



# HSBC Amanah Takaful Investment-Linked Funds

Annual funds performance for the year ended 31 December 2015



**HSBC**   
**Amanah Takaful**

HSBC Amanah Takaful was awarded the following by Malaysian Takaful Association (MTA).

- ▶ **2011, 2012, 2013 & 2014 Top Bancatakaful Provider**
- ▶ **2011, 2012, 2013, 2014 & 2015 Best Takaful Operator**

Through our operating history in the Takaful industry, we recognise our responsibility as custodians of a business that contributes to society in many different ways.

But our purpose is clear – to build trust in financial protection and investment solutions that meet all your changing needs. This commitment begins at the top and extends to everyone else at HSBC Amanah Takaful. It describes the work we do today, and guides our decision-making for tomorrow, in continuing to protect investment objectives effectively to reach your desired financial goals.

## Message from HSBC Amanah Takaful (Malaysia) Berhad

Dear Valued Participants,

In grateful recognition of your unwavering support, we can look back on a successful and eventful 2015. HSBC Amanah Takaful (Malaysia) Berhad (“HSBC Amanah Takaful”) is for the fifth consecutive year the *Best Takaful Operator for BancaTakaful Business* and the *Top BancaTakaful Producer* – the most coveted official honour awarded by the Malaysian Takaful Association. Additionally, HSBC Amanah Takaful has also secured for the second consecutive year the *Best Takaful Agency* and the *Best Takaful Partner - Financial Institution category*.

I am pleased to present to you the 2015 Annual Fund Performance Report. The results in the past year reflect a growth in assets of 5% to RM1.35 billion against 2014’s RM1.29 billion. HSBC Amanah Takaful’s improvement can be attributed to our resilient team and ability to offer an extensive range of products.

Other key highlights for the year 2015;

- ▶ Recorded total of RM260 million of gross contribution for both General and Family Takaful business.
- ▶ Rose to No. 1 rank (was No.2 in Year 2014) with 53% market share for Single Contribution Investment-Linked segment.
- ▶ Rose to No. 8 rank (was No.9 in Year 2014) for Family Takaful business with 3% market share.
- ▶ Awarded two awards at the Malaysian Takaful Association’s Takaful Starnite 2016. Best Takaful Operator - Bancatakal Business and Best Bancatakal Partners - Financial Institution for year 2015.

Malaysian insurers and takaful operators went through a challenging year in 2015, as they were not spared the fallout from slower economic growth and subdued consumer sentiment. Gross premiums in the general insurance segment only edged up 1.7% (2014: 6.5%) year-over-year to RM15.0 billion while life insurance premiums fared slightly better, advancing 5.4% (2014: 7.7%) to RM37.4 billion. Although Family Takaful continued to expand at 8.0% (2014: 4.4%), growth in the general takaful segment eased to 6.0% (2014: 13.3%), ending the year with RM7.0 billion and RM2.3 billion of gross contributions, respectively. Despite the likelihood of slower momentum in the near term, the industry’s mid to long-term outlook remains favourable given the low insurance penetration rate, rising consumer awareness and greater efforts in product innovation and distribution. Insurers and takaful operators’ capitalisation levels and reserves remain robust and the industry is supported by a sound and prudent regulatory framework.<sup>1</sup>

As we head into 2016, we intend to build on our success this year and look forward to a year of growth. We wish to thank you again for the trust placed in us and look forward to your satisfaction in choosing HSBC Amanah Takaful as your preferred Takaful provider.

Yours sincerely,



**Yahya Adnan Ahmad**  
Chief Executive Officer

---

<sup>1</sup> RAM Ratings: Malaysian insurance and takaful sectors to experience slower growth amid challenging climate (March 2016).

## **Contents**

- 3 HSBC Amanah LifeSelect Fixed Income Fund
- 6 HSBC Amanah LifeSelect Equity Fund
- 10 HSBC Amanah Takaful's Dana Dividen Fund
- 13 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund

## **Financial statements**

- 17 Manager's Report
- 18 Statement of Assets and Liabilities
- 19 Statement of Income and Expenditure
- 20 Statement of Changes in Net Asset Value
- 21 Statement of Cash Flows
- 23 Notes to the Financial Statements
- 28 Statement by Manager
- 29 Independent Auditors' Report

## ▶3 HSBC Amanah LifeSelect Fixed Income Fund

### Investment Objective

The Fund aims to achieve capital growth in the medium to long term by investing in Pacific Dana Murni ("Target Fund"), a Shariah-compliant unit trust fund managed by Pacific Mutual Fund Berhad which invests primarily in a diversified portfolio of Islamic private debt securities and other liquid assets which are permitted by the Shariah Advisory Council of the Securities Commission Malaysia ("SACSC").

### Fees and Charges

Fund Management Fees – 1.00% per annum of the Fund's value  
*(This is the fee charged for the ongoing portfolio management.)*

These fees are calculated based on the Fund's value. It is accrued on daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement applied to the management on this Fund.

### Annual Review of Fixed Income Markets (1 January 2015 to 31 December 2015)

Fixed income markets were mixed during the financial year under review with prices traded firmer in the first quarter before closing the period on a weaker note. The first quarter of 2015 brought implementation of a quantitative easing programme by the European Central Bank. The relative attractiveness of the 10-year US Treasury note drove increased foreign flows to the US and caused the Treasury yield curve to flatten with the 10-year yields falling by 28 basis points at quarter-end. The second quarter of 2015 saw bond yields climbing sharply across most major bond markets amid expectations that interest rates could rise in the US this year. Signs of firming housing activity in the US along with positive economic developments in Europe drove interest rates higher for most of the second quarter.

Treasuries pared losses and advanced in the third quarter as commodity price weakness and fears over global economic growth led investors to seek out safe havens. The US Federal Reserve's decision to defer "lift off" of interest rates at the September meeting was a key moment in the quarter and exacerbated uncertainty in the market. Thereafter, speculation about the timing of a Federal Reserve interest rate hike dominated trading sentiment for most of the fourth quarter before the Federal Reserve finally delivered its first rate move since end of 2008. On 16 December, the Federal Reserve raised rates by 25 basis points, from a range of 0-0.25% to 0.25-0.50%. The yield on the 2-year Treasury touched a high of 1.09% in end of December, its highest level in five-and-a-half years while the 10-year US Treasury yields held firmly at the bottom half of its 2.0-2.50% trading range for most part of 2015, driven by expectations for low inflation and a slow pace of future increases.

Malaysian government bonds ended the financial year under review mostly weaker despite a modest first quarter. The market sell down persisted in the second quarter and intensified in the third quarter during which the Ringgit weakened along with falling crude prices. The sell-off was compounded by a confluence of factors namely a sharp weakening of the Ringgit on low oil prices and negative sentiment surrounding the local political scene as well as the Chinese Yuan devaluation which heightened volatility in the emerging market sphere. The Ringgit weakened to the RM4.40 level against the Dollar while foreign reserves extended declines beyond USD100 billion. Selling momentum on Ringgit bonds sent yields higher across the curve.

The 10-year MGS yields surged to the high of 4.40% before consolidating lower to 4.17% in December. Short-term government bonds rallied towards end of the financial year in response to the appreciation of the Ringgit with yields trading lower along the 3-year benchmark. Some improvements on the domestic credit front, temporary spike in crude prices and USD softness were some of the factors driving the strength in Ringgit. The release of the 2016 auction calendar also provided some support to short-term rates as issuance focus are skewed towards 7-year and longer tenures.

Meanwhile, the overnight policy rate was held steady at 3.25% throughout the review period as weak Ringgit and increasing inflation following higher price pressures from the GST implementation limited prospects for interest rate cuts despite concerns on the continued downside risk from slowing global growth.

## ▶ 4 HSBC Amanah LifeSelect Fixed Income Fund (continued)

### **Investment Strategy Review of Pacific Dana Muni, the Target Fund of HSBC Amanah LifeSelect Fixed Income Fund (1 January 2015 to 31 December 2015)**

During the year under review, HSBC Amanah LifeSelect Fixed Income Fund returned 2.94%, while the benchmark rose 3.30%. While fixed income markets recorded positive returns, gains were accompanied by increased level of volatility.

The Target Fund was cautious heading into 2015 due to uncertainties arising from the downtrend in oil prices. In view of the market volatility stemming from the Ringgit weakness and yield uptrend of US Treasuries following speculation on the timing of the Federal Reserve's interest rate hike, the overall duration of the Target Fund remained conservatively managed for most of the financial year.

In 2H2015, performance of the credit markets were affected by the weak sovereign bond segment triggered by foreign outflows on the back of declining oil prices and weakening Ringgit. While positioning continues to reflect a conservative risk profile, the Target Fund took advantage of the spread widening and added its allocation to longer duration papers of 7-10 years following the global bond market selloff which intensified in the 3Q2015. In the 4Q2015, the Target Fund rebalanced some of its sukuk holdings after the widely anticipated Fed rate hike by switching into intermediate sukuk and sought yield maximisation from investing in higher yielding credits of decent fundamentals.

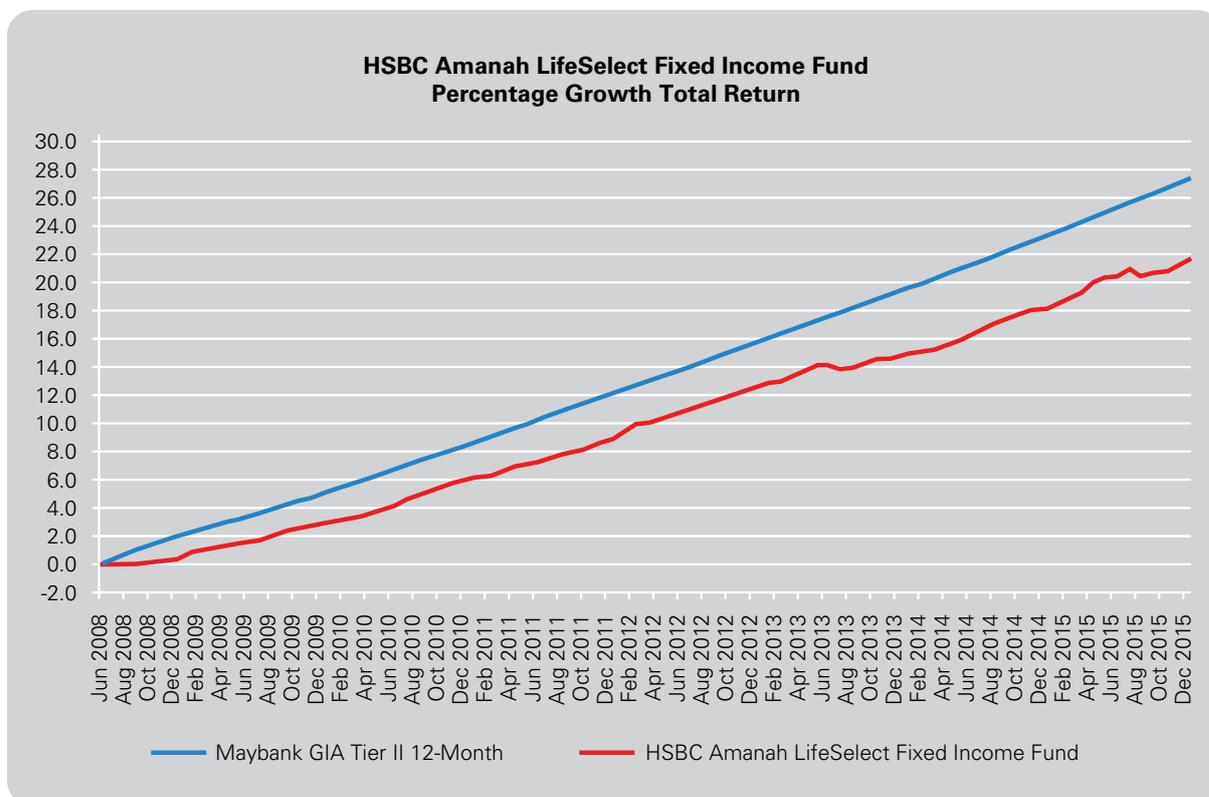
Throughout the financial period in review, the Target Fund adhered to its strategy of investing in a diversified portfolio while maintaining sufficient level of liquidity. On average, fixed income allocation was held above 88%.

### **Asset Allocation of Target Fund – Pacific Dana Murni (as at 31 December 2015)**

<b>Asset Category</b>	<b>Asset Allocation (% of NAV)</b>
Islamic Money Market Instruments	6.58%
Unquoted Sukuk	93.42%

► 5 HSBC Amanah LifeSelect Fixed Income Fund (continued)

**Performance Graph**



**Additional Information**

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

**Performance Table**

<b>HSBC Amanah LifeSelect Fixed Income Fund</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total NAV (MYR)	114,785,101	118,861,814	107,902,871	94,776,175	65,634,905
Units in Circulation	94,338,708	100,567,343	94,540,175	84,648,495	60,507,124
NAV per Unit (MYR)	1.217	1.182	1.141	1.120	1.085
Highest NAV per unit (MYR)	1.217	1.182	1.149	1.126	1.607
Lowest NAV per unit (MYR)	1.182	1.150	1.126	1.089	1.029
Annual Return	2.94%	2.90%	2.03%	4.63%	4.21%

<b>Cumulative Total Returns</b>	<b>6 months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Since Inception</b>
HSBC Amanah LifeSelect Fixed Income Fund	0.99%	2.94%	8.08%	14.74%	21.67%
Benchmark (Maybank GIA Tier II 12-Month)	1.65%	3.30%	10.06%	17.41%	27.39%

## ▶ 6 HSBC Amanah LifeSelect Equity Fund

### Investment Objective

The Fund aims to achieve capital growth in medium to long term by investing in Pacific Dana Aman ("Target Fund") a Shariah-compliant unit trust fund managed by Pacific Mutual Fund Berhad which invests in a wide portfolio of authorised securities over investments which comply with Shariah principles.

### Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund's value  
*(This is the fee charged for the ongoing portfolio management.)*

These fees are calculated based on the Fund's value. It is accrued on daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement applied to the management on this Fund.

### Annual Review of Local Equity Market (1 January 2015 to 31 December 2015)

Plunging oil prices, global rebalancing on the back of expected upcoming interest rate normalisation in the US and political issues were some of the negative factors that weighed heavily on the local bourse during 2015. Post a choppy rebound after the intense selling in August (which led the market to drop as much as 19% from its intra-year high), the FBM KLCI ended with a loss of 4%.

The local bourse started on a weak footing in January 2015 under heavy foreign fund outflow fuelled by global rebalancing and investors' concern over the impact of plummeting crude oil prices and the upcoming GST on Malaysia's economic and corporate health. Adding to the negative outlook was the reaffirmation of Fitch Rating's "Negative" 2015 outlook on Malaysia's sovereign ratings and speculation of debt problems at sovereign fund 1MDB. The market attempted to make further headway in March/April 2015 on expectations for a delay in US rate hikes, some stabilisation in emerging market currencies, another bounce in crude oil prices and a massive rally in the Chinese stock markets. However, selling pressure returned to the market at the end of April as a multitude of domestic macro concerns took centre stage. While a disappointing first quarter 2015 reporting season added to the local concerns, the situation was aggravated further by the volatility created as China's equities had their biggest slump in eight years amid concerns over China's economic growth.

In August, global markets were shaken when China deliberately devalued its Yuan which raised concerns of competitive devaluation in the region and weaker Chinese demand for commodities. Foreign selling accelerated on Bursa Malaysia amid the weak commodity prices, further drop in Malaysia's foreign reserves, unabated slide of the Ringgit (to 17-year lows) and accelerated sell-down in 10-year MGS. However, the FBM KLCI rebounded towards end of August, post the announcement by the Prime Minister of several measures to boost the economy and these included: 1) Urging Malaysian companies to repatriate their overseas profits and to reinvest domestically, and 2) Reactivating Value CAP with a RM20 billion injection. The market was also reassured that the government remained committed to achieving a lower 3.2% fiscal deficit of GDP this year, and capital controls would not be imposed.

Nevertheless, selling pressure intensified in the last few days of September following renewed sell down in the Ringgit amid negative foreign media coverage on 1MDB and CDS traders pricing Malaysia's bonds similar to junk bonds. The market recovered some lost ground ahead of the announcement of Budget 2016 in mid-October but slipped again following a largely neutral budget and the continued slide of the Ringgit versus the USD. Subsequently, news in November of the sale of 1MDB's power assets to China Nuclear Power Corp for RM9.8 billion and also China committing to the purchase of Malaysian government bonds provided some support for the market. In tandem with global markets, the local bourse also perked up after the well-anticipated announcement of a 25 basis points interest rate hike by the US Federal Reserve in December as the hike was seen as a sign of optimism on the world's largest economy. The local market gained further traction towards year-end despite further deterioration in oil prices.

## ▶7 HSBC Amanah LifeSelect Equity Fund (continued)

### Annual Review of Local Equity Market (1 January 2015 to 31 December 2015) (continued)

On the macro side, Malaysia's real GDP growth eased for the second straight quarter to 4.7% year-on-year in third quarter 2015 (second quarter 2015: +4.9% year-on-year), meeting market expectations. The weaker reading was a result of lingering GST impact, stock market rout and declining consumer sentiment. Domestic demand growth moderated further to 4.0% year-on-year (second quarter 2015: 4.6% year-on-year) on continued slowdown in both private and government consumption. This offset the pick-up in investment expenditure (third quarter 2015: +4.3% year-on-year; second quarter 2015: +0.5% year-on-year) that was due to faster private investment growth and rebound in public investment. All main economic sectors experienced slower growth in third quarter 2015 compared to the second quarter of 2015 except for manufacturing and construction, the former benefitting from a weaker Ringgit. The mainstay services sector, which made up the largest share of the economy at 53.3% of GDP, grew at the slowest pace in six years.

### Investment Strategy Review of HSBC of Pacific Dana Aman, the Target Fund of HSBC Amanah LifeSelect Equity Fund (1 January 2015 to 31 December 2015)

During the year under review, HSBC Amanah LifeSelect Equity Fund registered a return of 0.89%, underperforming the benchmark's 2.45%. This was amid concerns over a US rate hike due to strong economic data, cut in China's 2015 GDP growth target to 11-year lows and declining crude oil prices amid record supplies of crude oil. The Target Fund ended the quarter with an equity exposure of 81.1%.

Despite the bullishness of Bursa Malaysia at the start of 2Q15, the Target Fund was initially a net seller of equities due to the persistently weak global economy, and the mismatch between the market's elevated valuation and lacklustre earnings growth. After touching a peak in April, the local bourse succumbed to selling pressure ignited by renewed concerns over the Greece debt crisis and domestic political uncertainty. Although valuation became more attractive post the May-June correction, the Target Fund maintained a relatively stable equity allocation at around 81%, via taking profit on outperformers and switching into defensive names. Subsequently, global markets went into a downward spiral in August, on the back of persistent weakness in the Chinese economy and China share markets, sharp decline in commodity prices, and lingering uncertainty over the timing of US interest rate hikes. These, coupled with Malaysia's shrinking foreign reserves and 1MDB concerns, led to a selloff in domestic equities to a low of 1532.1 points (FBMKLCI), sharp depreciation of the ringgit, and a spike in Malaysia government bond yield in late August. Taking a tactical stance, the Target Fund bought into the correction and raised equity allocation to 81.5% at end-September. The Target Fund increased its equity exposure to 83.8% at end-November and to 88.0% at end-November on expectations of strong domestic liquidity, potential injection of monies into ValueCap and improving sentiment on 1MDB following the reported sale of its power assets and its 60% stake in Bandar Malaysia.

Looking ahead, 2016 is expected to be an important year for Shariah equities with the launch of the EPF's RM120 billion Shariah mandate. The year started with extreme global volatility with sharp declines for major markets and Brent crude oil. The volatility should fuel a major risk-off sell down in emerging markets, especially for oil and gas dependent Malaysia. Yet the FBM Shariah was resilient – only down 5.7% at the low.

The correction however had brought market valuations to less demanding levels. The Target Fund will look to buy on further market weakness. Of particular interest is the MYR strength despite falling crude oil prices. Consequently, the beneficiaries of Ringgit weakness (i.e. exporters) have seen some weakness. Other potentially critical events that the Target Fund is watching out for in 2016 are the strength of weather anomalies (for plantation stocks), the supply-demand balance of the oil market, US rate hikes and lower international trade volumes. While valuations do not appear cheap on the surface, the market has bifurcated into relatively expensive exporters/USD plays and relatively cheap energy and importer plays.

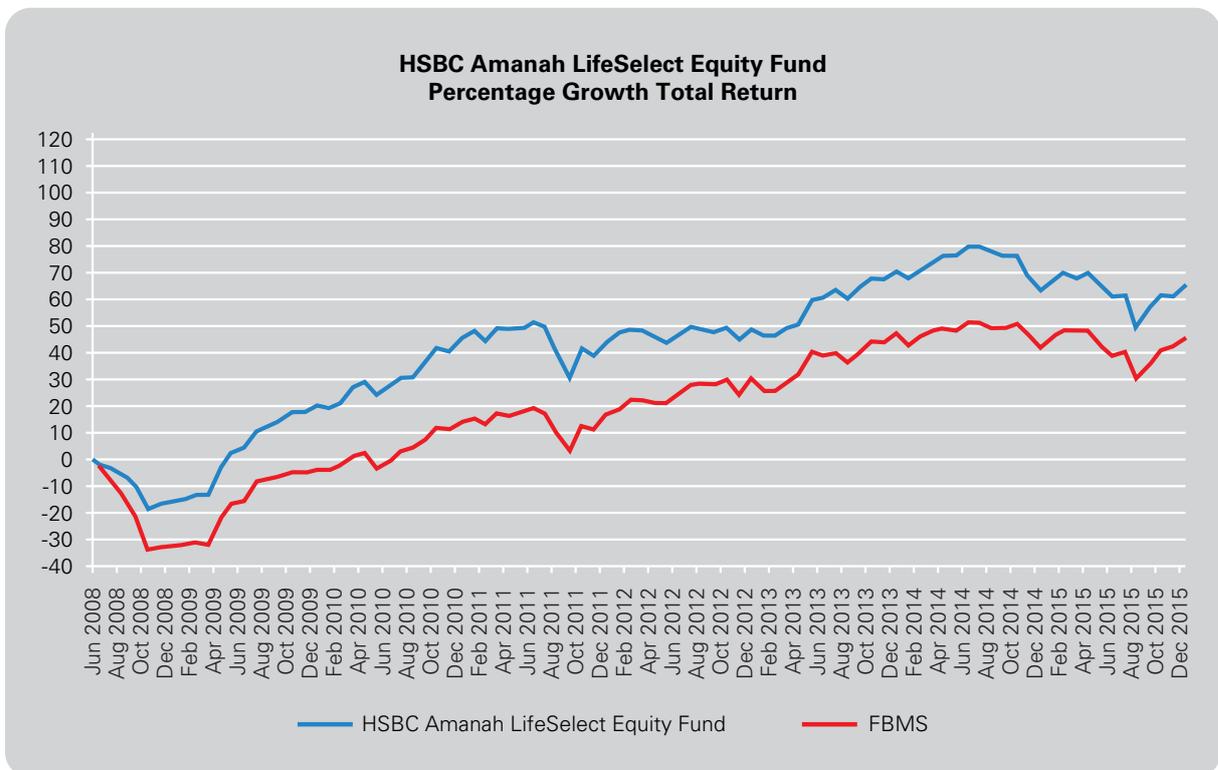
Going forward, the Target Fund will maintain a barbell strategy with big cap defensive stocks and selective names in the mid-to-small cap space with company specific catalysts.

## ▶ 8 HSBC Amanah LifeSelect Equity Fund (continued)

### Asset Allocation of Target Fund – Pacific Dana Aman (as at 31 December 2015)

Asset Category	Asset Allocation (% of NAV)
Shariah-Compliant Collective Investment Scheme	2.51%
Islamic Money Market Instruments	9.50%
Quoted Shariah-Compliant Equities	87.99%

### Performance Graph



### Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

▶ 9 HSBC Amanah LifeSelect Equity Fund (continued)

**Performance Table**

<b>HSBC Amanah LifeSelect Equity Fund</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total NAV (MYR)	165,884,694	156,272,173	144,565,438	118,206,971	90,867,690
Units in Circulation	100,391,128	95,409,220	85,151,361	79,835,948	63,363,511
NAV per Unit (MYR)	1.653	1.638	1.698	1.481	1.434
Highest NAV per unit (MYR)	1.726	1.819	1.707	1.531	1.531
Lowest NAV per unit (MYR)	1.452	1.559	1.453	1.178	1.178
Annual Return	0.89%	-3.86%	14.48%	5.00%	-0.24%

<b>Cumulative Total Returns</b>	<b>6 months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Since Inception</b>
HSBC Amanah LifeSelect Equity Fund	2.34%	0.89%	11.03%	13.64%	65.24%
Benchmark (FBMS)	4.72%	2.45%	11.52%	27.73%	45.47%

## ▶ 10 HSBC Amanah Takaful's Dana Dividen Fund

### Investment Objective

The Fund aims to achieve capital appreciation in medium to long term by investing in the Pacific Dana Dividen ("Target Fund"), a Shariah-compliant unit trust fund managed by Pacific Mutual Fund Berhad which invests primarily in a portfolio of Shariah-compliant Malaysian and foreign equity securities that have the track record of paying or have the potential to pay consistent and attractive dividends.

### Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund's value  
*(This is the fee charged for the ongoing portfolio management.)*

These fees are calculated based on the Fund's value. It is accrued on daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement applied to the management on this Fund.

### Annual Review of Global Equity Markets (1 January 2015 – 31 December 2015)

Ominous signs for equity markets in 2015 were evident from January 2015 when the World Bank and International Monetary Fund downgraded their global growth forecast for 2015 and 2016 amid gloomy economic data. Nevertheless, some risk-on mode was seen in markets as the European Central Bank's monetary stimulus announced in January was bigger than expected, while the US Federal Reserve ("Fed") signalled a dovish stance. However, solid economic data in the US and the resultant strengthening of the USD continued to haunt investors.

In April, expectation for the timing of the US rate hikes got pushed out due to weaker-than-expected US macro data, hence providing some reprieve to emerging market currencies. On the Chinese/Hong Kong markets, the expectation of large-scale fiscal stimulus from Chinese government and inclusion of China A shares into the MSCI Emerging Markets index fuelled a neck breaking rally in the early part of 2Q15. Elsewhere, investors remained cautious in May and June due to the global sell-off in government bonds, uncertainties on global growth and renewed concerns on Greece amid a breakdown in the Greek debt talks and Greece's unexpected call for a referendum on the terms of its creditors' final bailout. Sentiment was dented further by the bursting of the Chinese stock market bubble in June. The Chinese authorities' subsequent attempts to stabilise the tumbling stock market were negatively perceived as interference in the orderly development of capital markets. Meanwhile in Japan, the Nikkei which in March had closed above 19,000 for the first time since 2000, continued to rise in 2Q15 as the yen depreciated versus the dollar.

In July, weak commodity prices weighed upon global markets. Gold prices fell amid hawkish signals from the US Fed, while prices of crude oil were hit by supply concerns (aggravated by Iran being close to a deal that would loosen sanctions in exchange for curbs on Tehran's nuclear program), rise in US rig count and amid China demand worries. Roiling markets in August were the Chinese government's move to devalue the yuan, which sparked concerns of competitive devaluation and led to weakness in regional currencies and markets. Global markets remained choppy in September despite the Fed's call to keep interest rates unchanged at its meeting, as the Fed's decision fuelled concerns over slowing global growth.

Risk-on mode across markets gathered momentum in October on better-than-expected data from China and a weak US September jobs report which fuelled speculation that the US Fed might not be hiking interest rates any time soon. Although Chinese economic data weakened thereafter, this was offset by expectations of further easing measures by major central banks. Nevertheless, a hawkish tone from the US Fed at end-October led investors to brace themselves for an impending Fed lift off. The Fed's decision to raise interest rates by 25bps—well within market expectations—fuelled a brief relief rally in US and global markets. However, the strengthening USD sparked a selloff in energy and material sectors which led to volatility in markets. For the entire year, global rebalancing in anticipation of a US Fed lift-off had resulted in widespread fund outflows from markets, especially emerging markets.

## ▶ 11 HSBC Amanah Takaful's Dana Dividen Fund (continued)

### **Investment Strategy Review of Pacific Dana Dividen, the Target Fund of HSBC Amanah Takaful's Dana Dividen (1 January 2015 to 31 December 2015)**

For the year under review, the HSBC Amanah Takaful Dana Dividen registered a return of 2.72%, underperforming the benchmark's 11.32% return. This underperformance was mainly due to the Target Fund's underweight position in Japan, domestic export-oriented sectors and healthcare names.

Pacific Dana Dividen started the year under review on a cautious note, and maintained overall equity exposure around 80%. After the initial weakness, global markets staged a rebound, boosted by Federal Reserve's pledge of patience in hiking interest rates, and monetary easing measures from central banks around the world. The expectation of large-scale fiscal stimulus from Chinese government and inclusion of China A shares into the MSCI Emerging Markets index fuelled a neck breaking rally in China/HK markets in the early part of the second quarter. The Target Fund, however, sold into the rally and reduced its equity allocation to 76.7% in May. Subsequently, the bursting of the Chinese stock market bubble, concern over Grexit and lingering uncertainty over US interest rate hikes led the global markets into a downward spiral. The local bourse was not spared, as decline in commodity prices, massive net outflow of foreign Target Funds and the unexpected devaluation of the Chinese Yuan pressured the ringgit to a low of RM4.46/USD in September. Taking a tactical stance, the Target Fund turned net buyer and raised equity exposure to 87.9%, focusing on the US market given the resilient corporate earnings, and local names due to improved sentiment. A barbell strategy was adopted with a balance of cyclical and defensive names to cushion against potential volatility. Although crude oil prices tumbled to a seven year low after OPEC's decision to scrap their production ceiling, global markets cheered Federal Reserve's decision to hike Fed fund rates by 25 basis points, and rallied towards year end. As of end-December 2015, the Target Fund's equity allocation stood at 93.7%, mainly in food and beverages (17.6%), capital goods (11.7%), real estates (9.0%), utilities (7.1%), and materials (7.0%).

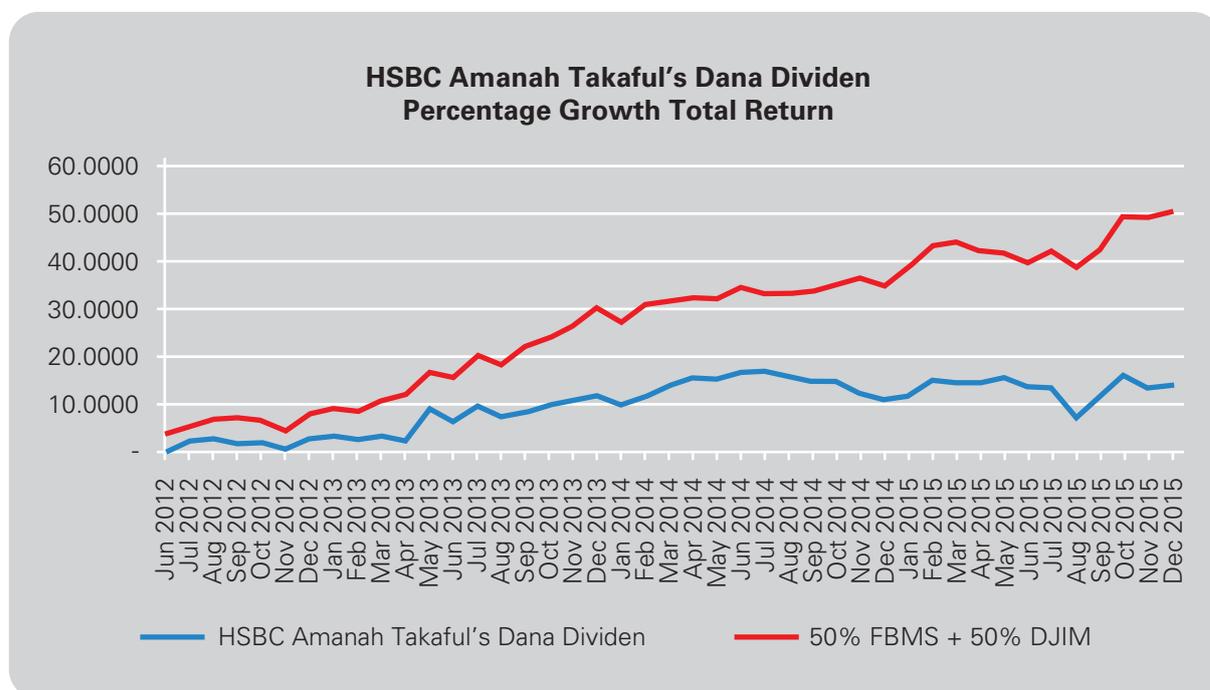
Looking ahead, 2016 is expected to be another challenging year for the global markets. The divergence in monetary policies, i.e. tightening in the US versus easing in the rest of the world, and the gap between Federal Reserve's guidance of 1% interest rate hike against 0.5% expected by the market would result in elevated volatility. Deflationary pressure from prolonged weakness in commodity prices, potential economic weakness in China or US could cause jitters. Valuations as of end-2015 remained elevated especially in US, Europe and Malaysia (FBM Shariah Index) which are trading at +1 standard deviation above their respective 5 year mean PER\*. Given the potential volatilities, the Target Fund will adopt an overall defensive strategy, and look for tactical investment opportunities.

### **Asset Allocation of Target Fund – Pacific Dana Dividen (as at 31 December 2015)**

<b>Asset Category</b>	<b>Asset Allocation (% of NAV)</b>
Islamic Money Market Instruments	6.34%
Quoted Shariah-Compliant Equities	93.66%

## ▶ 12 HSBC Amanah Takaful's Dana Dividen Fund (continued)

### Performance Graph



### Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

### Performance Table

<b>HSBC Amanah Takaful Dana Dividen</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total NAV (MYR)	22,048,774	16,352,812	11,223,936	4,375,824
Units in Circulation	19,404,585	14,782,691	10,047,376	4,261,133
NAV per Unit (MYR)	1.136	1.106	1.117	1.027
Highest NAV per unit (MYR)	1.167	1.179	1.117	1.033
Lowest NAV per unit (MYR)	1.032	1.059	1.014	0.991
Annual Return	2.72%	-0.88%	8.68%	3.90%

<b>Cumulative Total Returns</b>	<b>6 months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>Since Inception</b>
HSBC Amanah Takaful Dana Dividen	0.16%	2.72%	10.65%	13.80%
Benchmark (50% FBMS + 50% DJIM)	7.54%	11.32%	39.08%	50.22%

## ▶ 13 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund

### Investment Objective

The Fund aims to achieve long term capital appreciation by investing in the CIMB Islamic Asia Pacific Equity Fund ("Target Fund"), a Shariah-compliant collective investment scheme.

### Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund's value  
*(This is the fee charged for the ongoing portfolio management.)*

These fees are calculated based on the Fund's value. It is accrued on daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement applied to the management on this fund.

### Annual Market Review for Asia Pacific ex-Japan (1 January 2015 – 31 December 2015)

During the first quarter of 2015, commodity prices underwent significant correction. However, Asian markets rallied during the period by monetary easing in India, Australia and China. The rally was further supported by dovish statement by Janet Yellen following the U.S. Federal Reserve (the "Fed") meeting in March 2015. This was followed by weaker than expected U.S. economic growth. In April 2015, the rally was further supported by recovery in oil prices, continued monetary easing in China and broadening of access to southbound like for China funds.

The market (MSCI All Country World Index) peaked for the year in May, when China A-shares market was driven higher by huge margin financing. The Shanghai Stock Exchange Composite Index peaked at 5,166 on 12 June 2015. It then fell due to a combination of an over-extended market, unwinding of margin financing and liquidity being drained by large Initial Public Offerings. The sell-off in China spilled over to the large North Asian markets like Hong Kong, Korea and Taiwan. The Chinese market continued to sell-off despite a frenzy of government measures to calm its market. Other Asian markets also sold off in sympathy, partly due to worries over possible impact of slowing China economic growth. Asian markets continued to fall sharply in August 2015 led by faster than expected deceleration in China's economy, which also led to 3 percent devaluation in the Chinese Yuan Renminbi ("CNY"). The sell-off narrowed to minus 4 percent in the month of September 2015 as investors de-risked on concerns over disinflationary pressures and a slowdown in global growth.

Asian markets rallied 12 percent in October 2015 on the back of the Fed's decision to keep rates on hold and weak U.S. payroll data during the month. The rally was also exaggerated by the overly bearish positioning of global funds after four straight months of decline. During the financial period, various central banks have cut rates amid slowing growth and weak inflation. India, China, Indonesia, Taiwan and Korea all have cut rates once or twice during the review period. However, Emerging Market ("EM") currencies were sold down aggressively as well as the equity market despite easing.

December was yet another difficult month for risk assets as equities closed in the red, and commodity prices continued their slump (OPEC's stark inability to hold its cartel provided the last nail in oil's coffin). High yield corporate spreads widened further reflecting concerns about higher defaults by oil companies, and illiquidity in the high yield market as Third Avenue – a hedge fund focusing on extremely concentrated junk bond bets – halted redemptions. Oil and High-yield corporate bonds indeed made repeated headlines, yet the limelight was well and truly hogged by central banks. The European Central Bank ("ECB") added further monetary accommodation which fell short of market expectations. It has only itself to blame after whipping up expectations considerably since announcing its intention to ease.

Closing out the year, the Fed hiked rates for the first time since 2006 in December as markets had broadly expected; making it almost a non-event, judging by the post-meeting market impact. The critical thing, as it relates to the Fed, will be if it moves closer to the market on future rate hikes (positive for risk assets) or the markets move closer to its elevated rate path (negative for risk assets).

## ▶ 14 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund (continued)

### **Investment Strategy Review of the CIMB Islamic Asia Pacific Equity, the Target Fund of the HSBC Amanah Takaful's Islamic Asia Pacific Equity (1 January 2015 – 31 December 2015)**

During the year under review, HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund registered a positive return of 13.55%, outperforming the benchmark's 4.64% decline. From a market perspective, there were flat to negative returns from all asset classes in USD terms. It has also become very challenging to pick the right securities given the macro headwinds and elevated volatilities. Fortunately, given the weakness of the Malaysian Ringgit, the investors benefited from strong returns from the Target Fund last year.

2016 is likely to be a year with continued slow economic growth coupled with low inflation and interest rates. Market is expected to be volatile and swing extreme. The U.S. dollar strength may have level off as it seems the Fed may have been premature to hike last December. Hopefully, this should lead to lessen pressures against EM currencies and the CNY.

With the U.S. manufacturing sector shrinking for the second straight month in December – the Institute for Supply Management ("ISM") Index in December was the lowest mark since June 2009 – concerns of the Fed hiking prematurely are surfacing. With the Bank of Japan, ECB signalling intent for more drastic monetary stimulus and the Fed likely to put its rate hikes on hold, central banks in Asia have the option of cutting interest rates to boost growth. Indonesia has cut rates without causing weakness to the Rupiah. Thailand, Philippines, Singapore, India, Korea should be easing their monetary policies this year.

China growth has weakened but growth forecast is still relatively impressive at 6-7% for the year. As the government reforms wend through the economy, the People's Bank of China is expected to address economic imbalances while aiming for a soft landing, and minimising collateral shocks. Neutral view on Asian equities as likely to remain range-bound as long as the CNY is not allowed to depreciate meaningfully (to our fair value range of 7.20-7.50). Overall Asian corporate earnings in 2016 have a bit more downside to go, and our bottoms-up analysis suggests zero growth vs. consensus estimates of plus 3 percent.

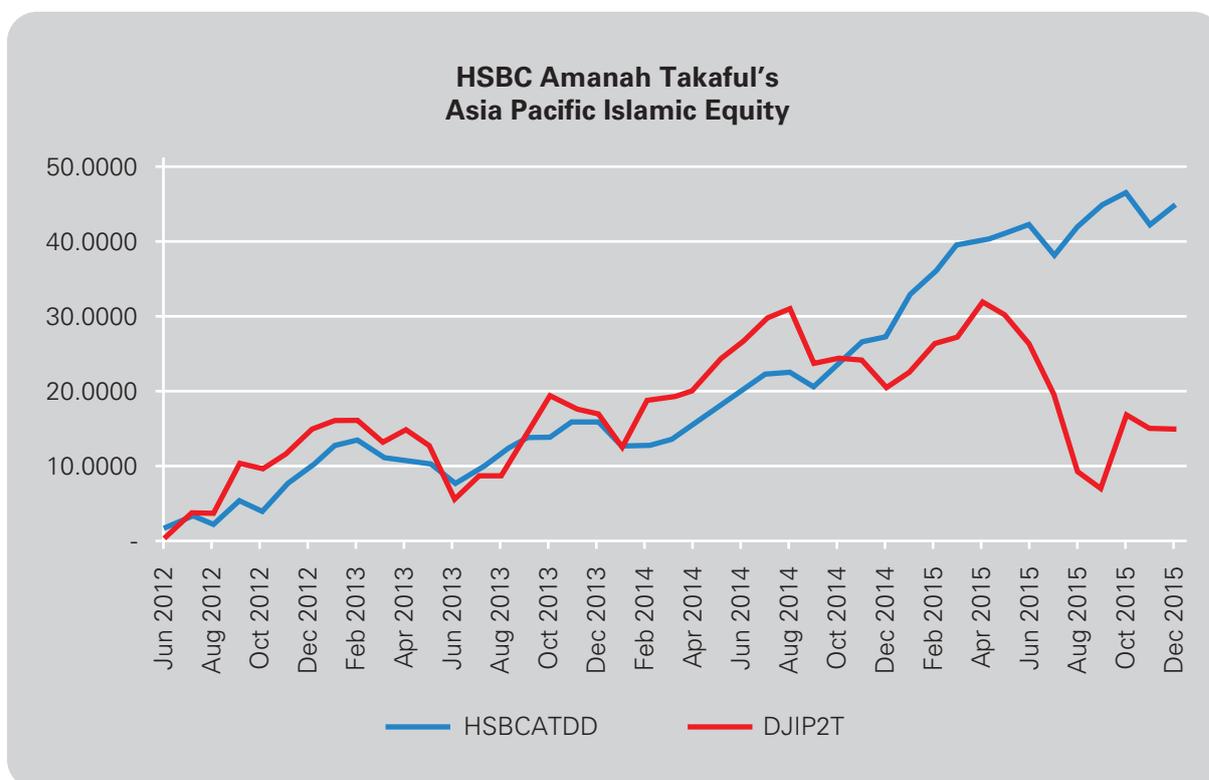
Given the uncertain market environment and heightened earnings risk, there will be flattish returns from local and global financial markets this year. International market is preferred over local markets given the current structural challenges and currency weakness that the Malaysian economy faces. The Target Fund will take careful investment decisions and maintain that bottom-up-stock-selection will be the key driver to performance in flat markets.

### **Asset Allocation of Target Fund – CIMB Islamic Asia Pacific Equity Fund (as at 31 December 2015)**

Asset Category	Asset Allocation (% of NAV)
Islamic Money Markets Instruments	12.85%
Shariah-Compliant Equities (Foreign)	87.15%

▶ 15 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund (continued)

**Performance Graph**



**Additional Information**

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

**Performance Table**

<b>HSBC Amanah Takaful's Asia Pacific Islamic Equity</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total NAV (MYR)	38,825,229	15,171,174	10,264,864	2,990,174
Units in Circulation	26,921,904	11,946,178	8,873,596	2,722,756
NAV per Unit (MYR)	1.442	1.270	1.157	1.098
Highest NAV per unit (MYR)	1.472	1.280	1.160	1.059
Lowest NAV per unit (MYR)	1.269	1.101	1.014	0.986
Annual Return	13.55%	9.69%	6.43%	13.05%

<b>Cumulative Total Returns</b>	<b>6 months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>Since Inception</b>
HSBC Amanah Takaful's Asia Pacific Islamic	1.61%	13.55%	31.31%	44.66%
Benchmark (Dow Jones Islamic Market Asia/ Pacific ex Japan Index)	-8.96%	-4.64%	0.10%	7.21%

# Financial Statements

For the year ended 31 December 2015

## ▶ 17 Manager's Report

The Manager has pleasure in submitting its report and the audited financial statements of the Investment-Linked Plans (hereinafter collectively referred to as "the Funds") for the year ended 31 December 2015.

### Principal activities

The principal activities of the Funds are to invest in authorised investments. There have been no changes in the nature of these activities during the year.

### Investment policy

The objective of the Funds is to provide participants with prospects for long term capital growth by investing in portfolio of Shariah compliant equities and other assets/investments.

#### Results

Excess of income over expenditure before taxation

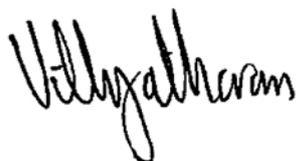
	MYR'000
- Rising Phoenix Portfolio	-
- Flying Dragon Portfolio	957
- HSBC Amanah LifeSelect Fixed Income Fund	3,127
- HSBC Amanah LifeSelect Equity Fund	619
- Takaful Dana Dividend Fund	417
- Asia Pacific Equity Fund	2,894
	<hr/>

### Directors of the Manager

The Directors who served during the financial year are:-

Datuk Haron bin Siraj  
Kasim bin Zakaria  
Harpal Karicut (resigned on 2 May 2015)  
Sazaliza bin Zainuddin  
Lim Eng Seong  
Ian Keith Moore (appointed on 29 April 2015)  
K . Vithyatharan A/L V Karunakaran (appointed on 6 May 2015)  
Zainudin bin Ishak (resigned on 31 January 2015)

For and on behalf of the Manager,  
HSBC Amanah Takaful (Malaysia) Berhad



**K . Vithyatharan A/L V Karunakaran**  
Director

Kuala Lumpur  
Date: 16 March 2016

# HSBC Amanah Takaful (Malaysia) Berhad (Company No.731530-M)

(Incorporated in Malaysia)

Investment-Linked Plans (Established in Malaysia)

## ▶ 18 Statement of Assets and Liabilities

As at 31 December 2015

	Note	Rising Phoenix Portfolio MYR'000	Flying Dragon Portfolio MYR'000	LifeSelect Fixed Income Fund MYR'000	LifeSelect Equity Fund MYR'000	Takaful Dana Dividen MYR'000	Asia Pacific Equity MYR'000
<b>2015</b>							
Investments							
Structured investments	3	–	–	–	–	–	–
Collective investments scheme	4	–	–	114,750	164,574	21,928	38,905
Cash and cash equivalents							
Cash and bank balances		109	787	1,001	(1,564)	(813)	1,708
Deferred tax assets		–	–	–	1,081	93	–
Other assets		–	–	97	2,700	925	59
<b>Total Assets</b>		109	787	115,848	166,791	22,133	40,672
Provision for taxation		90	143	232	1,038	44	91
Deferred tax liabilities		–	–	148	–	–	422
Other liabilities		–	–	1,341	–	–	1,347
<b>Total Liabilities</b>		90	143	1,721	1,038	44	1,860
<b>Net Assets Value of the Fund</b>		19	644	114,127	165,753	22,089	38,812
<b>Represented by:</b>							
Participants' Funds		(856)	(807)	102,603	149,111	21,215	34,403
Generated income carried forward		875	1,451	11,524	16,642	874	4,409
		19	644	114,127	165,753	22,089	38,812
<b>Number of units</b>		–	–	94,339	100,391	19,405	26,922
<b>Net Asset Value Per Unit (MYR)</b>		–	–	1.21	1.65	1.14	1.44
<b>2014</b>							
Investments							
Structured investments	3	–	16,387	–	–	–	–
Collective investments scheme	4	–	–	118,846	155,314	16,161	15,299
Cash and cash equivalents							
Cash and bank balances		190	845	322	639	9	10
Deferred tax assets		–	–	–	558	96	–
Other assets		–	–	–	589	115	117
<b>Total Assets</b>		190	17,232	119,168	157,100	16,381	15,426
Provision for taxation		90	2	218	1,021	32	14
Deferred tax liabilities		–	65	189	–	–	175
Other liabilities		81	150	464	–	–	91
<b>Total Liabilities</b>		171	217	871	1,021	32	280
<b>Net Assets Value of the Fund</b>		19	17,015	118,297	156,079	16,349	15,146
<b>Represented by:</b>							
Participants' Funds		(856)	16,444	109,927	140,563	15,877	13,306
Generated (loss)/income carried forward		875	571	8,370	15,516	472	1,840
		19	17,015	118,297	156,079	16,349	15,146
<b>Number of units</b>		–	15,583	100,567	95,409	14,783	11,946
<b>Net Asset Value Per Unit (MYR)</b>		–	1.09	1.18	1.64	1.11	1.27

## ▶ 19 Statement of Income and Expenditure

For the year ended 31 December 2015

	Rising Phoenix Portfolio MYR'000	Flying Dragon Portfolio MYR'000	LifeSelect Fixed Income Fund MYR'000	LifeSelect Equity Fund MYR'000	Takaful Dana Dividen MYR'000	Asia Pacific Equity MYR'000
<b>2015</b>						
Investment income						
Income distribution	–	–	3,641	8,466	454	–
Unrealised capital gain on investments	–	–	–	–	49	3,094
Net gain on disposal of investments	–	1,761	181	–	–	207
<b>Total income</b>	–	1,761	3,822	8,466	503	3,301
Unrealised capital loss on investment	–	(804)	(522)	(7,557)	(64)	–
Other outgo	–	–	(173)	(290)	(22)	(407)
<b>Total outgo</b>	–	(804)	(695)	(7,847)	(86)	(407)
Income/(Loss) before taxation	–	957	3,127	619	417	2,894
Taxation	–	(77)	27	507	(15)	(325)
<b>Income after taxation</b>	–	880	3,154	1,126	402	2,569
Generated (loss)/income brought forward	875	571	8,370	15,516	472	1,840
<b>Generated income carried forward</b>	875	1,451	11,524	16,642	874	4,409
<b>2014</b>						
Investment income						
Income distribution	–	–	1,944	2,391	1,232	–
Unrealised capital gain on investments	–	645	1,549	–	–	1,370
Net gain on disposal of investments	1,120	28	48	311	38	171
<b>Total income</b>	1,120	673	3,541	2,702	1,270	1,541
Unrealised capital loss on investment	(105)	–	–	(9,781)	(1,608)	–
Other outgo	–	–	(281)	(437)	(44)	(213)
<b>Total outgo</b>	(105)	–	(281)	(10,218)	(1,652)	(213)
Income/(Loss) before taxation	1,015	673	3,260	(7,516)	(382)	1,328
Taxation	(82)	(54)	(128)	756	96	(123)
<b>Income after taxation</b>	933	619	3,132	(6,760)	(286)	1,205
Generated (loss)/income brought forward	(58)	(48)	5,238	22,276	758	635
<b>Generated income carried forward</b>	875	571	8,370	15,516	472	1,840

The accompanying notes on pages 23 to 27 form part of these financial statements.

## ▶ 20 Statement of Changes in Net Asset Value

For the year ended 31 December 2015

	<b>Rising Phoenix Portfolio</b>	<b>Flying Dragon Portfolio</b>	<b>LifeSelect Fixed Income Fund</b>	<b>LifeSelect Equity Fund</b>	<b>Takaful Dana Dividen</b>	<b>Asia Pacific Equity</b>
	<b>MYR'000</b>	<b>MYR'000</b>	<b>MYR'000</b>	<b>MYR'000</b>	<b>MYR'000</b>	<b>MYR'000</b>
<b>2015</b>						
<b>Net Asset Value of the Fund</b>						
<b>at beginning of financial year</b>	19	17,015	118,297	156,079	16,349	15,146
Net creation of units	–	–	9,034	31,602	7,145	23,475
Net cancellation of units	–	–	(16,358)	(23,054)	(1,807)	(2,378)
Maturity	–	(17,251)	–	–	–	–
Income/(Loss) for the year	–	880	3,154	1,126	402	2,569
<b>Net Asset Value of the Fund</b>						
<b>at end of financial year</b>	19	644	114,127	165,753	22,089	38,812
<b>2014</b>						
<b>Net Asset Value of the Fund</b>						
<b>at beginning of financial year</b>	29,990	17,180	107,903	144,565	11,224	10,265
Net creation of units	–	–	18,517	37,375	6,651	5,129
Net cancellation of units	(629)	(784)	(11,255)	(19,101)	(1,240)	(1,453)
Maturity	(30,275)	–	–	–	–	–
Income/(Loss) for the year	933	619	3,132	(6,760)	(286)	1,205
<b>Net Asset Value of the Fund</b>						
<b>at end of financial year</b>	19	17,015	118,297	156,079	16,349	15,146

## ▶ 21 Statement of Cash Flows

For the year ended 31 December 2015

	Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividen	Asia Pacific Equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
<b>2015</b>						
<b>Cash flows from operating activities</b>						
Income/(Loss) before taxation	–	958	3,126	619	417	2,893
Adjustment for:						
Income distribution	–	–	(3,641)	(8,466)	(454)	–
Net gain on disposal of investments	–	(1,761)	(181)	–	–	(207)
Unrealised capital (gain)/loss on investments	–	–	522	6,543	(49)	(3,094)
<b>Loss from operations before changes in operating assets and liabilities</b>						
Proceeds from disposal of investments	–	18,146	13,887	12,573	1,232	1,303
Purchase of investments	–	–	(10,132)	(28,376)	(6,949)	(21,609)
Decrease/(Increase) in other assets	–	–	780	(2,111)	(811)	58
(Decrease)/Increase in other liabilities	(81)	(150)	–	1	1	1,256
Cash generated from/(used in) operations	(81)	17,193	4,361	(19,217)	(6,613)	(19,399)
Income distribution	–	–	3,641	8,466	454	–
<b>Net cash generated from/(used in) operating activities</b>	<b>(81)</b>	<b>17,193</b>	<b>8,002</b>	<b>(10,751)</b>	<b>(6,159)</b>	<b>(19,399)</b>
<b>Cash flows from financing activities</b>						
Proceeds from creations of units	–	–	9,035	31,602	7,145	23,475
Payment for cancellation of units	–	–	(16,358)	(23,054)	(1,807)	(2,378)
Payment for maturity of units	–	(17,251)	–	–	–	–
<b>Net cash (used in)/generated from financing activities</b>	<b>–</b>	<b>(17,251)</b>	<b>(7,323)</b>	<b>8,546</b>	<b>5,340</b>	<b>21,097</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(81)</b>	<b>(58)</b>	<b>679</b>	<b>(2,203)</b>	<b>(821)</b>	<b>1,698</b>
<b>Cash and cash equivalents at 1 January</b>	<b>190</b>	<b>845</b>	<b>322</b>	<b>639</b>	<b>9</b>	<b>10</b>
<b>Cash and cash equivalents at 31 December</b>	<b>109</b>	<b>787</b>	<b>1,001</b>	<b>(1,564)</b>	<b>(812)</b>	<b>1,708</b>
<b>Cash and cash equivalents comprise:</b>						
Cash and bank balances	109	787	1,001	(1,564)	(813)	1,708

▶ 22 **Statement of Cash Flows** (continued)  
For the year ended 31 December 2014

	<b>Rising Phoenix Portfolio</b>	<b>Flying Dragon Portfolio</b>	<b>LifeSelect Fixed Income Fund</b>	<b>LifeSelect Equity Fund</b>	<b>Takaful Dana Dividen</b>	<b>Asia Pacific Equity</b>
	<b>MYR'000</b>	<b>MYR'000</b>	<b>MYR'000</b>	<b>MYR'000</b>	<b>MYR'000</b>	<b>MYR'000</b>
<b>2014</b>						
<b>Cash flows from operating activities</b>						
Income/(Loss) before taxation	1,015	673	3,260	(7,516)	(382)	1,328
Adjustment for:						
Income distribution	–	–	(1,944)	(2,391)	(1,232)	–
Net gain on disposal of investments	(1,120)	(28)	(48)	(311)	(38)	(171)
Unrealised capital (gain)/loss on investments	–	(645)	(1,549)	9,781	1,608	(1,370)
<b>Loss from operations before changes in operating assets and liabilities</b>						
	(105)	–	(281)	(437)	(44)	(213)
Proceeds from disposal of investments	31,202	806	6,882	9,689	1,363	1,717
Purchase of investments	–	–	(24,029)	(33,773)	(12,137)	(5,842)
Decrease/(Increase) in other assets	–	–	3,281	2,767	(104)	16
(Decrease)/Increase in other liabilities	(157)	9	–	–	–	81
Cash generated from/(used in) operations	30,940	815	(14,147)	(21,754)	(10,922)	(4,241)
Income distribution	–	–	1,944	2,391	1,232	–
<b>Net cash generated from/(used in) operating activities</b>						
	30,940	815	(12,203)	(19,363)	(9,690)	(4,241)
<b>Cash flows from financing activities</b>						
Proceeds from creations of units	–	–	18,517	37,375	6,651	5,129
Payment for cancellation of units	(629)	(784)	(11,255)	(19,101)	(1,240)	(1,453)
Payment for maturity of units	(30,275)	–	–	–	–	–
<b>Net cash (used in)/generated from financing activities</b>						
	(30,904)	(784)	7,262	18,274	5,411	3,676
<b>Net increase/(decrease) in cash and cash equivalents</b>						
	36	31	(4,941)	(1,089)	(4,279)	(565)
<b>Cash and cash equivalents at 1 January</b>						
	154	814	5,263	1,728	4,288	575
<b>Cash and cash equivalents at 31 December</b>						
	190	845	322	639	9	10
<b>Cash and cash equivalents comprise:</b>						
Cash and bank balances	190	845	322	639	9	10

## ▶23 Notes to the Financial Statements

### Information on the Funds

The Manager, HSBC Amanah Takaful (Malaysia) Berhad, is a private limited liability company, incorporated and domiciled in Malaysia. The principal activities of the Manager consist of the managing of family takaful and general takaful businesses. The family takaful business includes management of investment-linked funds.

The address of its principal place of business and registered office are as follows:

<b>Principal place of business</b>	<b>Registered office</b>
8 <sup>th</sup> – 9 <sup>th</sup> Floor, North Tower No. 2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia	10 <sup>th</sup> Floor, North Tower No. 2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia

The principal activities of the Funds are to invest in authorised investments. Details of the nature of investments made by the Funds are as follows:

- a. HSBC Amanah LifeSelect Fixed Income Fund aims to achieve a steady return in medium to long term by investing in a collective investment scheme (the "Target Fund") which invests in a diversified portfolio of Islamic private debt securities and other liquid assets which comply with Shariah principles. The Fund also aims for some degree of capital growth over a medium to long-term period.
- b. HSBC Amanah LifeSelect Equity Fund aims to achieve capital growth in medium to long term by investing in a collective investment scheme (the "Target Fund") which invests in a portfolio of Shariah compliant Malaysian equities and equity related securities.
- c. 'Rising Phoenix' is a 5-year Malaysian Ringgit Denominated Structured Investment linked to a Basket of Shares. The Rising Phoenix Basket comprises Shariah compliant shares that offer access mainly to China equity markets.
- d. 'Flying Dragon' is a 5-year Malaysian Ringgit Denominated Structured Investment linked to Dow Jones Islamic Market China/Hong Kong Titans 30 Total Return Index.
- e. HSBC Amanah Takaful's Dana Dividend Fund ("Takaful Dana Dividend") seeks to achieve capital growth and income by investing in a collective investment scheme (the "Target Fund") which invests in Shariah compliant Malaysian and foreign equity securities that are paying or have the potential to pay consistent and attractive dividends.
- f. HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund ("Asia Pacific Equity") seeks to achieve capital growth and income by investing in a collective investment scheme (the "Target Fund"). The Target Fund aims to achieve long term capital appreciation and income while complying with Shariah investment criteria, through investments in the emerging and developed markets of Asia Pacific ex-Japan.

The immediate holding company of the Manager is HSBC Insurance (Asia Pacific) Holdings Ltd., a company incorporated in Hong Kong. The ultimate holding company is HSBC Holdings Plc, a company incorporated in the United Kingdom.

The financial statements of the Funds were approved by the Board of Directors of the Manager on 16 March 2016.

## 1. Basis of preparation

### a. Basis of accounting

The financial statements of the Funds have been prepared in accordance with the accounting policies as set out in Note 2 and the Guidelines on Investment-Linked Insurance/Takaful Business.

### b. Basis of measurement

The financial statements of the Funds have been prepared on the historical cost basis modified by the revaluation of investments as stated in Note 2(a).

### c. Functional and presentation currency

The financial statements of the Funds are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### d. Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

There is no significant area of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than as disclosed in Note 2(a).

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

### a. Investments

Structured investments are stated at the closing valuation prices based on a valuation technique as determined by HSBC Bank Malaysia Berhad in accordance with the terms and conditions of each fund at reporting date. The closing valuation prices of each fund takes into consideration the market values of Shariah compliant shares included in the structured investment portfolio.

All purchases of unit trusts (collective investment schemes) are recognised on their trade dates, i.e. the date the commitment exists to purchase the investments. The investments are initially recorded at cost, being fair value of the consideration given.

The attributable transaction costs are recognised in the statement of income and expenditure when incurred. The fair value is determined by using open market valuation at the year-end date.

Any increase or decrease in the value of the investments at each reporting date is recognised in the statement of income and expenditure.

## 2. Significant accounting policies (continued)

### b. Net Creation of Units

Net creation of units represents contributions paid by participants as payment for a new certificate and net of cancellation from inception. Net creation of units is recognised on a received basis.

### c. Net Cancellation of Units

Net cancellation of units represents cancellation of units arising from surrenders and withdrawals by participants. Net cancellation of units is recognised upon surrendering of the related takaful certificates.

### d. Income Recognition

Income distribution is recognised when the right to receive payment is established.

Profit from deposits with licensed financial institutions is recognised on an accrual basis.

Gain or loss on disposal of investments is credited or charged to the statement of income and expenditure when they arise.

### e. Income Tax Expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in statement of income and expenditure.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, including deposits with licensed financial institutions, that are readily convertible to known amounts of cash and which are not subject to a significant risk of changes in value.

▶ 26 Notes to the Financial Statements (continued)

### 3. Structured investments

	Rising Phoenix Portfolio		Flying Dragon Portfolio	
	2015 MYR'000	2014 MYR'000	2015 MYR'000	2014 MYR'000
Investments				
At cost	–	–	–	15,583
Unrealised capital gain	–	–	–	804
At market value	–	–	–	16,387

### 4. Collective investment scheme

	2015 MYR'000	2014 MYR'000
<b>LifeSelect Fixed Income Fund</b>		
At Cost	112,906	116,480
Unrealised capital gain	1,844	2,366
At indicative market value	114,750	118,846
<b>LifeSelect Equity Fund</b>		
At Cost	178,091	162,288
Unrealised capital (loss)/gain	(13,517)	(6,974)
At indicative market value	164,574	155,314
<b>Takaful Dana Dividend</b>		
At Cost	23,091	17,374
Unrealised capital (loss)/gain	(1,163)	(1,213)
At indicative market value	21,928	16,161
<b>Asia Pacific Equity</b>		
At Cost	33,626	13,113
Unrealised capital gain	5,279	2,186
At indicative market value	38,905	15,299

## ▶27 Notes to the Financial Statements (continued)

### 5. Distribution

There was no distribution of profit to participants during the year.

### 6. Financial instruments

The Funds are exposed to foreign currency, market, credit, liquidity and profit rate risks.

#### Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Fund's exposure to the foreign currency risk is mainly confined to structured investment fund as the final profit payment (if any) is calculated with reference to, amongst others, the final USD/MYR Spot Rate and will therefore be affected by fluctuations in the USD/MYR rate. The Funds have not entered into hedging activities to hedge against the foreign exchange fluctuation.

#### Market risk

Market risk arises when the value of the investments fluctuates in response to the activities of the individual companies, general market or economic conditions. The Manager manages the risk by continuous monitoring of the performance and risk profile of the investment portfolio.

#### Credit risk

Credit risk refers to the ability of a counterparty to make timely payments of income distribution, principle amounts and proceeds from realisation of investments. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

For proceeds from injection or subscription and redemption of collective investment schemes, the settlement terms are set out in the applicable operating memorandum agreement signed between HSBC Amanah Takaful (Malaysia) Berhad and the respective external fund managers.

The structured investment fund is placed with the Issuer and therefore reliance is placed on the ability of the Structured Investment Issuer to repay the principal amount (and any Final Profit Payment) at the Maturity Date. In this regard, it should be noted that the investment fund is not deemed to be a deposit with the Structured Investment Issuer. Instead, the investment fund is an unsecured liability with the Structured Investment Issuer. Therefore, reliance is placed on the ability of the Structured Investment Issuer to repay the principal at maturity.

#### Liquidity risk

Liquidity risk is the risk that the Investment-Linked Fund may encounter in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquidity to meet anticipated payment and redemption of units by participants.

#### Profit rate risk

Profit rate risk is the risk that the value of the Investment-Linked Funds will fluctuate because of changes in market profit rates. Profit rates moves in the opposite direction of Sukuk prices. When the profit rate rises, Sukuk prices fall and vice versa. The profit rate risk is monitored through periodic reviews of its assets and liabilities positions with the objective to limit the net changes in the value of assets and liabilities arising from profit rate movements.

#### Fair values

The fair values of investments have been disclosed in Note 3 and 4. The basis of deriving the fair values is disclosed in Note 2(a).

## ▶28 Statement by Manager

I, K . Vithyatharan A/L V Karunakaran, Director of HSBC Amanah Takaful (Malaysia) Berhad state that, in the opinion of the Manager, the financial statements as of 31 December 2015 and for the year then ended set out on pages 18 to 27, are prepared in all material respects, in accordance with accounting policies set out in Note 2 and Guidelines on Investment-Linked Insurance/Takaful Business.

For and on behalf of the Manager,  
HSBC Amanah Takaful (Malaysia) Berhad



**K . Vithyatharan A/L V Karunakaran**  
Director

Kuala Lumpur  
Date: 16 March 2016

## ▶ 29 Independent Auditors' Report

To the participants of HSBC Amanah Takaful Investment-Linked Plans ("the Funds")

### **Report on the Financial Statements**

We have audited the financial statements of the Funds, which comprise the statements of assets and liabilities as at 31 December 2015, and the statements of income and expenditure, changes in net asset value and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 18 to 27.

### **Directors' Responsibility for the Financial Statements**

The Directors of the Manager are responsible for the preparation of these financial statements in accordance with the accounting policies set out in Note 2 to the financial statements and Guidelines on Investment-Linked Insurance/Takaful Business, and 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.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements as of 31 December 2015 and for the year then ended have been prepared, in all material respects in accordance with accounting policies set out in Note 2 and Guidelines on Investment-Linked Insurance/Takaful Business.

### **Other Matter(s)**

This report is made solely to the participants of the Funds, as a body, in accordance with the Guidelines on Investment-Linked Insurance/Takaful Business issued by Bank Negara Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**PRICEWATERHOUSECOOPERS**

Firm Number: AF 1146

Chartered Accountants

Kuala Lumpur, Wilayah Persekutuan

Date: 16 March 2016

