

# **DAIWA FTSE SHARIAH JAPAN 100**

*(Constituted under a Trust Deed in the Republic of Singapore)*

## **FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2009*

**DAIWA FTSE SHARIAH JAPAN 100**  
*(Constituted under a Trust Deed in the Republic of Singapore)*

**FINANCIAL STATEMENTS**  
*For the financial year ended 31 December 2009*

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## **DAIWA FTSE SHARIAH JAPAN 100**

*(Constituted under a Trust Deed in the Republic of Singapore)*

### **MANAGER'S INVESTMENT REPORT**

*For the financial year ended 31 December 2009*

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#### **Fund's Features**

Daiwa FTSE Shariah Japan 100 (the "Fund") seeks to track the performance of FTSE Shariah Japan 100 Index (the "Index") that measures the investment return of the largest and the most liquid Shariah compliant listed companies in Japan. The Fund allows investors an instant access to the top 100 Shariah compliant Japanese listed companies by market capitalisation. It is designed to meet the investment requirements of both Islamic and conventional investors internationally. Shariah-screening at the Index level and the Fund level is undertaken by Yasaar Limited.

#### **Fund Details**

Listing Date on SGX-ST:	27 May 2008
SGX-ST Trading Code:	F1F
Trading Currency:	US Dollar
Board Lot:	100 units
Current Management Fee:	0.75%
Number of units (as at 31 December 2009):	2,000,000 units
Net Asset Value (as at 31 December 2009):	US\$15.45 million
NAV per Unit (as at 31 December 2009):	US\$7.74 per unit

#### **Performance**

The cumulative performance of the Fund vs Index\* for the various periods date can be summarised as follow:

	Period (~ 31 Dec 2009)	Fund's Performance	Index's Performance
1 Month	30 Nov 2009 -	5.10%	5.20%
3 Months	30 Sep 2009 -	1.00%	1.15%
6 Months	30 Jun 2009 -	9.96%	9.79%
Since Inception	20 May 2008 -	13.31%	13.57%

\* FTSE Shariah Japan 100 Index (US\$)

#### **Creation/Redemption History**

There were no creation or redemption applications for the financial year ended 31 December 2009. A total of 2,000,000 units were created and listed on 27 May 2008 (date of constitution).

## **DAIWA FTSE SHARIAH JAPAN 100**

*(Constituted under a Trust Deed in the Republic of Singapore)*

### **MANAGER'S INVESTMENT REPORT**

*For the financial year ended 31 December 2009*

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#### **Investment and Borrowing Restrictions of the Fund**

The Fund, being a Non-Specialised Fund, is subject to the investment and borrowing guidelines in the Non-Specialised Funds Investment Guidelines of the Code on Collective Investment Schemes ("Guidelines") (save to the extent waived, exempted or varied by the Authority), of which the Guidelines may be amended from time to time by the Authority. In addition to the Guidelines, the Fund will be subject to the Shariah Investment Guidelines as set out in Appendix III of the Prospectus, prepared by and which may be amended from time to time by Yasaar Limited, the Shariah adviser to the Manager in relation to the Fund ("Shariah Adviser"). For detailed description on these restrictions, please refer to the Prospectus.

Further, the Fund currently does not invest in financial derivative instruments ("FDIs"). Whilst the Manager currently does not intend for the Fund to invest in any FDIs, the Manager may in consultation with and subject to the approval of the Investment Adviser and the Shariah Adviser, decide to invest in FDIs in the future, for the purposes of hedging or meeting the investment objective of the Fund or both. In the event that the Manager decides to invest in FDIs, the Unitholders will be given at least one month's prior notice and an announcement posted on the SGXNET and on the Manager's website, and the Prospectus will be updated, supplemented or replaced as appropriate.

During the financial year under review, the Fund has no exposure to other form of investments, including unit trusts, mutual funds and collective investment schemes and had no borrowings.

#### **Investments at market value and as a percentage of NAV as at 31 December 2009 classified by:**

##### **Top Ten Holdings at Market Value and as a Percentage of NAV**

<b>Name of Company</b>	<b>Industry</b>	<b>Cost USD</b>	<b>Market Value USD</b>	<b>Percentage of Total Net Assets %</b>
Toyota Motor Corporation	Automobiles & Parts	2,225,120	1,872,318	12.11
Canon Inc	Technology	1,175,418	970,655	6.28
Panasonic Corporation	Personal & Household Goods	906,398	605,808	3.92
Mitsubishi Corporation	Industrial Goods & Services	662,403	548,631	3.55
NTT Docomo Incorporated	Telecommunications	453,125	425,052	2.75
Takeda Pharmaceutical Company Limited	Health Care	552,763	423,476	2.74
Komatsu Limited	Industrial Goods & Services	517,510	363,449	2.35
Nippon Steel Corporation	Basic resources	555,063	358,657	2.32
Nippon Telegraph and Telephone Corporation	Telecommunications	416,429	357,026	2.31
Mitsui & Co Ltd	Industrial Goods & Services	568,529	334,839	2.17
		<b>8,032,758</b>	<b>6,259,911</b>	<b>40.50</b>

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## **DAIWA FTSE SHARIAH JAPAN 100**

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### **MANAGER'S INVESTMENT REPORT**

*For the financial year ended 31 December 2009*

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#### **Exposure to Derivatives**

There is no derivative exposure as at 31 December 2009.

#### **Expense & Turnover Ratios**

Expense ratio <sup>1</sup>	0.94%
Portfolio turnover ratio <sup>2</sup>	27.36%

<sup>1</sup> The expense ratio is computed in accordance with the revised Investment Management Association of Singapore ("IMAS") guidelines on disclosure of expense ratios dated 25 May 2005. Refer to note 11 for details.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". Refer to Note 11 for details.

#### **Soft Dollar Commissions**

During the financial year under review, no soft dollar commissions were received from the brokers.

#### **Information on the Manager and the Investment Adviser**

The Manager of the Fund is Daiwa Asset Management (Singapore) Ltd. (Company Registration Number 199400016R), a public company limited by shares incorporated in Singapore on 3 January 1994, with a share capital of S\$2 million consisting of 2,000,000 ordinary shares and holds a Capital Market Services Licence from the Authority. The duration of the appointment of the Manager is indefinite. The Manager can be removed and has an option to retire in accordance with terms and conditions stated in Clause 30.5 and Clause 30.7 of the Trust Deed respectively. Currently, the management fee is set at 0.75% per annum.

The Investment Adviser of the Fund is Daiwa Asset Management Co. Ltd., a company incorporated in Japan. The Manager has appointed the Investment Adviser under an investment advisory agreement with an indefinite term. However, the agreement can be terminated by either party by a written notice at least three (3) months prior to the termination date. As mentioned in the Prospectus, the Investment Adviser's fee is borne by the Manager.

#### **Other Information**

There is no other material information that will adversely impact the valuation of the Fund.

**DAIWA FTSE SHARIAH JAPAN 100**

*(Constituted under a Trust Deed in the Republic of Singapore)*

**REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2009*

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The Trustee is under a duty to take into custody and hold the assets of Daiwa FTSE Shariah Japan 100 (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 7 to 26, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee  
DBS Trustee Limited

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Director  
24 March 2010

**DAIWA FTSE SHARIAH JAPAN 100**

*(Constituted under a Trust Deed in the Republic of Singapore)*

**STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2009*

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In the opinion of the directors of Daiwa Asset Management (Singapore) Ltd., the accompanying financial statements set out on pages 7 to 26, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of Daiwa FTSE Shariah Japan 100 (the "Fund") as at 31 December 2009 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of directors of  
Daiwa Asset Management (Singapore) Ltd.

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Yoshinori Okada  
Director  
Singapore  
24 March 2010

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Osamu Yamashita  
Director  
Singapore  
24 March 2010

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
DAIWA FTSE SHARIAH JAPAN 100**  
*(Constituted under a Trust Deed in the Republic of Singapore)*

We have audited the financial statements of Daiwa FTSE Shariah Japan 100 (the "Fund") set out on pages 7 to 26, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2009, the Statement of Total Return for the financial year ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

***Manager's Responsibility for the Financial Statements***

The Fund's Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 Fund's 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 present fairly, in all material respects, the financial position of the Fund as at 31 December 2009 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

PricewaterhouseCoopers LLP  
Public Accountants and Certified Public Accountants

Singapore  
24 March 2010

**DAIWA FTSE SHARIAH JAPAN 100**  
*(Constituted under a Trust Deed in the Republic of Singapore)*

**STATEMENT OF TOTAL RETURN**  
*For the financial year ended 31 December 2009*

	Note	For the financial year ended 31 December 2009 USD	For the financial period from 25 April 2008 (date of constitution) to 31 December 2008 USD
<b>Income</b>			
Dividend income		261,398	188,576
Other income		-	1,702
		<b>261,398</b>	<b>190,278</b>
<b>Less: Expenses</b>			
Preliminary expenses	3	-	300,000
Management fees	4	103,830	74,295
Miscellaneous expenses		29,753	20,869
		<b>133,583</b>	<b>395,164</b>
<b>Net expense</b>		<b>127,815</b>	<b>(204,886)</b>
<b>Net gains or losses on investments</b>			
Net realised losses on investments sold		(1,529,678)	(246,587)
Net (losses)/gains on foreign exchange		(14,235)	25,466
Net change in fair value of investments		3,397,552	(6,746,054)
		<b>1,853,639</b>	<b>(6,967,175)</b>
<b>Total return/(deficit) for the year/period before income tax</b>			
		<b>1,981,454</b>	<b>(7,172,061)</b>
Less Income tax	5	18,474	13,256
<b>Total return/(deficit) for the year/period</b>		<b>1,962,980</b>	<b>(7,185,317)</b>

*The accompanying notes form an integral part of these financial statements.*

**DAIWA FTSE SHARIAH JAPAN 100**

(Constituted under a Trust Deed in the Republic of Singapore)

**BALANCE SHEET**

As at 31 December 2009

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	Note	2009 USD	2008 USD
<b>ASSETS</b>			
Investments		<b>15,283,098</b>	13,516,635
Dividend receivables		<b>17,379</b>	15,428
Cash and bank balances		<b>168,601</b>	277,375
<b>Total assets</b>		<b>15,469,078</b>	13,809,438
<b>LIABILITIES</b>			
Accrued expenses	6	<b>10,174</b>	13,514
Payables to the Manager		-	300,000
Net assets attributable to unitholders	7	<b>15,458,904</b>	13,495,924
<b>Total liabilities</b>		<b>15,469,078</b>	13,809,438

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**DAIWA FTSE SHARIAH JAPAN 100**  
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**PORTFOLIO STATEMENT**

*As at 31 December 2009*

	<b>Holdings at 31 December 2009</b>	<b>Fair value at 31 December 2009 USD</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2009 %</b>
<b>Primary - By Industry</b>			
<b>Quoted EQUITIES</b>			
<b>Automobiles &amp; Parts</b>			
Toyota Boshoku Corporation	1,300	29,106	0.19
Bridgestone Corporation	10,500	185,556	1.20
Sumitomi Electric Industries Limited	10,200	127,264	0.82
Toyota Industries Corporation	2,200	65,754	0.43
Jtekt Corporation	5,500	70,835	0.46
Denso Corporation	7,600	229,627	1.49
Stanley Electric Corporation Limited	2,400	48,647	0.31
Toyota Motor Corporation	44,400	1,872,318	12.11
Mitsubishi Motors Corporation	71,000	98,772	0.64
Aisin Seiki Company Limited	2,500	72,003	0.47
Mazda Motor Corporation	23,000	52,994	0.34
Daihatsu Motor Company Limited	3,000	30,127	0.19
Suzuki Motor Corporation	7,000	173,079	1.12
Yamaha Motor company Limited	2,500	31,654	0.20
Toyoda Gosei Corporation	900	27,291	0.18
		<b>3,115,027</b>	<b>20.15</b>
<b>Basic Resources</b>			
Nippon Steel Corporation	88,000	358,657	2.32
Kobe Steel Limited	40,000	72,601	0.47
JFE Holdings Incorporated	7,900	312,531	2.02
Hitachi Metals Limited	3,000	29,019	0.19
Sumitomo Metal Mining Company Limited	10,000	149,766	0.97
		<b>922,574</b>	<b>5.97</b>
<b>Chemical</b>			
Kuraray Company Limited	6,500	76,790	0.50
Asahi Kasei Corporation	18,000	90,773	0.59
Sumitomo Chemical Company Limited	21,000	92,436	0.60
Shin-Etsu Chemical Company Limited	5,500	312,629	2.02
Taiyo Nippon Sanso Corporation	5,000	53,418	0.35
JSR Corporation	3,300	67,391	0.44
Mitsubishi Chemical Holdings	19,500	83,290	0.54
Hitachi Chemical Company Limited	1,800	36,798	0.24
Nitto Denko Corporation	2,200	79,383	0.51
		<b>892,908</b>	<b>5.79</b>

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**DAIWA FTSE SHARIAH JAPAN 100**  
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**PORTFOLIO STATEMENT**

*As at 31 December 2009*

	<b>Holdings at 31 December 2009</b>	<b>Fair value at 31 December 2009 USD</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2009 %</b>
<b>Primary - By Industry (continued)</b>			
<b>Quoted EQUITIES</b>			
<b>Construction &amp; Materials</b>			
Asahi Glass Company Limited	15,000	142,974	0.92
JS Group Corporation	4,000	69,471	0.45
Panasonic Electric Works Corporation Limited	4,000	48,734	0.32
		261,179	1.69
<b>Food &amp; Beverages</b>			
Yakult Honsha Corporation Limited	3,000	91,457	0.59
		91,457	0.59
<b>Health Care</b>			
Takeda Pharmaceutical Company Limited	10,200	423,476	2.74
Dainippon Sumitomo Pharma Company Limited	2,700	28,640	0.19
Shionogi And Company Limited	4,500	98,305	0.64
Mitsubishi Tanabe Pharma Corporation	3,000	37,822	0.24
Chugai Pharmaceutical Co Ltd	3,800	71,820	0.46
Ono Pharmaceutical Co Limited	1,600	69,036	0.45
Taisho Pharmaceutical Co Ltd	4,000	69,427	0.45
Terumo Corporation	2,700	164,330	1.06
Daiichi Sankyo Company Limited	9,100	192,464	1.25
		1,155,320	7.48

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**DAIWA FTSE SHARIAH JAPAN 100**  
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**PORTFOLIO STATEMENT**

*As at 31 December 2009*

	<b>Holdings at 31 December 2009</b>	<b>Fair value at 31 December 2009 USD</b>	<b>Percentage of total net assets attributable to unitholders at 31 December 2009 %</b>
<b>Primary - By Industry (continued)</b>			
<b>Quoted EQUITIES</b>			
<b>Industrial Goods &amp; Services</b>			
Ibiden Company Limited	1,900	68,145	0.44
Nippon Electric glass Company Limited	4,000	55,255	0.36
NGK Insulators Limited	4,000	87,599	0.57
Japan Steel Works Limited	5,000	64,015	0.41
SMC Corporation	900	103,000	0.67
Komatsu Limited	17,300	363,449	2.35
Hitachi Construction Machinery Co., Ltd	1,500	39,289	0.25
Kubota Corporation	11,000	101,380	0.66
Daikin Industries Limited	3,800	150,331	0.97
Kurita Water Industries Limited	1,700	53,581	0.35
Hitachi Limited	56,000	172,242	1.11
Toshiba Corporation	55,000	304,858	1.97
Nidec Corporation	1,000	92,381	0.60
Omron Corporation	4,100	74,059	0.48
TDK Corporation	1,700	104,206	0.67
Kyocera Corporation	3,300	293,023	1.90
Murata Manufacturing Company Limited	3,900	194,555	1.26
Kawasaki Heavy Industries	21,000	53,179	0.34
Isuzu Motors Limited	22,000	41,365	0.27
Toppan Printing Company Limited	9,000	73,362	0.47
Mitsui & Company Limited	23,500	334,839	2.17
Mitsubishi Corporation	21,900	548,631	3.55
Nippon Express Company Limited	14,000	57,820	0.37
Yamato Holdings Company Limited	6,000	83,926	0.54
Mitsui OSK Lines Limited	16,000	84,686	0.55
		<b>3,599,176</b>	<b>23.28</b>
<b>Media</b>			
Dai Nippon Printing Company Limited	9,000	115,520	0.75
		<b>115,520</b>	<b>0.75</b>
<b>Oil &amp; Gas</b>			
Inpex Corporation	12	91,294	0.59
Nippon Oil Corporation	19,000	88,588	0.57
Showa Shell Sekiyu KK	1,900	15,611	0.10
		<b>195,493</b>	<b>1.26</b>

*The accompanying notes form an integral part of these financial statements.*

**DAIWA FTSE SHARIAH JAPAN 100**  
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**PORTFOLIO STATEMENT**

*As at 31 December 2009*

	Holdings at 31 December 2009	Fair value at 31 December 2009 USD	Percentage of total net assets attributable to unitholders at 31 December 2009 %
<b>Primary - By Industry (continued)</b>			
<b>Quoted EQUITIES</b>			
<b>Personal &amp; Household Goods</b>			
Sanyo Electric Company Limited	38,000	70,210	0.45
Daiwa House Industry Company Limited	8,000	86,338	0.56
Sekisui House Limited	9,000	81,872	0.53
KAO Corporation	9,300	219,335	1.42
Shiseido Company Limited	5,300	102,590	0.66
Panasonic Corporation	42,100	605,808	3.92
Sharp Corporation	14,000	177,568	1.15
Nikon Corporation	5,200	103,310	0.67
Unicharm Corporation	600	56,798	0.37
Makita Corporation	1,800	62,015	0.40
Shimano Incorporation	1,200	48,516	0.31
		1,614,360	10.44
<b>Real Estate</b>			
Aeon Mall Company Limited	1,600	31,127	0.20
		31,127	0.20
<b>Retail</b>			
Benesse Holding Inc.	1,400	59,037	0.38
Yamada Denki Company Limited	1,660	112,759	0.73
Nitori Company Limited	500	37,605	0.24
		209,401	1.35
<b>Technology</b>			
Sumo Corporation	1,800	31,888	0.21
Nomura Research Institute Limited	2,900	57,710	0.37
Yahoo! Japan Corporation	300	90,740	0.59
Fujifilm Holdings Corporation	6,600	199,772	1.29
NEC Corporation	44,000	113,814	0.74
Fujitsu Limited	27,000	174,601	1.13
Canon Inc.	22,900	970,655	6.28
Tokyo Electron Limited	2,300	147,734	0.96
NTT Data Corporation	19	59,678	0.39
		1,846,592	11.96

*The accompanying notes form an integral part of these financial statements.*

**DAIWA FTSE SHARIAH JAPAN 100**  
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**PORTFOLIO STATEMENT**

*As at 31 December 2009*

		Fair value at 31 December 2009 USD	Percentage of total net assets attributable to unitholders at 31 December 2009 %
<b>Primary - By Industry (continued)</b>			
<b>Quoted EQUITIES</b>			
<b>Telecommunications</b>			
Nippon Telegraph and Telephone Corporation	9,000	357,026	2.31
KDDI Corporation	58	310,140	2.01
NTT Docomo Incorporated	302	425,052	2.75
		<u>1,092,218</u>	<u>7.07</u>
<b>Utilities</b>			
Tokyo Gas Company Limited	35,000	140,746	0.91
		<u>140,746</u>	<u>0.91</u>
		15,283,098	98.89
<b>Investments</b>			
<b>Other net assets</b>		175,806	1.11
<b>Net assets attributable to unitholders</b>		<u>15,458,904</u>	<u>100.00</u>

*The accompanying notes form an integral part of these financial statements.*

**DAIWA FTSE SHARIAH JAPAN 100**  
*(Constituted under a Trust Deed in the Republic of Singapore)*

**PORTFOLIO STATEMENT**

*As at 31 December 2009*

	Fair value at 31 December 2009 USD	Percentage of total net assets attributable to unitholders at 31 December 2009 %
<b>Primary - By Industry (summary)</b>		
<b>Quoted</b>		
<b>EQUITIES</b>		
Automobiles & Parts	3,115,027	20.15
Basic Resources	922,574	5.97
Chemicals	892,909	5.79
Construction & Materials	261,178	1.69
Food & Beverages	91,457	0.59
Health Care	1,155,320	7.48
Industrial Goods & Services	3,599,176	23.28
Media	115,520	0.75
Oil & Gas	195,493	1.26
Personal & Household Goods	1,614,360	10.44
Real Estate	31,127	0.20
Retail	209,401	1.35
Technology	1,846,592	11.96
Telecommunications	1,092,218	7.07
Utilities	140,746	0.91
<b>Investments</b>	15,283,098	98.89
<b>Other net assets</b>	175,806	1.11
<b>Net assets attributable to unitholders</b>	<u>15,458,904</u>	<u>100.00</u>

**Secondary - By Geography**

<b>Quoted</b>		
<b>EQUITIES</b>		
Japan	15,283,098	98.89
<b>Investments</b>	15,283,098	98.89
<b>Other net assets</b>	175,806	1.11
<b>Net assets attributable to unitholders</b>	<u>15,458,904</u>	<u>100.00</u>

*The accompanying notes form an integral part of these financial statements.*

## **DAIWA FTSE SHARIAH JAPAN 100**

*(Constituted under a Trust Deed in the Republic of Singapore)*

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2009*

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### **1. General**

Daiwa FTSE Shariah Japan 100 (the "Fund") is a Singapore standalone unit trust constituted by a Trust Deed dated 25 April 2008, as supplemented by the First Supplemental Deed dated 09 May 2008 (thereafter referred to as the "Trust Deed") between Daiwa Asset Management (Singapore) Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Fund was listed on the Singapore Exchange Securities Trading Limited on 27 May 2008.

The investment objective of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the FTSE SHARIAH JAPAN 100 Index. The Index is a tradable index launched by FTSE and is designed to represent the performance of the largest and most liquid Shariah compliant Japanese companies.

#### **2. Significant Accounting Policies**

##### **(a) Basis of Accounting**

The financial statements are prepared under the historical cost convention modified by the revaluation of financial assets at fair value through profit and loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountants of Singapore ("ICPAS").

##### **(b) Recognition of Income**

Dividend income is recorded gross in the Statement of Total Return in the accounting year in which the security is quoted ex-dividend.

Interest income is recognised on a time proportion basis using the effective interest method.

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### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2009*

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#### **2. Significant Accounting Policies (continued)**

##### (c) Financial assets at fair value through profit or loss

Investments are classified as financial assets, at fair value through profit or loss.

###### *(i) Initial recognition*

Purchase of investments are recognised on trade date. Investments are recorded at fair value on initial recognition.

###### *(ii) Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statement of Total Return in the year which they arise.

###### *(iii) Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price net of transaction costs, and are taken up in the Statement of Total Return.

##### (d) Basis of valuation of investments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for the investments held by the Fund is the current market quoted bid price.

##### (e) Receivables

Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

##### (f) Payables

Trade and other payables are initially recognised at their fair values and subsequently carried at amortised cost using the effective interest method.

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## **2. Significant Accounting Policies (continued)**

### **(g) Foreign Currency Translation**

#### *(i) Functional and presentation currency*

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

#### *(ii) Transactions and balances*

Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities such as equities are recognised in the Statement of Total Return within net change in fair value of investments.

### **(h) Preliminary Expenses**

Preliminary expenses incurred by the Fund are expensed off to the Statement of Total Return in the year in which they were incurred.

### **(i) Distribution**

The Manager may in consultation with the Shariah Adviser to decide on distributing income to unitholders at such times as it may determine in each financial year. The amount to be distributed to unitholders will be derived from the net income of the Fund. Distributions will only be paid to the extent that they are available for distribution pursuant to the Trust Deed.

## **3. Preliminary expenses**

Preliminary Expense includes the costs of establishing the Fund, the costs of preparation of the initial Prospectus and the costs of seeking and obtaining authorisation from the MAS as well as the SGX-ST listing and all initial legal and printing costs in respect of the Fund which will be borne by the Fund. The maximum amount payable by the Fund was set at US\$300,000. The amount shall be expensed off to the Statement of Total Return in the year in which it was incurred in accordance with RAP 7 but, for calculation of issuing/redemption units, will be amortised over a period of one year from the date when the initial units are issued.

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#### **4. Management fees**

The management fees for the Fund is currently set at 0.75% of its net asset value per annum (maximum 1.00% per annum).

The fees of the Trustee, Custodian, Investment Adviser, Shariah Adviser, Index Provider and Auditors will be borne by the Manager and will not be charged to the Fund.

#### **5. Income tax**

The Fund was granted the status of Designated Unit Trust and, therefore, the following income is exempted from tax in accordance with Section 35(12) and (12A) of the Income Tax Act (Cap 134):

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

	<b>For the financial year ended 31 December 2009 USD</b>	For the financial period from 25 April 2008 (date of constitution) to 31 December 2008 USD
Overseas income tax	<b>18,474</b>	13,256

The overseas income tax represents tax deducted at source on dividends derived from outside Singapore.

**DAIWA FTSE SHARIAH JAPAN 100***(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2009***6. Accruals**

	<b>2009 USD</b>	2008 USD
Accrued management fee	<b>10,174</b>	8,648
Others	-	4,866
	<b>10,174</b>	<b>13,514</b>

**7. Net assets attributable to unitholders**

	<b>2009 USD</b>	2008 USD
<b>At the beginning of financial year/period</b>	<b>13,495,924</b>	-
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>1,962,980</b>	(7,185,317)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	-	20,681,241
Cancellation of units	-	-
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	-	20,681,241
Total increase in net assets attributable to unitholders	<b>1,962,980</b>	13,495,924
<b>At the end of financial year/period</b>	<b>15,458,904</b>	13,495,924
<b>Units in issue (Note 8)</b>	<b>2,000,000</b>	2,000,000
<b>Net asset attributable to unitholders per unit</b>	<b>7.73</b>	6.75

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### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2009*

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#### **7. Net assets attributable to unitholders (continued)**

Reconciliation of net assets attributable to unitholders per unit for issuing/redemption units at financial year end and the net assets attributable to unitholders per unit per the financial statements:

	<b>2009 USD</b>	2008 USD
Net assets attributable to unitholders per unit for issuing/redeeming units	<b>7.74</b>	6.83
Effect of adopting bid prices as fair value	<b>(0.01)</b>	(0.02)
Effect of adjustment of preliminary expenses	-	(0.06)
Net assets attributable to unitholders per unit per the financial statements	<b>7.73</b>	6.75

Quoted investments have been valued at the current bid prices in accordance with the recommendations of RAP 7. For the purpose of the net assets attributable to unitholders per unit calculation for the issuance and redemption of units, quoted investments are stated at the last available transacted price, in accordance with the Code on Collective Investment Schemes.

#### **8. Units in issue**

	<b>2009 Units</b>	2008 Units
Units at beginning of the financial year/period and at end of the financial year/period	<b>2,000,000</b>	2,000,000

#### **9. Financial risk management**

The Fund's activities expose it to a variety of financial risk (including currency risk, fair value risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. Specific guideline on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposure.

The Fund's assets principally consist of financial instruments such as equity investments and cash. They are held in accordance with the published investment policies of the Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

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### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2009*

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#### **9. Financial risk management (continued)**

The following is a summary of the main risks and risk management policies:

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Fund's investments are substantially dependent on changes in market prices. The Fund's investments are monitored by the Manager on a regular basis.

The Fund is an exchange traded fund with primary objective in tracking the performance of FTSE Shariah Japan 100 Index (the "Index") that measures the investment return of the largest and most liquid Shariah compliant listed companies in Japan. As such, the Manager will generally adopt a Replication Strategy with substantially all the Index Securities in substantially the same weightings (i.e. proportions) as the Index. Rebalancing will be carried out quarterly in line with the Index in March, June, September and December during any given calendar year.

The Fund's market risk is affected primarily by changes in two components: changes in actual market prices and foreign exchange movements.

(i) *Price risk*

The Fund's sensitivity to the market is measured using its beta, a ratio that describes how the expected return of a portfolio is correlated to the return of the financial market as a whole. The daily fund price movements are measured against the daily price movement of the benchmark to derive the beta. As at 31 December 2009, the Fund beta was 0.988 (2008: 0.987) which is calculated based on the daily returns over the preceding 12 months for the Fund and benchmark.

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### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **9. Financial risk management (continued)**

##### (a) Market risk (continued)

###### (i) *Price risk* (continued)

The table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to the unitholders as at 31 December 2009 and 31 December 2008. The analysis is based on the assumptions that the index components within the benchmark increased/decreased by a reasonable possible shift, with all variables held constant and that the fair value of the Fund's investments moved according to the beta.

<u>As at 31 December 2009</u>		<b>Benchmark increase/ decrease by 5% Impact on net assets attributable to unitholders</b>
<u>Fund</u>	<u>Benchmark</u>	
Daiwa FTSE Shariah Japan 100	FTSE Shariah Japan 100	USD 754,991

<u>As at 31 December 2008</u>		<b>Benchmark increase/ decrease by 8% Impact on net assets attributable to unitholders</b>
<u>Fund</u>	<u>Benchmark</u>	
Daiwa FTSE Shariah Japan 100	FTSE Shariah Japan 100	USD1,065,638

###### (ii) *Currency risk*

The Fund has securities denominated in currencies other than US Dollar and the Fund may be affected favourably or unfavourably by exchange rate regulators or changes in the exchange rates between the US Dollar and such other currencies.

The table below summarises the on-balance sheet exposure to currency risk for the Fund.

**DAIWA FTSE SHARIAH JAPAN 100***(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2009*(a) Market risk (continued)(ii) Currency risk (continued)

<b>As at 31 December 2009</b>	<b>USD USD</b>	<b>JPY USD</b>	<b>Total USD</b>
<u>Assets</u>			
Investments	-	15,283,098	15,283,098
Dividend receivables	-	17,379	17,379
Cash and bank balances	168,807	151,794	168,601
Total assets	<u>168,807</u>	<u>15,452,271</u>	<u>15,469,078</u>
<u>Liabilities</u>			
Accrued expenses	10,174	-	10,174
Payables	-	-	-
Net assets attributable to unitholders	15,458,904	-	15,458,904
Total liabilities	<u>15,469,078</u>	<u>-</u>	<u>15,469,078</u>
<b>As at 31 December 2008</b>	<b>USD USD</b>	<b>JPY USD</b>	<b>Total USD</b>
<u>Assets</u>			
Investments	-	13,516,635	13,516,635
Dividend receivables	-	15,428	15,428
Cash and bank balances	88,672	188,703	277,375
Total assets	<u>88,672</u>	<u>13,720,766</u>	<u>13,809,438</u>
<u>Liabilities</u>			
Accrued expenses	13,514	-	13,514
Payables	300,000	-	300,000
Net assets attributable to unitholders	13,495,924	-	13,495,924
Total liabilities	<u>13,809,438</u>	<u>-</u>	<u>13,809,438</u>

Investment, which is the significant item in the balance sheet is exposed to currency risk and other price risk. The Fund has considered the impact of currency risk sensitivity on non-monetary investments as part of price risk sensitivity analysis.

The Fund's net financial assets comprise significantly non-monetary investments, hence currency risk analysis has not been performed on the remaining financial assets.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**9. Financial risk management (continued)****(b) Liquidity risk**

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

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. Investments which are neither listed nor quoted are restricted to a maximum of 10% of the net asset value. In accordance with the Fund's policies, the Manager monitors the Fund's liquidity position on a daily basis.

The Fund does not invest in currency forward contracts or any other financial derivative instruments in consistent with Investment and Borrowing Restrictions of the Fund as mentioned in the Prospectus.

Currently, redemptions can only be carried out in-kind (index securities) and/or in correct amount of cash equivalent, where the Manager decides to pay the cash equivalent in lieu of the index securities at its absolute discretion. The Manager does not allow cash only redemption request at this moment.

<b><u>As at 31 December 2009</u></b>	<b><u>Less than 3 months USD</u></b>
Accrued expenses	10,174
	<hr/>
<b><u>As at 31 December 2008</u></b>	<b><u>Less than 3 months USD</u></b>
Accrued expenses	13,514
Payables	300,000
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### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2009*

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#### **9. Financial risk management (continued)**

##### **(c) Credit risk**

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

In accordance with the Fund's Investment and Borrowing Restrictions, the Fund does not invest in any financial derivative instrument or debt securities.

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

Credit risk also arises from cash and cash equivalents positions held with financial institutions. The table below summarizes the credit rating of banks and custodians in which the Fund's assets are held as at 31 December 2009 and 31 December 2008.

<b><u>As At 31 December 2009</u></b>	<b><u>Amount USD</u></b>	<b><u>Credit rating<sup>#</sup></u></b>	<b><u>Source of credit rating</u></b>
<b><u>Bank</u></b>			
Islamic Bank of Asia	<u>168,601</u>	AA-	Standard & Poor's
<b><u>As At 31 December 2008</u></b>	<b><u>Amount USD</u></b>	<b><u>Credit rating<sup>#</sup></u></b>	<b><u>Source of credit rating</u></b>
<b><u>Bank</u></b>			
Islamic Bank of Asia	<u>277,375</u>	AA-	Standard & Poor's

<sup>#</sup> Group credit rating will be presented for unrated subsidiaries.

All the Fund's investments are held in custody with reputable custodian, whose credit rating assigned by Standard & Poor's at 31 December 2009 is AA- (2008: AA-).

##### **(d) Capital management**

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

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#### **10. Related party transactions**

The Fund is managed by Daiwa Asset Management (Singapore) Ltd. The Trustee of the Fund is DBS Trustee Limited. Daiwa Asset Management (Singapore) Ltd. is a wholly owned subsidiary of Daiwa Asset Management Co. Ltd. DBS Trustee Limited is a wholly owned subsidiary of DBS Group Holdings Ltd.

The Manager has appointed DBS Bank Limited as the custodian of the Fund. DBS Bank Limited is a subsidiary of DBS Group Holdings Ltd.

Management fees paid or payable by the Fund are shown in the Statement of Total Return and on terms set out in the Trust Deed. All other fees are borne by the Manager as set out in Note 4.

#### **11. Financial ratios**

	<b>2009</b>	<b>2008</b>
	<b>%</b>	<b>%</b>
Expense ratio <sup>1</sup>	<b>0.94</b>	2.25
Expense ratio (exclusive of Preliminary expenses)	<b>0.94</b>	0.80
Portfolio turnover ratio <sup>2</sup>	<b>27.36</b>	10.36

<sup>1</sup> The expense ratio is computed in accordance with the revised Investment Management Association of Singapore ("IMAS") guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio. For the financial period ended 31 December 2008, establishment cost of US\$300,000 was included as part of total expenses.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". In accordance with the Fund's Trust Deed, units are issued through a creation of an Index Basket. For each creation unit (comprising 1,000,000 units) in the financial period ended 31 December 2008, the Fund receives an Index Basket consisting of constituent shares plus or minus a cash payment as determined by the Manager on a daily basis. For the purpose of computation of the portfolio turnover ratio, the value of the Index Baskets received is not considered as part of purchases or sales.

#### **12. Comparatives**

The comparative figures are not comparable as the previous financial period was less than 12 months, which is from 25 April 2008 (date of constitution) to 31 December 2008.