

CIMB-Principal Australian Equity Fund

Annual Report

For The Financial Year Ended 30 September 2019

CIMB-PRINCIPAL AUSTRALIAN EQUITY FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 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.

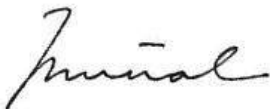
Principal Global Real Estate Fund, the dynamic real estate strategy is different from anything currently available in the market. The unique combination of real estate equity and fixed income securities helps cushion the impact of any unforeseen eventualities.

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 medium to long-term capital appreciation predominantly through investment in a portfolio of Australian securities.

Has the Fund achieved its objective?

For the financial year under review, the performance of the Fund is in line with its stated objectives

What are the Fund investment policy and principal investment strategy?

In order to achieve its objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in the Schroder Australian Equity Fund ("Target Fund"); an Australian-domiciled fund established on 3 March 1964 which invests in Australian equities, with an emphasis on investments in companies with sustainable competitive advantage in the long-term. Up to 5% of the Fund's NAV will be invested in liquid assets for liquidity purposes.

Information on the Target Fund:

Investment Manager/Management Company: Schroder Investment Management Australia Limited
Regulatory Authority: Australian Securities and Investments Commission

Fund category/type

Feeder Fund/Growth

How long should you invest for?

Recommended at three (3) years or more

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

High

When was the Fund launched?

20 March 2010

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

RM12.05 million (29.26 million units)

What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund, ie. Standard & Poor's ("S&P")/Australian Securities Exchange 200 ("ASX200") Accumulation Index.

Note: The benchmark is for performance comparison only.

What is the Fund distribution policy?

The Manager has the discretion to distribute part or all of the Fund's distributable income. The distribution (if any) may vary from period to period depending on the performance of the Fund.

What was the net income distribution for the financial year ended 30 September 2019?

There was no distribution made for the financial year ended 30 September 2019.

PERFORMANCE DATA

Details of portfolio composition of the Fund for the last three financial years are as follows:

	30.09.2019	30.09.2018	30.09.2017
	%	%	%
Collective investment scheme	98.61	100.22	98.89
Cash and other net assets	1.39	(0.22)	1.11
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the last three financial years are as follows:

	30.09.2019	30.09.2018	30.09.2017
NAV (RM Million)	12.05	13.26	17.05
Units in circulation (Million)	29.26	33.11	42.63
NAV per unit (Million)	0.4119	0.4003	0.3999
Highest NAV per unit (RM)	0.4213	0.4140	0.4161
Lowest NAV per unit (RM)	0.3458	0.3672	0.3423
Total return (%)	2.80	0.10	16.12
- Capital growth (%)	2.80	0.10	16.12
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) ^	1.92	1.52	1.56
Portfolio Turnover Ratio ("PTR") (times) #	0.47	0.75	0.53

^ The Fund's MER increased from 1.52% to 1.92% due to decrease in average NAV during the financial year under review.

The Fund's PTR stood at 0.47 times, lower than the previous reporting data of 0.75 times, mainly due to lesser trading activities during the financial year under review.

	30.09.2019	30.09.2018	30.09.2017	30.09.2016	30.09.2015
	%	%	%	%	%
Annual total return	2.80	0.10	16.12	12.11	(0.94)

(Launch date: 20 March 2010)

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 year have been extracted from Lipper.

MARKET REVIEW (1 OCTOBER 2018 TO 30 SEPTEMBER 2019)

The ASX200 Accumulation Index recorded a positive growth of 7.75% during the financial year under review.

October 2018 turned out to be a hard month for Australian equities as the ASX200 fell by 6.1% during the month. To note, more than 80% of the S&P/ASX300 registered falls during October 2018. Among the residual about a quarter were gold stocks and a few were the subject of private equity bids: MYOB Group Ltd (+13.7%) from Kohlberg Kravis Roberts (“KKR”) & Co. Incorporation, Navitas College of Public Safety (“NCPS”) (+13.4%) and Healthscope Co. (+0.5%) from BGH Capital Pty Ltd.

In November 2018, the ASX 200 continued its fall from the previous month as it tumbled by 2.8%. To note, the Information Technology (“IT”) sector (+0.9%) was the only sector that managed to eke out a gain, while the energy sector (-10.4%) weighing heavily on the index. Meanwhile, the Australian Dollar (“AUD”) emerged as one of the best performing currencies over the month, gaining 3.3%. A narrowing of the US Dollar (“USD”) to AUD rate differential at both the long and short-end of the curve worked in support of the AUD.

The ASX 200 ended the year by shedding 0.4% in December 2018, with only four Global Industry Classification Standard (“GICS”) sectors delivering positive returns. The Materials sector was the top performer, gaining 5.3%. Meanwhile, the communication services sector, in particular media (-10.9%) stocks, exerted the largest drag on the index.

The ASX 200 kicked off 2019 on a positive note, with the index increasing by 3.9% in January 2019. The energy sector delivered the strongest sector performance as it was up by 11.5%, buoyed by the recovery in oil prices. This was followed by IT sector (+9.3%) and communication services sector (+7.8%). Meanwhile, the financials sector (-0.2%) was the only sector in the red, with banks (-1.3%) dragging the sector lower ahead of the release of the recommendations from the Royal Commission

In February 2019, the ASX 200 advanced 5.2% to post its best monthly performance since July 2016. The financial sector (+8.1%) led the index higher as the sector enjoyed a relief rally post the release of the banking Royal Commission’s final report. Meanwhile, consumer staples was the only sector to end in the red, falling 2.3%, largely due to a disappointing result from Coles Supermarkets Australia Pty Ltd (-9.4%).

The ASX200 was rather flattish in March 2019, as it recorded an increase of 0.2% during the month. Nevertheless, on a quarterly basis, first quarter of 2019 (“1Q19”) the ASX200 delivered its best quarterly return for nearly a decade, with the index rising by 9.5% to the end of March 2019. In March 2019, Real Estate Investment Trust (“REIT”) delivered the strongest returns across most markets, with sagging 10-year bond yields boosting the sector. This dynamic had the opposite effect on financials, which fell in most regions through the month. Energy was a laggard in Australia, with the sector turning in the weakest performance for the month, down 4.7%. The Small Ordinaries also endured a difficult March 2019, with the index shedding 0.7%.

In April 2019, the ASX200 Index rose 2.9%. AUD and 10-year government bond yield were volatile during the month, with AUD rising as high as AUD0.7179 to USD but fell to AUD0.7055, which is almost the same level as end of March 2019. Meanwhile, the uptrend in 10-year bond yield reversed after it hit 1.95% and fell to 1.791% after the Consumer Price Index (“CPI”) data was released.

During the month, information technology and consumer staples performed the best while materials and REITs sectors were the worst performing. Year-to-date (“YTD”), IT and communication services (especially Media) are the best performing. The market was taking profit on REITs and infrastructure assets prior to the CPI data release as the bond yields were rising. However, the high dividend yielding stocks started to outperform again as belief that rate cuts may happen earlier than expected took hold.

MARKET REVIEW (1 OCTOBER 2018 TO 30 SEPTEMBER 2019) (CONTINUED)

ASX200 Index rose 1.13% in May 2019. AUD depreciated during the month by 1.6% to AUD0.694 to USD and the 10-year bond yield continued to trend down to record low levels from 1.791% to 1.458%. During the month, communication services and materials performed the best while consumer staples and energy were the worst performing. YTD, IT and communication services (especially Media) are the best performing, while consumer staples and utilities were the worst performing.

The ASX 200 Index continued its rise in June 2019 by 8.0%. Materials led in June 2019 with gains of 6.3%, with the Mining sub-sector particularly strong, up 7.7% in the month. Meanwhile, the Communications sector lagged during the month, but still managed to post higher returns of 2.5%.

In July 2019, the ASX 200 Index rose by 2.9%. Despite the increase, markets remained relatively volatile during the month given the various negative macro indicators which added more to the uncertainty. Note that the trade war between the US and China remained unresolved post the Group of Twenty (“G20”) summit meeting in Osaka. On top of that, with bond yields reaching new lows and the AUD hitting its lowest levels against the USD in the past decade, investor sentiment remained jittery during the month.

The ASX200 fell by 3.1% in August 2019. A mostly disappointing results season combined with a very weak month for materials (-7.6%) dragged the index lower. Only two sectors eked out gains in August 2019, with Healthcare comfortably outstripping the pack, rising 3.5%. REITs also ended the month in the black, albeit only with a modest gain of 0.7%. Earnings revisions were unequivocally negative, with the one-year forward projection for the ASX200 dropping 1.9%.

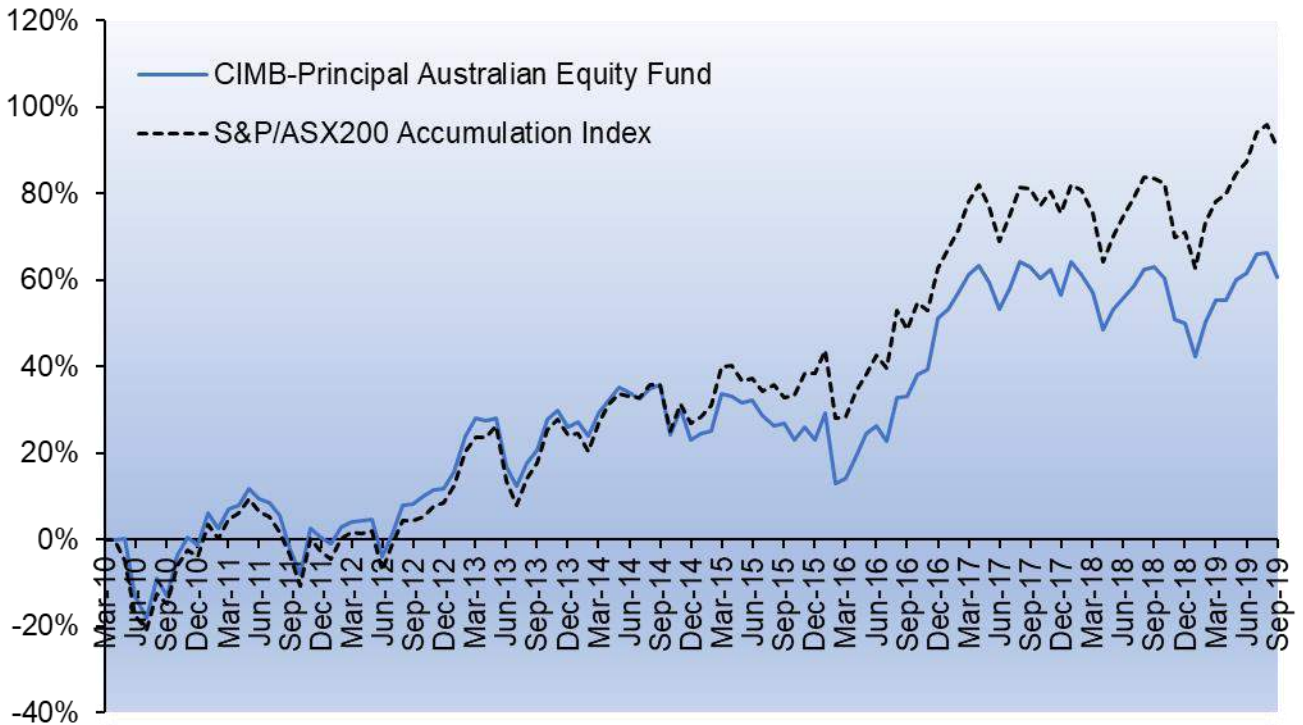
ASX200 Index increased by 1.3% in September 2019. financials (+4.5%) and energy (+4.3%) were the driving force of the global ‘value’ uplift, with both outperforming strongly in the month. The complexion of the rotation was similar locally, with banks (+4.9%) and energy (+3.9%) buttressing the gains for value. At the other end of the spectrum, growth and ‘low vol’ sectors languished, with healthcare (-3.2%), communication services (-3.3%) and REITs (-2.8%) bearing the brunt of the downdraft in Australia.

FUND PERFORMANCE

	1 year to 30.09.2019	3 years to 30.09.2019	5 years to 30.09.2019	Since inception to 30.09.2019
	%	%	%	%
Income	-	-	-	-
Capital	2.80	19.49	32.71	64.96
Total Return	2.80	19.49	32.71	64.96
Benchmark	6.06	24.95	54.83	94.48
Average Total Return	2.80	6.11	5.82	5.39

For the financial year under review, the Fund increased by 2.80% underperforming the benchmark which increased by 6.06%.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	30.09.2019	30.09.2018	Changes %
NAV (RM Million)	12.05	13.26	(9.13)
NAV/Unit (RM)	0.4119	0.4003	2.90

For the 1-year period, total NAV fell 9.13%, while the NAV per unit gained 2.90%. The fall in the total NAV was due to the total net redemption and the gain in NAV per unit was due to investment performance over the one-year period.

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 year have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.09.2019	30.09.2018
Collective investment scheme	98.61	100.22
Cash and other net assets	1.39	(0.22)
TOTAL	100.00	100.00

The Fund was fully invested during the financial year under review. A minimal level of liquid assets was maintained primarily for liquidity purposes.

MARKET OUTLOOK*

Most economies remain in an uncomfortable feedback loop. To generate growth and productivity gain, they need investment in industries that necessarily deliver relatively volatile and uncertain outcomes and operate in competitive markets. The airports, ports, roads, and utilities that investors so crave are eventually hostage to investments made by others. Theorists continue to propose ever-lower interest rates to spur investment. Unfortunately, theory is working in reverse and capital is cramming more aggressively into perceived safe havens such as real estate, bonds and gold rather than rewarding risk taking.

Similar issues are pervading equity markets. As investors feed the rising volatility of real businesses in competitive industries into their databases, conformity requires ever more investment into what has worked well in the past. More technology and health, more perceived safety. None of that listed equity beta for me, thanks. We might even suggest some regulation to ensure any underperforming superannuation funds lose all their money to the better performing funds.

* 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

The Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes. Our asset allocation decision will continue to be subject to market conditions.

UNIT HOLDINGS STATISTICS

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

Size of unit holdings (units)	No. of members	No. of units held (million)	% of units held
5,000 and below	6	0.02	0.06
5,001-10,000	12	0.09	0.31
10,001-50,000	47	1.23	4.20
50,001-500,000	34	4.47	15.28
500,001 and above	6	23.45	80.15
Total	105	29.26	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 year under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commissions 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 AUSTRALIAN EQUITY FUND**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), the accompanying audited financial statements set out on pages 14 to 38 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 year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

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 UNIT HOLDERS OF
CIMB-PRINCIPAL AUSTRALIAN EQUITY FUND**

We have acted as Trustee of CIMB-Principal Australian Equity Fund (the "Fund") for the financial year ended 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 Deeds, 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 Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
14 November 2019

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL AUSTRALIAN EQUITY FUND**

REPORT ON THE AUDIT FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB-Principal Australian Equity Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 30 September 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 September 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 38.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL AUSTRALIAN EQUITY FUND (CONTINUED)**

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL AUSTRALIAN EQUITY FUND (CONTINUED)**

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL AUSTRALIAN EQUITY FUND (CONTINUED)**

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 November 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

	Note	2019 RM	2018 RM
INCOME			
Dividend income		423,229	502,967
Interest income from deposits with licensed financial institutions		241	855
Net gain/(loss) on financial assets at fair value through profit or loss	7	58,915	(106,303)
Net foreign exchange loss		(19,035)	(13,586)
		<u>463,350</u>	<u>383,933</u>
EXPENSES			
Management fee	4	228,719	277,337
Trustee's fee	5	10,165	18,000
Audit fee		9,300	7,240
Tax agent's fee		4,200	5,200
Other expenses		(3,462)	16,565
		<u>248,922</u>	<u>324,342</u>
PROFIT BEFORE TAXATION		214,428	59,591
Taxation	6	-	(3,716)
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>214,428</u>	<u>55,875</u>
Profit after taxation is made up as follows:			
Realised amount		296,106	1,382,545
Unrealised amount		(81,678)	(1,326,670)
		<u>214,428</u>	<u>55,875</u>

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

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

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	8	188,297	17,196
Financial assets at fair value through profit or loss	7	11,887,587	13,285,882
Amount due from Manager		4,519	1,105
TOTAL ASSETS		<u>12,080,403</u>	<u>13,304,183</u>
LIABILITIES			
Amount due to Manager		1,031	5,706
Accrued management fee		11,995	13,792
Amount due to Trustee		794	15,767
Other payables and accruals		11,600	12,800
TOTAL LIABILITIES		<u>25,420</u>	<u>48,065</u>
NET ASSET VALUE OF THE FUND		<u>12,054,983</u>	<u>13,256,118</u>
EQUITY			
Unit holders' capital		6,974,118	8,389,681
Retained earnings		5,080,865	4,866,437
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>12,054,983</u>	<u>13,256,118</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	9	<u>29,263,917</u>	<u>33,112,822</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.4119</u>	<u>0.4003</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

	Unit holders' Capital RM	Retained earnings RM	Total RM
Balance as at 1 October 2018	8,389,681	4,866,437	13,256,118
Movement in unit holders' contributions:			
- Creation of units from applications	5,316,516	-	5,316,516
- Cancellation of units	(6,732,079)	-	(6,732,079)
Total comprehensive income for the financial year	-	214,428	214,428
Balance as at 30 September 2019	<u>6,974,118</u>	<u>5,080,865</u>	<u>12,054,983</u>
Balance as at 1 October 2017	12,239,518	4,810,562	17,050,080
Movement in unit holders' contributions:			
- Creation of units from applications	16,655,049	-	16,655,049
- Cancellation of units	(20,504,886)	-	(20,504,886)
Total comprehensive income for the financial year	-	55,875	55,875
Balance as at 30 September 2018	<u>8,389,681</u>	<u>4,866,437</u>	<u>13,256,118</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of collective investment scheme		6,659,667	13,236,290
Purchase of collective investment scheme		(5,271,087)	(9,789,360)
Dividend income received		418,420	499,251
Interest income received from deposits with licensed financial institutions		241	855
Management fee paid		(230,578)	(283,340)
Management fee rebate received		73,322	93,347
Trustee's fee paid		(10,246)	(12,593)
Payments for other fees and expenses		(21,321)	(37,151)
Net realised foreign exchange gain/(loss)		4,613	(33,456)
Net cash generated from operating activities		<u>1,623,031</u>	<u>3,673,843</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		5,313,102	16,656,434
Payments for cancellation of units		(6,736,754)	(20,499,180)
Net cash used in financing activities		<u>(1,423,652)</u>	<u>(3,842,746)</u>
Net increase/(decrease) in cash and cash equivalents		199,379	(168,903)
Effects of foreign exchange differences		(28,278)	30,069
Cash and cash equivalents at the beginning of the financial year		<u>17,196</u>	<u>156,030</u>
Cash and cash equivalents at the end of the financial year	8	<u>188,297</u>	<u>17,196</u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		<u>188,297</u>	<u>17,196</u>
Cash and cash equivalents at the end of the financial year	8	<u>188,297</u>	<u>17,196</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB-Principal Australian Equity Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a Seventh Supplemental Master Deed dated 11 February 2010, a Thirteenth supplemental Master Deed dated 26 June 2012 and an Eighteenth supplemental Master Deed dated 25 March 2015 (collectively referred to as the “Deeds”), made between CIMB-Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

In order to achieve its objective, the Fund will invest at least 95% of its Net Asset Value (“NAV”) Target Fund; an Australian-domiciled fund established on 3 March 1964 which invests in Australian equities, with an emphasis on investments in companies with sustainable competitive advantage in the long-term. Up to 5% of the Fund’s NAV will be invested in liquid assets for liquidity purposes

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, 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 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 year.

It also requires the Manager to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgement 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(j).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standard that is effective and relevant:

The Fund has applied the following standard for the first time for the financial year beginning 1 October 2018:

- MFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in MFRS 139.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income ("OCI") if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through OCI. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

MFRS 9 has been applied retrospectively by the Fund and did not result in any change to the classification or measurement of financial instruments as outlined in Note 2(b).

In accordance with the transitional provisions provided in MFRS 9, comparative information was not restated and continued to be reported under previous accounting policies governed under MFRS 139.

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 October 2018 that have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The amendments to published standard that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

(i) Financial year beginning on/after 1 October 2019

- 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 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.

The Fund will apply this amendments to published standard when effective. These amendments to published standard are not expected to have a significant impact on the Fund's financial statements.

(b) Financial assets and financial liabilities

Classification

Up to 30 September 2018, the Fund designates its investments in collective investment scheme as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise cash and cash equivalents, amount due from Manager of collective investment scheme and dividends receivable.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund classifies amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as other financial liabilities.

From 1 October 2018, the Fund classifies its financial assets in the following measurement categories:

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

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

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.

Investments in collective investment schemes have contractual cash flows that do not represent SPPI, and therefore are classified as fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from Manager of collective investment scheme as financial assets 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 Manager, accrued management fee, amount due to Trustee, and other payables and accruals as financial liabilities measured at amortised cost.

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, within the scope of MFRS 139 up to 30 September 2018 and MFRS 9 from 1 October 2018, 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 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 within net gain or loss on financial assets at fair value through profit or loss in the financial year which they arise.

Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, on the last published price of such unit or share (excluding any sales charge included in such selling price).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

Financial assets at amortised cost (2018: loans and receivables) and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

Impairment for assets carried at amortised costs

Up to 30 September 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in statement of comprehensive income. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

From 1 October 2018 onwards, the Fund measures credit risk and ECL using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any ECL. The Manager considers 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Significant increase in credit risk

A significant increase in credit risk is defined by the Manager 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 year

(c) Foreign currencyFunctional 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 Ringgit Malaysia ("RM"), 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) Units of the Fund are denominated in RM
- ii) Significant portion of the Fund's expenses are denominated in RM.

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Income recognition**

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

Interest income from deposits with licensed Islamic financial institutions recognised on a time proportionate basis using the effective profit rate method on an accrual basis.

Up to 30 September 2018, when a loan and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continue unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

From 1 October 2018, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gain or loss on disposal of collective investment scheme is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

(e) Management fee rebate

Management fee rebate is derived from the Fund's investment in collective investment scheme on an accruals basis to ensure no double charging of management fee. It is accrued daily based on the fair value of the collective investment scheme held.

(f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances which are subject to an insignificant risk of changes in value.

(g) Taxation

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

Withholding taxes on investment income from investment are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not "income tax" in nature and are recognised and measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Amount due from/to Manager of collective investment scheme (sales of investment)

Amount due from/to Manager of collective investment scheme represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value up to 30 September 2018 and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from PRS Provider. From 1 October 2018, these amounts are subsequently measured at amortised cost.

Impairment for amount due from PRS Providers are explained in Note 2(b).

(i) Unit holders' capital

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

(j) 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 judgement 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.

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.

However, the Manager is of the opinion that in applying these accounting policies, no significant judgement was required.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2019			
Cash and cash equivalents (Note 8)	-	188,297	188,297
Collective investment scheme (Note 7)	11,887,587	-	11,887,587
Amount due from Manager	-	4,519	4,519
	<u>11,887,587</u>	<u>192,816</u>	<u>12,080,403</u>

	Financial assets at fair value through profit or loss RM	Loans and receivables RM	Total RM
2018			
Cash and cash equivalents (Note 8)	-	17,196	17,196
Collective investment scheme (Note 7)	13,285,882	-	13,285,882
Amount due from Manager	-	1,105	1,105
	<u>13,285,882</u>	<u>18,301</u>	<u>13,304,183</u>

All liabilities are financial liabilities which are carried at amortised cost.

The Fund aims to achieve medium to long-term capital appreciation predominantly through investment in a portfolio of Australian securities.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and currency risk), credit 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 Deeds and SC Guidelines on Unit Trust Funds.

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in collective investment scheme will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The value of collective investment scheme may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of collective investment scheme and other financial instruments within specified limits according to the Deeds.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Price risk (continued)

The Fund's overall exposure to price risk was as follows:

	2019	2018
	RM	RM
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>11,887,587</u>	<u>13,285,882</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in price of collective investment scheme at the end of each reporting year. The analysis is based on the assumptions that the price of the collective investment scheme fluctuated by 5% with all the other variables held constant. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

% Change in price of collective investment scheme	Market value RM	Impact on profit or loss/NAV RM
2019		
-5%	11,293,208	(594,379)
0%	11,887,587	-
5%	<u>12,481,966</u>	<u>594,379</u>
2018		
-5%	12,621,588	(664,294)
0%	13,285,882	-
5%	<u>13,950,176</u>	<u>664,294</u>

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Currency risk

Currency risk 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 RM based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

The following table sets out the foreign currency risk concentrations arising from the denomination of the Fund's financial instruments in foreign currencies of the Fund:

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Total RM
2019			
AUD	<u>170,611</u>	<u>11,887,587</u>	<u>12,058,198</u>
2018			
AUD	<u>7,503</u>	<u>13,285,882</u>	<u>13,293,385</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange rate movements at the end of each reporting year. The analysis is based on the assumption that the foreign exchange rate fluctuated by 5%, with all other variables remain constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	Impact on profit or loss/NAV	
		2019 RM	2018 RM
AUD	%		
	5	<u>602,910</u>	<u>664,669</u>

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

For amount due from Manager, the settlement terms receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

For amount due from Manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by the relevant regulatory authority in its home jurisdiction.

The following table sets out the credit risk concentration of the Fund at the end of each reporting year:

	Cash and cash equivalents RM	Amount due from Manager RM	Total RM
2019			
AAA	188,297	-	188,297
Not Rated	-	4,519	4,519
	<u>188,297</u>	<u>4,519</u>	<u>192,816</u>
2018			
Finance			
AAA	17,196	-	17,196
Not Rated	-	1,105	1,105
	<u>17,196</u>	<u>1,105</u>	<u>18,301</u>

All financial assets of the Fund as at the end of financial year are neither past due nor impaired.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) 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 balances and other instruments, which are capable of being converted into cash within 7 business days. The Fund's investment in collective investment scheme is realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period on the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2019			
Amount due to Manager	1,031	-	1,031
Accrued management fee	11,995	-	11,995
Amount due to Trustee	794	-	794
Other payables and accruals	-	11,600	11,600
Contractual undiscounted cash flows	13,820	11,600	25,420
2018			
Amount due to Manager	5,706	-	5,706
Accrued management fee	13,792	-	13,792
Amount due to Trustee	15,767	-	15,767
Other payables and accruals	-	12,800	12,800
Contractual undiscounted cash flows	35,265	12,800	48,065

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM6,974,118 (2018: RM8,389,681) and retained earnings of RM5,080,865 (2018: RM4,866,437). 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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) 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) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets were 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 a 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 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.

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.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	11,887,587	-	-	11,887,587
2018				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	13,285,882	-	-	13,285,882

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. 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, amount due from Manager of collective investment scheme 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 Deeds, the Manager is entitled to a maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2019, the management fee is recognised at a rate of 1.80% per annum (2018: 1.80% per annum).

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.20% per annum, calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fees (if any).

There are other fees indirectly incurred by a feeder fund such as annual custodian fees and transaction fees of the Target Fund. As such, Unit holders of a feeder fund are indirectly bearing the custodian fees and transaction fees charged at the Target Fund level. A dilution fee may be charged in relation to a Fund's application for and/or redemption of units in collective investment scheme managed by other fund managers.

For the financial year ended 30 September 2019, the Trustee's fee is recognised at a rate of 0.08% per annum (2018: 0.08% per annum).

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

6. TAXATION

	2019	2018
	RM	RM
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>3,716</u>

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

	2019	2018
	RM	RM
Profit before taxation	<u>214,428</u>	<u>59,591</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	51,463	14,302
Tax effects of:		
- Investment income not subject to tax	(111,204)	(92,144)
- Expenses not deductible for tax purposes	1,162	6,034
- Restriction on tax deductible expenses for Unit Trust Funds	58,579	71,808
Investment income subject to withholding tax	<u>-</u>	<u>3,716</u>
Taxation	<u>-</u>	<u>3,716</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RM	RM
At fair value through profit or loss:		
- Collective investment scheme	<u>11,887,587</u>	<u>13,285,882</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain on disposals	39,055	1,159,893
- Unrealised fair value loss	(53,400)	(1,356,771)
- Management fee rebate #	73,260	90,575
	<u>58,915</u>	<u>(106,303)</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Management fee rebate represents the Fund's entitlement to management fee rebate from the Manager of the collective investment scheme in which the Fund invests.

For the financial year ended 30 September 2019, the other income is recognised at a rate of 0.58% per annum (2018: 0.58% per annum) calculated and accrued daily based on the NAV of the collective investment scheme.

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
COLLECTIVE INVESTMENT SCHEME				
Schroder Australian Equity Fund	<u>351,483</u>	<u>11,029,300</u>	<u>11,887,587</u>	<u>98.61</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>351,483</u>	<u>11,029,300</u>	<u>11,887,587</u>	<u>98.61</u>
ACCUMULATED UREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>858,287</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>11,887,587</u>		
2018				
COLLECTIVE INVESTMENT SCHEME				
Schroder Australian Equity Fund	<u>396,643</u>	<u>12,374,195</u>	<u>13,285,882</u>	<u>100.22</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>396,643</u>	<u>12,374,195</u>	<u>13,285,882</u>	<u>100.22</u>
ACCUMULATED UREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>911,687</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>13,285,882</u>		

8. CASH AND CASH EQUIVALENTS

	2019	2018
	RM	RM
Bank balances	<u>188,297</u>	<u>17,196</u>

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	2018
	No. of units	No. of units
At the beginning of the financial year	33,112,822	42,633,886
Add : Creation of units from applications	13,767,672	41,771,306
Less : Cancellation of units	<u>(17,616,577)</u>	<u>(51,292,370)</u>
At the end of the financial year	<u><u>29,263,917</u></u>	<u><u>33,112,822</u></u>

10. MANAGEMENT EXPENSE RATIO (“MER”)

	2019	2018
	%	%
MER	<u>1.92</u>	<u>1.52</u>

MER is derived based on the following calculation:

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

- A = Management fee
- B = Trustee’s fee
- C = Audit fee
- D = Tax agent’s fee
- E = Other expenses
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM12,700,397 (2018: RM15,390,415).

11. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	<u>0.47</u>	<u>0.75</u>

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial year = RM5,256,317 (2018: RM9,789,769)
- total disposal for the financial year = RM6,640,268 (2018: RM13,167,488)

12. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTIES 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 shareholder of the Manager
CIMB Bank Bhd	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

Manager	2019		2018	
	No. of units	RM	No. of units	RM
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	53,814	22,166	37,815	15,137

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.

12. UNITS HELD BY THE MANAGER, PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

	2019 RM	2018 RM
<u>Significant related party transaction</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	-	112
Cash placements with licensed financial institution:		
- CIMB Bank Bhd	-	432,000

There were no significant related party balances at the end of the financial year other than those disclosed elsewhere in the financial statements.

13. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the brokers/dealers for the financial year ended 30 September 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Schroder Investment Management (S) Ltd	11,478,165	100.00	-	-

Details of transactions with the brokers/dealers for the financial year ended 30 September 2018 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Schroder Investment Management (S) Ltd	22,457,748	100.00	-	-

14. MFRS 9 FINANCIAL INSTRUMENTS

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 October 2018 are compared as follows:

	Measurement category		Original (MFRS 139) RM	Carrying amount		
	Original (MFRS 139)	New (MFRS 9)		Reclassi- fications RM	Remeas- urements RM	New (MFRS 9) RM
Financial assets						
Cash and cash equivalents	Loan and receivables	Amortised cost	17,196	-	-	17,196
Investment in collective investment scheme	FVTPL	FVTPL	13,285,882	-	-	13,285,882
Amount due from Manager	Loan and receivables	Amortised cost	1,105	-	-	1,105
Financial liabilities						
Amount due to Manager	Amortised cost	Amortised cost	5,706	-	-	5,706
Accrued management fee	Amortised cost	Amortised cost	13,792	-	-	13,792
Amount due to Trustee	Amortised cost	Amortised cost	15,767	-	-	15,767
Other payables and accruals	Amortised cost	Amortised cost	12,800	-	-	12,800

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 14 November 2019.

DIRECTORY

Head Office of the Manager

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