

CIMB-Principal Balanced Fund

Annual Report

For The Financial Year Ended 31 December 2019

CIMB-PRINCIPAL BALANCED FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 7
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	8
TRUSTEE'S REPORT	9
INDEPENDENT AUDITORS' REPORT	10 - 13
STATEMENT OF COMPREHENSIVE INCOME	14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF CASH FLOWS	17
NOTES TO THE FINANCIAL STATEMENTS	18 - 46
DIRECTORY	47

INVESTORS' LETTER

Dear Valued Investors,

As we write this letter, we're watching the impact the Coronavirus is having on families, communities and markets around the world. Our thoughts are with those directly impacted by this illness and hope that together, as a global community we can find ways to prevent the further spread of this virus.

From an investment perspective, yes, the Coronavirus outbreak is disrupting markets – but it's important to remember this is an event, not a trend. And, just how interlinked our economies really are and how ripple effects are felt globally.

Ahead of the virus outbreak, we were seeing many positive trends in the market and were anticipating an upturn. We're still optimistic that the upturn will happen – it's just a matter of when. We still encourage our investors to focus on the fundamentals, seek portfolio diversification and to focus on the long-term.

As a fund house, we've never been better positioned to help our investors navigate the market volatility that is becoming the new norm. Our capabilities span from local to global markets with products, strategies and ideas to position your portfolio of investments based on your unique risk tolerance and financial goals.

We're committed to helping meet the varying needs of our customers and in the past few months, we've launched several new funds, including: Principal Global Real Estate, Principal Greater Bay and Principal Islamic ASEAN Equity Fund. Together these funds showcase our breadth and depth of expertise and offerings – helping set us apart as the fund house of choice. You can learn more about each of these funds and other solutions at: www.principal.com.my.

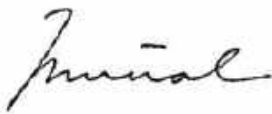
Thank you for your continuous support and allowing us to help you achieve your financial goals.

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 grow the value of investments over the long-term through investment in a diversified mix of Malaysian assets.

Has the Fund achieved its objective?

For the full year financial period under review, the Fund's total return came in at 1.88% which outperformed the benchmark by 304 basis points ("bps"). The Fund has met its objective for the year.

What are the Fund investment policy and principal investment strategy?

The Fund aims to invest in a diversified portfolio of equities and fixed income investments. In line with its objective, the investment policy and strategy will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 70:30. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investments by the Fund in equity securities shall be between 50% to 70% (both inclusive) of its Net Asset Value ("NAV") and investments in fixed income securities and liquid assets shall not be less than 30% of its NAV with a minimum credit rating of "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country of issuance or "BBB-" by Standard & Poor's ("S&P") or equivalent rating by Moody's or Fitch. The Fund may invest up to 40% of its NAV in Unrated Fixed Income Securities*. The Fund may opt to seek investment exposure via Collective Investment Schemes that is in line with the Fund's objective, subject to the requirement of the Securities Commission Malaysia ("SC") Guidelines.

* With effective 1 October 2017, the investment limit in Unrated Fixed Income Securities will be changed from 25% to 40%.

Fund category/type

Balanced/Growth

How long should you invest for?

Recommended five (5) years or more

When was the Fund launched?

12 March 1998

What was the size of the Fund as at 31 December 2019?

RM57.58 million (148.05 million units)

What is the Fund's benchmark?

70% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Top 100 ("FBM100") Index + 30% CIMB Bank 1-Month Fixed Deposit Rate

Note: The benchmark is for performance comparison only. The benchmark is customised as such to align it closer to the structure of the portfolio and the objective of the Fund. Thus, investors are cautioned that the risk profile of the Fund is higher than the benchmark.

What is the Fund distribution policy?

Distribution (if any) is expected to be distributed once a year every January at the Manager's discretion.

What was the net income distribution for the financial year ended 31 December 2019?

The Fund distributed a total net income of RM2.61 million to unit holders. As a result, the NAV per unit dropped from RM0.4013 to RM0.3840 on 22 January 2019 during the financial year ended 31 December 2019.

PERFORMANCE DATA

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

	31.12.2019	31.12.2018	31.12.2017
	%	%	%
Quoted securities			
- Construction	4.87	0.73	7.67
- Consumer Products & Services	6.23	7.83	-
- Consumer Products	-	-	2.21
- Energy	4.86	2.82	-
- Finance	-	-	15.47
- Financial Services	19.30	24.73	-
- Health Care	2.53	1.76	-
- Industrials	-	-	5.50
- Industrial Products & Services	5.56	5.07	-
- Infrastructure Project Companies ("IPC")	-	-	1.39
- Plantation	3.73	1.51	1.12
- Property	0.59	0.19	2.61
- Real Estate Investment Trust ("REIT")	0.98	1.46	-
- Technology	3.91	0.87	3.47
- Telecommunications & Media	4.96	2.28	-
- Trading/Services	-	-	27.73
- Transportation & Logistics	3.10	0.64	-
- Utilities	5.96	5.83	-
Unquoted fixed income securities	30.41	39.73	30.13
Cash and other net assets	3.01	4.55	2.70
Total	100.00	100.00	100.00

Note: Effective 24 September 2018, Bursa Malaysia has changed its sectoral index and classification.

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

	31.12.2019	31.12.2018	31.12.2017
NAV (RM Million)	57.58	60.29	71.51
Units in circulation (Million)	148.05	151.11	159.49
NAV per unit (RM)	0.3889	0.3989	0.4483
Highest NAV per unit (RM)	0.4005	0.4626	0.4483
Lowest NAV per unit (RM)	0.3764	0.3924	0.3902
Total return (%)	1.88	(5.60)	16.95
- Capital growth (%)	(2.51)	(11.03)	10.01
- Income distribution (%)	4.53	6.10	6.28
Management Expense Ratio ("MER") (%) ^	1.98	2.03	2.12
Portfolio Turnover Ratio ("PTR") (times) #	1.27	0.86	0.98

^ The Fund's MER decreased from 2.03% to 1.98% mainly due to decrease in expenses during the financial year.

The Fund's PTR increased from 0.86 times to 1.27 times as there were some rebalancing of the portfolio during the financial year.

PERFORMANCE DATA (CONTINUED)

Date of distribution		22.01.2019	24.01.2018	24.01.2017
Gross/Net distribution per unit (sen)		1.73	2.65	2.45
	31.12.2019	31.12.2018	31.12.2017	31.12.2016
	%	%	%	%
Annual total return	1.88	(5.60)	16.95	(4.08)
				31.12.2015
				%
				5.45

(Launch date: 12 March 1998)

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 JANUARY 2019 TO 31 DECEMBER 2019)

The FBM Kuala Lumpur Composite Index (“KLCI”) ended the year as the worst performing Asian market with a loss of 6% in 2019. In December 2019, KLCI gained 1.7% as the continued surge in crude palm oil (“CPO”) prices led to a 9.4% surge in the plantation index. Besides this, market sentiment was also buoyed by the phase 1 trade deal between US and China. Top three contributors towards the KLCI’s gains were Sime Darby Plantation Bhd (+9.4%), Petronas Gas Bhd (+8.5%) and IOI Corporation Bhd (+6.0%).

On 7 May 2019, Bank Negara Malaysia’s (“BNM”) Monetary Policy Committee (“MPC”) cut the Overnight Policy Rate (“OPR”) by 25 bps to 3.00% as widely anticipated by the market. The MPC statement highlighted that while domestic monetary and financial conditions remain supportive of economic growth, there were some signs of tightening of financial conditions. The adjustment to the OPR was a pre-emptive move by the central bank to preserve the degree of monetary accommodativeness in the country. Following the OPR cut in May 2019, there were no further changes made to the OPR at the remaining MPC meetings held throughout the year.

In the first two months of 2019, the Consumer Price Index (“CPI”) declined by -0.7% and -0.4% year-on-year (“y-o-y”) respectively for the months of January and February 2019. It continued to rise at a slow pace of 0.2% y-o-y in the following months of March, April and May 2019. In the following three months of June, July and August 2019, it inched higher by rising 1.50%, 1.40% and 1.50% y-o-y respectively, on the back of the low base seen in the prior year due to the zerorisation of Goods and Services Tax (“GST”) in prior year 2018. In September and October 2019, it eased slightly to 1.1% y-o-y for two consecutive months. It continued to ease further in the month of November 2019 as it grew only 0.9% y-o-y as food and beverages and transport component prices weakened.

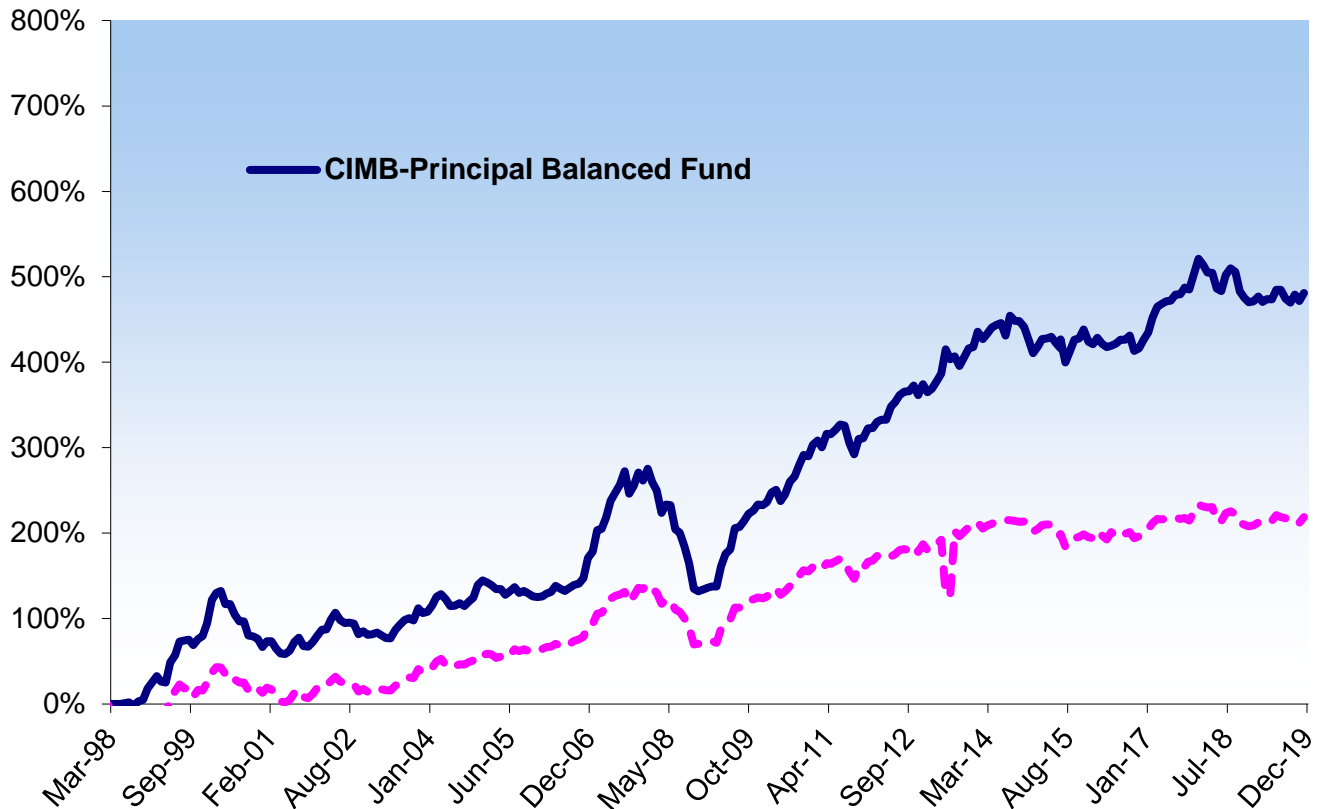
The local bond market saw some volatility following the announcement made by FTSE Russell to place Malaysia in their Watch list in the month of April 2019. In the month of September 2019, the index provider announced that Malaysia would continue to be on the Watch list up until the next review in March 2020. As for now, Malaysia continues to be in the index provider’s World Government Bond Index (“WGBI”). In the month of May 2019, the central bank announced measures to boost bond market accessibility, likely in response to the action taken by the index provider. The measures include boosting repo market liquidity and flexibility and enhancing the delivery mechanism for settlement of government securities futures contracts. The local bond market also saw a mild boost following the central bank’s recent announcement in early November 2019 whereby they cut the Statutory Reserve Requirement (“SRR”) ratio to 3% from 3.5% to enhance liquidity in the domestic financial system. The 10year Malaysian Government Security (“MGS”) began the year at 4.10% and ended the year at 3.32%. Government bond yields across all tenors moved lower by 32-93 bps in 2019.

Meanwhile, the country’s economy expanded by 4.4% in the third quarter of 2019, slower than the 4.9% growth recorded in the second quarter of 2019 and the 4.5% growth seen in the first quarter of 2019. The slower growth in the third quarter of 2019 was primarily due to lower growth in key sectors and a decline in mining and construction activities.

FUND PERFORMANCE

	1 year to 31.12.2019	3 years to 31.12.2019	5 years to 31.12.2019	Since inception to 31.12.2019
	%	%	%	%
Income	4.53	17.87	33.79	417.57
Capital	(2.51)	(4.58)	(15.02)	(22.29)
Total Return	1.88	12.49	13.77	480.90
Benchmark	(1.16)	2.20	0.60	218.83
Average Total Return	1.88	4.00	2.61	8.40

The Fund recorded a gain over the year due to tactical asset and sector allocation. On a 3-year and 5-year basis, the Fund has gained 12.49% and 13.77% respectively.



Changes in NAV

	31.12.2019	31.12.2018	Changes %
NAV (RM Million)	57.58	60.29	(4.49)
NAV/Unit (RM)	0.3889	0.3989	(2.51)

NAV per unit fell by 2.51% and the NAV of the Fund fell by 4.49% in the financial year under review due to a down market.

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)	31.12.2019	31.12.2018
Quoted securities	66.58	55.72
Unquoted fixed income securities	30.41	39.73
Cash and other net assets	3.01	4.55
TOTAL	100.00	100.00

As at 31 December 2019, the Fund held 66.58% in local quoted securities, 30.41% in unquoted fixed income securities, with the rest in cash and other net assets. The asset allocation has shifted towards more equities as we upgraded our call on equities from underweight to neutral and eventually overweight towards year end during the financial year under review.

MARKET OUTLOOK*

Despite on-going trade tension, we expect growth to be sustained at a moderate rate going into 2020. This will be underpinned by more growth-oriented Budget 2020 (higher fiscal deficit, resumption of mega infrastructure projects) and accommodative monetary policy. Externally, the rebound in Purchasing Manager Index ("PMI") to 50 in December 2019 after hitting a low of 46.8 in December 2018 bodes well for exports outlook particularly in the electronics and electrical ("E&E") segment. Furthermore, the plantation sector will also be boosted by improving supply and demand dynamics which have led to CPO prices surging past RM3,000 per metric tonne.

On 7 May 2019, the MPC cut the OPR by 0.25% to 3.00% as widely anticipated by the market. We believe the current monetary policy remains accommodative unless geopolitical risks worsen, or very negative hard data is consecutively released domestically.

For now, we expect the domestic bond market to remain well supported due to ample domestic liquidity as well as the lack of primary issuances. We are expecting some primary issuances in the first half of 2020 but supply seems fairly limited in the near term. In the first quarter of 2020, we expect investors to be closely watching the two MPC meetings scheduled in the months of January and March 2020. Additionally, FTSE Russell's verdict on whether Malaysia will remain on their WGBI index in the month of March 2020 will be of interest.

* 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

Equity

We upgraded Malaysia to Overweight in December 2019 and we maintain Malaysia at Overweight as we turn constructively more positive going into 2020. We believe earnings downside risk has narrowed significantly following recent cuts which is further supported by undemanding valuation now. As such, we take a barbell approach on high yield sectors like REITs and utilities and increasing on cyclical growth sectors like banks, plantation, oil and gas, and the technology sectors.

Fixed Income

Overall, we continue to prefer credit over sovereign bonds, particularly in the AA-rated space with strong fundamentals for better total return and yield pick-up. That said, although valuations in the sovereign space are not attractive currently, we recognize that calendar effect and fund flows will still favour fixed income assets in the first quarter of 2020 and as such, will watch the space closely on the possibility of re-entering.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 December 2019 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	448	1.37	0.93
5,001 to 10,000	471	3.40	2.30
10,001 to 50,000	1,035	23.93	16.16
50,001 to 500,000	356	44.86	30.30
500,001 and above	20	74.49	50.31
Total	2,330	148.05	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 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 BALANCED FUND**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 14 to 46 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 December 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
13 February 2020

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL BALANCED FUND**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

We have acted as Trustee for CIMB-PRINCIPAL BALANCED FUND (the "Fund") for the financial year ended 31 December 2019. To the best of our knowledge, PRINCIPAL ASSET MANAGEMENT BERHAD (*formerly known as CIMB-Principal Asset Management Berhad*) ("the Manager") has managed the Fund in the financial year under review in accordance with the following:

1. Limitations imposed on the investment powers of the Manager under the deeds, Securities laws and these Guidelines;
2. Valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirement; and
3. Creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirement.

An income distribution of 1.73 sen per unit (gross) declared to the unitholders of the Fund for the financial year under review.

We are of the view that the distributions is consistent with the investment objective and distribution policy of the Fund.

For **Maybank Trustees Berhad**
(Company No. : 5004-P)

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
13 February 2020

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB-Principal Balanced Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 31 December 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 31 December 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 46.

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 BALANCED FUND (CONTINUED)**

REPORT ON THE AUDIT OF 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 to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL BALANCED FUND (CONTINUED)****REPORT ON THE AUDIT OF 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 BALANCED FUND (CONTINUED)**

REPORT ON THE AUDIT OF 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
13 February 2020

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RM	2018 RM
INCOME/(LOSS)			
Dividend income		1,288,959	1,227,292
Interest income from unquoted fixed income securities at fair value through profit or loss		927,976	974,797
Interest income from deposits with licensed financial institutions at amortised cost		78,584	92,090
Net gain/(loss) on financial assets at fair value through profit or loss	8	268,993	(4,231,695)
		<u>2,564,512</u>	<u>(1,937,516)</u>
EXPENSES			
Management fee	4	1,095,960	1,224,292
Trustee's fee	5	47,393	52,942
Audit fee		15,400	15,100
Tax agent's fee		3,600	3,600
Transaction costs		292,077	289,311
Other expenses		17,678	57,690
		<u>1,472,108</u>	<u>1,642,935</u>
PROFIT/(LOSS) BEFORE TAXATION		1,092,404	(3,580,451)
Taxation	7	-	(593)
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		<u>1,092,404</u>	<u>(3,581,044)</u>
Profit/(Loss) after taxation is made up as follows:			
Realised amount		1,487,785	1,190,624
Unrealised amount		(395,381)	(4,771,668)
		<u>1,092,404</u>	<u>(3,581,044)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	9	1,806,246	2,906,786
Financial assets at fair value through profit or loss	8	55,844,405	57,546,751
Amount due from stockbrokers		160,824	295,478
Amount due from Manager		7,179	300
Dividends receivable		20,939	21,603
Tax recoverable		103,097	103,097
TOTAL ASSETS		<u>57,942,690</u>	<u>60,874,015</u>
LIABILITIES			
Amount due to stockbrokers		228,290	435,942
Amount due to Manager		21,030	27,665
Accrued management fee		89,931	95,076
Amount due to Trustee		3,889	4,111
Other payables and accruals		19,000	21,342
TOTAL LIABILITIES		<u>362,140</u>	<u>584,136</u>
NET ASSET VALUE OF THE FUND		<u><u>57,580,550</u></u>	<u><u>60,289,879</u></u>
EQUITY			
Unit holders' capital		47,931,306	49,127,020
Retained earnings		<u>9,649,244</u>	<u>11,162,859</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>57,580,550</u>	<u>60,289,879</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>148,053,097</u>	<u>151,109,097</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.3889</u>	<u>0.3989</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 31 DECEMBER 2019**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2019		49,127,020	11,162,859	60,289,879
Movement in unit holders' contributions:				
- Creation of units from applications		3,050,216	-	3,050,216
- Creation of units from distributions		2,405,176	-	2,405,176
- Cancellation of units		(6,651,106)	-	(6,651,106)
Total comprehensive income for the financial year		-	1,092,404	1,092,404
Distributions	6	-	(2,606,019)	(2,606,019)
Balance as at 31 December 2019		<u>47,931,306</u>	<u>9,649,244</u>	<u>57,580,550</u>
Balance as at 1 January 2018		52,595,465	18,915,086	71,510,551
Movement in unit holders' contributions:				
- Creation of units from applications		4,165,416	-	4,165,416
- Creation of units from distributions		3,833,270	-	3,833,270
- Cancellation of units		(11,467,131)	-	(11,467,131)
Total comprehensive loss for the financial year		-	(3,581,044)	(3,581,044)
Distributions	6	-	(4,171,183)	(4,171,183)
Balance as at 31 December 2018		<u>49,127,020</u>	<u>11,162,859</u>	<u>60,289,879</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 31 DECEMBER 2019**

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of quoted securities		47,923,475	50,953,162
Proceeds from disposal of unquoted fixed income		28,572,759	9,693,085
Purchase of quoted securities		(53,388,806)	(40,972,782)
Purchase of unquoted fixed income securities		(21,306,847)	(12,138,390)
Dividend income received		1,241,344	1,372,925
Interest income received from deposits with licensed financial institutions		78,584	92,090
Interest income received from unquoted fixed income securities		776,147	990,661
Management fee paid		(1,101,105)	(1,240,118)
Trustee's fee paid		(47,615)	(53,627)
Payments for other fees and expenses		(33,229)	(85,675)
Net cash generated from operating activities		<u>2,714,707</u>	<u>8,611,331</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		3,043,337	4,167,316
Payments for cancellation of units		(6,657,741)	(11,597,690)
Distribution paid		(200,843)	(337,913)
Net cash used in financing activities		<u>(3,815,247)</u>	<u>(7,768,287)</u>
Net (decrease)/increase in cash and cash equivalents		(1,100,540)	843,044
Cash and cash equivalents at the beginning of the financial year		<u>2,906,786</u>	<u>2,063,742</u>
Cash and cash equivalents at the end of the financial year	9	<u>1,806,246</u>	<u>2,906,786</u>
<u>Cash and cash equivalents comprised of:</u>			
Deposits with licensed financial institutions		1,695,284	2,832,934
Bank balance		110,962	73,852
Cash and cash equivalents at the end of financial year	9	<u>1,806,246</u>	<u>2,906,786</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 31 DECEMBER 2019****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB-Principal Balanced Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, an Eighth Supplemental Master Deed dated 14 June 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”), between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and Maybank Trustees Berhad (the “Trustee”).

The Fund aims to invest in a diversified portfolio of equities and fixed income investments. In line with its objective, the investment policy and strategy will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 70:30. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investments by the Fund in equity securities shall be between 50% to 70% (both inclusive) of its NAV and investments in fixed income securities and liquid assets shall not be less than 30% of its NAV with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance or “BBB-” by S&P or equivalent rating by Moody’s or Fitch. The Fund may invest up to 40% of its NAV in Unrated Fixed Income Securities. The Fund may opt to seek investment exposure via Collective Investment Schemes that is in line with the Fund’s objective, subject to the requirement of the SC Guidelines.

All investments are subjected to the 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 assumptions are based on the Manager’s best knowledge of current events and actions, actual results may differ.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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(k).

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

The Fund has applied the following amendments to published standards for the first time for the financial year beginning 1 January 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 annual periods beginning on 1 January 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 annual periods beginning on/after 1 January 2020 to the financial statements of the Fund.

(b) Financial assets and financial liabilities

Classification

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

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

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

The contractual cash flows of the Fund's debt securities are solely principal and interest. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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

The Fund classifies cash and cash equivalents, amount due from stockbrokers, amount due from Manager and dividends receivable 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 stockbrokers, 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. Transaction costs are expensed in the statement of comprehensive income.

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

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

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

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income 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 or 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.

Quoted securities in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Bhd ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the quoted securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the quoted securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the quoted securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

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

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

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 method.

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

Significant increase in credit risk

A significant increase in credit risk is defined by 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) 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 and unquoted fixed income securities are 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).

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

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

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

(d) Functional and presentation currency

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

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance and deposits held in highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Amount due from/to stockbrokers

Amounts due from and amount due to stockbrokers represent receivables for quoted securities and unquoted fixed income securities sold and payables for quoted securities and unquoted fixed income securities 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 and subsequently measured at amortised cost. At each reporting date, the Fund measure the loss allowance on amounts due from stockbrokers at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Distribution

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

(i) Transaction costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

(j) 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 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.

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

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

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

Estimate of fair value of unquoted fixed income securities

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

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

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 9)	-	1,806,246	1,806,246
Quoted securities (Note 8)	38,334,657	-	38,334,657
Unquoted fixed income securities (Note 8)	17,509,748	-	17,509,748
Amount due from stockbroker	-	160,824	160,824
Amount due from Manager	-	7,179	7,179
Dividends receivable	-	20,939	20,939
	<u>55,844,405</u>	<u>1,995,188</u>	<u>57,839,593</u>
2018			
Cash and cash equivalents (Note 9)	-	2,906,786	2,906,786
Quoted securities (Note 8)	33,596,485	-	33,596,485
Unquoted fixed income securities (Note 8)	23,950,266	-	23,950,266
Amount due from stockbroker	-	295,478	295,478
Amount due from Manager	-	300	300
Dividends receivable	-	21,603	21,603
	<u>57,546,751</u>	<u>3,224,167</u>	<u>60,770,918</u>

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

The investment objective of the Fund is to grow the value of investments over the long-term through investment in a diversified mix of Malaysian assets.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate 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.

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

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in quoted securities and unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investment in quoted securities and unquoted fixed income securities 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 quoted securities, unquoted fixed income securities and other financial instruments within specified limits according to the Deeds.

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

	2019 RM	2018 RM
Financial assets at fair value through profit or loss :		
- Quoted securities	38,334,657	33,596,485
- Unquoted fixed income securities*	17,509,748	23,950,266
	<u>55,844,405</u>	<u>57,546,751</u>

* Includes interest receivables of RM169,968 (2018: RM250,211).

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

% Change in price of quoted securities	Market value RM	Impact on profit or loss/NAV RM
2019		
-5%	36,417,924	(1,916,733)
0%	38,334,657	-
+5%	<u>40,251,390</u>	<u>1,916,733</u>
2018		
-5%	31,916,661	(1,679,824)
0%	33,596,485	-
+5%	<u>35,276,309</u>	<u>1,679,824</u>

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

(a) Market risk (continued)

(i) Price risk (continued)

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM17,509,748 (2018: RM23,950,266) in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

(ii) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to meet the obligation under the instrument, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on profit or loss/NAV	
	2019 RM	2018 RM
+1%	(30,136)	(36,785)
-1%	<u>30,213</u>	<u>36,893</u>

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Fund’s exposure to interest rate risk associated with deposits with licensed financial institutions is not material as the deposits are held on short-term basis.

The weighted average effective interest rate per annum is as follows:

	2019	2018
	%	%
Deposits with licensed financial institutions	<u>3.05</u>	<u>3.66</u>

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Fund.

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer’s non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted fixed income securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer.

In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted fixed income securities must satisfy a minimum rating requirement of at least a “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country or “BBB-” by S&P or equivalent rating by Moody’s or Fitch.

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 the amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by respective stock exchanges. The credit risk is minimal as all transactions in quoted securities are settled/paid upon delivery using approved stockbrokers.

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

(b) Credit risk (continued)

The following table sets out the credit risk concentration of the Fund:

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2019						
- AAA	1,806,246	905,292	-	-	-	2,711,538
- AA1	-	3,665,793	-	-	-	3,665,793
- AA2	-	456,164	-	-	-	456,164
- AA3	-	9,904,399	-	-	-	9,904,399
- A1	-	1,159,278	-	-	-	1,159,278
- A2	-	1,298,601	-	-	-	1,298,601
- A3	-	120,221	-	-	-	120,221
- Not Rated	-	-	160,824	7,179	20,939	188,942
	<u>1,806,246</u>	<u>17,509,748</u>	<u>160,824</u>	<u>7,179</u>	<u>20,939</u>	<u>19,504,936</u>
2018						
- AAA	2,906,786	6,590,409	-	-	-	9,497,195
- AA1	-	9,637,938	-	-	-	9,637,938
- AA2	-	3,601,716	-	-	-	3,601,716
- AA3	-	2,157,429	-	-	-	2,157,429
- GG	-	1,962,774	-	-	-	1,962,774
- Not Rated	-	-	295,478	300	21,603	317,381
	<u>2,906,786</u>	<u>23,950,266</u>	<u>295,478</u>	<u>300</u>	<u>21,603</u>	<u>27,174,433</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 1 days (2018: 2 days).

(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 deposits with licensed financial institutions which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

(c) Liquidity risk (continued)

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at 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 stockbrokers	228,290	-	228,290
Amount due to Manager	21,030	-	21,030
Accrued management fee	89,931	-	89,931
Amount due to Trustee	3,889	-	3,889
Other payables and accruals	-	19,000	19,000
Contractual undiscounted cash flows	<u>343,140</u>	<u>19,000</u>	<u>362,140</u>
2018			
Amount due to stockbrokers	435,942	-	435,942
Amount due to Manager	27,665	-	27,665
Accrued management fee	95,076	-	95,076
Amount due to Trustee	4,111	-	4,111
Other payables and accruals	-	21,342	21,342
Contractual undiscounted cash flows	<u>562,794</u>	<u>21,342</u>	<u>584,136</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM47,931,306 (2018: RM49,127,020) and retained earnings of RM9,649,244 (2018: RM11,162,859) 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 values 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 where the last traded market price falls within the bid-ask spread. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

(e) Fair value estimation (continued)

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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Quoted securities	38,334,657	-	-	38,334,657
- Unquoted fixed income securities	-	17,509,748	-	17,509,748
	<u>38,334,657</u>	<u>17,509,748</u>	<u>-</u>	<u>55,844,405</u>

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

2018

Financial assets at fair value through profit or loss:

- Quoted securities	33,596,485	-	-	33,596,485
- Unquoted fixed income securities	-	23,950,266	-	23,950,266
	<u>33,596,485</u>	<u>23,950,266</u>	<u>-</u>	<u>57,546,751</u>

Quoted securities whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. 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).

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

- (ii) The carrying values of cash and cash equivalents, amount due from stockbrokers, amount due from Manager, dividends receivable 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 2.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 December 2019, the management fee is recognised at a rate of 1.85% per annum (2018: 1.85% 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 Trustee's fee of 0.08% 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 fee (if any).

For the financial year ended 31 December 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. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	2019 RM	2018 RM
Dividend income	59,363	435,908
Interest income	5,659	335,005
Net realised gain on disposal of investments	424,449	1,096,155
Prior financial years' realised income	2,132,726	2,430,935
	<u>2,622,197</u>	<u>4,298,003</u>
Less:		
Expenses	(16,178)	(126,820)
Net distribution amount	<u>2,606,019</u>	<u>4,171,183</u>
Distribution on 22 January 2019		
Gross/Net distribution per unit (sen)	<u>1.73</u>	<u>-</u>
Distribution on 24 January 2018		
Gross/Net distribution per unit (sen)	<u>-</u>	<u>2.65</u>

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current and prior financial years' realised income.

Gross distribution per unit is derived from gross realised income less expenses, divided by the number of units in circulation. Net distribution per unit is derived from gross realised income less expenses and taxation, divided by the number of units in circulation.

There are unrealised losses of RM395,381 during the financial year (2018: RM4,771,668).

7. TAXATION

	2019 RM	2018 RM
Tax charged for the financial year		
- Current taxation	-	-
- Withholding taxation	-	593
	<u>-</u>	<u>593</u>

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

	2019 RM	2018 RM
Profit/(Loss) before taxation	<u>1,092,404</u>	<u>(3,580,451)</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	262,177	(859,308)
Tax effects of:		
- (Income not subject to tax)/Loss not deductible for tax purposes	(615,483)	465,004
- Expenses not deductible for tax purposes	84,165	87,248
- Restriction on tax deductible expenses for Unit Trust Funds	269,141	307,056
Income subject to withholding tax	-	593
Taxation	<u>-</u>	<u>593</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM	2018 RM
At fair value through profit or loss:		
- Quoted securities	38,334,657	33,596,485
- Unquoted fixed income securities	17,509,748	23,950,266
	<u>55,844,405</u>	<u>57,546,751</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain on disposals	664,374	539,973
- Unrealised fair value loss	(395,381)	(4,771,668)
	<u>268,993</u>	<u>(4,231,695)</u>

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	800,000	574,104	604,000	1.05
Gamuda Bhd	230,000	701,186	897,000	1.56
IJM Corp Bhd	600,000	1,255,272	1,302,000	2.26
	<u>1,630,000</u>	<u>2,530,562</u>	<u>2,803,000</u>	<u>4.87</u>
Consumer Products & Services				
Aeon Co. (M) Bhd	431,000	672,360	612,020	1.06
Bermaz Auto Berhad	100,000	237,888	210,000	0.36
DRB-Hicom Bhd	94,700	245,260	225,386	0.39
Genting Bhd	50,800	387,030	307,340	0.53
Genting Malaysia Bhd	247,400	881,246	813,946	1.41
Nestle Malaysia Bhd	5,000	720,674	735,000	1.28
Sime Darby Bhd	310,000	723,302	688,200	1.20
	<u>1,238,900</u>	<u>3,867,760</u>	<u>3,591,892</u>	<u>6.23</u>
Energy				
Dayang Enterprise Holdings Bhd	200,000	360,795	502,000	0.87
Dialog Group Bhd	202,800	595,623	699,660	1.22
Hibiscus Petroleum Bhd	583,900	568,299	548,866	0.95
Serba Dinamik Holdings Bhd	335,790	691,901	738,738	1.28
Serba Dinamik Holdings Bhd-Warrant	95,940	-	42,214	0.07
Wah Seong Corp Bhd	225,000	275,488	270,000	0.47
	<u>1,643,430</u>	<u>2,492,106</u>	<u>2,801,478</u>	<u>4.86</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
QUOTED SECURITIES				
(CONTINUED)				
Financial Services				
Bursa Malaysia Bhd	32,500	210,169	197,925	0.34
CIMB Group Holdings Bhd	500,024	2,752,301	2,575,124	4.47
Hong Leong Bank Bhd	80,000	1,345,066	1,384,000	2.40
Malayan Banking Bhd	368,545	3,343,183	3,184,229	5.53
Public Bank Bhd	120,047	2,396,295	2,333,714	4.05
RHB Bank Bhd	250,000	1,413,872	1,445,000	2.51
RHB Capital Bhd #	108,100	-	-	-
	<u>1,459,216</u>	<u>11,460,886</u>	<u>11,119,992</u>	<u>19.30</u>
Health Care				
Hartalega Holdings Bhd	106,000	574,255	580,880	1.01
IHH Healthcare Bhd	160,000	929,049	875,200	1.52
	<u>266,000</u>	<u>1,503,304</u>	<u>1,456,080</u>	<u>2.53</u>
Industrial Products & Services				
ATA IMS Bhd	500,000	857,830	870,000	1.51
Petronas Chemicals Group Bhd	150,000	1,122,561	1,102,500	1.91
Press Metal Aluminium Holdings Bhd	90,086	434,735	418,900	0.73
Sunway Bhd	388,500	669,021	699,300	1.21
Uchi Technologies Bhd	42,000	127,344	116,760	0.20
	<u>1,170,586</u>	<u>3,211,491</u>	<u>3,207,460</u>	<u>5.56</u>
Plantation				
Kuala Lumpur Kepong Bhd	29,300	639,446	726,640	1.26
Sime Darby Plantation Bhd	260,900	1,320,809	1,421,905	2.47
	<u>290,200</u>	<u>1,960,255</u>	<u>2,148,545</u>	<u>3.73</u>
Property				
LBS Bina Group Bhd - Preference Share	57,840	63,624	40,488	0.07
Sime Darby Property Bhd	321,700	246,005	294,355	0.52
	<u>379,540</u>	<u>309,629</u>	<u>334,843</u>	<u>0.59</u>
REITs				
IGB REIT	74,600	126,837	140,994	0.24
Sunway REIT	233,100	421,618	424,242	0.74
	<u>307,700</u>	<u>548,455</u>	<u>565,236</u>	<u>0.98</u>
Technology				
D&O Green Technologies Bhd	1,087,000	821,413	923,950	1.60
Malaysian Pacific Industries Bhd	50,000	568,195	571,999	0.99
ViTrox Corporation Bhd	95,900	667,609	759,528	1.32
	<u>1,232,900</u>	<u>2,057,217</u>	<u>2,255,477</u>	<u>3.91</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED) QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Axiata Group Bhd	219,800	963,412	909,972	1.58
Digi.com Bhd	230,000	1,080,426	1,025,800	1.78
Time Dotcom Bhd	99,000	865,993	912,780	1.60
	<u>548,800</u>	<u>2,909,831</u>	<u>2,848,552</u>	<u>4.96</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	89,500	757,051	680,200	1.18
MISC Bhd	56,600	384,490	472,610	0.82
Westports Holdings Bhd	150,000	568,354	631,500	1.10
	<u>296,100</u>	<u>1,709,895</u>	<u>1,784,310</u>	<u>3.10</u>
Utilities				
Ranhill Holdings Bhd	600,000	824,920	642,000	1.12
Taliworks Corporation Bhd	300,000	284,619	267,000	0.47
Tenaga Nasional Bhd	189,200	2,590,714	2,508,792	4.37
	<u>1,089,200</u>	<u>3,700,253</u>	<u>3,417,792</u>	<u>5.96</u>
TOTAL QUOTED SECURITIES	<u>11,552,572</u>	<u>38,261,644</u>	<u>38,334,657</u>	<u>66.58</u>
ACCUMULATED UNREALISED GAIN ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>73,013</u>	
TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>38,334,657</u>	

As at 31 December 2019, the Fund holds shares in RHB Capital Bhd, which has been delisted to facilitate the transfer of shares and listing status to RHB Bank Bhd. Following the spin-off event on 2 June 2016, there is no cost and market value for the said security as all assets and liabilities have been vested to RHB Bank Bhd.

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES				
Ara Bintang Bhd 5.50% 17/03/2026 (AAA)	900,000	902,034	905,292	1.57
Bumitama Agri Ltd 4.20% 22/07/2026 (AA3)	550,000	560,316	568,555	0.99
CIMB Thai Bank PCL 4.15% 06/07/2029 (AA3)	300,000	306,037	308,086	0.53
DRB-Hicom Bhd 4.85% 11/12/2026 (A1)	1,150,000	1,153,056	1,159,278	2.01
Edra Energy Sdn Bhd 5.67% 05/01/2023 (AA3)	1,500,000	1,610,499	1,614,737	2.80
Exsim Capital Resources Bhd 5.00% 28/01/2022 (AA3)	3,000,000	3,068,117	3,103,728	5.39
Fortune Premiere Sdn Bhd 3.985% 11/09/2026 (AA2)	450,000	456,910	456,164	0.79
IJM Corp Bhd 4.76% 10/04/2029 (AA3)	500,000	506,099	523,047	0.91
IJM Land Bhd Perpetual Sukuk 5.65% 17/03/2119 (A2)	500,000	508,049	536,624	0.93
IJM Land Bhd 4.73% 17/03/2119 (A2)	750,000	760,931	761,977	1.32
Malayan Banking Bhd 4.08% 22/02/2117 (AA3)	1,000,000	1,010,955	1,018,145	1.77
MBSB Bank Bhd 5.05% 20/12/2029 (A3)	120,000	120,197	120,221	0.21
Penang Port Sdn Bhd 4.30% 24/12/2026 (AA3)	550,000	550,324	550,318	0.96
Penang Port Sdn Bhd 4.48% 27/12/2029 (AA3)	200,000	200,123	200,121	0.35
Penang Port Sdn Bhd 4.68% 26/12/2031 (AA3)	400,000	400,256	400,252	0.70
Sabah Development Bank Bhd 5.25% 27/12/2023 (AA1)	3,500,000	3,505,060	3,665,793	6.37
Sports Toto Malaysia Sdn Bhd 4.95% 30/6/2022 (AA3)	1,600,000	1,602,317	1,617,410	2.81

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>16,970,000</u>	17,221,280	<u>17,509,748</u>	<u>30.41</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>288,468</u>		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>17,509,748</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018				
QUOTED SECURITIES				
Construction				
Gabungan AQRS Bhd - Warrant*	26,100	-	5,090	0.01
Gamuda Bhd	185,600	434,473	434,304	0.72
	<u>211,700</u>	<u>434,473</u>	<u>439,394</u>	<u>0.73</u>
Consumer Products & Services				
Bermaz Auto Bhd	270,300	574,890	581,145	0.96
British American Tobacco Bhd	28,500	981,090	1,028,280	1.71
Fraser & Neave Holdings Bhd	12,600	400,075	422,100	0.70
Genting Bhd	89,800	809,419	547,780	0.91
Genting Malaysia Bhd	95,500	493,470	288,410	0.48
Mynews Holdings Bhd	148,500	248,077	222,750	0.37
Nestle Malaysia Bhd	4,000	575,615	589,600	0.98
Petronas Dagangan Bhd	18,600	487,707	492,900	0.82
Sime Darby Bhd	227,000	529,211	544,800	0.90
	<u>894,800</u>	<u>5,099,554</u>	<u>4,717,765</u>	<u>7.83</u>
Energy				
Dialog Group Bhd	404,600	1,188,309	1,258,306	2.09
Yinson Holdings Bhd	104,000	314,662	436,800	0.73
	<u>508,600</u>	<u>1,502,971</u>	<u>1,695,106</u>	<u>2.82</u>
Financial Services				
Alliance Bank Malaysia Bhd	113,000	453,259	454,260	0.75
CIMB Group Holdings Bhd	434,424	2,551,480	2,480,561	4.11
Hong Leong Bank Bhd	97,300	1,746,453	1,984,920	3.29
Malayan Banking Bhd	392,834	3,624,438	3,731,923	6.19
Public Bank Bhd	216,747	4,818,455	5,366,656	8.90
RHB Bank Bhd	170,000	917,329	899,300	1.49
RHB Capital Bhd #	108,100	-	-	-
	<u>1,532,405</u>	<u>14,111,414</u>	<u>14,917,620</u>	<u>24.73</u>
Health Care				
Hartalega Holdings Bhd	27,800	165,455	170,692	0.28
IHH Healthcare Bhd	92,600	552,191	499,114	0.83
Top Glove Corporation Bhd	70,100	241,647	392,560	0.65
	<u>190,500</u>	<u>959,293</u>	<u>1,062,366</u>	<u>1.76</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED) QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
Petronas Chemicals Group Bhd	296,200	2,260,867	2,751,698	4.56
Uchi Technologies Bhd	120,400	365,049	305,816	0.51
	<u>416,600</u>	<u>2,625,916</u>	<u>3,057,514</u>	<u>5.07</u>
Plantation				
IOI Corporation Bhd	<u>205,000</u>	<u>929,081</u>	<u>912,250</u>	<u>1.51</u>
Property				
LBS Bina Group Bhd - Preference Share	57,840	63,624	59,575	0.10
SP Setia Bhd	24,165	81,680	56,305	0.09
	<u>82,005</u>	<u>145,304</u>	<u>115,880</u>	<u>0.19</u>
REIT				
IGB REIT	<u>509,000</u>	<u>865,418</u>	<u>880,570</u>	<u>1.46</u>
Technology				
Globetronics Technology Bhd	182,600	450,309	319,550	0.53
Inari Amertron Bhd	136,000	268,314	204,000	0.34
	<u>318,600</u>	<u>718,623</u>	<u>523,550</u>	<u>0.87</u>
Telecommunications & Media				
Digi.com Bhd	<u>305,500</u>	<u>1,402,057</u>	<u>1,374,750</u>	<u>2.28</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	<u>46,000</u>	<u>388,731</u>	<u>385,480</u>	<u>0.64</u>
Utilities				
Tenaga Nasional Bhd	<u>258,400</u>	<u>3,618,577</u>	<u>3,514,240</u>	<u>5.83</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED) QUOTED SECURITIES (CONTINUED)				
TOTAL QUOTED SECURITIES	<u>5,479,110</u>	<u>32,801,412</u>	<u>33,596,485</u>	<u>55.72</u>
ACCUMULATED UNREALISED GAIN ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>795,073</u>		
TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>33,596,485</u>		

* As at 31 December 2018, the Fund holds warrants in Gabungan AQRS Bhd from the bonus issue of warrants exercise on 21 September 2018. The warrants have been issued at no cost to the shareholders of Gabungan AQRS Bhd and the exercise price of the warrants has been fixed at RM1.12 each.

As at 31 December 2018, the Fund holds shares in RHB Capital Bhd, which has been delisted to facilitate the transfer of shares and listing status to RHB Bank Bhd. Following the spin-off event on 2 June 2016, there is no cost and market value for the said security as all assets and liabilities have been vested to RHB Bank Bhd.

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES				
Fortune Premiere Sdn Bhd 4.85% 07/09/2023 (AA2)	1,000,000	1,015,414	1,021,964	1.69
Genm Capital Bhd 4.98% 11/07/2023 (AAA)	1,500,000	1,535,610	1,551,855	2.57
Impian Ekspresi Sdn Bhd 4.58% 29/11/2019 (AAA)	5,000,000	5,031,345	5,038,554	8.36
Jimah Energy Ventures Sdn Bhd 9.30% 12/05/2020 (AA3)	2,000,000	2,141,369	2,157,429	3.58
Kapar Energy Ventures Sdn Bhd 4.63% 05/07/2022 (AA1)	3,000,000	3,085,389	3,092,619	5.13
Krung Thai Bank PCL 5.10% 04/07/2025 (AA2)	2,500,000	2,582,003	2,579,752	4.28
Malaysian Government Securities 4.23% 30/06/2031 ^ (NR)	2,000,000	2,071,438	1,962,774	3.26
Sabah Development Bank Bhd 5.25% 27/12/2023 (AA1)	3,500,000	3,505,621	3,508,572	5.82
Sabah Development Bank Bhd 5.30% 11/05/2022 (AA1)	2,000,000	2,015,652	2,029,721	3.37
Sarawak Energy Bhd 4.70% 24/11/2028 (AA1)	1,000,000	1,004,636	1,007,026	1.67
TOTAL UNQUOTED FIXED INCOME SECURITIES	2,350,000	23,988,477	23,950,266	39.73
ACCUMULATED UNREALISED LOSS ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		(38,211)		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		23,950,266		

^ The unquoted fixed income securities which are not rated as at the end of each financial period are issued, backed or guaranteed by government or government agencies.

9. CASH AND CASH EQUIVALENTS

	2019	2018
	RM	RM
Deposits with licensed financial institutions	1,695,284	2,832,934
Bank balance	110,963	73,852
	1,806,246	2,906,786

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	2018
	No. of units	No. of units
At the beginning of the financial year	151,109,097	159,488,747
Add: Creation of units from applications	7,908,619	9,995,489
Add: Creation of units from distribution	6,263,480	8,832,419
Less: Cancellation of units	(17,228,098)	(27,207,558)
At the end of the financial year	148,053,097	151,109,097

11. MANAGEMENT EXPENSE RATIO ("MER")

	2019	2018
	%	%
MER	1.98	2.03

MER is derived from 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 excluding withholding tax
- 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 RM59,240,164 (2018: RM66,172,456).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	<u>1.27</u>	<u>0.86</u>

PTR is derived from 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	=	RM74,317,410 (2018: RM52,931,618)
total disposal for the financial year	=	RM76,165,902 (2018: RM60,631,310)

13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO 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 the shareholder of the Manager
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Investment Bank Bhd	Fellow related party to the Manager
CGS-CIMB Securities Sdn Bhd	Fellow related party to the Manager

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

Units held by the Manager and parties related to the Manager

	2019		2018	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad (<i>formerly known as CIMB-Principal Asset Management Berhad</i>)	5,082	1,976	2,692	1,074

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.

	2019 RM	2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	4,655	188
Cash placement with licensed financial institution:		
- CIMB Bank Bhd	33,115,000	2,166,000
<u>Significant related party balance</u>		
Bank balance:		
- CIMB Bank Bhd	110,962	73,852

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 December 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	15,426,212	10.26	23,200	11.30
Macquarie Capital Securities (Malaysia) Sdn Bhd	14,754,643	9.81	28,936	14.09
Hong Leong Investment Bank Bhd	13,334,371	8.87	19,701	9.59
RHB Bank Bhd	13,287,875	8.83	-	-
KAF-Seagroatt & Campbell Securities Sdn Bhd	12,020,606	7.99	27,077	13.18
CLSA Securities (Malaysia) Sdn Bhd	10,000,689	6.65	19,885	9.68
Maybank Investment Bank Bhd	9,830,835	6.54	21,903	10.66
Affin Hwang Investment Bank Bhd	9,636,523	6.41	21,741	10.58
UBS Securities Malaysia Sdn Bhd	9,201,149	6.12	14,477	7.05
Alliance Bank Malaysia Bhd	7,683,020	5.11	-	-
Others #	35,225,340	23.41	28,480	13.87
	<u>150,401,263</u>	<u>100.00</u>	<u>205,400</u>	<u>100.00</u>

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 December 2018 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	22,367,857	19.82	35,565	17.13
Maybank Investment Bank Bhd	15,069,965	13.35	35,512	17.10
KAF-Seagroatt & Campbell Securities Sdn Bhd	9,842,225	8.72	22,180	10.68
CIMB Investment Bank Bhd #	9,582,092	8.49	22,547	10.86
Macquarie Capital Securities (Malaysia) Sdn Bhd	9,059,137	8.03	20,384	9.82
Affin Hwang Investment Bank Bhd	6,106,354	5.41	13,366	6.44
RHB Bank Bhd	6,044,800	5.36	-	-
JP Morgan Securities (Malaysia) Sdn Bhd	6,034,373	5.35	13,621	6.56
Credit Suisse (Malaysia) Sdn Bhd	5,560,930	4.93	12,512	6.03
CLSA Securities (Malaysia) Sdn Bhd	5,543,145	4.91	12,483	6.01
Others	17,649,094	15.63	19,473	9.37
	<u>112,859,972</u>	<u>100.00</u>	<u>207,643</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Bank Bhd, CGS-CIMB Securities Sdn Bhd and CIMB Investment Bank Bhd, fellow related parties to the Manager amounting to RM7,388,040 (2018: Nil), RM1,003,049 (2018: Nil) and Nil (2018: RM9,582,092) respectively. The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

15. SUBSEQUENT EVENT

The Manager proposed for the payment of a gross final distribution of 2.00 sen per unit in respect of the financial year ended 31 December 2019 which will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 31 December 2020. The final distribution has been approved by the Trustee on 30 December 2019.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 13 February 2020.

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