

CIMB-Principal Asian Dynamic Bond Fund

Unaudited Interim Report

For The Financial Period From 15 March 2019

(Date Of Launch) To 30 September 2019

CIMB-PRINCIPAL ASIAN DYNAMIC BOND FUND

UNAUDITED INTERIM REPORT

**FOR THE FINANCIAL PERIOD FROM 15 MARCH 2019 (DATE OF LAUNCH)
TO 30 SEPTEMBER 2019**

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INVESTORS' LETTER

Dear Valued Investors,

We have recently launched two new funds – Principal Global Real Estate Fund and Principal Greater Bay Fund in our effort to help you diversify your investments portfolios. These funds will enable you to have the opportunity to increase your investment potential in generating income and capital appreciation with diversified global portfolios.

The Principal Greater Bay Fund seeks investment opportunities in equities of companies which benefit from the development of the Greater Bay Area which includes Hong Kong, Macau, Shenzhen, and Guangdong to achieve capital appreciation over the medium to long term. It provides a variety of asset classes, namely the China A and H shares, focusing on large and/or mid-capitalisation companies in equities from sectors under the Benchmark Index, which includes but not limited to technology, financials and consumer sector.

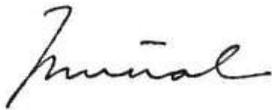
Principal Global Real Estate Fund, the dynamic real estate strategy is different from anything currently available in the market. The unique combination of real estate equity and fixed income securities helps cushion the impact of any unforeseen eventualities.

The Principal Global Real Estate Fund intends to increase investor investment potential, while limiting their downside exposure. This unique combination allows investors to benefit from the growing popularity of Real Estate Investment Trusts ("REITs") have experienced in recent years for their strong performance in low interest rate and volatile global market conditions; and from Commercial Mortgage-backed Securities ("CMBS"), historically known for strong yields without additional risk exposure. Talk to your consultant today to know more how you can further diversify your portfolios with these funds.

As of September 2019, our Assets under Management ("AUM") stood at RM57.06 billion. Thank you for your continuous support and allowing us to help you achieve your financial goals and live your best life.

Thank you.

Yours faithfully,
for **Principal Asset Management Berhad**
(formerly known as CIMB-Principal Asset Management Berhad)



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to achieve capital appreciation and income through investments in a portfolio of primarily debt instruments in the Asian region.

Has the Fund achieved its objective?

For the financial period under review, the Fund is in line with its stated objectives as stated under the Fund performance review.

What are the Fund investment policy and principal investment strategy?

The Fund will be managed with the aim of achieving capital appreciation and income through investments in a portfolio of primarily debt instruments in the Asian region. The Fund will invest between 70% to 98% of its Net Asset Value ("NAV") in debt instruments. The Fund's investment in debt instruments will generally be restricted to securities rated at least a minimum credit rating of "BBB-" by Fitch or its equivalent rating by Standard & Poor's ("S&P") and Moody's and/or at least "A3" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Bhd ("MARC") or by local rating agency(ies) of the country ("Investment Grade debt instruments"). Nonetheless, up to 40% of the Fund's NAV may be invested in non-investment grade and/or unrated debt instruments. In addition, the Fund may invest up to 28% of its NAV in money market instruments and/or Deposits to provide added stability to the Fund.

The Fund may also invest up to 20% of its NAV in convertible bonds and/or structured products such as negotiable instruments of deposit and credit-linked notes ("CLN") for added return. Similar to debt instruments investments, CLNs are income focused investments that carry credit risk, which is based on both the issuer and its reference entity(ies). As such, the Manager will invest in a CLN based on the ability of the referenced entity's ability to meet its financial obligation throughout the life of the CLN. The Manager is also mindful that CLNs are less liquid compared to debt instruments investments. In the event of a credit downgrade on the issuer of structured product, the Manager reserve the right to deal with the structured product in the best interest of the Unit holders, subject to prevailing Securities Commission Malaysia ("SC") Guidelines. Investors should also note that convertible bonds have expiry date and hence, its' erosion of value may accelerate as it advances to its expiry date. The Fund may also opt to seek investment exposure via Collective Investment Scheme ("CIS") that is in line with the Fund's objective, subject to the requirements of the SC Guidelines. The Fund will also invest in liquid assets for liquidity purposes.

The asset allocation strategy for the Fund is as follows:

- Between 70% to 98% (both inclusive) of the Fund's NAV will be invested in debt instruments, out of which:
 - up to 98% of the Fund's NAV may be invested in Investment Grade debt instruments;
 - up to 40% of the Fund's NAV may be invested in unrated and/or non-investment grade debt instruments;
 - up to 20% of the Fund's NAV may be invested in convertible bonds and/or structured products;
- Up to 28% of the Fund's NAV may be invested in money market instruments and/or Deposits; and
- At least 2% of the Fund's NAV will be invested in liquid assets for liquidity purpose.

The Fund will focus its investment in the Asian region, i.e. issuers that are domiciled in, listed in, and/or have operations or businesses that focus in the Asian region. The Fund may invest up to 10% of its NAV outside of the Asian region. The Fund's investments will also be limited to markets where the regulatory authority is an ordinary or associate member of the International Organisation of Securities Commissions ("IOSCO"). Where necessary, the Manager will obtain the license or permits for investments in countries that require license or permits. In the event that the Manager are to unable to obtain the necessary licenses or permits, or the licenses or permits are revoked or not renewed (as the case may be), the Manager will seek to invest in other accessible markets.

FUND OBJECTIVE AND POLICY (CONTINUED)

Base Currency

US Dollar ("USD")

Fund category/type

Debenture/Income & Growth

How long should you invest for?

Recommended three (3) years

Indication of short-term risk (low, moderate, high)

Moderate

When was the Fund launched?

15 March 2019

What was the size of the Fund as at 30 September 2019?

USD0.03 million (0.12 million units)

What is the Fund's benchmark?

London Interbank Overnight Rate ("LIBOR") + 2.5% per annum

What is the Fund distribution policy?

Distribution (if any) is expected to be distributed once a year at the Manager's discretion. Such distributions will depend on the availability of realised income and/or realised gains.

What was the net income distribution for the financial period from 15 March 2019 (date of launch) to 30 September 2019?

There was no income distribution made for the financial period from 15 March 2019 (date of launch) to 30 September 2019.

PERFORMANCE DATA

Details of portfolio composition of the Fund for the unaudited financial period is as follows:

	30.09.2019
	%
Cash and other net assets	100.00
	<u>100.00</u>

Performance details of the Fund for the unaudited financial period is as follows:

	30.09.2019
NAV (USD Million)	
- Class MYR	0.03
Units in circulation (Million)	
- Class MYR	0.12
NAV per unit (USD)	
- Class MYR	0.2370
	15.03.2019
	(date of launch)
	to 30.09.2019
Highest NAV per unit (USD)	
- Class MYR	0.2463
Lowest NAV per unit (USD)	
- Class MYR	0.2343
Total return (%)	
- Class MYR	(3.47)
Capital growth (%)	
- Class MYR	(3.47)
Income distribution (%)	
- Class MYR	-
Management Expense Ratio ("MER") (%)	0.18
Portfolio Turnover Ratio ("PTR") (times) #	-

The Fund's PTR is nil as the Fund is currently fully in cash.

	Since
	inception
	to 30.09.2019
	%
Annual total return	
- Class MYR	(3.47)

(Launch date: 15 March 2019)

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial period have been extracted from Lipper.

MARKET REVIEW (15 MARCH 2019 (DATE OF LAUNCH) TO 30 SEPTEMBER 2019)

In US, the Federal Open Market Committee (“FOMC”) meeting at the end of April 2019 resulted in the central bank voting unanimously to maintain its benchmark interest rate range from 2.25% to 2.5%. The consistent below-target inflation is a concern to the committee. Powell exercised restraint and commented that forces holding inflation down are more “transient” suggesting price pressures could pick up by the end of the year.

By July 2019, the FOMC lowered the target range for its overnight lending rate to 2% to 2.25% citing “implications of global developments for the economic outlook as well as muted inflation pressures” in its first rate cut since December 2008. Along with the rate cut, the committee also decided to end the reduction of bonds the central bank holds on its balance sheet two months earlier than planned. However, the US Federal Reserve (the “Fed”) Chair Jerome Powell had later clarified in his press conference that the cut was “not the beginning of a long series of rate cuts” and referred it as simply a “mid-cycle adjustment”, effectively downplaying expectations for further easing.

At the end of September 2019, there were a slew of policy rate cuts starting with the Fed when it announced a 25 basis points (“bps”) cut in its Fed Fund Rate to 1.75% to 2.00% and a 30 bps reduction in interest on excess reserves (“IOER”) and in the reverse repo rate as widely expected. The decision to cut is not unanimous with a 7:3 split and the latest dot plot suggests policy makers are divided on future rate path with only 7 out of 17 expecting further cut by year end. The median dots in 2019 and 2020 showed no further cuts with hikes in 2021 and 2022. During a news conference following the decision, the Fed Chairman Jerome Powell talked up the strength of the economy, saying that the Fed Funds Rate was cut “in order to provide insurance against risks,” including weak global growth and concerns over trade policy.

Meanwhile over in Europe, the European Central Bank (“ECB”) announced major rate cuts and economic stimulus to revive flagging Eurozone growth. The ECB gave a 10 bps cuts in its deposit facility rate to a record low of -0.50% and revived its EUR2.6 trillion bond purchase programme for an unlimited period. Outgoing ECB President Mario Draghi commented that the Eurozone economy is in an extended slowdown and inflation will remain below target. ECB revised its forecast for Eurozone growth down to 1.1% and 1.2% for 2019 and 2020 respectively (from 1.2% and 1.4%) and trimmed its inflation forecast by 10 bps to 1.2% for 2019 and 40 bps to 1.0% for 2020.

Over in Asia, in line with market consensus, Bank Indonesia (“BI”) cut its key interest rate for a third straight month, bringing the total rate cuts since July 2019 to 75 bps. The 7 days reverse repurchase rate was lowered by 25 bps to 5.25% in the September 2019 meeting. Following along, the Bangko Sentral ng Pilipinas (“BSP”) also reduced its overnight reverse repurchase rate (“RRP”) by another 25 bps to 4% citing a benign inflation outlook. This is the third rate cut in this easing cycle, which began in May 2019, bringing the total to 75 bps.

Lastly, the People’s Bank of China (“PBOC”) also cuts the reserve requirement ratio by 50 bps for almost all financial institutions, with an additional 100 bps RRR cut for some city commercial banks. These measures take effect on 16 September 2019. China also reduced its new one-year benchmark lending rate for the second time to 4.20% to guide borrowing costs lower.

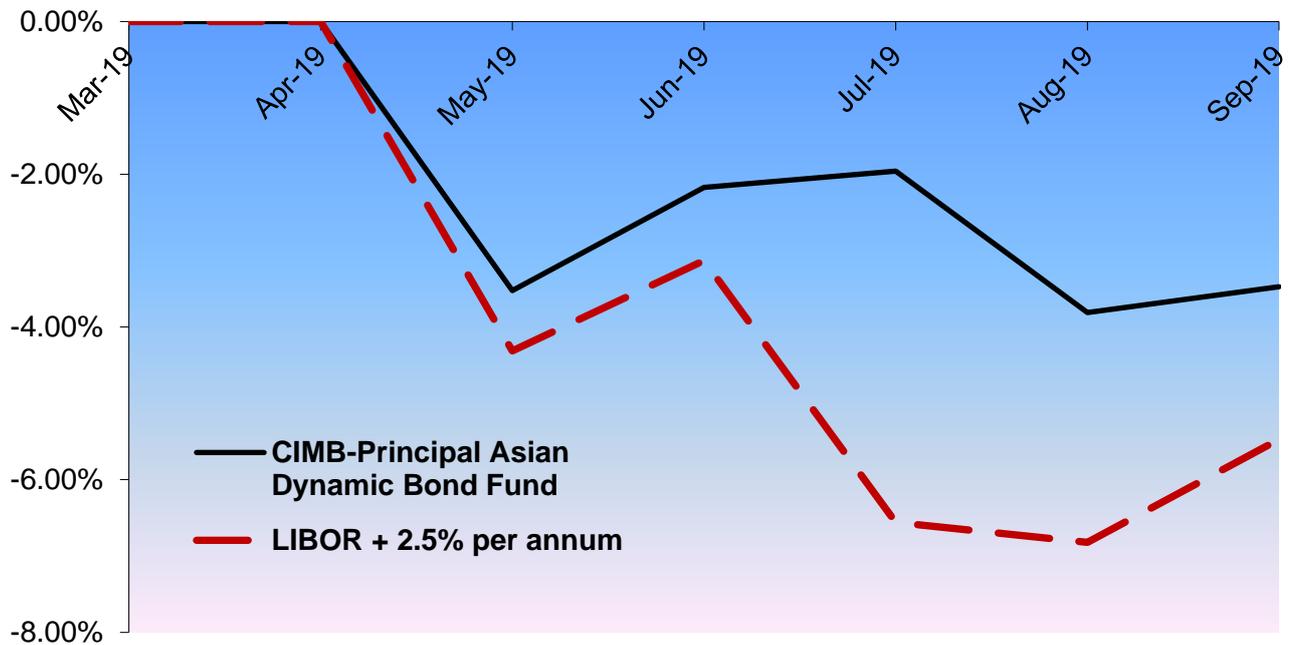
FUND PERFORMANCE

Class MYR

	6 months to 30.09.2019	Since inception to 30.09.2019
	%	%
Income	-	-
Capital	(3.68)	(3.47)
Total Return	(3.68)	(3.47)
Benchmark	(3.94)	(5.47)
Average Total Return	N/A	N/A

Since inception, the Fund's total return declined 3.47% versus the benchmark return that declined 5.47%. For the six-month period under review ended 30 September 2019, the Fund total return decreased by 3.68% versus the benchmark return that decreased by 3.94%.

Class MYR



FUND PERFORMANCE (CONTINUED)

Changes in NAV

Class MYR

30.09.2019

NAV (USD Million) 0.03
 NAV/Unit (USD) 0.2370

The Fund's NAV stood at USD0.03 million as at 30 September 2019 with NAV per unit of USD0.2370.

Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures for the financial period have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.09.2019
Cash and other net assets	100.00
TOTAL	100.00

The Fund is currently fully in cash.

MARKET OUTLOOK*

Protracted trade tensions between the US and China, sluggish growth in both Europe and Japan coupled with Brexit uncertainty as well as unrest in Hong Kong have continued to weigh down global growth. These uncertainties have kept the global government bond yields down.

In Asia, the key uncertainty rests in the trajectory of economic growth in the coming quarters. While global growth continues to slow, central banks in developed markets and Asia have been cutting interest rates in the absence of inflation. Furthermore, several Asian governments, including China are putting in place fiscal stimulus to provide downside support to their economies. These measures for now remain supportive of the bond markets.

* This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal Malaysia or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

Although we continue to expect volatility going forward, we will target to invest in fundamentally strong credits with relatively higher yields to anchor the portfolio.

As such, we still advocate to have short-to-medium tenor government bond exposure only for our portfolio. For credit, we will continue on a bottom-up approach to look for value. Issuers with fewer exposures to external trade shocks and strong financial metrics will be preferred. Overall, we still call for a mild overweight duration exposure against benchmark but cautious on exposure on the long-end bonds.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 September 2019 is as follows:

CLASS MYR

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00	0.00
5,001-10,000	-	-	-
10,001-50,000	1	0.02	16.67
50,001-500,000	2	0.10	83.33
500,001 and above	-	-	-
Total	4	0.12	100.00

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial period under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL ASIAN DYNAMIC BOND FUND**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 11 to 27 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 September 2019 and of its financial performance, changes in equity and cash flows for the financial period from 15 March 2019 (date of launch) to 30 September 2019 in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)
(formerly known as CIMB-Principal Asset Management Berhad)

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 November 2019

**TRUSTEE'S REPORT TO THE UNITHOLDERS OF
CIMB-PRINCIPAL ASIAN DYNAMIC BOND FUND**

We have acted as Trustee of CIMB-Principal Asian Dynamic Bond Fund ("the Fund") for the financial period from 15 March 2019 (date of launch) to 30 September 2019. To the best of our knowledge, Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) ("the Manager"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deed and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
14 November 2019

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 15 MARCH 2019 (DATE OF LAUNCH) TO
30 SEPTEMBER 2019**

	Note	15.03.2019 (date of launch) to 30.09.2019 USD
LOSS		
Net foreign exchange loss		(615)
		<u>(615)</u>
EXPENSES		
Management fee	4	45
Trustee's fees	5	7
		<u>52</u>
LOSS BEFORE TAXATION		
		(667)
Taxation	6	-
		<u>-</u>
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		
		<u>(667)</u>
Decrease in net assets attributable to unit holders is made up as follows:		
Realised amount		(64)
Unrealised amount		(603)
		<u>(667)</u>

The accompanying notes to the financial statements form an integral part of the unaudited financial statements.

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	Note	30.09.2019 USD
ASSETS		
Cash and cash equivalents	8	29,219
TOTAL ASSETS		29,219
LIABILITIES		
Amount due to Trustee		1
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		1
NET ASSET VALUE OF THE FUND		29,218
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		29,218
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS (USD)		
- Class MYR		29,218
NUMBER OF UNITS IN CIRCULATION (UNITS)		
- Class MYR	9	123,243
NET ASSET VALUE PER UNIT (USD)		
- Class MYR		0.2370
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- Class MYR		RM0.9922

The accompanying notes to the financial statements form an integral part of the unaudited financial statements.

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 15 MARCH 2019 (DATE OF LAUNCH) TO
30 SEPTEMBER 2019**

	15.03.2019 (date of launch) to 30.09.2019 USD
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE DATE OF LAUNCH	-
Movement due to units created and cancelled during the financial period:	
Creation of units from applications	
- Class MYR	40,511
Cancellation of units	
- Class MYR	(10,626)
Decrease in net assets attributable to members during the financial period:	(667)
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL PERIOD	29,218

The accompanying notes to the financial statements form an integral part of the unaudited financial statements.

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 15 MARCH 2019 (DATE OF LAUNCH) TO
30 SEPTEMBER 2019**

	Note	15.03.2019 (date of launch) to 30.09.2019 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Management fee paid		(45)
Trustee's fees paid		(6)
Net realised foreign exchange loss		(1)
Net cash used in operating activities		<u>(52)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created		40,504
Payments for cancellation of units		(10,631)
Net cash generated from financing activities		<u>29,873</u>
Net increase in cash and cash equivalents		29,821
Effects of foreign exchange differences		(602)
Cash and cash equivalents at the date of launch		-
Cash and cash equivalents at the end of the financial period	8	<u>29,219</u>
<u>Cash and cash equivalents comprised of:</u>		
Bank balance		29,219
Cash and cash equivalents at the end of the financial period	8	<u>29,219</u>

The accompanying notes to the financial statements form an integral part of the unaudited financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD FROM 15 MARCH 2019 (DATE OF LAUNCH) TO
30 SEPTEMBER 2019**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal Asian Dynamic Bond Fund (the “Fund”) was constituted pursuant to a Deed dated 29 May 2017 (the “Deed”), made between Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad) (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund aims to achieve capital appreciation and income through investments in a portfolio of primarily debt instruments in the Asian region.

The Fund will be managed with the aim of achieving capital appreciation and income through investments in a portfolio of primarily debt instruments in the Asian region. The Fund will invest between 70% to 98% of its NAV in debt instruments. The Fund’s investment in debt instruments will generally be restricted to securities rated at least a minimum credit rating of “BBB-” by Fitch or its equivalent rating by S&P and Moody’s and/or at least “A3” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country (“Investment Grade debt instruments”). Nonetheless, up to 40% of the Fund’s NAV may be invested in noninvestment grade and/or unrated debt instruments. In addition, the Fund may invest up to 28% of its NAV in money market instruments and/or Deposits to provide added stability to the Fund.

The Fund may also invest up to 20% of its NAV in convertible bonds and/or structured products such as negotiable instruments of deposit and CLN for added return. Similar to debt instruments investments, CLNs are income focused investments that carry credit risk, which is based on both the issuer and its reference entity(ies). As such, the Manager will invest in a CLN based on the ability of the referenced entity’s ability to meet its financial obligation throughout the life of the CLN. The Manager is also mindful that CLNs are less liquid compared to debt instruments investments. In the event of a credit downgrade on the issuer of structured product, the Manager reserve the right to deal with the structured product in the best interest of the Unit holders, subject to prevailing SC Guidelines. Investors should also note that convertible bonds have expiry date and hence, its’ erosion of value may accelerate as it advances to its expiry date. The Fund may also opt to seek investment exposure via CIS that is in line with the Fund’s objective, subject to the requirements of the SC Guidelines. The Fund will also invest in liquid assets for liquidity purposes.

The asset allocation strategy for the Fund is as follows:

- Between 70% to 98% (both inclusive) of the Fund’s NAV will be invested in debt instruments, out of which:
 - up to 98% of the Fund’s NAV may be invested in Investment Grade debt instruments;
 - up to 40% of the Fund’s NAV may be invested in unrated and/or non-investment grade debt instruments;
 - up to 20% of the Fund’s NAV may be invested in convertible bonds and/or structured products;
- Up to 28% of the Fund’s NAV may be invested in money market instruments and/or Deposits; and
- At least 2% of the Fund’s NAV will be invested in liquid assets for liquidity purpose.

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES (CONTINUED)

The Fund will focus its investment in the Asian region, i.e. issuers that are domiciled in, listed in, and/or have operations or businesses that focus in the Asian region. The Fund may invest up to 10% of its NAV outside of the Asian region. The Fund's investments will also be limited to markets where the regulatory authority is an ordinary or associate member of the IOSCO. Where necessary, the Manager will obtain the license or permits for investments in countries that require license or permits. In the event that the Manager are to unable to obtain the necessary licenses or permits, or the licenses or permits are revoked or not renewed (as the case may be), the Manager will seek to invest in other accessible markets.

All investments are subjected to the SC Guidelines on Unit Trust Funds, SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The Manager, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia's leading universal banking groups. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period.

It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and assumptions are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(h).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standard that is effective and relevant:

The Fund has applied the following amendments for the first time for the financial period beginning 15 March 2019 (date of launch):

(i) Financial period beginning on/after 15 March 2019 (date of launch)

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income ("OCI") or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 15 March 2019 (date of launch) that have a material effect on the financial statements of the Fund.

(b) Financial assets and financial liabilities

Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through OCI.

The Fund classifies cash and cash equivalents at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Trustee as financial liabilities measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income with net gain or loss on financial assets at fair value through profit or loss in the financial period which they arise.

Unquoted fixed income securities denominated in Ringgit Malaysia ("RM") are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Refer to Note 2(h) for further explanation.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by Interactive Data Corporation ("IDC"), a provider of financial market data. However, if such quotations are not available on any business day, or should the gaps of the quotations provided by the financial institutions or IDC differ by more than 20 bps, the valuation shall be determined by reference to the value of such debt securities quoted by Bloomberg.

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Impairment for assets carried at amortised cost

The Fund measures credit risk and expected credit loss (“ECL”) using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any ECL. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor’s sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial period.

(c) Income recognition

Interest income from unquoted fixed income securities are recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

Realised gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted fixed income securities, determined on cost adjusted for accretion of discount or amortisation of premium.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Foreign currency**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 USD, which is the Fund’s functional and presentation currency.

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in RM primarily due to the following factors:

- i) The Fund’s units are denominated in USD.
- ii) Significant portion of the Fund’s expenses are denominated in USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Taxation

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial period.

Tax on interest income from foreign unquoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Creation and cancellation of units

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in one class of units, known as the Class MYR which is cancelled at the unit holder's option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unit holders' option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unit holders of respective classes with the total number of outstanding units of respective classes.

(h) Critical accounting estimates and judgements in applying accounting policies

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair value of unquoted fixed income securities

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unit Trust Funds.

Ringgit-denominated unquoted fixed income securities are valued using fair value prices quoted by a BPA. Where the Manager is of the view that the price quoted by BPA for a specific unquoted fixed income securities differs from the market price by more than 20 bps, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by IDC, a provider of financial market data. However, if such quotations are not available on any business day, or should the gaps of the quotations provided by the financial institutions or IDC differ by more than 20 bps, the valuation shall be determined by reference to the value of such debt securities quoted by Bloomberg.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund aims to achieve capital appreciation and income through investments in a portfolio of primarily debt instruments in the Asian region.

The Fund is exposed to a variety of risks which include market risk (inclusive currency risk) and liquidity risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed and SC Guidelines on Unit Trust Funds.

(a) Market risk

(i) Currency risk

Currency risk of the Fund is associated with investments that are quoted and/or priced in foreign currency denomination. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus USD based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balance, which is capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

(c) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Fair value estimation

Fair value is defined as 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 (i.e. an exit price).

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques.

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Fund does not hold any financial instruments at fair value through profit or loss as at 30 September 2019.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

(ii) The carrying values of cash and cash equivalents and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

4. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Fund.

Up to 31 May 2019, the management fee is recognised at a rate of 1.00% per annum on the NAV of Class MYR. Effective from 1 June 2019, the management fee has been waived by the Manager.

There is no further liability in respect of management fee other than the amount recognised above.

5. TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.05% per annum calculated daily based on the NAV of the Fund. The Trustee's fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

For the financial period from 15 March 2019 (date of launch) to 30 September 2019, the Trustee's fee is recognised at a rate of 0.05% per annum.

There is no further liability to the Trustee in respect of Trustee's fee other than the amount recognised above.

6. TAXATION

15.03.2019
(date of launch)
to 30.09.2019
USD

Tax charged for the financial period:
- Current taxation

-

A numerical reconciliation between the loss before taxation multiplied by the Malaysian statutory income tax rate and tax expense of the Fund is as follows:

15.03.2019
(date of launch)
to 30.09.2019
USD

Loss before taxation

(667)

Taxation at Malaysian statutory rate of 24%

(160)

Tax effects of:

Income not subject to tax

148

Expenses not deductible for tax purposes

2

Restriction on tax deductible expenses for Unit
Trust Funds

10

Taxation

-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund does not hold any financial instruments at fair value through profit or loss as at 30 September 2019.

8. CASH AND CASH EQUIVALENTS

30.09.2019
USD

Bank balance

29,219

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

15.03.2019
(date of launch)
to 30.09.2019
No. of units

At the beginning of the financial period

-

Add: Creation of units from applications

167,683

Less: Cancellation of units

(44,440)

At the end of the financial period

123,243

10. MANAGEMENT EXPENSE RATIO (“MER”)

15.03.2019
(date of launch)
to 30.09.2019
 %
0.18

MER

MER is derived from the following calculation:

$$\text{MER} = \frac{(A + B + C + D) \times 100}{E}$$

A = Trustee’s and custodian fees

B = Audit fee

C = Tax agent’s fee

D = Other expenses

E = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is USD28,844.

11. PORTFOLIO TURNOVER RATIO (“PTR”)

15.03.2019
(date of launch)
to 30.09.2019
 -
-

PTR (times)

PTR is derived based on the following calculation:

$$\frac{(\text{Total acquisition for the financial period} + \text{total disposal for the financial period}) \div 2}{\text{Average NAV of the Fund for the financial period calculated on a daily basis}}$$

Where:

total acquisition for the financial period = Nil

total disposal for the financial period = Nil

12. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Bhd, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of the shareholder of the Manager

Units held by the Manager and parties related to the Manager

	30.09.2019	
	No. of units	USD
Manager		
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	1	0.2370

In the opinion of the Manager, the above units were transacted at the prevailing market price.

The units are held beneficially by the Manager for booking purposes. Other than the above, there were no units held by the Directors or parties related to the Manager.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

13. TRANSACTIONS WITH DEALERS

There were no transactions with the dealers for the financial period from 15 March 2019 (date of launch) to 30 September 2019.

DIRECTORY

Head Office of the Manager

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