

CIMB-Principal Australian Equity Fund

Interim Report

For The Financial Period Ended 31 March 2020

CIMB-PRINCIPAL AUSTRALIAN EQUITY FUND

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020

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INVESTORS' LETTER

Dear Valued Investor,

We are now two months into our shared “quarantine” and I hope you and your family are staying well. Around the world, communities and Governments are working together to break the chain of the Coronavirus Disease 2019 (“COVID-19”). This unprecedented crisis has been met with unimaginable action. The global response to fighting the pandemic has been encouraging.

Global equity market has shown signs of recovery towards the end of April 2019 in rebounding by approximately 11% from a decline in March 2019 of this year. Governments around the world launched fiscal stimulus packages, estimated at over 3% of global Gross Domestic Product (“GDP”), to help stabilise their local businesses and citizens amongst the strain that COVID-19 has placed on all of us. In Malaysia alone, the Government unveiled a RM260 billion stimulus package.

As an investment house, we’re refining our short-term asset allocation within our investment portfolio to an equal split between equities and fixed income. We favour Large cap, high quality defensive stocks and Asian equities due to the region having more policy room relative to the rest of the world and China is likely to return to normalcy ahead of the rest. For our:

- **Conservative investors, we recommend:** Malaysia focus bond and balanced funds that consistently pay dividends.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific and Global Technology.

I know this may be a challenging time for you. Please know we’re committed to being by your side throughout this year and beyond. I encourage you to check our website (www.principal.com.my) and Facebook account (@PrincipalAssetMY) for up-to-date market commentaries and investment content.

We are well positioned and experienced to manage through this period of adversity. While we may face some short-term challenges and headwinds, we will continue to focus on what we can control, and I have no doubt that we will emerge from this crisis stronger.

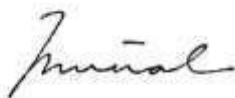
Because of the trust you’ve placed in us, we continue to win accolades - the most recent recognition coming from Lipper Refinitiv for our Principal Titans Income Plus Fund (*formerly known as CIMB-Principal Equity Income Fund*) on its 2019 performance.

Please be informed that effective 17 April 2020, the Fund has been renamed as Principal Australian Equity Fund following the issuance of the Replacement Prospectus Issue No.22.

Even in challenging times, we all can celebrate the simple joys. To that end, my sincere wishes to our Muslim customers for a most peaceful and blessed Ramadhan Kareem.

Stay safe everyone. We appreciate your continuous support and the trust you place in us.

Yours faithfully,
for **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 period under review, the Fund has yet to achieve its objectives as stated under the Fund investment policy.

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

When was the Fund launched?

20 March 2010

What was the size of the Fund as at 31 March 2020?

RM8.22 million (28.13 million units)

What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund, i.e. 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 six months financial period ended 31 March 2020?

There was no distribution made for the six months financial period ended 31 March 2020.

PERFORMANCE DATA

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

	31.03.2020 %	31.03.2019 %	31.03.2018 %
Collective investment scheme	91.75	99.93	99.85
Cash and other net assets	8.25	0.07	0.15
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the last three unaudited financial periods as follows:

	31.03.2020	31.03.2019	31.03.2018
NAV (RM Million)	8.22	12.24	13.39
Units in circulation (Million)	28.13	31.59	36.42
NAV per unit (RM)	0.2922	0.3874	0.3675
	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019	01.10.2017 to 31.03.2018
Highest NAV per unit (RM)	0.4269	0.4026	0.4140
Lowest NAV per unit (RM)	0.2578	0.3458	0.3685
Total return (%)	(29.10)	(3.15)	(7.43)
- Capital growth (%)	(29.10)	(3.15)	(7.43)
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%)	1.06	1.06	1.10
Portfolio Turnover Ratio ("PTR") (times) #	0.24	0.34	0.09

For the financial period under review, the Fund's PTR stood at 0.24 times, lower than the previous reporting data of 0.34 times, mainly due to lesser trading activities within the reporting period.

	31.03.2020 %	31.03.2019 %	31.03.2018 %	31.03.2017 %	31.03.2016 %
Annual total return	(24.74)	4.73	(9.20)	37.15	(10.43)

(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 period have been extracted from Lipper.

MARKET REVIEW (1 OCTOBER 2019 TO 31 MARCH 2020)

The ASX200 Accumulation Index recorded a decline of 24.09% during the 6-month financial period under review.

ASX200 Index performance was muted in October 2019, recording a 0.4% decline in local currency terms. During the month, the healthcare sector had a stellar performance while the information technology ("IT") sector was the worst performing after Wisetech Global and Afterpay Ltd fell more than 20% during the month on short seller report for Wisetech Global and potential regulatory scrutiny for Afterpay Ltd. On a currency level, the Australian Dollar ("AUD") was almost flat, appreciating by 0.5% to AUD0.6764 to the US Dollar ("USD").

Overall, the ASX200 Index recorded a gain of 2.7%, which saw the index close November 2019 just short of the all-time high. During the month, the IT and healthcare sectors continued to perform strongly. Afterpay Ltd, Computershare Ltd, Xero were best performers in the IT sector. On the other hand, the financial sector was hit hard month to date with capital raisings and Australian Transaction Reports and Analysis Centre ("AUSTRAC")'s civil proceedings against Westpac Global. Meanwhile, the AUD depreciated by 1.9% to AUD0.676 to the USD.

In December 2019, ASX200 Index closed the year by falling 0.9% in local currency terms. During the month, the materials and utilities sector were the only sectors that posted positive returns, while consumer staples and real estate recorded the highest decline. Year-to-date ("YTD"), Healthcare and Information Technology sectors are the best performing while Utilities and Financial sectors are the worst performing. In addition, the AUD appreciated by 3.3% to AUD0.6989 to the USD.

ASX200 Index started off the year on a positive note, with an increase of 5% in local currency terms in January 2020. The ASX200 Index markedly outperformed the MSCI All Country World Index ("ACWI"), which fell 1.2% as escalating coronavirus concerns weighed on global sentiment. Note that the increase for the month was mainly led by the healthcare and IT sectors. Meanwhile, the AUD depreciated by 4.7% to AUD0.6692 to the USD.

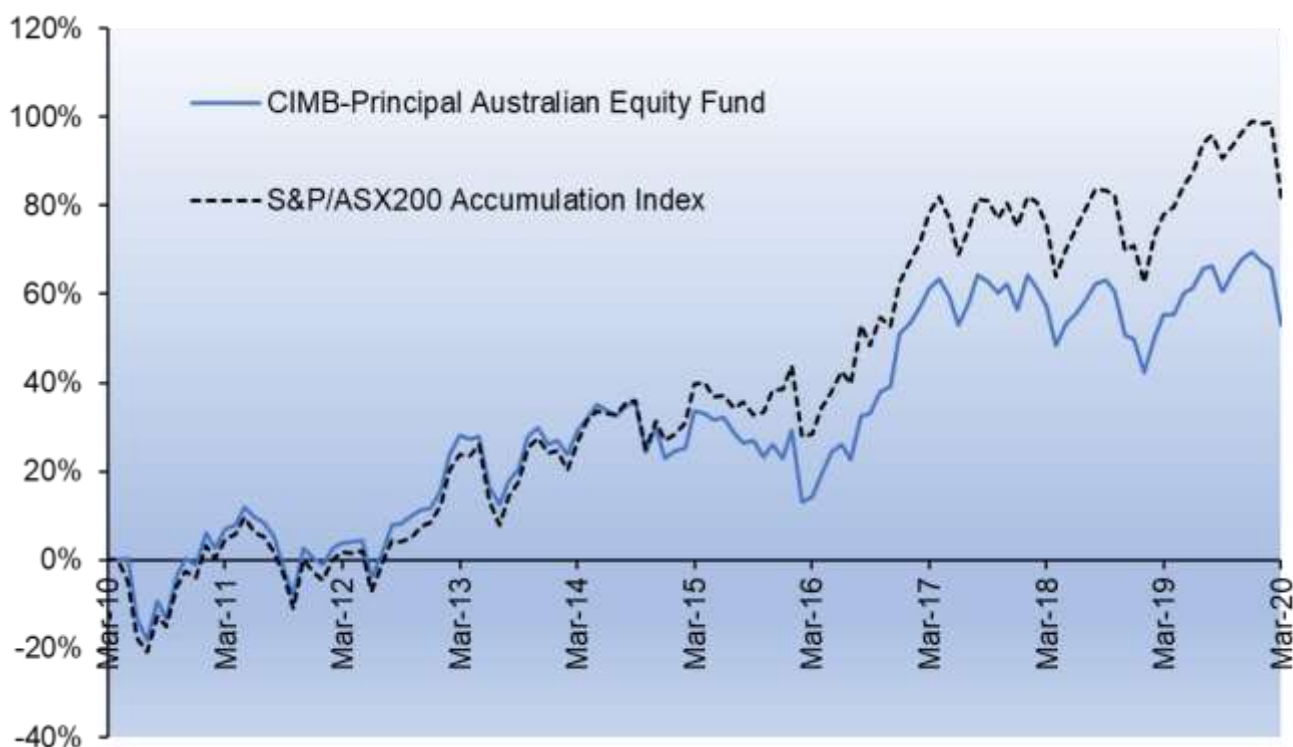
ASX200 Index fell 7.7% in local currency terms in February 2020. Note that every Australian Global Industry Classification Standard ("GICS") sector was down in February 2020, with Healthcare (-3.8%) suffering the least, while Energy (-18.2%) was the hardest hit as oil prices fell and Liquefied Natural Gas ("LNG") supply contract risk escalated. The rapid spread of COVID-19 cases outside of China was a key concern and the rising economic risk to the US economy have led to the drastic change in interest rate expectations in the last few days of February 2020. On a currency level, the AUD depreciated by 2.6% to AUD0.6515 to USD.

ASX200 Index plunged 23.1% in local currency terms in March 2020, led by the Energy and real Estate sector. Note that the negative returns in March 2020 marks the worst monthly performance since October 1987 for the Index. The steep decline in energy sector was precipitated by the sharp fall in oil price. In addition, the Real Estate sector also fell sharply despite the fall in interest rate due to the balance sheet concerns which led to potential equity raising fears. During the month, Prime Minister Scott Morrison announced on 22 March 2020 a lockdown in Australia for a period of 6 months to combat the spread of COVID-19. This entails preventing any non-essential large gatherings, banning on domestic travel, and for all travelers to self-isolate for 14 days upon arrival. Similarly to the index, the AUD also depreciated by 6.3% to AUD0.6105 to USD.

FUND PERFORMANCE

	6 months to 31.03.2020 %	1 year to 31.03.2020 %	3 years to 31.03.2020 %	5 years to 31.03.2020 %	Since inception to 31.03.2020 %
Income	-	-	-	-	-
Capital	(29.10)	(24.74)	(28.43)	(12.09)	16.96
Total Return	(29.10)	(24.74)	(28.43)	(12.09)	16.96
Benchmark	(27.51)	(21.98)	(22.98)	0.11	40.26
Average Total Return	N/A	(24.74)	(10.55)	(2.54)	1.57

For the 6-month financial period under review, the Fund decreased by 29.10% underperforming the benchmark which decreased by 27.51%. The weakness in performance is in line with the market as described under the Market Review portion of this report.



Changes in NAV

	31.03.2020	30.09.2019 Audited	Changes %
NAV (RM Million)	8.22	12.05	(31.78)
NAV/Unit (RM)	0.2922	0.4119	(29.06)

For the 6-month financial period, total NAV fell 31.78%, while the NAV per unit also declined by 29.06%. The fall in the total NAV was due to the total net redemption and the decline in NAV per unit was due to investment performance over the six-month 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 period have been extracted from Lipper.

PORTFOLIO STRUCTURE**Asset allocation**

(% of NAV)	31.03.2020	30.09.2019 Audited
Collective investment scheme	91.75	98.61
Cash and other net assets	8.25	1.39
TOTAL	100.00	100.00

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

MARKET OUTLOOK*

Market multiples are now at reasonable but cheap levels across the market, but the bifurcation within the market remains wider than ever even after the market correction. Earnings growth is still wildly optimistic, and we expect an ongoing drag through not just 2021 but also into 2022. We remain very wary of consumer-facing names, and for example are assuming long run turnover through shopping centers to be circa twenty per cent below last year's levels. Indirect exposures to the consumer – retail banks and landlords – may also see ongoing earnings pressure in that environment. The inevitable broadening of supply lines outside of China ostensibly supports manufacturing; however, there is little listed exposure to that trend.

* 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 Asset Management Berhad ("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 31 March 2020 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	5	0.02	0.07
5,001 to 10,000	12	0.09	0.32
10,001 to 50,000	42	1.12	3.98
50,001 to 500,000	34	4.56	16.21
500,001 and above	6	22.34	79.42
Total	99	28.13	100.00

SOFT COMMISSIONS AND REBATES

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 AUSTRALIAN EQUITY FUND**

We, being the of Directors of 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 10 to 28 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 31 March 2020 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with 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.: 199401018399) 304078-K))

MUNIRAH KHAIRUDDIN

Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA

Director

Kuala Lumpur

14 May 2020

**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 period ended 31 March 2020. To the best of our knowledge, 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 May 2020

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Note	01.10.2019 to 31.03.2020 RM	01.10.2018 to 31.03.2019 RM
LOSS			
Dividend income		179,920	195,947
Interest income from current account		116	148
Net loss on financial assets at fair value through profit or loss	7	(3,280,455)	(606,742)
Net foreign exchange (loss)/gain		(45,244)	4,777
		<u>(3,145,663)</u>	<u>(405,870)</u>
EXPENSES			
Management fee	4	102,678	116,017
Trustee's fee	5	4,562	9,857
Audit fee		5,550	5,550
Tax Agent's fee		2,050	2,000
Other expenses		6,011	2,734
		<u>120,851</u>	<u>136,158</u>
LOSS BEFORE TAXATION		(3,266,514)	(542,028)
Taxation	6	-	(4,030)
LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u>(3,266,514)</u>	<u>(546,058)</u>
Loss after taxation is made up as follows:			
Realised amount		248,704	33,582
Unrealised amount		(3,515,218)	(579,640)
		<u>(3,266,514)</u>	<u>(546,058)</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

		31.03.2020	30.09.2019
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	8	326,748	188,297
Financial assets at fair value through profit or loss	7	7,543,143	11,887,587
Amount due from Manager		382,165	4,519
TOTAL ASSETS		<u>8,252,056</u>	<u>12,080,403</u>
LIABILITIES			
Amount due to Manager		9,554	1,031
Accrued management fee		8,815	11,995
Amount due to Trustee		583	794
Other payables and accruals		11,700	11,600
TOTAL LIABILITIES		<u>30,652</u>	<u>25,420</u>
NET ASSET VALUE OF THE FUND		<u>8,221,404</u>	<u>12,054,983</u>
EQUITY			
Unit holders' capital		6,407,053	6,974,118
Retained earnings		1,814,351	5,080,865
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>8,221,404</u>	<u>12,054,983</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	9	<u>28,129,880</u>	<u>29,263,917</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.2922</u>	<u>0.4119</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 October 2019	6,974,118	5,080,865	12,054,983
Movement in unit holders' contributions:			
- Creation of units from applications	3,348,070	-	3,348,070
- Cancellation of units	(3,915,135)	-	(3,915,135)
Total comprehensive loss for the financial period	-	(3,266,514)	(3,266,514)
Balance as at 31 March 2020	<u>6,407,053</u>	<u>1,814,351</u>	<u>8,221,404</u>
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	4,121,898	-	4,121,898
- Cancellation of units	(4,593,081)	-	(4,593,081)
Total comprehensive loss for the financial period	-	(546,058)	(546,058)
Balance as at 31 March 2019	<u>7,918,498</u>	<u>4,320,379</u>	<u>12,238,877</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020**

	01.10.2019 to 31.03.2020 RM	01.10.2018 to 31.03.2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of collective investment scheme	3,284,355	4,662,411
Purchase of collective investment scheme	(2,264,821)	(4,095,750)
Dividend income received	179,004	191,917
Interest income received from current account	116	148
Management fee paid	(107,406)	(116,423)
Management fee rebate received	33,718	36,728
Trustee's fee paid	(4,773)	(4,260)
Payments for other fees and expenses	(12,595)	(13,332)
Net realised foreign exchange gain	600	5,987
Net cash generated from operating activities	1,108,198	667,426
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	2,970,424	4,122,703
Payments for cancellation of units	(3,906,612)	(4,554,789)
Net cash used in financing activities	(936,188)	(432,086)
Net increase in cash and cash equivalents	172,010	235,340
Effects of foreign exchange differences	(33,559)	(10,741)
Cash and cash equivalents at the beginning of the financial period	188,297	17,196
Cash and cash equivalents at the end of the financial period	326,748	241,795
<u>Cash and cash equivalents comprised of:</u>		
Bank balances	326,748	241,795
Cash and cash equivalents at the end of the financial period	326,748	241,795

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 ENDED 31 MARCH 2020**

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 Principal Asset Management Berhad (the "Manager") and HSBC (Malaysia) Trustee Berhad (the "Trustee").

The Fund will invest at least 95% of its NAV in the 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 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 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 estimates and assumptions are significant to the financial statements are disclosed in Note 2(j).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

Standards, amendments to published standards or interpretation that are effective and relevant:

The Fund has applied the following standard for the first time for the financial period beginning 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 ("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 interim periods beginning on 1 October 2019 that have a material effect on the financial statements of the Fund.

There are no applicable standards, amendments to standards or interpretations that are effective for interim periods beginning on/after 1 October 2020 to the financial statements of the Fund.

(b) Financial assets and financial liabilitiesClassification

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.

Investment in collective investment scheme is debt instrument with contractual cash flow that do not represent solely principal and interest ("SPPI") and therefore is classified as fair value through profit or loss.

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

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

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

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

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

The Fund measures credit risk and expected credit losses (“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.

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) 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) All of the Fund’s expenses are denominated in RM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Foreign currency (continued)**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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(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 financial institutions is recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

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 period.

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) Unit holders' contributions**

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 period 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.

(i) Realised and unrealised portions of profit or loss after tax

The analysis of realised and unrealised portions of profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on Unit Trust Funds.

(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. RISK MANAGEMENT OBJECTIVES AND POLICIES

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, interest rate 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.

(ii) 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.

(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.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

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.

3. 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.

(d) 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.

(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 period 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)

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31.03.2020				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>7,543,143</u>	<u>-</u>	<u>-</u>	<u>7,543,143</u>
30.09.2019				
Audited				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>11,887,587</u>	<u>-</u>	<u>-</u>	<u>11,887,587</u>

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 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 six months financial period ended 31 March 2020, the management fee is recognised at a rate of 1.80% per annum (31.03.2019: 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 six months financial period ended 31 March 2020, the Trustee's fee is recognised at a rate of 0.08% per annum (31.03.2019: 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

	01.10.2019 to 31.03.2020 RM	01.10.2018 to 31.03.2019 RM
Tax charged for the financial period:		
- Withholding tax	<u>-</u>	<u>4,030</u>

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:

	01.10.2019 to 31.03.2020 RM	01.10.2018 to 31.03.2019 RM
Loss before taxation	<u>(3,266,514)</u>	<u>(542,028)</u>
Taxation at Malaysian statutory rate of 24% (31.03.2019: 24%)	(783,963)	(130,087)
Tax effects of:		
Loss not deductible for tax purposes	754,959	97,409
Expenses not deductible for tax purposes	1,931	3,269
Restriction on tax deductible expenses for Unit Trust Funds	27,073	29,409
Income subject to withholding tax	<u>-</u>	<u>4,030</u>
Taxation	<u>-</u>	<u>4,030</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.03.2020	30.09.2019
	RM	Audited RM
At fair value through profit or loss:		
- Collective investment scheme	<u>7,543,143</u>	<u>11,887,587</u>
	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
	RM	RM
Net loss on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	169,036	(74,508)
- Unrealised fair value loss	(3,481,661)	(568,898)
- Management fee rebate #	<u>32,170</u>	<u>36,664</u>
	<u>(3,280,455)</u>	<u>(606,742)</u>

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 six months financial period ended 31 March 2020, the other income is recognised at a rate of 0.58% per annum (31.03.2019: 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 %
31.03.2020				
COLLECTIVE INVESTMENT SCHEME				
Schroder Australian Equity Fund	<u>318,604</u>	<u>10,166,517</u>	<u>7,543,143</u>	<u>91.75</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>318,604</u>	10,166,517	<u>7,543,143</u>	<u>91.75</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>(2,623,374)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>7,543,143</u>		

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

Name of Counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2019				
Audited				
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 UNREALISED 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><u>11,887,587</u></u>		

8. CASH AND CASH EQUIVALENTS

	31.03.2020 RM	30.09.2019 Audited RM
Bank balances	<u>326,748</u>	<u>188,297</u>

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.10.2019 to 31.03.2020 No. of units	01.10.2018 to 30.09.2019 Audited No. of units
At the beginning of the financial period/year	29,263,917	33,112,822
Add : Creation of units from applications	8,449,557	13,767,672
Less: Cancellation of units	<u>(9,583,594)</u>	<u>(17,616,577)</u>
At the end of the financial period/year	<u>28,129,880</u>	<u>29,263,917</u>

10. MANAGEMENT EXPENSE RATIO (“MER”)

	01.10.2019 to 31.03.2020 %	01.10.2018 to 31.03.2019 %
MER	<u>1.06</u>	<u>1.06</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 period calculated on a daily basis is RM11,410,179 (31.03.2019: RM12,822,386).

11. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
PTR (times)	<u>0.24</u>	<u>0.34</u>

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 = RM2,257,578 (31.03.2019: RM4,048,398)

total disposal for the financial period = RM3,289,396 (31.03.2019: RM4,736,919)

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	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	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 Principal Financial Group Incorporation, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager

Units held by the Manager and parties related to the Manager

	31.03.2020		30.09.2019	
			Audited	
	No. of		No. of	
	units	RM	units	RM
Manager				
Principal Asset Management Berhad	54,856	16,029	53,814	22,166

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.

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

13. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the brokers/dealers for the six months financial period ended 31 March 2020 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	5,546,974	100.00	-	-

Details of transactions with the brokers/dealers for the six months financial period ended 31 March 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	8,701,278	100.00	-	-

14. SIGNIFICANT EVENT DURING THE YEAR

The worsening of the macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund's performance after the financial year end.

The Manager is monitoring the situation closely and will be managing the portfolio to achieve the Fund's objective.

15. SUBSEQUENT EVENT

The Fund has changed its name from CIMB-Principal Australian Equity Fund to Principal Australian Equity Fund following the issuance of the Replacement Prospectus Issue No.22 dated 17 April 2020.

DIRECTORY

Head office of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))
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Customer Care Centre

(03) 7718 3000

Trustee for the CIMB-Principal Australian Equity Fund

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