Cash At Bank	67,996	0.14	62,140	0.20
Other Assets	128,057	0.27	117,345	0.37
<b>Total Assets</b>	<b>48,677,325</b>	<b>102.09</b>	<b>32,343,672</b>	<b>101.48</b>
Provision for Taxation	(205,703)	(0.43)	(77,966)	(0.25)
Provision for Deferred Tax	(704,120)	(1.48)	(306,273)	(0.96)
Other Liabilities	(84,731)	(0.18)	(86,595)	(0.27)
<b>Total Liabilities</b>	<b>(994,554)</b>	<b>(2.09)</b>	<b>(470,834)</b>	<b>(1.48)</b>
<b>Net Asset Value of the Fund</b>	<b>47,682,771</b>	<b>100.00</b>	<b>31,872,838</b>	<b>100.00</b>
<b>Participants Fund</b>				
Capital	28,026,141	58.78	23,343,680	73.24
Generated Income Carried Forward	19,656,630	41.22	8,529,158	26.76
<b>Total Participants Fund</b>	<b>47,682,771</b>	<b>100.00</b>	<b>31,872,838</b>	<b>100.00</b>
<b>Net Asset Value Per Unit (RM)</b>	<b>2.12341</b>		<b>1.58865</b>	
<b>NUMBER OF UNITS</b>	<b>22,455,779</b>		<b>20,062,820</b>	

## STATEMENT OF CHANGES IN NET ASSET VALUE

for the financial year ended 31 December 2017

### Takafulink Dana Ekuiti

	2017 RM	2016 RM
Net Asset Value at beginning of year	782,472,204	676,457,441
Amounts received from units created	853,590,508	746,867,965
Amounts paid for units cancelled	(668,523,161)	(612,974,958)
Excess of Income over (Outgo)/Excess of (Outgo) over Income	92,720,808	(27,878,244)
<b>Value of fund at end of year</b>	<b>1,060,260,359</b>	<b>782,472,204</b>

## Statement of Changes in Net Asset Value

for the financial year ended 31 December 2017

### Takafulink Dana Bon

	2017 RM	2016 RM
Net Asset Value at beginning of year	68,157,730	59,926,292
Amounts received from units created	52,090,183	17,005,594
Amounts paid for units cancelled	(26,797,841)	(11,761,171)
Excess of Income over Outgo	3,605,603	2,987,015
<b>Value of fund at end of year</b>	<b>97,055,675</b>	<b>68,157,730</b>

## Statement of Changes in Net Asset Value

for the financial year ended 31 December 2017

### Takafulink Dana Urus

	2017 RM	2016 RM
Net Asset Value at beginning of year	215,046,447	195,840,723
Amounts received from units created	158,956,350	146,166,940
Amounts paid for units cancelled	(124,831,363)	(122,711,224)
Excess of Income over (Outgo)/Excess of (Outgo) over Income	22,230,894	(4,249,992)
<b>Value of fund at end of year</b>	<b>271,402,328</b>	<b>215,046,447</b>

## Statement of Changes in Net Asset Value

for the financial year ended 31 December 2017

### Takafulink Dana Ekuiti Dinasti

	2017 RM	2016 RM
Net Asset Value at beginning of year	31,872,838	24,417,988
Amounts received from units created	26,223,501	25,152,171
Amounts paid for units cancelled	(21,541,040)	(20,483,878)
Excess of Income over Outgo	11,127,472	2,786,557
<b>Value of fund at end of year</b>	<b>47,682,771</b>	<b>31,872,838</b>

# STATEMENT OF INCOME & EXPENDITURE

for the financial year ended 31 December 2017

## Takafulink Dana Ekuiti

	2017 RM	2016 RM
Net Shariah-compliant Investment Income	24,962,176	20,032,005
Profit Income	1,248,834	1,272,521
Dividend income	23,713,342	18,759,484
Profits on Disposal of Shariah-compliant Securities	30,921,098	6,685,426
Unrealised Capital Gain	82,636,740	-
<b>Total Income</b>	<b>138,520,014</b>	<b>26,717,431</b>
Investment Management Fees	(13,601,471)	(10,620,403)
Loss on Disposal of Shariah-compliant Securities	(24,793,245)	(4,390,164)
Unrealised Capital Loss	-	(42,706,748)
Provision for taxation	(7,365,292)	3,147,168
Other Outgo	(39,198)	(25,528)
Bank Charges	(783)	(618)
Custodian Charges	(36,597)	(23,675)
Good & Services Tax Charges	(1,818)	(1,235)
<b>Total Outgo</b>	<b>(45,799,206)</b>	<b>(54,595,675)</b>
<b>Excess of Income over (Outgo)/Excess of (Outgo) over Income</b>	<b>92,720,808</b>	<b>(27,878,244)</b>
Generated Income Brought Forward	146,125,334	174,003,578
Amount Available for Distribution	-	-
Generated Income carried forward	238,846,142	146,125,334

## Statement of Income & Expenditure

for the financial year ended 31 December 2017

### Takafulink Dana Bon

	2017 RM	2016 RM
Net Shariah-compliant Investment Income	4,035,482	3,141,173
Profits on Disposal of Shariah-compliant Securities	-	3,824
Unrealised Capital Gain	331,229	579,699
<b>Total Income</b>	<b>4,366,711</b>	<b>3,724,696</b>
Investment Management Fees	(421,113)	(322,236)
Loss on Disposal of Shariah-compliant Securities	-	(145,053)
Loss on redemption	(5,700)	(9,254)
Provision for taxation	(330,122)	(257,733)
Other Outgo	(4,173)	(3,405)
<b>Total Outgo</b>	<b>(761,108)</b>	<b>(737,681)</b>
<b>Excess of Income over Outgo</b>	<b>3,605,603</b>	<b>2,987,015</b>
Generated Income Brought Forward	12,967,444	9,980,429
Amount Available for Distribution	-	-
Generated Income carried forward	16,573,047	12,967,444

## Statement of Income & Expenditure

for the financial year ended 31 December 2017

### Takafulink Dana Urus

	2017 RM	2016 RM
Net Shariah-compliant Investment Income	3,207,226	2,615,783
Profits on Disposal	5,848,422	4,509,295
Other Income	-	10,260
Unrealised Capital Gain	16,306,693	-
<b>Total Income</b>	<b>25,362,341</b>	<b>7,135,338</b>
Investment Management Fees	(3,131,447)	(2,633,063)
Unrealised Capital Loss	-	(8,752,267)
<b>Total Outgo</b>	<b>(3,131,447)</b>	<b>(11,385,330)</b>
<b>Excess of Income over (Outgo)/Excess of (Outgo) over Income</b>	<b>22,230,894</b>	<b>(4,249,992)</b>
Generated Income Brought Forward	39,594,188	43,844,180
Amount Available for Distribution	-	-
Generated Income Carried Forward	61,825,082	39,594,188

## Statement of Income & Expenditure

for the financial year ended 31 December 2017

### Takafulink Dana Ekuiti Dinasti

	2017 RM	2016 RM
Net Shariah-compliant Investment Income	744,593	482,768
Profit On Disposal	226	-
Unrealised Capital Gain	9,946,159	1,879,465
Other Income	1,572,066	974,575
<b>Total Income</b>	<b>12,263,044</b>	<b>3,336,808</b>
Investment Management Fees	(609,175)	(396,827)
Provision for taxation	(397,846)	(153,150)
Other Outgo	(128,551)	(274)
<b>Total Outgo</b>	<b>(1,135,572)</b>	<b>(550,251)</b>
<b>Excess of Income over Outgo</b>	<b>11,127,472</b>	<b>2,786,557</b>
Generated Income Brought Forward	8,529,158	5,742,601
Amount Available for Distribution	-	-
Generated Income Carried Forward	19,656,630	8,529,158

# NOTES TO THE ACCOUNTS

## 1. Summary of Significant Accounting Policies

### a. Basis of Accounting

The financial statements have been prepared in accordance with The Guidelines on Investment-Linked Insurance/ Takaful Business (BNM/RH/GL 010-15) and the requirements of the certificate document, modified by the following:

- (i) for the purpose of unit pricing, investments at market value are adjusted to include future cost of acquisitions. This is to ensure equitable unit pricing for incoming, outgoing and remaining unit-holders;
- (ii) for the purpose of unit pricing, provision for deferred tax is recognised on taxable and deductible temporary differences using an actuarially calculated rate of 4% for Takafulink Dana Ekuiti Dinasti Fund and 8% for the remaining funds. The Board of Directors are of the opinion that since these temporary differences will only be realised in the future, the lower tax rate of 4% has been used for Takafulink Dana Ekuiti Dinasti to ensure equitable unit pricing for incoming, outgoing and remaining unit-holders; and
- (iii) all deferred tax assets or liabilities arising from the temporary differences on unrealised gains or losses are recognised.

### b. Investments

Quoted investments are valued at the closing market prices at the end of the financial year. Unquoted sukuk are valued at the prevailing prices quoted by valuation agency since 1 April 2016.

Net unrealised gains or losses in value of investments are credited or charged to the capital account.

### c. Dividend Income

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

### d. Profit Income

Profit income is recognised on an accrual basis.

### e. Gains/Losses on Disposal of Investments

Gains or losses arising from the disposal on investment are credited or charged to the capital account.

## Notes to the Accounts

### 1. Summary of Significant Accounting Policies (continued)

**f. Investment Management Fees**

Investment management fees are calculated in accordance with the provisions of the certificate document.

**g. Other Income**

Other income comprises income arising from rebates of management fees from the fund manager.

**h. Other Outgo**

Other outgo comprises bank charges and custodian charges

**i. Cash and Cash Equivalents**

Cash and cash equivalents consists of cash in hand and balances with Islamic banks, excluding Islamic deposits.

### 2. Rebates and Soft Commissions

The Fund Managers are restricted by regulations from receiving any rebate or share any commission from any broker/dealer. Accordingly, any rebate and share commission received from stockbrokers/dealers shall be directed to the Funds. However, soft commissions received in the form of goods and services which are of demonstrable benefit to unit-holders such as fundamental databases, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Funds are retained by the Fund Manager.

### 3. At 31 December 2017, the Funds had no contingent liabilities or commitments.

### 4. All amounts are stated in Ringgit Malaysia.

## STATEMENTS BY DIRECTORS

In the opinion of the Directors, the Takafulink Funds ('Funds') financial statements set out on pages 27 to 40, comprising the Statements of Assets and Liabilities as at 31 December 2017 and the related Statements of Income and Expenditure and Statements of Changes in Net Asset Value for the financial year ended 31 December 2017 together with the notes thereto, have been prepared, in all material respects in accordance with the accounting policies set out in Note 1 to the financial statements and Guidelines on Investment-Linked Insurance/Takaful Business (BNM/RH/GL 010-15) issued by Bank Negara Malaysia.

Signed in accordance with a resolution of the Directors:

**Datuk Yunos Bin Abd Ghani**

**Lilian Ng Lup-Yin**

Kuala Lumpur,  
29 March 2018

## INDEPENDENT AUDITORS' REPORT

to the unitholders of Prudential BSN Takaful Berhad's Takafulink Funds  
(Company No. 740651-H) (Incorporated in Malaysia)

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Takafulink Funds of Prudential BSN Takaful Berhad ("the Manager"), which comprise the Statements of Assets and Liabilities as at 31 December 2017, the Statements of Changes in Net Asset Value and the Statements of Income and Expenditure for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 27 to 40.

In our opinion, the accompanying financial statements for the year ended 31 December 2017 are prepared, in all material respects, in accordance with the accounting policies set out in Note 1 to the financial statements and the Guidelines on Investment-Linked Insurance/Takaful Business (BNM/RH/GL 010-15).

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Takafulink Funds in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

## INDEPENDENT AUDITORS' REPORT

to the unitholders of Prudential BSN Takaful Berhad's Takafulink Funds  
(Company No. 740651-H) (Incorporated in Malaysia)

### Emphasis of Matter

We wish to draw your attention to Note 1a (ii) to the financial statements whereby a lower rate of tax was used for deferred taxation provision. As fully explained in Note 1a (ii), the Directors of the Manager are of the opinion that it is fairer to unitholders to use a lower rate than the statutory tax rate in the pricing of units. Our opinion is not modified in respect of this matter.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Manager are responsible for the other information. The other information comprises the information included in the Takafulink Funds Performance Report but does not include the financial statements of the Takafulink Funds and our auditors' report thereon.

Our opinion on the financial statements of the Takafulink Funds does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Takafulink Funds, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Takafulink Funds or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITORS' REPORT

to the unitholders of Prudential BSN Takaful Berhad's Takafulink Funds  
(Company No. 740651-H) (Incorporated in Malaysia)

### Responsibilities of the Directors for the Financial Statements

The Directors of the Manager are responsible for the preparation of the financial statements in accordance with the accounting policies set out in Note 1 to the financial statements and the Guidelines on Investment-Linked Insurance/Takaful Business (BNM/RH/GL 010-15). The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Takafulink Funds, the Directors are responsible for assessing the ability of the Takafulink Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Takafulink Funds or to cease operations, or have no realistic alternative but to do so.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITORS' REPORT

to the unitholders of Prudential BSN Takaful Berhad's Takafulink Funds  
(Company No. 740651-H) (Incorporated in Malaysia)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Takafulink Funds.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Takafulink Funds to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Takafulink Funds or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Takafulink Funds to cease to continue as a going concern.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other Matter

This report is made solely to the unitholders of Takafulink Funds, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **KPMG PLT**

(LLP0010081-LCA & AF 0758)

Chartered Accountants

29 March 2018

Petaling Jaya

Prudential BSN Takaful Berhad is a registered Takaful Operator under the Islamic Financial Services Act 2013 and is regulated by Bank Negara Malaysia.

**Prudential BSN Takaful Berhad** (740651-H)  
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