

Manager's report

SBM India Fund

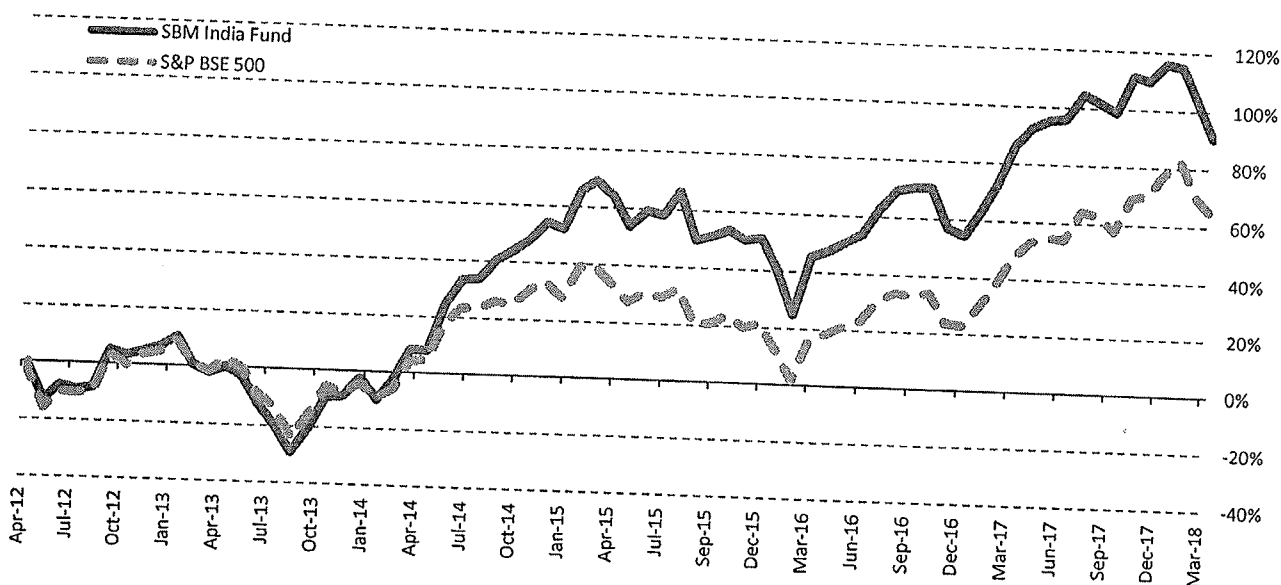
**SBM India FUND
MANAGER'S REPORT
FOR THE QUARTER ENDED 31 MARCH 2018**

1. Performance

1.1 Performance review

For the quarter ended Mar 2018, SBM India Fund registered a return of -11.8% against a benchmark return of -7.5%. The market was primarily dented by a sell-off in the global equities due to concerns over a trade war between US and China and was further over fears of more than 3 interest rate hikes by the US Federal Reserve (Fed) in 2018. Banking shares, which account for a third of India's market capitalization, were negatively impacted by the current banking crisis in India on the back of high non-performing assets and poor corporate governance, which led to a decline of 3% in the S&P BSE India Bank Index in March 2018.

Cumulative return since inception



Cumulative return

	1 M	3 M	6 M	1 Y	Inception	Annualized (Inception)
SBM India Fund	-6.4%	-11.8%	4.1%	2.3%	90.6%	11.3%
Benchmark	-3.6%	-7.5%	4.3%	11.5%	64.3%	8.6%

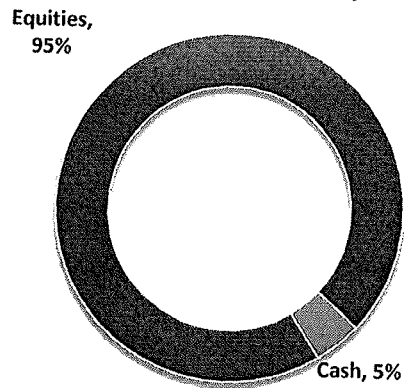
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2. Breakdown of assets

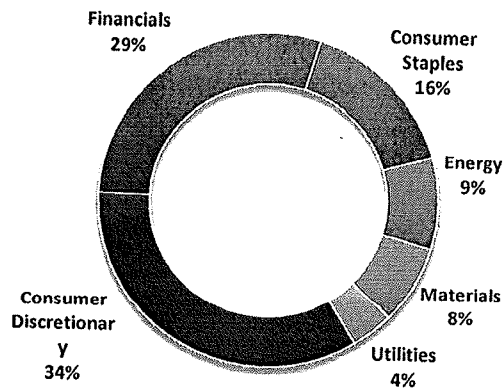
2.1 Portfolio decomposition

The Fund's asset allocation is based on its investment objective of long-term capital growth and tolerance to risk. The Fund has invested 95% in local equities and the remaining 5% held as cash. The Fund has a relatively higher exposure to the Financials sector (29%) and the consumer discretionary sector (34%) due to the high growth potential of those sectors.

Asset allocation



Sector allocation



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FOR THE QUARTER ENDED 31 MARCH 2018**

3. Breakdown of assets

3.1 Top 10 Holdings

The top ten holdings represented 64.2% of the total portfolio as at Mar 2018 with, 24.5% invested in Consumer discretionary, 16.1% in Financials and 15.1% in Consumer Staples.

Stock	Sector	Holdings
ITC Ltd	Consumer Staples	8.8%
Coal India Ltd	Energy	8.6%
Vardhman Textiles Ltd	Consumer Discretionary	7.0%
KRBL Ltd	Consumer Staples	6.3%
TATA Motors Limited	Consumer Discretionary	6.3%
LUX Industries Ltd	Consumer Discretionary	5.8%
Repco Home Finance Ltd	Financials	5.7%
City Union Bank Ltd	Financials	5.6%
Himatsingka Seide Ltd	Consumer Discretionary	5.4%
Shriram Transport Fin Co	Financials	4.8%
TOTAL		64.2%

4. Market review

4.1 Macro-economy

India's real GDP growth picked up to 7.2% YoY in Q3FY18 and the Reserve Bank of India (RBI) expects growth to strengthen to 7.4% (same as IMF forecast) in the current fiscal year due to a revival in investment activity, which was reflected in the 12% surge in Gross domestic fixed capital formation. Inflation figures eased in March 2018 on account of a drop in food prices and this was reflected in the Wholesale Pricing Index (WPI) which fell to 2.47% in March 2018 (Feb18: 2.48%) while CPI inflation stood at 2.81% (Feb18: 3.26%). RBI lowered the inflation target for Apr18-Sep18 to 4.7% to 5.1% due to a sharp decline in vegetable prices and significant moderation in fuel price inflation. The Index of Industrial Production (IIP) stood at 7.1% in February 2018 (7.4% in January) indicative of growth in India's factory output. RBI maintained interest rates at 6% in April 2018 due to lower inflation expectations. The fiscal deficit target for FY18 was 3.5% (against a target of 3.2%) and the target for FY19 has been set at 3.3%.

4.2 Indian market

The Indian stock market plunged in Q1 2018 as reflected in a drop of 7.5% in the BSE 500 index in USD terms. The Indian stock market moves broadly in synchrony with global equities and hence reacts to major global news. Concerns over a trade dispute between US and China, which could potentially lead to a trade war and fears other more than 3 interest rate hikes by the US Federal Reserve (Fed) in 2018 impacted negatively on the Indian stock market. Local events such as the implementation of a Long term capital gains tax of 10% as from 01 April 2018, announced in the February 2018 budget also lead to a sell off in

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Indian equities. The Banking sector which accounts for a third of the total market capitalisation on the Indian stock market was negatively influenced by banking scandals at Punjab National Bank, ICICI Bank and Axis Bank, leading to a decline of 3% in S&P BSE India Bank Index.

5. Outlook

According to the IMF, India is on the path of recovery despite temporary disruptions of the GST and demonetization. Real growth rate of 7.4% expected in 2018 and 7.9% in 2019. This is on the back of strong private consumption and fading effects of the demonetisation and GST. Continuous structural reforms are expected to raise productivity and incentivise private investment. GDP growth in the medium-term is expected to be driven by a sustained recovery in private investment and private consumption.

According to the Asian Development Bank (ADB), the various reforms (e.g. GST and demonetization) implemented by the Indian Government are likely to lift growth in the medium-term. Robust FDI attracted by liberalized regulations and government's steps to improve ease of doing business will further bolster growth. India is expected to remain the fastest growing economy in Asia. However, the main risk factors remain the rising Non performing assets (NPAs) and crude oil prices reaching USD 70/barrel.

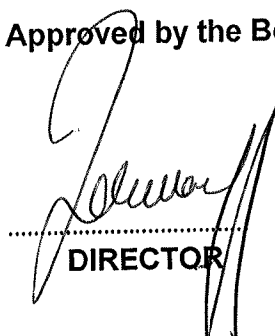
The recent fraud at National Punjab Bank has negatively impacted the financial sector but the sector is likely to benefit from the population trend, infrastructure projects and digitisation in the long-term. The consumer discretionary sector is expected to pick up over the medium- to long-term on account of rising purchasing power from higher GDP/Capita and a growing middle class. By 2025, India is expected to rise from 12th to the 5th largest position in the consumer durables market in the world. Demand growth is likely to accelerate with rising disposable incomes and easy access to credit. Digitalisation of India and wide usability of online sales is expected to provide strong support to demand.

SBM INDIA FUND
ABRIDGED INTERIM UNAUDITED FINANCIAL REPORT
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

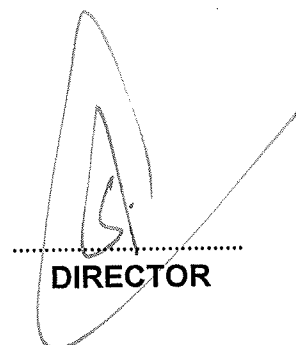
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	<u>Notes</u>	<u>Unaudited</u> 31 March <u>2018</u> USD	<u>Audited</u> 30 June <u>2017</u> USD
ASSETS			
Cash and cash equivalents		477,788	189,749
Other receivables	1	4,545	7,812
Financial assets at fair value through profit or loss	2	<u>8,492,016</u>	<u>3,022,858</u>
		<u>8,974,349</u>	<u>3,220,419</u>
TOTAL ASSETS			
LIABILITIES			
Other payables	3	20,919	12,385
Application monies for participating shares	4	<u>60,000</u>	-
Total liabilities (excluding net assets attributable to shareholders)		<u>80,919</u>	<u>12,385</u>
Net assets attributable to shareholders		<u>8,893,430</u>	<u>3,208,034</u>
REPRESENTED BY			
Management Shares		10	10
Net assets attributable to holders of redeemable participating shares		<u>8,893,420</u>	<u>3,208,024</u>
		<u>8,893,430</u>	<u>3,208,034</u>

Approved by the Board of Directors on 03 May 2018



 DIRECTOR



 DIRECTOR

SBM INDIA FUND**ABRIDGED INTERIM UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 31 MARCH 2018**

	<u>Unaudited</u> Quarter ended	<u>Unaudited</u> Quarter ended	<u>Unaudited</u> Nine months ended	<u>Unaudited</u> Nine months ended
	31 March 2018 USD	31 March 2017 USD	31 March 2018 USD	31 March 2017 USD
INCOME				
Dividend income	74,797	13,375	105,128	30,936
(Loss)/gain on disposal of investment	(3,879)	486,505	181,011	509,567
Net (decrease)/ increase in fair value of investments	(1,184,110)	(28,299)	(735,497)	19,837
Net foreign exchange movement	(1,176)	4,817	2,468	(12,170)
Other income	-	6,863	-	6,863
	<u>(1,114,368)</u>	<u>483,261</u>	<u>(446,890)</u>	<u>555,033</u>
FUND EXPENSES				
Management fees	19,563	6,005	44,607	17,621
Administrator fees	3,362	1,165	7,239	2,981
Custodian fees	500	110	1,033	1,034
Director fees	3,465	2,934	9,685	9,549
Audit fees	705	702	2,145	2,232
Statutory fees	1,353	1,916	4,119	5,125
Transaction costs	4,100	6,264	26,072	12,032
Legal and professional fees	564	1,578	1,862	3,063
Reversal of design and publication fees	(5,042)	-	(5,042)	-
General expenses	2,163	1,204	6,553	5,473
	<u>(30,733)</u>	<u>(21,878)</u>	<u>(98,273)</u>	<u>(59,110)</u>
(LOSS) /PROFIT BEFORE TAXATION	(1,145,101)	461,383	(545,163)	495,923
Tax expense	(6)	-	(1,639)	-
Change in net assets attributable to holders of redeemable participating shares	<u>(1,145,107)</u>	<u>461,383</u>	<u>(546,802)</u>	<u>495,923</u>

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ABRIDGED INTERIM UNAUDITED STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES
FOR THE NINE MONTHS ENDED 31 MARCH 2018

	Net assets attributable to holders to redeemable participating shares
	USD
As at 1 July 2016	2,326,384
Issue of redeemable shares	33,012
Redeemable shares redeemed	(139,021)
Decrease in net assets attributable to holders of redeemable participating shares from transaction in shares	(106,009)
Change in net assets attributable to holders of redeemable participating shares from operation	495,923
As at 31 March 2017	2,716,298
As at 1 July 2016	2,326,384
Issue of redeemable shares	546,783
Redeemable shares redeemed	(139,021)
Increase in net assets attributable to holders of redeemable participating shares from transaction in shares	407,762
Change in net assets attributable to holders of redeemable participating shares from operation	473,878
As at 30 June 2017	3,208,024
As at 1 July 2017	3,208,024
Issue of redeemable shares	7,127,091
Redeemable shares redeemed	(894,893)
Increase in net assets attributable to holders of redeemable participating shares from transaction in shares	6,232,198
Change in net assets attributable to holders of redeemable participating shares from operation	(546,802)
As at 31 March 2018	8,893,420

SBM INDIA FUND
ABRIDGED UNAUDITED INTERIM FINANCIAL REPORT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 31 MARCH 2018

	Nine months ended 31 March 2018 USD	Year ended 30 June 2017 USD	Nine months ended 31 March 2017 USD
Net cash (used in)/ from operating activities	(6,004,159)	(285,849)	433,884
Net cash from/(used in) financing activities	6,292,198	407,762	(106,009)
Net increase in cash and cash equivalents	288,039	121,913	327,875
Cash and cash equivalents at start of the period/year	189,749	67,836	67,836
Cash and cash equivalents at end of the period/year	<u>477,788</u>	<u>189,749</u>	<u>395,711</u>

**NOTES TO THE ABRIDGED INTERIM UNAUDITED FINANCIAL REPORT
FOR THE NINE MONTHS ENDED 31 MARCH 2018**

1 OTHER RECEIVABLES	31 March 2018 USD	30 June 2017 USD
Dividend receivable	-	1,037
Prepayments	2,833	5,063
Other receivables	1,712	1,712
	<u>4,545</u>	<u>7,812</u>
2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	31 March 2018 USD	30 June 2017 USD
At start of period/year	3,022,858	2,254,962
Additions	9,527,714	3,647,356
Disposals	(3,323,059)	(3,037,897)
Fair value adjustment	(735,497)	158,437
At end of period/year	<u>8,492,016</u>	<u>3,022,858</u>
3 OTHER PAYABLES	31 March 2018 USD	30 June 2017 USD
Management fees payable	5,650	3,285
Administrator fees payable	971	396
Audit fees payable	2,131	2,860
Custodian fees payable	278	50
Tax filing fees payable	1,129	752
Design and Publication fees payable	6,355	5,042
Entry fees payable	4,273	-
Other payables	132	-
	<u>20,919</u>	<u>12,385</u>
4 APPLICATION MONIES FOR PARTICIPATING SHARES	31 March 2018 USD	30 June 2017 USD
Subscription received	60,000	-
	<u>60,000</u>	<u>-</u>

Application monies represent funds received from investors at the reporting date for which shares were not yet allocated. The allotment of shares was made on 02 April 2018.

SBM INDIA FUND - NET ASSET VALUE

	31 March <u>2018</u> <u>USD</u>	30 June <u>2017</u> <u>USD</u>	30 June <u>2016</u> <u>USD</u>
Net assets value at start of period/year	3,208,024	2,326,384	2,654,436
Total revenue	107,596	37,434	37,688
Total expenses	(99,912)	(84,799)	(84,900)
Realised gain/(loss) for the period/year	181,011	362,806	(61,016)
Unrealised (loss)/gain for the period/year	(735,497)	158,437	15,561
Total (decrease)/increase from operations	<u>(546,802)</u>	<u>473,878</u>	<u>(92,667)</u>
Subscription received	7,127,091	546,783	277,327
Redemption paid	(894,893)	(139,021)	(512,722)
Net movement	<u>6,232,198</u>	<u>407,762</u>	<u>(235,395)</u>
Net asset value at end of period/year	<u>8,893,420</u>	<u>3,208,024</u>	<u>2,326,374</u>

SBM INDIA FUND - RATIOS & SUPPLEMENT DATA

	31 March <u>2018</u> <u>USD</u>	30 June <u>2017</u> <u>USD</u>	30 June <u>2016</u> <u>USD</u>
Net Assets	8,893,420	3,208,024	2,326,374
Number of shares outstanding:			
Class A	34,575	12,173	10,756
Class B	11,225	3,866	4,190
Management expense ratio			
Class A	0.80%	0.80%	0.80%
Class B	1.40%	1.40%	1.40%
Total expense ratio	2.16%	2.58%	3.02%
Portfolio turnover rate	57.91%	122.89%	46.51%

SBM INDIA FUND - SUMMARY OF PORTFOLIO INVESTMENTS

	31 March 2018 <u>USD</u>
Financial assets at fair value through profit or loss:	<u>8,492,016</u>
<i>Further analysed into:</i>	
Foreign securities	<u>8,492,016</u>

As per Seventh Schedule of the Securities Act 2005, Sec 1(c)

SBM INDIA FUND - STATEMENT OF INVESTMENT PORTFOLIO

	31 March 2018 <u>USD</u>
Foreign Securities analysed into:	
India	<u>8,492,016</u>
<i>Foreign Securities further analysed into:</i>	
Consumer Discretionary	2,887,285
Financials	2,462,685
Consumer Staples	1,358,723
Energy	764,281
Materials	679,361
Utilities	339,681
Financial assets at fair value through profit or loss	<u>8,492,016</u>