

大和住銀投信投資顧問

Daiwa SB Investments

Daiwa SBI Investment Fund – Japan High Dividend Stocks Fund

31 March 2019

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Fund manager's report

Market review

During the period of April 2018 to March 2019, the Japanese equity market was down slightly resulted mainly from share price plunge in later 2018 mainly due to rising uncertainty about trade tensions between US and China though that was partially offset by the rebound in early 2019.

TOPIX Index moved in a narrow range during the first few months of the period, but declined sharply in October-December due to increasing concerns over earnings outlook amid intensifying US-China trade friction and fears of a global economic slowdown. Entering 2019, however, the market showed strong recovery thanks mainly to eased concern over the global economic slowdown with US Fed's shift to accommodative stance as well as expectation about the progress of trade war negotiations.

Over the period, the Sub-Fund mainly invested in companies with the ability to deliver steady earnings/dividend growth. The sectors with major holdings are Industrials and Consumer Discretionary.

Daiwa SB Investments (HK) Limited

Trustee's report

Daiwa SBI Investment Fund – Japan High Dividend Stocks Fund

We hereby confirm that, in our opinion, the Manager of the Sub-Fund has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 9 June 2017, as amended, for the year ended 31 March 2019.

)
) For and on behalf of
) Brown Brothers Harriman Trustee
) Services (Hong Kong) Limited,
) Trustee

Independent auditor's report to the unitholders of Daiwa SBI Investment Fund – Japan High Dividend Stocks Fund

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Daiwa SBI Investment Fund – Japan High Dividend Stocks Fund (the “Sub-Fund”), a sub-fund of Daiwa SBI Investment Fund set out on pages 7 to 39, which comprise the statement of assets and liabilities as at 31 March 2019, the statement of comprehensive income, the statement of changes in net assets attributable to unitholders, the cash flow statement and the distribution statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 March 2019 and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board (“IAASB”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Sub-Fund in accordance with the *Code of Ethics for Professional Accountants* (“the Code”) issued by the International Ethics Standards Board for Accountants (“IESBA”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the unitholders of Daiwa SBI Investment Fund – Japan High Dividend Stocks Fund (Continued)

Report on the Audit of Financial Statements (continued)

Responsibilities of the Manager and the Trustee of the Sub-Fund for the Financial Statements

The Manager and the Trustee of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and for such internal control as the Manager and the Trustee of the Sub-Fund 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, the Manager and the Trustee of the Sub-Fund are responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee of the Sub-Fund either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed, and the relevant disclosure provisions of Appendix E of the Hong Kong Code on Unit Trusts and Mutual Funds ("the SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's 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 auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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. In addition, we are required to assess whether the financial statements of the Sub-Fund has been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

Independent auditor's report to the unitholders of Daiwa SBI Investment Fund – Japan High Dividend Stocks Fund (Continued)

Report on the Audit of Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, 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.
- 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 Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Sub-Fund.
- Conclude on the appropriateness of the Manager's and the Trustee's 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 Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager and the Trustee of the Sub-Fund 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.

Independent auditor's report to the unitholders of Daiwa SBI Investment Fund – Japan High Dividend Stocks Fund (Continued)

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 July 2019

Statement of assets and liabilities as at 31 March 2019

(Expressed in Japanese Yen)

	Note	As at 31 March 2019	As at 31 March 2018
Assets			
Financial assets at fair value through profit or loss	7, 8(b)	¥ 1,211,865,438	¥ 1,232,460,098
Amounts due from brokers		-	16,818,265
Cash and cash equivalents	8(b)	14,067,156	15,301,556
Dividends receivable		16,821,522	14,354,050
Total assets		<u>¥ 1,242,754,116</u>	<u>¥ 1,278,933,969</u>
Liabilities			
Amounts due to brokers		¥ -	¥ 17,439,140
Distributions payable	13	334,110	107,190
Management fees payable	8(a)	842,143	824,729
Trustee's fees payable	8(b)	96,290	237,252
Custodian fees payable	8(b)	96,383	237,509
Administrator fees payable	8(b)	658,644	614,488
Transfer agent fees payable	8(b)	90,584	93,317
Audit fee payable		2,888,163	-
Total liabilities (excluding net assets attributable to unitholders)		<u>¥ 5,006,317</u>	<u>¥ 19,553,625</u>
Net assets attributable to unitholders		<u>¥ 1,237,747,799</u>	<u>¥ 1,259,380,344</u>

The notes on pages 14 to 39 form part of these financial statements.

Statement of assets and liabilities as at 31 March 2019 (Continued) (Expressed in Japanese Yen)

	Note	As at 31 March 2019	As at 31 March 2018
Number of units in issue:	9		
Class A (HKD) Accumulation		¥ 150,000	¥ 150,000
Class A (USD) Hedged Distribution		70,161	20,126
Class I (JPY) Accumulation		<u>1,200,182</u>	<u>1,200,182</u>
Net asset value per unit:			
Class A (HKD) Accumulation		¥ 119	¥ 129
Class A (USD) Hedged Distribution		961	1,042
Class I (JPY) Accumulation		<u>960</u>	<u>1,015</u>

Approved by the Trustee and the Manager on 30 July 2019

)
) For and on behalf of
) Brown Brother Harriman Trustee
) Services (Hong Kong) Limited
)

)
) For and on behalf of
) Daiwa SB Investments (HK) Limited
)

The notes on pages 14 to 39 form part of these financial statements.

Statement of comprehensive income for the year ended 31 March 2019

(Expressed in Japanese Yen)

			<i>Period from 12 October 2017 (date of commencement of operations) to 31 March 2018</i>
	<i>Note</i>	<i>Year ended 31 March 2019</i>	
Dividend income	5	¥ 40,780,920	¥ 16,915,145
Net losses from financial assets at fair value through profit or loss	6	(82,539,595)	(11,070,467)
Net foreign exchange loss		<u>(3,791)</u>	<u>(297,071)</u>
Total net (loss)/income		¥ (41,762,466)	¥ 5,547,607
Management fees	8(a)	¥ (10,777,927)	¥ (4,255,725)
Trustee's fees	8(b)	(639,021)	(262,780)
Custodian fees	8(b)	(701,547)	(262,780)
Administrator fees	8(b)	(2,063,357)	(681,869)
Transfer agent fees	8(b)	(685,458)	(129,696)
Transaction costs		(7,178,754)	(1,987,752)
Audit fee		(2,888,163)	-
Interest expenses		(14,716)	-
Miscellaneous expenses		<u>(24,674)</u>	<u>(59,319)</u>
Total operating expense		¥ (24,973,617)	¥ (7,639,921)
Net loss from operations before taxation		¥ (66,736,083)	¥ (2,092,314)
Taxation	4, 5	<u>(4,078,092)</u>	<u>(1,691,515)</u>
Net loss from operations before distributions		¥ (70,814,175)	¥ (3,783,829)
Distributions to unitholders	13	<u>(3,334,053)</u>	<u>(107,190)</u>
Decrease in net assets attributable to unitholders and total comprehensive income for the year/period		¥ (74,148,228)	¥ (3,891,019)

The notes on pages 14 to 39 form part of these financial statements.

Statement of changes in net assets attributable to unitholders for the year ended 31 March 2019

(Expressed in Japanese Yen)

	Note	Year ended 31 March 2019	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018
Balance at the beginning of the year/period		¥ 1,259,380,344	¥ -
Decrease in net assets attributable to unitholders and total comprehensive income for the year/period		¥ (74,148,228)	¥ (3,891,019)
Subscriptions of units			
Class A (HKD) Accumulation (nil units) (2018: 150,000 units)		¥ -	¥ 21,619,936
Class A (USD) Hedged Distribution (50,181 units) (2018: 20,126 units)		52,673,360	21,651,427
Class I (JPY) Accumulation (nil units) (2018: 1,200,182 units)		-	1,220,000,000
Redemptions of units			
Class A (USD) Hedged Distribution (146 units) (2018: nil units)		(157,677)	-
		¥ 52,515,683	¥ 1,263,271,363
Balance at the end of the year/period		¥ 1,237,747,799	¥ 1,259,380,344

The notes on pages 14 to 39 form part of these financial statements.

Cash flow statement for the year ended 31 March 2019 (Expressed in Japanese Yen)

	Year ended 31 March 2019	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018
Operating activities		
Decrease in net assets attributable to unitholders and total comprehensive income for the year/period	¥ (74,148,228)	¥ (3,891,019)
Adjustments for:		
Net losses from financial assets at fair value through profit or loss	82,539,595	11,070,467
Dividend income, net of withholding tax	(36,702,828)	(15,223,630)
Changes in working capital:		
Decrease/(increase) in amounts due from brokers	16,818,265	(16,818,265)
(Decrease)/increase in amounts due to brokers	(17,439,140)	17,439,140
Increase in distributions payable	226,920	107,190
Increase in management fees payable	17,414	824,729
(Decrease)/increase in trustee's fees payable	(140,962)	237,252
(Decrease)/increase in custodian fees payable	(141,126)	237,509
Increase in administrator fees payable	44,156	614,488
(Decrease)/increase in transfer agent fees payable	(2,733)	93,317
Increase in audit fees payable	2,888,163	-
Net cash used in operations	¥ (26,040,504)	¥ (5,308,822)
Investing activities		
Dividend received	¥ 34,235,356	¥ 869,580
Payment for purchase of investment	(694,995,078)	(1,468,323,563)
Proceeds from sales of investment	633,050,143	224,792,998
Net cash used in investing activities	¥ (27,709,579)	¥ (1,242,660,985)

Cash flow statement for the year ended 31 March 2019 (Continued) (Expressed in Japanese Yen)

	Year ended 31 March 2019	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018
Financing activities		
Proceeds from subscription of units	¥ 52,673,360	¥ 1,263,271,363
Payments for redemptions of units	<u>(157,677)</u>	<u>-</u>
Net cash generated from financing activities	<u>¥ 52,515,683</u>	<u>¥ 1,263,271,363</u>
(Decrease)/increase in cash and cash equivalents	<u>¥ (1,234,400)</u>	<u>¥ 15,301,556</u>
Cash and cash equivalents at the beginning of the year/period	<u>¥ 15,301,556</u>	<u>¥ -</u>
Cash and cash equivalents at the end of the year/period	<u>¥ 14,067,156</u>	<u>¥ 15,301,556</u>

The notes on pages 14 to 39 form part of these financial statements.

Distribution statement for the year ended 31 March 2019 (Expressed in Japanese Yen)

		<i>Period from 12 October 2017 (date of commencement of operations) to</i>
	<i>Year ended</i>	<i>31 March 2018</i>
Amount available for distribution at the beginning of the year/period	<i>Note</i> 31 March 2019	
	¥ 1,259,380,344	¥ -
Net received on issue of units	52,515,683	1,263,271,363
Loss before distributions after taxation	(70,814,175)	(3,783,829)
Distributions to unitholders	13 (3,334,053)	(107,190)
Amount available for distribution at the end of the year/period	<u>¥ 1,237,747,799</u>	<u>¥ 1,259,380,344</u>

The notes on pages 14 to 39 form part of these financial statements.

Notes to the financial statements

(Expressed in Japanese Yen)

1 The Fund

Daiwa SBI Investment Fund – Japan High Dividend Stocks Fund (the “Sub-Fund”) presented in the financial statements represent the sub-fund within Daiwa SBI Investment Fund (the “Fund”) which is an open-ended umbrella unit trust established under the laws of Hong Kong by its Trust Deed dated 9 June 2017 and supplemental trust deed dated 20 September 2017 (the “Trust Deed, as amended”) between Daiwa SB Investment (HK) Limited (the “Manager”) and Brown Brothers Harriman Trustee Services (Hong Kong) Limited (the “Trustee”). The Sub-Fund was launched on 12 October 2017.

The investment objective of the Sub-Fund is to provide investors with mid to long-term capital growth through investing primarily in equities or equities-related securities issued by Japanese companies.

The Sub-Fund is authorised by the Securities and Futures Commission in Hong Kong (the “SFC”) under Section 104 of the Hong Kong Securities and Futures Ordinance and are governed by the Hong Kong Code on Unit Trusts and Mutual Funds (the “SFC Code”) issued by the SFC. Authorisation by the SFC does not imply official approval or recommendation.

The Trust Deed does not contain any requirement that a combined set of financial statements for the Trust itself be prepared.

2 Basis of preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), and the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements of the SFC Code. A summary of the significant accounting policies adopted by the Sub-Fund is set out on Note 3.

The IASB has issued certain new and revised IFRSs that are available for early adoption for the current accounting period of the Sub-Fund. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Sub-Fund for the current and prior accounting periods reflected in these financial statements.

2 Basis of preparation (continued)

(b) *Basis of measurement*

The financial statements are prepared on historical cost basis except for financial assets at fair value through profit or loss which are measured at fair value.

The previous financial statements were prepared for the period from 12 October 2017 (date of commencement of operations) to 31 March 2018, which was the first financial period of the Sub-Fund. Consequently, the comparative amounts for the statement of comprehensive income, the statement of changes in net assets attributable to unitholders, the cash flow statement, and the distribution statement and related notes are not comparable in so far as they relate to a shorter period than the current period.

(c) *Changes in accounting policies*

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Sub-Fund. Of these, the following development is relevant to the Sub-Fund's financial statements:

- IFRS 9, *Financial instruments*

The Sub-Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Except for the changes below, the Sub-Fund has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

IFRS 9, Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, *Financial Instruments: Recognition and Measurement*.

The adoption of IFRS 9 had no material impact on the net assets attributable to unitholders of the Sub-Fund.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

2 Basis of preparation (continued)

(c) *Changes in accounting policies (continued)*

(i) Classification and measurement of financial assets and financial liabilities (continued)

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Sub-Fund's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Sub-Fund classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 3(b).

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Sub-Fund financial assets as at 1 April 2018.

	<i>Classification under IAS 39</i>	<i>Classification under IFRS 9</i>
Financial assets at fair value through profit or loss	Held for trading	Mandatorily at FVTPL
Amounts due from brokers	Loans and receivable	Amortised cost
Cash and cash equivalents	Loans and receivable	Amortised cost
Dividends receivable	Loans and receivable	Amortised cost

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 April 2018 relates solely to the new impairment requirements. The Manager considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. There is no impairment allowance recognised on amounts due from brokers, cash and cash equivalents and dividends receivable on the initial application of IFRS 9's impairment requirements as at 1 April 2018. Therefore, the carrying amounts of the financial assets remain the same.

(d) *Functional and presentation currency*

These financial statements are presented in Japanese Yen (“JPY”), which is the Sub-Fund's functional currency. All values are rounded to the nearest JPY except when otherwise indicated.

2 Basis of preparation (Continued)

(e) *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3 Significant accounting policies

(a) *Foreign currency translation*

Transactions in foreign currencies are translated into the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Japanese Yen at the foreign currency exchange rate ruling at the date of statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments.

(b) *Financial assets and financial liabilities*

(i) Classification of financial assets

(A) Policy applicable from 1 April 2018

On initial recognition, the Sub-Fund classifies financial assets as measured at amortised cost or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

All other financial assets of the Sub-Fund are measured at FVTPL.

3 Significant accounting policies (Continued)

(b) Financial assets and financial liabilities (Continued)

(i) Classification of financial assets (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Sub-Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Sub-Fund's manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Sub-Fund has determined that it has two business models.

- Held-to-collect business model: this includes amounts due from brokers, dividends receivable and cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes equity instruments and forward contracts. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3 Significant accounting policies (Continued)

(b) Financial assets and financial liabilities (Continued)

(i) Classification of financial assets (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

In assessing whether the contractual cash flows are SPPI, the Sub-Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Sub-Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Sub-Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for of the time value of money (e.g. periodical reset of interest rates).

The Sub-Fund classifies their investments based on the business model and contractual cash flows assessment. Accordingly, the Sub-Fund classifies all their equity instruments and forward contracts into financial assets at FVTPL category. Financial assets measured at amortised cost include amounts due from brokers, dividends receivable and cash and cash equivalents.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Sub-Fund was to change their business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(B) Policy applicable prior to 1 April 2018

All investments had been classified by the Sub-Fund as “financial assets at fair value through profit or loss” at inception.

Purchases and sales of investments were accounted for on the trade date basis. Investments were initially recognised at fair value, excluding transaction costs which were expensed as incurred, and were subsequently re-measured at fair value. “Fair value” is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Sub-Fund has access at that date.

3 Significant accounting policies (Continued)

(b) Financial assets and financial liabilities (Continued)

(i) Classification of financial assets (Continued)

(B) Policy applicable prior to 1 April 2018 (Continued)

When available, the Sub-Fund measured the fair value of an investment using the quoted price in an active market for that investment. A market is regarded as “active” if transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of the Sub-Fund investments were measured on the following basis:

- Investments that were listed or traded on an exchange are fair valued based on quoted prices.

Realised and unrealised gains and losses on investments are included in statement of comprehensive income in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

(ii) Classification of financial liabilities

Financial liabilities are classified as measured at amortised cost, using effective interest method.

(iii) Recognition

The Sub-Fund recognises financial assets at fair value through profit or loss on the trade date, which is the date that the Sub-Fund becomes a party to the contractual provisions of the instruments. Other financial assets and liabilities are recognised on the date they are originated.

Financial assets and financial liabilities at fair value through profit or loss are recognised initially at fair value, which transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(iv) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair values recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

Financial liabilities are measured at amortised cost using the effective interest method.

3 Significant accounting policies (Continued)

(b) Financial assets and financial liabilities (Continued)

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Sub-Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Sub-Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Sub-Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Sub-Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Net gains or losses on investments are included in profit or loss. Realised gains or losses on investments and unrealised gains or losses on investments arising from a change in fair value are provided in Note 6. Net gains or losses from financial instruments at fair value through profit or loss is calculated using the average cost method.

(vi) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(vii) Impairment

(A) Policy applicable from 1 April 2018

The Sub-Fund recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost.

The Sub-Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

3 Significant accounting policies (Continued)

(b) Financial assets and financial liabilities (Continued)

(vii) Impairment (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Sub-Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Sub-Fund's historical experience and informed credit assessment and including forward-looking information.

The Sub-Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Sub-Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Sub-Fund in full, without recourse by the Sub-Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Sub-Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Sub-Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3 Significant accounting policies (Continued)

(b) Financial assets and financial liabilities (Continued)

(vii) Impairment (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of assets and liabilities

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Sub-Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(B) Policy applicable prior to 1 April 2018

Financial assets that were stated at cost or amortised cost were reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication existed, an impairment loss was recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreased and the decrease could be linked objectively to an event occurring after the write-down, the write-down was reversed through profit or loss.

(viii) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

Assets held for trading that are sold are derecognised and corresponding receivables from brokers are recognised as of the date the Sub-Fund commits to sell the assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

On derecognition of a financial asset, the difference between the carrying value of the asset and the consideration received is recognised in profit or loss.

3 Significant accounting policies (Continued)

(b) *Financial assets and financial liabilities (Continued)*

(ix) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Sub-Fund has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, e.g. for gains and losses arising from group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

(x) Specific instruments

Forward foreign exchange contracts

Outstanding forward foreign exchange contracts are valued at the period end date by reference to the forward rate of exchange applicable to the outstanding term of the contracts. Unrealised gains and losses on outstanding contracts and realised gains and losses on closed contracts are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Sub-Fund for the purpose of meeting short-term commitments, other than cash collateral provided in respect of derivatives, securities sold short and securities borrowing transactions.

Subscriptions and redemptions

The Sub-Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

Redeemable units

The Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Sub-Fund has two classes of redeemable units in issue – “Class – A” for any type of investors irrespective of their location and “Class – I” for institutional investors irrespective of their location. The redeemable units do not have identical terms. The redeemable units provide unitholders with the right to require redemption for cash at a value equal to a proportionate share of the Sub-Fund's net asset value attributable to the share class at each redeemable date, and also in the event of the Sub-Fund's liquidation. The redeemable units of the Sub-Fund are classified as financial liabilities and measured at the present value of the redemption amounts.

3 Significant accounting policies (Continued)

(c) *Distributions to holders of redeemable units*

Class – A and Class – I have units that accumulate income (“Accumulation Classes”) or pay regular distributions out of net distributable income or capital or gross income of the Sub-Fund (“Distribution Classes”).

No distribution is intended to be made in respect of Accumulation Classes. Therefore, any net income and net realised capital gains attributable to units of the Accumulation Classes will be reflected in their respective net asset value.

For Distribution Classes, the Manager will declare and pay distributions in such amount, on such date and at such frequency as the Manager may determine. The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class.

Distributions to holders of redeemable units classified as financial liabilities are recognised in profit or loss as finance costs when they are authorised and no longer at the discretion of the Sub-Fund.

(d) *Interest income*

Interest income is recognised in statement of comprehensive income as it accrues, using the effective interest rate method.

(e) *Dividend income*

Dividend income is recognised in the statement of comprehensive income on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which shareholders approve the payment of a dividend.

(f) *Fees and other expenses*

All fees and expenses, including management fees, Trustee’s fees and custodian fees, are recognised in the statement of comprehensive income on an accrual basis.

(g) *Foreign exchange gains and losses*

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Net foreign exchange loss in statement of comprehensive income are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as fair value through profit or loss.

(h) *Amounts due from brokers*

Amounts due from brokers include receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

3 Significant accounting policies (Continued)

(i) Amounts due to brokers

Amounts due to brokers include payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

(j) Related parties

- (i) A person, or a close member of that person's family, is related to the Sub-Fund if that person:
 - (1) has control or joint control over the Sub-Fund;
 - (2) has significant influence over the Sub-Fund; or
 - (3) is a member of the key management personnel of the Sub-Fund.
- (ii) An entity is related to the Sub-Fund if any of the following conditions applies:
 - (1) The entity and the Sub-Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (3) Both entities are joint ventures of the same third party;
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (5) The entity is a post-employment benefit plan for the benefit of employees of an entity related to the Sub-Fund;
 - (6) The entity is controlled or jointly controlled by a person identified in (i); or
 - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which is a part, provides key management personnel services to the Sub-Fund.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 Taxation

No provision for Hong Kong Profit Tax has been made in the financial statements as the Sub-Fund is exempted from taxation under section 26A (1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income received by the Sub-Fund is subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

Taxation in statement of comprehensive income represents:

	<i>Year ended 31 March 2019</i>	<i>Period from 12 October 2017 (date of commencement of operations) to 31 March 2018</i>
Withholding tax	¥ 4,078,092	¥ 1,691,515

5 Dividend income

	<i>Year ended 31 March 2019</i>	<i>Period from 12 October 2017 (date of commencement of operations) to 31 March 2018</i>
Dividend income	¥ 40,780,920	¥ 16,915,145
Withholding taxes	<u>(4,078,092)</u>	<u>(1,691,515)</u>
Net dividend income	<u>¥ 36,702,828</u>	<u>¥ 15,223,630</u>

6 Net losses from financial assets at fair value through profit or loss

	Year ended 31 March 2019	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018
Net realised (losses)/gains on investments	¥ (32,621,514)	¥ 6,052,277
Net movement in unrealised losses on revaluation of investments	<u>(49,918,081)</u>	<u>(17,122,744)</u>
	<u>¥ (82,539,595)</u>	<u>¥ (11,070,467)</u>

7 Financial assets at fair value through profit or loss

	As at 31 March 2019	As at 31 March 2018
Equity securities		
- Listed shares-Japan	¥ 1,211,770,015	¥ 1,232,321,870
Derivative financial instruments		
- Forward foreign exchange contracts	<u>95,423</u>	<u>138,228</u>
	<u>¥ 1,211,865,438</u>	<u>¥ 1,232,460,098</u>
	As at 31 March 2019	As at 31 March 2018
Investments, at cost	¥ 1,278,906,263	¥ 1,249,582,842
Unrealised loss	<u>(67,040,825)</u>	<u>(17,122,744)</u>
Investments, at fair value	<u>¥ 1,211,865,438</u>	<u>¥ 1,232,460,098</u>

8 Related party transactions and other key contracts

The following is a summary of transactions with related parties for the year/period. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) Related party transactions

Management fees

The Sub-Fund is managed by Daiwa SB Investment (HK) Limited (“the Manager”). The Manager receives a management fee, payable monthly in arrears, equivalent to 1.6%, and 0.8% per annum of net asset value of Class A and Class I units, respectively.

	Year ended 31 March 2019	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018
Management fees	¥ 10,777,927	¥ 4,255,725
	As at 31 March 2019	As at 31 March 2018
Management fees payable	¥ 842,143	¥ 824,729

Investment transactions with the Manager

During the year ended 31 March 2019, the Sub-Fund did not have any investment transactions with the Manager (2018: Nil).

8 Related party transactions and other key contracts (Continued)

(b) Other key contracts

Trustee's fees

The Trustee of the Sub-Fund is Brown Brothers Harriman Trustee Services (Hong Kong) Limited ("the Trustee"), which receives a fee up to 0.05% per annum of net asset value.

	Year ended 31 March 2019	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018
Trustee's fees	¥ 639,021	¥ 262,780
	<i>As at 31 March 2019</i>	<i>As at 31 March 2018</i>
Trustee's fees payable	¥ 96,290	¥ 237,252

Custodian fees

The Custodian of the Sub-Fund is Brown Brothers Harriman & Co. ("the Custodian"). The Custodian receives custody fee up to 0.05% per annum of the net asset value.

	Year ended 31 March 2019	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018
Custodian fees	¥ 701,547	¥ 262,780
	<i>As at 31 March 2019</i>	<i>As at 31 March 2018</i>
Cash and cash equivalents held under the Custodian	¥ 14,067,156	¥ 15,301,556
Securities balance held under the Custodian	1,211,865,438	1,232,460,098
Custodian fees payable	96,383	237,509

8 Related party transactions and other key contracts (Continued)

(b) Other key contracts (Continued)

Administrator fees

The Administrator of the Sub-Fund is Brown Brothers Harriman & Co. (the “Administrator”), which receives a fee of 0.08% per annum of net asset value plus US\$3,000 per annum per class.

	<i>Year ended 31 March 2019</i>	<i>Period from 12 October 2017 (date of commencement of operations) to 31 March 2018</i>
Administrator fees	¥ 2,063,357	¥ 681,869
	<i>As at 31 March 2019</i>	<i>As at 31 March 2018</i>
Administrator fees payable	¥ 658,644	¥ 614,488

Transfer agent fees

The Transfer agent of the Sub-Fund is Brown Brothers Harriman & Co. (the “Transfer Agent”). The Transfer Agent receives transfer agent fees of US\$2,500 per annum.

	<i>Year ended 31 March 2019</i>	<i>Period from 12 October 2017 (date of commencement of operations) to 31 March 2018</i>
Transfer agent fees	¥ 685,458	¥ 129,696
	<i>As at 31 March 2019</i>	<i>As at 31 March 2018</i>
Transfer agent fees payable	¥ 90,584	¥ 93,317

9 Units issued

	<i>Year ended 31 March 2019</i>	<i>Period from 12 October 2017 (date of commencement of operations) to 31 March 2018</i>
Class A (HKD) Accumulation		
Number of units in issue brought forward	¥ 150,000	¥ -
Units issued during the year/period	<u>-</u>	<u>150,000</u>
Number of units in issue carried forward	<u>¥ 150,000</u>	<u>¥ 150,000</u>
	<i>Year ended 31 March 2019</i>	<i>Period from 12 October 2017 (date of commencement of operations) to 31 March 2018</i>
Class A (USD) Hedged Distribution		
Number of units in issue brought forward	¥ 20,126	¥ -
Units issued during the year/period	50,181	20,126
Units redeemed during the year/period	<u>(146)</u>	<u>-</u>
Number of units in issue carried forward	<u>¥ 70,161</u>	<u>¥ 20,126</u>
	<i>Year ended 31 March 2019</i>	<i>Period from 12 October 2017 (date of commencement of operations) to 31 March 2018</i>
Class I (JPY) Accumulation		
Number of units in issue brought forward	¥ 1,200,182	¥ -
Units issued during the year/period	<u>-</u>	<u>1,200,182</u>
Number of units in issue carried forward	<u>¥ 1,200,182</u>	<u>¥ 1,200,182</u>

9 Units issued (Continued)

The net asset value per unit for each class of the Sub-Fund in their respective denominated currencies and reporting currency, Japanese Yen, as at year/period end are as follows:

	As at 31 March 2019	As at 31 March 2018
Net asset value per unit, in denominated currencies		
- Class A (HKD) Accumulation	¥ 8.43	¥ 9.51
- Class A (USD) Hedged Distribution	8.68	9.78
- Class I (JPY) Accumulation	<u>960</u>	<u>1,015</u>

	As at 31 March 2019	As at 31 March 2018
Net asset value per unit, in reporting currency		
- Class A (HKD) Accumulation	¥ 119	¥ 129
- Class A (USD) Hedged Distribution	961	1,042
- Class I (JPY) Accumulation	<u>960</u>	<u>1,015</u>

The Trust and the Sub-Fund do not have any externally imposed capital requirements.

10 Soft dollar commission

As regards to the Sub-Fund, the Manager has not entered into any soft dollar commission arrangements during the year (2018: nil).

11 Financial instruments and associated risks

The Sub-Fund maintains an investment portfolio of listed financial instruments as dictated by its investment management strategy. The Sub-Fund aims to provide medium to long-term stable capital appreciation by investing in a diversified portfolio of equities that are listed primarily on the Japan Stock Exchange.

The Sub-Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Sub-Fund. Investors should note that additional information in respect of risks associated with financial instruments in the Sub-Fund can be found in the Sub-Fund's offering document.

11 Financial instruments and associated risks (Continued)

The nature and extent of the financial instruments outstanding at the date of statement of assets and liabilities and the risk management policies employed by the Sub-Fund are discussed below.

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The impact on a 10% increase in value of the investments at 31 March 2019 and 31 March 2018, respectively, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset value by an equal but opposite amount.

	<i>Market exposures</i>	<i>Change in net assets if investment value increased by 10%</i>
As at 31 March 2019		
Equity securities	¥ 1,211,770,015	¥ 121,177,001
As at 31 March 2018		
Equity securities	¥ 1,232,321,870	¥ 123,232,187

(b) Interest rate risk

As at 31 March, 2019, the Sub-Fund does not hold any interest-bearing assets except cash and cash equivalents and therefore the Sub-Fund is not subject to significant interest rate risk.

(c) Foreign currency risk

As all the financial instruments as at 31 March 2019 are denominated in Japanese Yen except for the distribution payable and each Class of Units denominated in other currencies within the Sub-Fund. The Sub-Fund ensures that net exposure to foreign currencies is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates from time to time.

11 Financial instruments and associated risks (Continued)

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Sub-Fund. The Sub-Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 March 2019, part of the Sub-Fund's financial assets are exposed to credit risk. These include investments in financial assets and cash and cash equivalents placed with the Custodian.

The cash held by the Sub-Fund is deposited with the Custodian. Substantially all of the assets of the Sub-Fund are held by the Custodian, Brown Brothers Harriman & Co., who had a credit rating of A+ at year end (2018: A+) as rated by Fitch. Bankruptcy or insolvency of the Custodian may cause the Sub-Fund's rights with respect to securities and cash held by the Custodian to be delayed or limited. The Custodian is for which credit risk is considered insignificant.

The carrying amounts of financial asset best represent the maximum credit risk exposure at the date of statement of assets and liabilities.

At 31 March 2019, there are no significant concentration of credit risk to counterparties except to the Custodian.

(e) Liquidity risk

Liquidity risk arises from the risk that the Manager may not be able to convert investments into cash to meet the Sub-Fund's liquidity needs in a timely manner. The Sub-Fund is exposed to daily liquidity risk on redemption of units.

The Sub-Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

As at 31 March 2019 and 31 March 2018, the Sub-Fund's financial liabilities are due within three months.

(f) Capital management

The Sub-Fund's capital as at the period end date is represented by its redeemable units which are classified as financial liabilities.

The Sub-Fund's objective in capital management is to ensure a stable and strong base to provide long term capital growth and income, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Sub-Fund in accordance with the investment objectives and policies stated in the Sub-Fund's Explanatory Memorandum.

There were no changes in the policies and procedures during the year with respect to the Sub-Fund's approach to its capital management.

11 Financial instruments and associated risks (Continued)

(f) Capital management (Continued)

The amount and the movement of net assets are stated in the statement of changes in net assets attributable to unitholders. As the redeemable units are redeemed on demand at the unitholders' option, the actual level of redemption may differ significantly from historic experience.

12 Fair value information

The Sub-Fund's financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates.

Valuation of financial instruments

The Sub-Fund's accounting policy on fair value measurements is detailed in accounting policy in note 3(b)(v).

The Sub-Fund measures fair values using the three levels of fair value hierarchy defined in IFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and whose unobservable inputs have a significant effect on the instrument's valuation.

Fair values of equity securities that are traded in active market are based on quoted prices. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

12 Fair value information (Continued)

Financial instruments measured at fair value

The following analyses financial instruments at fair value at the date of the statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

<i>Financial assets at fair value through profit or loss</i>	<i>31 March 2019</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equity securities				
Listed shares	¥ 1,211,770,015	¥ -	¥ -	¥ 1,211,770,015
Financial derivative instruments				
Forward Foreign Currency Contracts	¥ -	¥ 95,423	¥ -	¥ 95,423
	¥ 1,211,770,015	¥ 95,423	¥ -	¥ 1,211,865,438

<i>Financial assets at fair value through profit or loss</i>	<i>31 March 2018</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equity securities				
Listed shares	¥ 1,232,321,870	¥ -	¥ -	¥ 1,232,321,870
Financial derivative instruments				
Forward Foreign Currency Contracts	¥ -	¥ 138,228	¥ -	¥ 138,228
	¥ 1,232,321,870	¥ 138,228	¥ -	¥ 1,232,460,098

Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the year ended 31 March 2019.

13 Distributions

	Year ended 31 March 2019	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018
Class A (USD) Distribution		
<i>Distributions attributable to the period</i>		
Distributions declared during the period		
- USD 0.04 per unit on 70,161 units on 29 March 2019	¥ 334,110	¥ -
- USD 0.05 per unit on 67,753 units on 28 February 2019	375,384	-
- USD 0.05 per unit on 67,172 units on 1 January 2019	365,178	-
- USD 0.05 per unit on 67,063 units on 28 December 2018	370,977	-
- USD 0.05 per unit on 66,918 units on 30 November 2018	379,408	-
- USD 0.05 per unit on 63,737 units on 31 October 2018	360,654	-
- USD 0.05 per unit on 63,615 units on 28 September 2018	360,951	-
- USD 0.05 per unit on 59,201 units on 31 August 2018	328,493	-
- USD 0.05 per unit on 21,013 units on 31 July 2018	116,892	-
- USD 0.05 per unit on 20,907 units on 29 June 2018	115,719	-
- USD 0.05 per unit on 20,806 units on 31 May 2018	113,168	-
- USD 0.05 per unit on 20,707 units on 27 April 2018	113,119	-
- USD 0.05 per unit on 20,126 units on 29 March 2018	-	107,190
	<u>¥ 3,334,053</u>	<u>¥ 107,190</u>

14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 March 2019

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Sub-Fund:

*Effective for
accounting periods
beginning on or after*

I(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
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Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
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The Sub-Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. None is expected to have a material impact on the Sub-Fund's financial statements in the period of initial application.

Portfolio statement as at 31 March 2019 (Unaudited)

(Expressed in Japanese Yen)

	Holdings	Market value	% of net asset value
Equities			
Listed shares			
Japan			
Aica Kogyo Co., Ltd.	5,100	¥ 18,819,000	1.5%
Asahi Holdings, Inc.	4,400	8,808,800	0.7%
Asahi Kasei Corp.	2,300	2,626,600	0.2%
Bridgestone Corp.	1,800	7,678,800	0.6%
Brother Industries Ltd.	1,800	3,686,400	0.3%
Canon, Inc.	2,700	8,675,100	0.7%
Citizen Watch Co., Ltd.	9,200	5,676,400	0.5%
Dai Nippon Printing Co., Ltd.	11,100	29,381,700	2.4%
Daihen Corp.	1,500	4,267,500	0.3%
Daiichikosho Co., Ltd.	3,000	16,980,000	1.4%
Daiwabo Holdings Co., Ltd.	1,700	10,829,000	0.9%
DCM Holdings Co., Ltd.	6,600	6,811,200	0.6%
Denka Co., Ltd.	2,900	9,251,000	0.7%
DIC Corp.	1,700	5,499,500	0.4%
Electric Power Development Co., Ltd.	6,800	18,332,800	1.5%
Fujimi, Inc.	1,600	3,870,400	0.3%
Hanwa Co., Ltd.	1,500	4,627,500	0.4%
Honda Motor Co., Ltd.	12,800	38,336,000	3.1%
IBJ Leasing Co., Ltd.	2,500	6,535,000	0.5%
Idemitsu Kosan Co., Ltd.	4,200	15,561,000	1.3%
Inaba Denki Sangyo Co., Ltd.	1,300	5,570,500	0.5%
ITOCHU Corp.	19,700	39,449,250	3.2%
Itochu Enex Co., Ltd.	4,100	3,657,200	0.3%
Itochu Techno-Solutions Corp.	7,000	18,081,000	1.5%
Japan Airlines Co., Ltd.	9,500	37,040,500	3.0%
Japan Post Holdings Co., Ltd.	27,200	35,251,200	2.8%
Japan Tobacco, Inc.	18,000	49,410,000	4.0%
JSR Corp.	4,800	8,236,800	0.7%
JXTG Holdings, Inc.	36,100	18,284,650	1.5%
Kandenko Co., Ltd.	8,700	8,230,200	0.7%
Kanematsu Corp.	10,000	12,650,000	1.0%
Kanematsu Electronics Ltd.	1,600	5,352,000	0.4%
Keihanshin Building Co., Ltd.	3,300	3,567,300	0.3%
Kyowa Exeo Corp.	13,600	41,548,000	3.4%
Lintec Corp.	1,300	3,112,200	0.3%
Maeda Road Construction Co., Ltd.	5,300	11,389,700	0.9%
Marui Group Co., Ltd.	14,600	32,631,000	2.6%
Mebuki Financial Group, Inc.	11,800	3,339,400	0.3%
Mitsubishi Corp.	14,000	43,036,000	3.5%
Mitsubishi UFJ Financial Group, Inc.	34,800	19,140,000	1.5%
Mitsubishi UFJ Lease & Finance Co., Ltd.	11,500	6,486,000	0.5%

Portfolio statement as at 31 March 2019 (Unaudited) (Continued) (Expressed in Japanese Yen)

	Holdings	Market value	% of net asset value
Equities (Continued)			
Listed shares (Continued)			
Japan (Continued)			
NEC Networks & System Integration Corp.	3,700	¥ 9,897,500	0.8%
NGK Spark Plug Co., Ltd.	2,700	5,545,800	0.4%
Nippon Light Metal Holdings Co., Ltd.	5,000	1,215,000	0.1%
Nippon Parking Development Co., Ltd.	25,000	4,300,000	0.3%
Nippon Telegraph & Telephone Corp.	8,800	41,386,400	3.3%
Nishimatsu Construction Co., Ltd.	6,200	15,208,600	1.2%
Noevir Holdings Co., Ltd.	2,500	13,425,000	1.1%
NSD Co., Ltd.	3,800	9,792,600	0.8%
NTT DOCOMO, Inc.	5,500	13,483,250	1.1%
Otsuka Holdings Co., Ltd.	5,000	21,745,000	1.8%
PAL GROUP Holdings Co., Ltd.	1,400	4,207,000	0.3%
Park24 Co., Ltd.	4,600	11,053,800	0.9%
Penta-Ocean Construction Co., Ltd.	10,300	5,283,900	0.4%
PS Mitsubishi Construction Co., Ltd.	7,500	4,965,000	0.4%
Raito Kogyo Co., Ltd.	3,900	5,818,800	0.5%
Resona Holdings, Inc.	37,200	17,844,840	1.4%
Resorttrust, Inc.	2,500	3,750,000	0.3%
SCSK Corp.	6,000	29,610,000	2.4%
Senko Group Holdings Co., Ltd.	14,900	13,693,100	1.1%
Shimachu Co., Ltd.	7,700	22,206,800	1.8%
Shimamura Co., Ltd.	400	3,748,000	0.3%
Shimizu Corp.	25,500	24,531,000	2.0%
Sony Financial Holdings, Inc.	5,300	11,066,400	0.9%
Star Micronics Co., Ltd.	2,300	3,875,500	0.3%
Starts Corp., Inc.	5,200	12,287,600	1.0%
Sumitomo Densetsu Co., Ltd.	1,500	2,817,000	0.2%
Taikisha Ltd.	1,600	5,384,000	0.4%
Takasago Thermal Engineering Co., Ltd.	4,900	8,731,800	0.7%
Takeda Pharmaceutical Co., Ltd.	9,000	40,689,000	3.3%
The Chugoku Electric Power Co., Inc.	3,400	4,695,400	0.4%
The Okinawa Electric Power Co., Inc.	4,825	9,095,125	0.7%
The Sumitomo Warehouse Co., Ltd.	7,500	10,462,500	0.8%
TKC Corp.	500	2,022,500	0.2%
TOKAI Holdings Corp.	9,800	9,006,200	0.7%
Tokio Marine Holdings, Inc.	8,000	42,896,000	3.5%
Tokyo Ohka Kogyo Co., Ltd.	1,500	4,530,000	0.4%
Tokyu Fudosan Holdings Corp.	25,700	17,013,400	1.4%
Toppan Forms Co., Ltd.	4,400	4,158,000	0.3%
Ube Industries Ltd.	13,900	31,622,500	2.6%

Portfolio statement as at 31 March 2019 (Unaudited) (Continued) (Expressed in Japanese Yen)

	<i>Holdings</i>	<i>Market value</i>	<i>% of net asset value</i>
Equities (Continued)			
Listed shares (Continued)			
Japan (Continued)			
USS Co., Ltd.	6,800	13,967,200	1.1%
Wacoal Holdings Corp.	5,400	14,860,800	1.2%
West Japan Railway Co.	5,100	42,528,900	3.4%
Yokohama Reito Co., Ltd.	6,300	5,632,200	0.5%
Total listed shares (Cost of investments: ¥1,278,906,263)		¥ 1,211,770,015	97.9%
Forward Foreign Currency Contracts		¥ 95,423	0.0%
Total investments (Total cost of investments: ¥1,278,906,263)		¥ 1,211,865,438	97.9%
Other net assets		¥ 25,882,361	2.1%
Total net assets		¥ 1,237,747,799	100.0%

Forward Foreign Currency Contracts Outstanding at 31 March 2019

<i>Buy</i>	<i>Counterparty</i>	<i>Contract Amount</i>	<i>Settlement Date</i>	<i>Sell</i>	<i>Contract Amount</i>	<i>Net Unrealized Appreciation/ (Depreciation)</i>
USD	Brown Brothers Harriman	617,835	4/26/2019	JPY	68,181,152	95,423

Statement of movements in portfolio holdings
for the year ended 31 March 2019 (Unaudited)
(Expressed in Japanese Yen)

	% of net asset value as at <i>Note</i> 31 March 2019	% of net asset value as at 31 March 2018
Equity securities		
Listed shares - Japan	97.9%	97.9%
Financial Derivative Instruments		
Forward Foreign Currency Contracts	0.0%	0.0%
Total investments	<u>97.9%</u>	<u>97.9%</u>
Other net assets	<u>2.1%</u>	<u>2.1%</u>
Total net assets	<u><u>100%</u></u>	<u><u>100%</u></u>

Performance table (Unaudited)

(Expressed in Japanese Yen)

Price record (dealing net asset value per unit)

	Denomination currency	Year ended 31 March 2019	
		Market price	
		Lowest	Highest
Class A (HKD) Accumulation	HKD	7.84	9.77
Class A (USD) Hedged Distribution	USD	8.25	10.30
Class I (JPY) Accumulation	JPY	895	1,098

	Denomination currency	Period from 12 October 2017 (date of commencement of operations) to 31 March 2018	
		Market price	
		Lowest	Highest
Class A (HKD) Accumulation	HKD	9.32	10.34
Class A (USD) Hedged Distribution	USD	9.55	10.25
Class I (JPY) Accumulation	JPY	985	1,133

	As at 31 March 2019	As at 31 March 2018
Total net asset value:		
Class A (HKD) Accumulation	¥ 17,851,655	¥ 19,378,027
Class A (USD) Hedged Distribution	67,494,677	20,984,495
Class I (JPY) Accumulation	1,152,401,467	1,219,017,822

	Denomination currency	As at 31 March 2019	As at 31 March 2018
Net asset value per unit:			
Class A (HKD) Accumulation	HKD	8.43	9.51
Class A (USD) Hedged Distribution	USD	8.68	9.78
Class I (JPY) Accumulation	JPY	<u>960</u>	<u>1,015</u>

Administration

Manager

Daiwa SB Investments (HK) Limited
Level 28, One Pacific Place
88 Queensway, Hong Kong

Directors of the Manager

Okada Junya	
Churei Daisuke	
Ozaki Hideomi	(Appointed on 7 September 2018)
Fukumuro Eiji	(Resigned on 7 September 2018)

Trustee

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13/F Man Yee Building
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Central, Hong Kong

Custodian, Registrar and Transfer Agent

Brown Brothers Harriman & Co.
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Solicitors to the Manager

Deacons
5/F, Alexandra House
18 Chater Road
Central, Hong Kong

Auditor

KPMG
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10 Chater Road
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