

# CIMB-Principal Balanced Income Fund

Annual Report

For The Financial Year Ended 31 August 2019

**CIMB-PRINCIPAL BALANCED INCOME FUND**  
**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019**

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## INVESTORS' LETTER

Dear Valued Investors,

We have recently announced through the media our collaboration with the Employee Provident Fund ("EPF") that consumers can now invest in our Unit Trust Funds at 0% sales fee\*, as part of our offering for the EPF's newly launched i-Invest online platform within the i-Akaun (Member) portal facility.

The online facility enables EPF i-Akaun members to invest in Unit Trust Funds using their EPF savings without needing to complete and submit physical forms and enables them to perform various transactions including purchase, redeem and switch funds - anytime, anywhere.

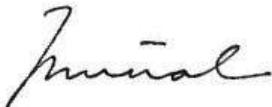
In today's era of dynamic change, there is a growing need to accommodate the emergence of more tech savvy investors. We're glad to have the opportunity to partner with the EPF and are excited to bring our global experience and expertise to make saving for retirement faster and easier for those who prefer to manage their money, their way. The Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) ("Principal Malaysia") online platform is just one more tool we offer to help you save enough and have enough in retirement and complements our other methods of investing. To find out more on how you can maximise your retirement savings, please visit <https://www.principal.com.my/en/unit-trust-investment-through-epf-i-akaun-investment>.

As of August 2019, our Assets under Management ("AUM") stood at RM56.5 billion. Going forward we will be launching a new global Fund with a unique combination that will help cushion the impact of any unforeseen eventualities. We look forward to introducing it to you.

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

Thank you.

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



**Munirah Khairuddin**  
Chief Executive Officer

\*The 0% sales fee is subject to change

## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICY

#### What is the investment objective of the Fund?

The investment objective of the Fund is to seek long-term growth in capital and income by investing in all types of investments.

#### Has the Fund achieved its objective?

For the full year period under review, the Fund's total return was -5.06% which outperformed the benchmark by 34 basis points ("bps"). The Fund has met its objective for the full year period.

#### What are the Fund investment policy and its strategy?

The Fund aims to invest in a diversified portfolio of equities and fixed income investments. In line with the objective of the Fund, the investment policy and strategy of the Fund will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 60:40. 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 not exceed 60% of the Net Asset Value ("NAV") of the Fund and investments in fixed income securities and liquid assets shall not be less than 40% of its NAV with a minimum credit rating of "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysia 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 fixed income portion will provide capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The Fund may opt to seek investment exposure via collective investment scheme that is in line with the Fund's objective, subject to the requirement of the Securities Commission Malaysia ("SC") Guidelines.

\* With effective 1<sup>st</sup> December 2017, the investment limit in Unrated Fixed Income Securities will be changed from 25% to 40%.

#### Fund category/type

Balanced/Growth and Income

#### How long should you invest for?

Recommended 5 years or more

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

Moderate

#### When was the Fund launched?

10 August 1995

#### What was the size of the Fund as at 31 August 2019?

RM199.32 million (295.54 million units)

#### What is the Fund's benchmark?

60% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Top 100 ("FBM100") Index + 40% 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 objective of the Fund. Investors are cautioned that the risk profile of the Fund is higher than the benchmark.

#### 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 investment objective and the performance of the Fund.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

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

The Fund distributed a total net income of RM12.40 million to unit holders for the financial year ended 31 August 2019. As a result of distribution, the NAV per unit dropped from RM0.7480 to RM0.7075 on 26 September 2018.

**PERFORMANCE DATA**

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

	<b>31.08.2019</b>	<b>31.08.2018</b>	<b>31.08.2017</b>
	%	%	%
Quoted securities			
- Communication Services	5.64	2.67	4.63
- Consumer Discretionary	5.50	9.41	3.43
- Consumer Staples	0.89	2.20	1.69
- Energy	5.97	4.31	4.71
- Financials	12.21	16.13	16.27
- Health Care	2.75	3.09	-
- Industrials	12.14	9.06	15.62
- Information Technology	0.50	2.29	1.99
- Materials	1.24	3.20	3.52
- Real Estate	2.66	1.29	1.81
- Utilities	7.10	5.22	4.59
Unquoted fixed income securities	35.85	34.33	34.53
Cash and other net assets	7.55	6.80	7.21
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Note: The Fund has adopted the Global Industry Classification Standard ("GICS") sectors classification

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

	<b>31.08.2019</b>	<b>31.08.2018</b>	<b>31.08.2017</b>
NAV (RM Million)	199.32	228.90	249.12
Units in circulation (Million)	295.54	304.79	324.40
NAV per unit (RM)	0.6744	0.7510	0.7679
Highest NAV per unit (RM)	0.7510	0.7743	0.7684
Lowest NAV per unit (RM)	0.6627	0.7160	0.6881
Total return (%)	(5.06)	4.93	9.02
- Capital growth (%)	(10.19)	(2.21)	1.52
- Income distribution (%)	5.72	7.29	7.38
Management Expense Ratio ("MER") (%) ^	1.55	1.64	1.66
Portfolio Turnover Ratio ("PTR") (times) #	1.01	1.19	1.11

^ The Fund's MER decreased from 1.64% to 1.55% due to lesser expenses incurred during the financial year under review.

# The Fund's PTR decreased from 1.19 times to 1.01 times due to lesser trading activities during the financial year under review.

Date of distribution	26.09.2018	21.10.2017	21.10.2016
Gross/Net distribution per unit (sen)	4.05	5.25	5.25

**PERFORMANCE DATA (CONTINUED)**

	<b>31.08.2019</b>	<b>31.08.2018</b>	<b>31.08.2017</b>	<b>31.08.2016</b>	<b>31.08.2015</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Annual total return	(5.06)	4.93	9.02	6.08	(7.38)

(Launch date: 10 August 1995)

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 SEPTEMBER 2018 TO 31 AUGUST 2019)**

**Equities**

For the financial period under review, the FBM Kuala Lumpur Composite Index (“FBMKLCI”) has fallen -11.4% being the second worst performing market in the region after the Korea Composite Stock Price Index (“KOSPI”). It was in fact a volatile period for global markets. The initial strength in the stock market in Asia could be attributed to stabilising economic data from China, easing trade tensions between the US and China, easing monetary policies among the Asian Central Banks and in a few cases, the return of incumbent business friendly leaders in their respective general elections. This culminated in better conditions for Asian stock markets and currencies. Unfortunately, the better conditions did not last as the trade talks between the US and China broke down. This was an unexpected turn of event and clearly negative. In addition, earnings projection for Asian companies did not improve as the quarter progressed. Fund flows turned negative resulting in a risk off environment. Domestically, political and policy uncertainties continue to weigh on the market.

The FBMKLCI declined by 1.4% in August 2019 (year-to-date (“YTD”): 4.6%) in tandem with the selloff in global equity markets. Domestically, the underwhelming second quarter of 2019 earnings season and sell-down of Genting Bhd and Genting Malaysia Bhd following a related party transaction (“RPT”) proposal also led to the decline in the Benchmark Index. Second quarter of 2019 earnings season was a major disappointment as reflected by further negative earnings revision leading to a much higher earnings contraction of 7.2% in 2019 (versus 4.5% a month ago). Banks (Net Interest Margin (“NIM”) compression following Overnight Policy Rate (“OPR”) cut and rising non-performing loan (“NPL”)), plantation (low crude palm oil (“CPO”) price), chemical (lower commodity price) and basic material (lower commodity price) sectors were the main contributors to the earnings cut.

**Fixed Income**

During the financial year under review, the Malaysian Government Securities (“MGS”) yield curve moved lower by 28 bps to 129 bps. The 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year MGS yields closed at 3.17%, 3.24%, 3.28%, 3.32%, 3.49%, 3.58% and 3.81% respectively at the end of August 2018.

In September 2018 the MGS yield curve traded higher across most tenures (between 1bps to 13 bps) with the 3-year MGS yields shifting the most (13 bps) to close at 3.59% from 3.46% previously. The local bond space continued to be on a cautious tone in October 2018. There was some selling pressure on the belly of the yield curve. Market was pricing in higher government bond supply for the remaining auctions as fiscal deficit in 2018 was expected to exceed the 2.8% of Gross Domestic Product (“GDP”) target.

The midterm review of the 11<sup>th</sup> Malaysia Plan was held on the 18 October 2018 whereby the Government cut its 2018 to 2020 growth projection for the country’s economy from the previous target of between 5.0% to 6.0% to between 4.5% to 5.5%. They expect growth to be driven by private expenditure albeit at a softer pace than initially expected, while rationalisation of the Government’s spending will see initial target for public expenditure to fall from 3.0% of GDP to 0.6%.

**MARKET REVIEW (1 SEPTEMBER 2018 TO 31 AUGUST 2019)****Fixed Income (continued)**

Budget 2019 was tabled on 2 November 2018 by the Finance Minister. The budget confirms that fiscal deficits will be wider at 3.7% in 2018 and 3.4% in 2019, but the Government remains committed to medium-term consolidation. The wider fiscal deficit of 0.9% is due to some legacy issues and previously unbudgeted items according to the Ministry of Finance (“MoF”). There is expected to be a RM7 billion offset which will come from additional dividend from Petroliam Nasional Bhd (“Petronas”), resulting in a RM13 billion budget deficit. Beginning 2019, the MoF will resume fiscal consolidation, aiming for a lower deficit ratio of 3.4%. According to its medium-term fiscal plan, which provides fiscal guidance covering 2019 to 2021, the Government targets to reduce the deficit ratio further to 3.0% in 2020 and 2.8% 2021.

Towards end of 2018, the MGS yield curve bull flattened with yields dropping the most in the 20-year segment. The 3-year, 5-year, 10-year, 15-year, 20-year and 30-year MGS yields traded lower at 3.62%, 3.84%, 4.10%, 4.47%, 4.66% and 4.87% respectively at end of December 2018.

2019 started the year with expectation of dovish interest rate trend as US Treasury (“UST”) yield inverted on the 5-year bucket - a sign that market is expecting the US Federal Reserve (the “Fed”) to ease at some point in the next few years. Trade tension and weak global growth forecast were the main backdrop of yield curve inversion in the US.

In April 2019, Bank Negara Malaysia (“BNM”) released its 2018 Annual Report in which the Central Bank downgraded 2019 growth to between 4.3% to 4.8% (2018: 4.7%), below MoF’s forecast of 4.9% in October 2018. Most of the downgrade came from smaller contribution from net export (2019: flat; 2018: 1%) and domestic demand (2019: 4.1%; 2018: 5.2%). 2019 headline Consumer Price Index (“CPI”) forecast also revised down to 0.7% to 1.7% (2.5% to 3.5% during Budget 2019 projections) given the lower oil prices and price ceiling mechanism on domestic retail fuel prices.

On 7 May 2019, BNM’s Monetary Policy Committee (“MPC”) cut the OPR by 25 bps to 3.00% as muchly anticipated by the market. The MPC statement highlighted that while domestic monetary and financial conditions remain supportive of economic growth, there are some signs of tightening of financial conditions. The adjustment to the OPR is therefore intended to preserve the degree of monetary accommodativeness.

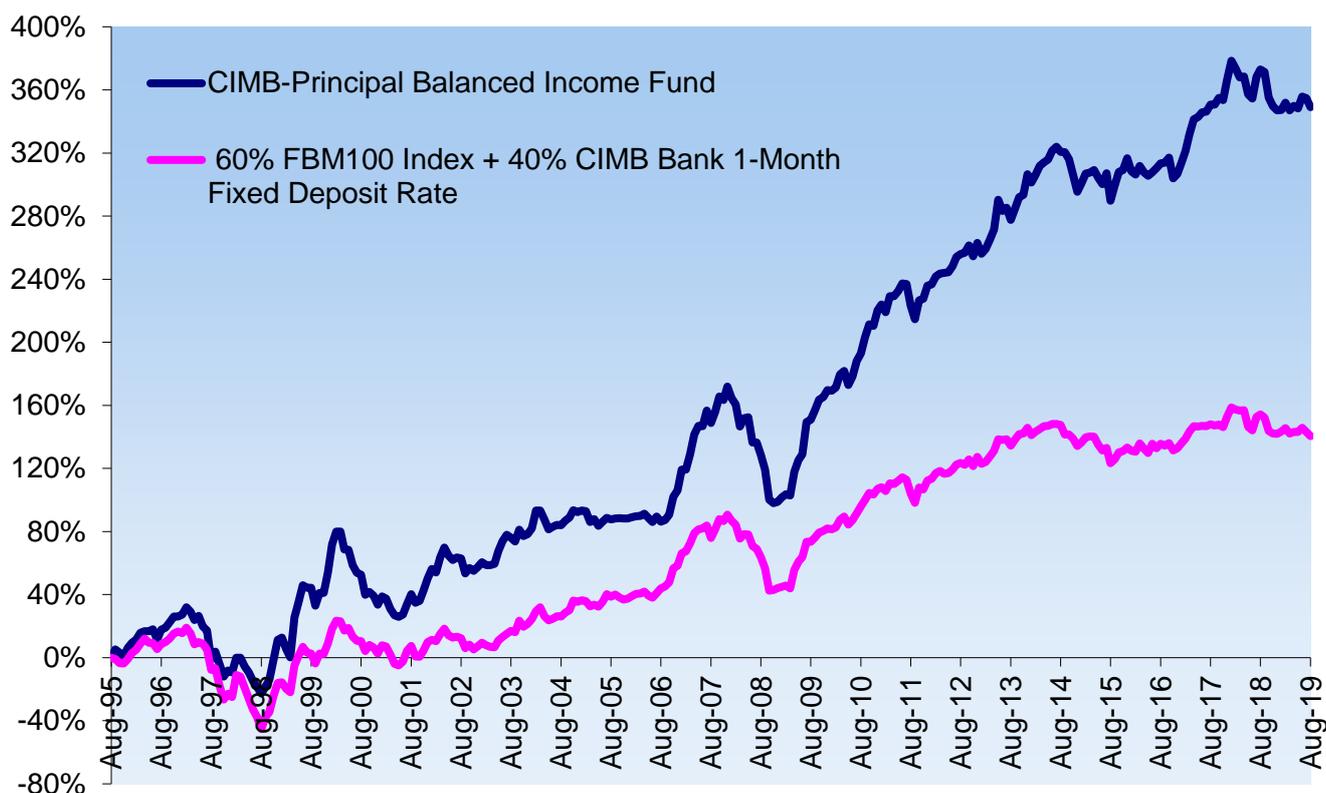
The MGS yield curve continued to bull flattened from June 2019 to August 2019. Better buying interest was seen from the continuation of dovish sentiment both from global and local factors. The longer end of the curve tightened significantly with the 20-year and 30-year tenors moved below 4%. Local government bonds (“govvies”) continued to track global yield movement amidst concerns on slowing global growth afflicted by the lingering US-China trade tensions.

Foreign investors holdings in Malaysian assets tapered off slightly in August 2019 by RM0.1 billion. As of August 2019, total foreign holdings in MGS and Government Investment Issues (“GII”) stood at RM153.7 billion and RM15.3 billion respectively, representing approximately 37.7% and 38.3% of outstanding MGS and GII respectively.

FUND PERFORMANCE

	1 year to 31.08.2019 %	3 years to 31.08.2019 %	5 years to 31.08.2019 %	Since inception to 31.08.2019 %
Income	5.72	21.80	38.29	252.69
Capital	(10.19)	(10.84)	(22.85)	27.32
Total Return	(5.06)	8.60	6.70	348.96
Benchmark	(5.40)	2.10	(0.59)	140.54
Average Total Return	(5.06)	2.79	1.31	6.44

The Fund recorded a loss over the one year due to market volatility, macro and micro headwinds. On a 3-year and 5-year basis, the Fund has gained by 8.60% and 6.70% respectively.



Changes in NAV

	31.08.2019	31.08.2018	Changes %
NAV (RM Million)	199.32	228.90	(12.92)
NAV/Unit (RM)	0.6744	0.7510	(10.20)

The Fund's NAV per unit fell by 10.20% due to market volatility, macro and micro headwinds; and the NAV of the Fund fell by 12.93% in the period due to redemptions.

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)	31.08.2019	31.08.2018
Quoted securities	56.60	58.87
Unquoted fixed income securities	35.85	34.33
Cash and other net assets	7.55	6.80
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

As at 31 August 2019, the Fund held 56.60% in quoted securities, 35.85% in unquoted fixed income securities and 7.50% in cash and other net assets. The asset allocation has shifted towards more defensive during the financial year under review.

## MARKET OUTLOOK

### Equities

Going into 2020, consensus projects 7.2% earnings rebound driven largely by banks and plantation sectors, which we remain skeptical. Over the past few weeks, policy flip-flop of the new Federal Government rears its ugly head again. Policy concern will likely dampen investors sentiment until there is clarity. While we remain sanguine on infrastructure spending resumption and Regulatory Asset Based (“RAB”) framework themes, we believe re-rating will only come once certainty is achieved. In this regard, we will be watching closely the Budget 2020.

### Fixed Income

Protracted trade tensions with mutual retaliations between the US and China coupled with weaker China data and a contraction in Germany’s second quarter of 2019 growth have sparked global growth concerns amid continued unrest in Hong Kong and Brexit uncertainty. Rising uncertainties have pushed the global government bond yields lower with the 2-year/10-year UST yield curve inverted for the first time since 2007, heightened recession fear.

Malaysian economy increased at a faster pace of 4.9% year-on-year (“y-o-y”) as compared to the first quarter of 2019 GDP of 4.5% (above market’s consensus of 4.7%) led by firmer domestic demand and across all economic sectors despite lingering global trade tensions. Overall, BNM’s baseline projection for 2019 growth remains within the range of 4.3% to 4.8% supported mainly by private sector activity. It notes that outlook is subject to downside risks from lingering external factors and domestic environment, worsening trade tensions and extended weakness in commodity related sectors. During the month, BNM announced liberalisation of the foreign exchange administration (“FEA”) rules to further improve the liquidity of foreign exchange market and bonds, reaffirming BNM’s stance to deepen and broaden onshore markets.

With MGS yields and spreads near record low, it has spurred positive vibes for corporates to tap the capital market for lower borrowing cost. Based on news flows and market chatter, we are seeing a robust pipeline issuances with ratings ranging from GG to single A amounting close to RM10 billion. A few key events to watch out in September 2019 are the MPC meeting on 12 September 2019, Federal Open Market Committee (“FOMC”) meeting on 19 September 2019 and FTSE Russell’s decision on potential MGS exclusion on 27 September 2019.

\* 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

### Equities

We maintain neutral on Malaysia while await policy clarity post Budget 2020 announcement on 11 October 2019. With expectation of further OPR cuts over the next 18 months, we continue to like the dividend investment theme, favouring high dividend yielders with earnings resilience. We also look to accumulate selective growth stocks on weakness within the Real Estate Investment Trusts (“REITs”), Utilities, Basic Materials, Automotive, Oil and Gas, and Construction sectors. We will also look for opportunistic trade on weakening Ringgit Malaysia (“RM”), especially glove manufacturers and equipment makers in the technology sectors.

### Fixed Income

We maintain our strategy continue to prefer the credit segment for more stable and higher yield pick up to anchor the Fund. Our focus is on the primary and repriced secondary offers that have exhibited stable and positive rating momentum.

## UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 31 August 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	56,165	5.03	1.70
5,001 - 10,000	1,322	9.70	3.28
10,001 - 50,000	3,869	93.08	31.51
50,001 - 500,000	1,379	147.39	49.86
500,001 and above	21	40.34	13.65
<b>Total</b>	<b>62,756</b>	<b>295.54</b>	<b>100.00</b>

## 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 have 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 INCOME 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 15 to 55 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 August 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with 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  
17 October 2019

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

We have acted as the Trustee of CIMB-Principal Balanced Income Fund (the "Fund") for the financial year ended 31 August 2019. To the best of our knowledge, Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager"), has operated and managed the Fund in accordance with the following:

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

During the financial year, a total distribution of 4.05 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distribution is consistent with the objective of the Fund.

For and on behalf of the Trustee  
**UNIVERSAL TRUSTEE (MALAYSIA) BERHAD**

**ONG TEE VANN**  
Chief Executive Officer

Kuala Lumpur  
17 October 2019

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Our opinion

In our opinion, the financial statements of CIMB-Principal Balanced Income Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 31 August 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 August 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 15 to 55.

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 INCOME 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 auditor's 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 in Malaysia. 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 INCOME 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 INCOME 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

17 October 2019

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

	Note	2019 RM	2018 RM
<b>(LOSS)/INCOME</b>			
Dividend income		4,127,627	4,090,819
Interest income from deposits with licensed financial institutions		456,313	570,668
Interest income from unquoted fixed income securities		3,663,538	3,806,160
Net (loss)/gain on financial assets at fair value through profit or loss	8	(16,029,912)	7,864,870
Net foreign exchange gain		167,082	112,892
		<u>(7,615,352)</u>	<u>16,445,409</u>
<b>EXPENSES</b>			
Management fee	4	3,197,438	3,587,165
Trustee's and custodian fees	5	89,769	86,610
Audit fee		15,400	10,960
Tax agent's fee		4,000	15,141
Transaction costs		573,473	885,127
Other expenses		24,223	223,414
		<u>3,904,303</u>	<u>4,808,417</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(11,519,655)	11,636,992
Taxation	7	-	(2,672)
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR</b>		<u>(11,519,655)</u>	<u>11,634,320</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		(1,106,635)	13,644,865
Unrealised amount		(10,413,020)	(2,010,545)
		<u>(11,519,655)</u>	<u>11,634,320</u>

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

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

	Note	2019 RM	2018 RM
<b>ASSETS</b>			
Cash and cash equivalents	9	15,725,289	16,264,917
Financial assets at fair value through profit or loss	8	184,253,939	213,305,527
Amount due from stockbrokers		-	487,428
Amount due from Manager		579,254	55,621
Dividends receivable		187,869	168,788
<b>TOTAL ASSETS</b>		<u>200,746,351</u>	<u>230,282,281</u>
<b>LIABILITIES</b>			
Amount due to stockbrokers		501,653	766,031
Amount due to Manager		640,619	299,080
Accrued management fee		257,965	291,397
Amount due to Trustee		4,268	4,491
Distribution payable		3,463	3,463
Other payables and accruals		21,959	15,582
<b>TOTAL LIABILITIES</b>		<u>1,429,927</u>	<u>1,380,044</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>199,316,424</u>	<u>228,902,237</u>
<b>EQUITY</b>			
Unit holders' capital		134,514,072	140,177,657
Retained earnings		64,802,352	88,724,580
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>199,316,424</u>	<u>228,902,237</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	10	<u>295,540,140</u>	<u>304,794,031</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.6744</u>	<u>0.7510</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 AUGUST 2019**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
<b>Balance as at 1 September 2018</b>		140,177,657	88,724,580	228,902,237
Movement in unit holders' contributions:				
- Creation of units from applications		10,457,962	-	10,457,962
- Creation of units from distribution		12,136,771	-	12,136,771
- Cancellation of units		(28,258,318)	-	(28,258,318)
Total comprehensive loss for the financial year		-	(11,519,655)	(11,519,655)
Distribution	6	-	(12,402,573)	(12,402,573)
<b>Balance as at 31 August 2019</b>		<u>134,514,072</u>	<u>64,802,352</u>	<u>199,316,424</u>
<b>Balance as at 1 September 2017</b>		154,791,278	94,324,580	249,115,858
Movement in unit holders' contributions:				
- Creation of units from applications		15,789,223	-	15,789,223
- Creation of units from distribution		16,857,611	-	16,857,611
- Cancellation of units		(47,260,455)	-	(47,260,455)
Total comprehensive income for the financial year		-	11,634,320	11,634,320
Distribution	6	-	(17,234,320)	(17,234,320)
<b>Balance as at 31 August 2018</b>		<u>140,177,657</u>	<u>88,724,580</u>	<u>228,902,237</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 AUGUST 2019**

	Note	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of quoted securities		116,109,152	167,001,033
Purchase of quoted securities		(112,847,953)	(151,574,108)
Proceeds from disposal of unquoted fixed income securities		107,715,463	127,672,926
Proceeds from redemption of unquoted fixed income securities		630,143	7,000,000
Purchase of unquoted fixed income securities		(98,898,058)	(127,046,129)
Dividend income received		4,090,049	4,017,477
Interest income received from deposits with licensed financial institutions		456,313	570,670
Interest income received from unquoted fixed income securities		3,640,702	3,558,042
Management fee paid		(3,230,870)	(3,614,789)
Trustee's and custodian fees paid		(89,992)	(90,127)
Payments for other fees and expenses		(18,090)	(282,822)
Net realised foreign exchange gain/(loss)		15,860	(19,249)
<b>Net cash generated from operating activities</b>		<u>17,572,719</u>	<u>27,192,924</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		9,934,329	15,750,666
Payments for cancellation of units		(27,916,779)	(47,757,280)
Distribution paid		(265,802)	(376,709)
<b>Net cash used in financing activities</b>		<u>(18,248,252)</u>	<u>(32,383,323)</u>
Net decrease in cash and cash equivalents		(675,533)	(5,190,399)
Effects of foreign exchange differences		135,905	124,725
Cash and cash equivalents at the beginning of the financial year		<u>16,264,917</u>	<u>21,330,591</u>
Cash and cash equivalents at the end of the financial year	<b>9</b>	<u>15,725,289</u>	<u>16,264,917</u>
<u>Cash and cash equivalent comprised of:</u>			
Deposits with licensed financial institutions		1,660,273	10,878,788
Bank balance		<u>14,065,016</u>	<u>5,386,129</u>
Cash and cash equivalents at the end of the financial year	<b>9</b>	<u>15,725,289</u>	<u>16,264,917</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 AUGUST 2019****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB-Principal Balanced Income Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a First Supplemental Master Deed dated 25 June 2008, a Supplemental Master Deed dated 14 July 2008 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 Universal Trustee (Malaysia) Berhad (the “Trustee”).

The Fund aims to invest in a diversified portfolio of equities and fixed income investments. In line with the objective of the Fund, the investment policy and strategy of the Fund will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 60:40. 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 not exceed 60% of the NAV of the Fund and investments in fixed income securities and liquid assets shall not be less than 40% 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 fixed income portion will provide capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The Fund may opt to seek investment exposure via collective investment scheme 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

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

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

#### Standard that is effective and relevant:

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

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

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

MFRS 9 has been applied retrospectively by the Fund and did not result in any change to the classification or measurement of financial instruments as outlined in Note 2(b). In accordance with the transitional provisions provided in MFRS 9, comparative information was not restated and continued to be reported under previous accounting policies governed under MFRS 139.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

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

#### (i) Financial year beginning on/after 1 September 2019

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

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

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

### (b) Financial assets and financial liabilities

#### Classification

Up to 31 August 2018, the Fund designates its investments in quoted securities and unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

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

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

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

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

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

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. 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.

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, distribution payable, and other payables and accruals as financial liabilities measured at amortised cost.

Recognition and measurement

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

Financial liabilities, within the scope of MFRS 139 up to 31 August 2018 and MFRS 9 from 1 September 2018, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

Unrealised gains or losses 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.

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

Foreign quoted securities outside Malaysia are valued at the last traded market price quoted on the respective foreign stock exchanges at the close of the business day of the respective foreign stock exchanges.

Quoted securities in Malaysia are valued at the last traded 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(I) for further explanation.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by Interactive Data Corporation (“IDC”), a provider of financial market data. However, if such quotations are not available on any business day, the unquoted fixed income securities will be valued by reference to the average indicative yield quoted by three (3) independent and reputable financial institutions.

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

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

Impairment for assets carried at amortised costs

Up to 31 August 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

From 1 September 2018 onwards, the Fund measures credit risk and ECL using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any ECL. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Foreign currency**Functional and presentation currency

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

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

- (i) Units of the Fund are denominated in RM.
- (ii) Significant portion of the Fund’s expenses are denominated in RM.
- (iii) Significant portion of the Fund’s investments are denominated in RM.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial 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.

Up to 31 August 2018, when a loans and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continue unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Cash and cash equivalents**

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

**(f) Taxation**

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

Withholding taxes on investment income from investment is 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.

**(g) 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.

**(h) 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, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

**(i) Unit holders’ capital**

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(j) 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 up to 31 August 2018, subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from stockbrokers. A provision for impairment of amount due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbrokers. Significant financial difficulties of the stockbrokers, probability that the stockbrokers will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

From 1 September 2018, these amounts are subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from stockbrokers at an amount equal to the lifetime expected credit losses 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 expected credit losses. 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 the Manager 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.

**(k) Segment information**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(I) 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.

**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:

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Total RM</b>
<b>2019</b>			
Cash and cash equivalents (Note 9)	-	15,725,289	15,725,289
Quoted securities (Note 8)	112,804,047	-	112,804,047
Unquoted fixed income securities (Note 8)	71,449,892	-	71,449,892
Amount due from Manager	-	579,254	579,254
Dividends receivable	-	187,869	187,869
	<u>184,253,939</u>	<u>16,492,412</u>	<u>200,746,351</u>

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Loans and receivables RM</b>	<b>Total RM</b>
<b>2018</b>			
Cash and cash equivalents (Note 9)	-	16,264,917	16,264,917
Quoted securities (Note 8)	134,728,578	-	134,728,578
Unquoted fixed income securities (Note 8)	78,576,949	-	78,576,949
Amount due from stockbrokers	-	487,428	487,428
Amount due from Manager	-	55,621	55,621
Dividends receivable	-	168,788	168,788
	<u>213,305,527</u>	<u>16,976,754</u>	<u>230,282,281</u>

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

The investment objective of the Fund is to seek long-term growth in capital and income by investing in all types of investments.

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**

Price risk 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 and currency risk). The value of investments 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.

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

**(a) Market risk (continued)**

**(i) Price risk (continued)**

The price risk is managed through diversification and asset allocation within specific limits according to the Deeds whereby the equity exposure will be reduced in the event of anticipated market weakness.

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

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Financial assets at fair value through profit or loss:		
- Quoted securities	112,804,047	134,728,578
- Unquoted fixed income securities	71,449,892	78,576,949
	184,253,939	213,305,527

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, having regard to the historical volatility of the prices.

<b>% Change in price of quoted securities</b>	<b>Market value</b>	<b>Impact on profit or loss/NAV</b>
	<b>RM</b>	<b>RM</b>
<b>2019</b>		
-5%	107,163,845	(5,640,202)
0%	112,804,047	-
5%	118,444,249	5,640,202
<b>2018</b>		
-5%	127,992,149	(6,736,429)
0%	134,728,578	-
5%	141,465,007	6,736,429

The Fund is exposed to price risk arising from profit rate fluctuation in relation to its investments of RM71,449,892 (2018: RM78,576,949) 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.

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

#### (a) Market risk (continued)

##### (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 make payments of interest income and principal, 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%	(118,672)	(147,424)
-1%	119,067	148,030

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

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

(a) Market risk (continued)

(iii) Currency risk

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

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

Financial assets	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Dividends receivable RM	Total RM
<b>2019</b>				
IDR	76,970	-	1,596	78,566
SGD	-	1,756,512	-	1,756,512
USD	-	2,220,897	-	2,220,897
	<u>76,970</u>	<u>3,977,409</u>	<u>1,596</u>	<u>4,055,975</u>
<b>2018</b>				
IDR	63,546	-	-	63,546
SGD	1,991,007	1,740,135	-	3,731,142
THB	1,801,290	-	-	1,801,290
USD	-	3,587,441	-	3,587,441
	<u>3,855,843</u>	<u>5,327,576</u>	<u>-</u>	<u>9,183,419</u>

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

	Change in foreign exchange rate %	Impact on profit or loss/NAV	
		2019 RM	2018 RM
IDR	5	3,928	3,177
SGD	5	87,826	186,557
THB	5	-	90,064
USD	5	111,045	179,372
		<u>202,799</u>	<u>459,170</u>

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

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

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

For 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.

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

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from Manager RM	Dividends receivable RM	Total RM
<b>2019</b>					
- AAA	5,094,395	15,725,289	-	-	20,819,684
- AA1	21,993,391	-	-	-	21,993,391
- AA2	8,844,616	-	-	-	8,844,616
- AA3	16,840,315	-	-	-	16,840,315
- A1	5,571,965	-	-	-	5,571,965
- A2	10,388,418	-	-	-	10,388,418
- C	2,716,792	-	-	-	2,716,792
- Not Rated	-	-	579,254	187,869	767,123
	<b>71,449,892</b>	<b>15,725,289</b>	<b>579,254</b>	<b>187,869</b>	<b>87,942,304</b>

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 (continued):

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
<b>2018</b>						
- AAA	10,159,934	16,264,917	-	-	-	26,424,851
- AA1	8,117,192	-	-	-	-	8,117,192
- AA2	25,078,909	-	-	-	-	25,078,909
- A1	14,770,220	-	-	-	-	14,770,220
- BB3	3,582,834	-	-	-	-	3,582,834
- Not Rated	16,867,860	-	487,428	55,621	168,788	17,579,697
	<u>78,576,949</u>	<u>16,264,917</u>	<u>487,428</u>	<u>55,621</u>	<u>168,788</u>	<u>95,553,703</u>

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

(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, deposits with licensed financial institutions and other instruments, 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
<b>2019</b>			
Amount due to stockbrokers	501,653	-	501,653
Amount due to Manager	640,619	-	640,619
Accrued management fees	257,965	-	257,965
Amount due to Trustee and custodian	4,268	-	4,268
Distribution payable	3,463	-	3,463
Other payables and accruals	-	21,959	21,959
<b>Contractual undiscounted cash flows</b>	<b>1,407,968</b>	<b>21,959</b>	<b>1,429,927</b>
<b>2018</b>			
Amount due to stockbrokers	766,031	-	766,031
Amount due to Manager	299,080	-	299,080
Accrued management fees	291,397	-	291,397
Amount due to Trustee and custodian	4,491	-	4,491
Distribution payable	3,463	-	3,463
Other payables and accruals	-	15,582	15,582
<b>Contractual undiscounted cash flows</b>	<b>1,364,462</b>	<b>15,582</b>	<b>1,380,044</b>

#### (d) Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM134,514,072 (2018: RM140,177,657) and retained earnings of RM64,802,352 (2018: RM88,724,580). The amount of equity 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 for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

#### (e) Fair value estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded 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.

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

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

#### (i) Fair value hierarchy

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

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

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

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

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

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

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

**(e) Fair value estimation (continued)**

**(i) Fair value hierarchy (continued)**

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2019</b>				
Financial asset at fair value through profit or loss:				
- Quoted securities	112,804,047	-	-	112,804,047
- Unquoted fixed income securities	-	71,449,892	-	71,449,892
	<u>112,804,047</u>	<u>71,449,892</u>	<u>-</u>	<u>184,253,939</u>
<b>2018</b>				
Financial asset at fair value through profit or loss:				
- Quoted securities	134,728,578	-	-	134,728,578
- Unquoted fixed income securities	-	78,576,949	-	78,576,949
	<u>134,728,578</u>	<u>78,576,949</u>	<u>-</u>	<u>213,305,527</u>

Investments 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. These include 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 1.50% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 August 2019, the management fee is recognised at a rate of 1.50% per annum (2018: 1.50% per annum).

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

**5. TRUSTEE'S AND CUSTODIAN FEES**

In accordance with the Deeds, the Trustee is entitled to a fee at the following rates:

<b>Size of the Fund</b>	<b>Rate per annum of the NAV of the Fund</b>
First RM20 million	0.06%
Next RM20 million	0.05%
Next RM20 million	0.04%
Next RM20 million	0.03%
Next RM20 million	0.02%
Any amount in excess of RM100 million	0.01%

The Trustee's fee is calculated daily based on the NAV of the Fund. The custodian fee is accrued at an annual fee of RM20,000.

For the financial year ended 31 August 2019, the Trustee's fee is recognised at the above-mentioned rates and the custodian fee is recognised at an annual fee of RM20,000 per annum (2018: RM20,000 per annum).

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

**6. DISTRIBUTION**

Distribution to unit holders is derived from the following sources:

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Dividend income	595,706	865,715
Interest income	632,165	1,042,570
Net realised gain from disposal of financial assets at fair value through profit or loss	2,085,249	1,435,818
Prior financial years' realised income	9,239,702	14,109,157
	12,552,822	17,453,260
Less:		
Expenses	(150,249)	(218,940)
Net distribution amount	12,402,573	17,234,320
<b>Distribution on 26 September 2018</b>		
Gross/Net distribution per unit (sen)	4.05	-
<b>Distribution on 21 October 2017</b>		
Gross/Net distribution per unit (sen)	-	5.25

**6. DISTRIBUTION (CONTINUED)**

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current 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.

During the financial year ended 31 August 2019, the Fund incurred unrealised losses of RM10,413,020 (2018: RM2,010,545).

**7. TAXATION**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial year:		
- Withholding tax	-	2,672
	-	2,672

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

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
(Loss)/Profit before taxation	(11,519,655)	11,636,992
Taxation at Malaysian statutory rate of 24% (2018: 24%)	(2,764,717)	2,792,878
Tax effects of:		
- Loss not deductible for tax purposes/(Income not subject to tax)	1,827,684	(3,946,898)
- Expenses not deductible for tax purposes	164,388	241,776
- Restriction on tax deductible expenses for Unit Trust Funds	772,645	912,244
Withholding tax	-	2,672
Taxation	-	2,672

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
At fair value through profit or loss:		
- Quoted securities	112,804,047	134,728,578
- Unquoted fixed income securities	71,449,892	78,576,949
	184,253,939	213,305,527
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(5,626,146)	10,286,171
- Unrealised fair value loss	(10,403,766)	(2,421,301)
	(16,029,912)	7,864,870

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 %
<b>2019</b>				
<b>QUOTED SECURITIES</b>				
<b>INDONESIA</b>				
<b>Financials</b>				
Bank CIMB Niaga TBK PT	247,570	38,294	76,970	0.04
<b>TOTAL INDONESIA</b>	<b>247,570</b>	<b>38,294</b>	<b>76,970</b>	<b>0.04</b>
<b>MALAYSIA</b>				
<b>Communication Services</b>				
Axiata Group Bhd	990,000	4,378,157	4,999,500	2.51
DiGi.Com Bhd	820,000	3,809,474	4,116,400	2.07
TIME dotCom Bhd	232,000	2,017,166	2,118,160	1.06
	2,042,000	10,204,797	11,234,060	5.64
<b>Consumer Discretionary</b>				
Bermaz Auto Bhd	1,100,000	2,523,819	2,508,000	1.26
DRB-Hicom Bhd	961,000	2,505,808	2,421,720	1.22
Genting Bhd	500,000	4,100,451	3,000,000	1.51
Genting Malaysia Bhd	957,800	3,779,124	3,007,492	1.51
	3,518,800	12,909,202	10,937,212	5.50
<b>Consumer Staples</b>				
Nestle (Malaysia) Bhd	12,000	1,726,846	1,770,000	0.89
<b>Energy</b>				
Dialog Group Bhd	1,419,300	4,440,762	4,939,164	2.48
Hibiscus Petroleum Bhd	4,202,000	4,294,151	3,802,810	1.91
Petronas Dagangan Bhd	30,000	786,624	686,400	0.34
Yinson Holdings Bhd	355,000	1,348,425	2,467,250	1.24
	6,006,300	10,869,962	11,895,624	5.97
<b>Financials</b>				
Bursa Malaysia Bhd	117,000	756,608	734,760	0.37
CIMB Group Holdings Bhd	1,310,047	7,387,160	6,628,838	3.33
Malayan Banking Bhd	1,098,956	10,061,167	9,549,928	4.79
Public Bank Bhd	250,830	5,680,945	5,096,866	2.56
RHB Bank Bhd	268,300	1,481,885	1,529,310	0.77
RHB Capital Bhd <sup>1</sup>	289,700	-	-	-
Syarikat Takaful Malaysia Keluarga Bhd	120,000	727,854	691,200	0.35
	3,454,833	26,095,619	24,230,902	12.17

## 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 %
<b>2019 (CONTINUED)</b>				
<b>QUOTED SECURITIES</b>				
<b>(CONTINUED)</b>				
<b>MALAYSIA (CONTINUED)</b>				
<b>Health Care</b>				
IHH Healthcare Bhd	572,000	3,307,999	3,311,880	1.66
Top Glove Corporation Bhd	459,200	1,949,414	2,181,200	1.09
	<u>1,031,200</u>	<u>5,257,413</u>	<u>5,493,080</u>	<u>2.75</u>
<b>Industrials</b>				
Econpile Holdings Bhd	3,000,000	1,980,130	2,295,000	1.15
Gamuda Bhd	780,000	2,466,352	2,808,000	1.41
HSS Engineers Bhd	1,800,000	2,061,777	1,449,000	0.73
IJM Corporation Bhd	1,845,000	3,804,159	4,206,600	2.11
Malaysia Airports Holdings Bhd	350,500	2,994,280	2,884,615	1.45
Malaysian Resources Corporation Bhd	3,121,000	2,849,813	2,278,330	1.14
MISC Bhd	360,000	2,452,989	2,613,600	1.31
Pentamaster Corporation Bhd	380,000	1,259,282	1,326,200	0.67
Sime Darby Bhd	700,000	1,653,686	1,603,000	0.80
Westports Holdings Bhd	650,000	2,468,765	2,730,000	1.37
	<u>12,986,500</u>	<u>23,991,233</u>	<u>24,194,345</u>	<u>12.14</u>
<b>Information Technology</b>				
Revenue Group Bhd	668,400	1,008,602	1,015,968	0.50
<b>Materials</b>				
Petronas Chemicals Group Bhd	100,000	860,246	693,000	0.35
Press Metal Aluminium Holdings Bhd	358,736	1,728,105	1,764,981	0.89
	<u>458,736</u>	<u>2,588,351</u>	<u>2,457,981</u>	<u>1.24</u>
<b>Real Estate</b>				
IGB REIT	1,378,100	2,342,505	2,852,667	1.43
LBS Bina Group Bhd - Preference Share	160,140	176,154	125,710	0.06
Sunway REIT	1,200,000	2,170,316	2,340,000	1.17
	<u>2,738,240</u>	<u>4,688,975</u>	<u>5,318,377</u>	<u>2.66</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 %
<b>2019 (CONTINUED)</b>				
<b>QUOTED SECURITIES (CONTINUED)</b>				
<b>MALAYSIA (CONTINUED)</b>				
<b>Utilities</b>				
Taliworks Corporation Bhd	1,815,200	1,684,857	1,615,528	0.80
Tenaga Nasional Bhd	900,000	12,450,798	12,564,000	6.30
	<u>2,715,200</u>	<u>14,135,655</u>	<u>14,179,528</u>	<u>7.10</u>
<b>TOTAL MALAYSIA</b>	<b><u>35,632,209</u></b>	<b><u>113,476,655</u></b>	<b><u>112,727,077</u></b>	<b><u>56.56</u></b>
<b>TOTAL QUOTED SECURITIES</b>	<b><u>35,879,779</u></b>	<b><u>113,514,949</u></b>	<b><u>112,804,047</u></b>	<b><u>56.60</u></b>
<b>ACCUMULATED UNREALISED LOSS ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>(710,902)</u></b>		
<b>TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>11,2804,047</u></b>		
Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019</b>				
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
Abu Dhabi National Energy Company PJSC 4.65% 03/03/2022 (AA1)	3,000,000	3,065,849	3,082,715	1.55
Alliance Bank (M) Bhd 5.75% 27/10/2020 (A2)	10,000,000	10,315,783	10,388,418	5.21
AmBank Islamic Bhd 5.20% 15/03/2027 (AA3)	5,000,000	5,134,925	5,288,896	2.65
Bumitama Agri Ltd 4.10% 22/07/2024 (AA3)	1,650,000	1,657,599	1,686,260	0.85
Bumitama Agri Ltd 4.20% 22/07/2026 (AA3)	1,300,000	1,306,133	1,341,363	0.67
CIMB Thai Bank PCL 4.15% 06/07/2029 (AA3)	250,000	251,563	254,133	0.13
DRB-Hicom Bhd 5.35% 08/07/2020 (A1)	350,000	353,007	357,165	0.18

## 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 %
<b>2019 (CONTINUED)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES (CONTINUED)</b>				
Fortune Premiere Sdn Bhd IMTN 4.65% 21/12/2022	500,000	504,586	518,896	0.26
Great Realty Sdn Bhd 4.85% 26/05/2023 (AAA)	5,000,000	5,049,485	5,094,395	2.56
MMC Corporation Bhd 5.20% 12/11/2020 (AA3)	5,000,000	5,097,386	5,143,968	2.58
Northern Gateway Infrastructure Sdn Bhd 5.20% 29/08/2029 (AA1)	1,000,000	1,044,073	1,109,807	0.56
Quantum Solar Park (Semenanjung) Sdn Bhd 5.84% 04/04/2031 (A1)	5,000,000	5,058,901	5,214,800	2.62
Sabah Development Bank Bhd 5.01% 07/08/2020 (AA1)	5,000,000	5,037,577	5,074,758	2.55
Talam Transform Bhd 0% 28/12/2020 (C)*	2,979,775	390,618	2,716,792	1.36
UEM Edgenta Bhd 4.85% 26/04/2022 (AA3)	3,000,000	3,086,756	3,125,695	1.57
UMW Holdings Bhd 5.02% 04/10/2021 (AA2)	1,000,000	1,029,945	1,050,420	0.53
UniTapah Sdn Bhd 6.10% 12/06/2030 (AA1)	5,000,000	5,614,353	5,938,285	2.98
WCT Holdings Bhd 5.32% 11/05/2022 (AA2)	7,000,000	7,157,776	7,275,300	3.65
YTL Corporation Bhd 4.60% 23/06/2034 (AA1)	1,350,000	1,371,659	1,442,475	0.72
YTL Corporation Bhd 4.63% 11/11/2026 (AA1)	5,000,000	5,193,857	5,345,351	2.67
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<b>68,379,775</b>	<b>67,721,831</b>	<b>71,449,892</b>	<b>35.85</b>
<b>UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>3,728,061</b>		
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>71,449,892</b>		

## 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 %
<b>2018</b>				
<b>QUOTED SECURITIES</b>				
<b>INDONESIA</b>				
<b>Financials</b>				
Bank CIMB Niaga TBK PT	247,570	38,294	63,546	0.03
<b>TOTAL INDONESIA</b>	<b>247,570</b>	<b>38,294</b>	<b>63,546</b>	<b>0.03</b>
<b>MALAYSIA</b>				
<b>Communication Services</b>				
Axiata Group Bhd	367,872	1,816,013	1,765,786	0.77
DiGi.Com Bhd	920,500	4,225,760	4,335,555	1.90
	1,288,372	6,041,773	6,101,341	2.67
<b>Consumer Discretionary</b>				
Bermaz Auto Bhd	813,800	1,779,939	1,741,532	0.76
Genting Bhd	729,300	6,558,202	6,286,566	2.75
Genting Malaysia Bhd	1,257,800	6,571,378	6,565,716	2.87
Mynews Holdings Bhd	443,700	741,286	665,550	0.29
Padini Holdings Bhd	276,000	1,401,849	1,650,480	0.72
UMW Holdings Bhd	475,600	2,865,671	2,825,064	1.23
	3,996,200	19,918,325	19,734,908	8.62
<b>Consumer Staples</b>				
Fraser & Neave Holdings Bhd	30,600	934,717	1,162,800	0.51
Genting Plantations Bhd	117,100	1,181,758	1,104,253	0.48
IOI Corporation Bhd	612,600	2,777,705	2,768,952	1.21
	760,300	4,894,180	5,036,005	2.20
<b>Energy</b>				
Dialog Group Bhd	1,419,300	4,440,762	4,939,164	2.16
Hibiscus Petroleum Bhd	1,077,100	1,157,646	1,034,016	0.45
Serba Dinamik Holdings Bhd	66,700	237,846	256,795	0.11
Yinson Holdings Bhd	790,400	2,403,893	3,635,840	1.59
	3,353,500	8,240,147	9,865,815	4.31

## 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 %
<b>2018 (CONTINUED)</b>				
<b>QUOTED SECURITIES</b>				
<b>(CONTINUED)</b>				
<b>MALAYSIA (CONTINUED)</b>				
<b>Financials</b>				
Alliance Bank Malaysia Bhd	338,100	1,366,108	1,396,353	0.61
CIMB Group Holdings Bhd	417,000	2,287,120	2,539,530	1.11
Hong Leong Bank Bhd	243,600	4,344,008	5,008,416	2.19
Malayan Banking Bhd	885,331	8,070,037	8,817,897	3.85
Public Bank Bhd	651,030	14,632,639	16,353,874	7.15
RHB Bank Bhd	506,200	2,727,497	2,733,480	1.19
RHB Capital Bhd <sup>1</sup>	289,700	-	-	-
	<u>3,330,961</u>	<u>33,427,409</u>	<u>36,849,550</u>	<u>16.10</u>
<b>Health Care</b>				
Hartalega Holdings Bhd	269,800	1,601,471	1,915,580	0.84
IHH Healthcare Bhd	522,400	3,117,359	2,914,992	1.27
Top Glove Corporation Bhd	201,500	1,523,099	2,244,710	0.98
	<u>993,700</u>	<u>6,241,929</u>	<u>7,075,282</u>	<u>3.09</u>
<b>Industrials</b>				
AirAsia Group Bhd	810,700	2,862,556	2,788,808	1.22
Gabungan AQRS Bhd	571,600	753,102	640,192	0.28
Gamuda Bhd	319,700	1,129,335	1,182,890	0.52
Malaysia Airports Holdings Bhd	218,600	1,751,661	2,043,910	0.89
Malaysian Resources Corporation Bhd	884,200	674,367	618,940	0.27
Muhibbah Engineering (M) Bhd	703,100	1,832,641	2,200,703	0.96
Pentamaster Corporation Bhd	957,792	1,558,189	3,285,226	1.43
Pos Malaysia Bhd	276,400	1,013,066	997,804	0.44
Sime Darby Bhd	1,649,100	3,981,520	4,205,205	1.84
Sunway Construction Group Bhd	401,000	878,250	769,920	0.34
	<u>6,792,192</u>	<u>16,434,687</u>	<u>18,733,598</u>	<u>8.19</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 %
<b>2018 (CONTINUED)</b>				
<b>QUOTED SECURITIES</b>				
<b>(CONTINUED)</b>				
<b>MALAYSIA (CONTINUED)</b>				
<b>Information Technology</b>				
Globetronics Technology Bhd	746,966	1,870,430	2,106,444	0.92
Inari Amertron Bhd	762,850	1,521,808	1,708,784	0.75
My E.G. Services Bhd	629,800	764,457	938,402	0.41
V.S. Industry Bhd	307,100	692,243	485,218	0.21
	<u>2,446,716</u>	<u>4,848,938</u>	<u>5,238,848</u>	<u>2.29</u>
<b>Materials</b>				
Petronas Chemicals Group Bhd	775,600	5,691,221	7,337,176	3.20
<b>Real Estate</b>				
Eastern and Oriental Bhd	553,700	911,811	858,235	0.37
LBS Bina Group Bhd	1,258,260	1,050,290	1,113,561	0.49
LBS Bina Group Bhd - Preference Share	160,140	176,154	160,140	0.07
SP Setia Bhd	230,500	694,817	606,215	0.26
SP Setia Bhd - Preference Share	221,280	221,280	220,174	0.10
	<u>2,423,880</u>	<u>3,054,352</u>	<u>2,958,325</u>	<u>1.29</u>
<b>Utilities</b>				
Tenaga Nasional Bhd	761,600	10,786,096	11,941,888	5.22
<b>TOTAL MALAYSIA</b>	<b><u>26,923,021</u></b>	<b><u>119,579,057</u></b>	<b><u>130,872,736</u></b>	<b><u>57.18</u></b>
<b>SINGAPORE</b>				
<b>Industrials</b>				
Keppel Corp Ltd	101,600	2,407,077	1,991,007	0.87
<b>TOTAL SINGAPORE</b>	<b><u>101,600</u></b>	<b><u>2,407,077</u></b>	<b><u>1,991,007</u></b>	<b><u>0.87</u></b>

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 %
<b>2018 (CONTINUED)</b>				
<b>QUOTED SECURITIES (CONTINUED)</b>				
<b>THAILAND</b>				
<b>Consumer Discretionary</b>				
Central Plaza Hotel PCL - NVDR <sup>2</sup>	<u>27,633,691</u>	<u>2,330,416</u>	<u>1,801,290</u>	<u>0.79</u>
<b>TOTAL THAILAND</b>	<u><b>27,633,691</b></u>	<u><b>2,330,416</b></u>	<u><b>1,801,290</b></u>	<u><b>0.79</b></u>
<b>TOTAL QUOTED SECURITIES</b>	<u><b>54,905,882</b></u>	<u><b>124,354,844</b></u>	<u><b>134,728,579</b></u>	<u><b>58.87</b></u>
<b>ACCUMULATED UNREALISED GAIN ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u><b>10,373,735</b></u>		
<b>TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u><b>134,728,579</b></u>		

## 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 %
<b>2018 (CONTINUED)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
Abu Dhabi National Energy 4.65% 03/03/2022 (AA1)	3,000,000	3,064,770	3,068,225	1.34
Al Dzahab Assets Bhd 5.00% 21.06.2019 (AAA)	2,000,000	2,028,915	2,031,447	0.89
AMMB Holdings Bhd 5.20% 15/03/2027 (A1)	5,000,000	5,141,209	5,177,446	2.26
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	2,500,000	2,577,746	2,576,753	1.13
Danga Capital Bhd 5.02% 21/09/2033 (AAA)	1,000,000	1,024,626	1,046,016	0.46
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA)	500,000	504,586	503,226	0.22
Fortune Premiere Sdn Bhd 4.80% 13/03/2023 (AA)	500,000	511,375	512,820	0.22
GB Services Bhd 5.30% 08/11/2019 (AAA)	1,000,000	1,020,459	1,025,213	0.45
GENM Capital Bhd 5.30% 11/07/2028 (AAA)	2,000,000	2,015,101	2,040,541	0.89
Government Investment Issues 4.05% 15/08/2024 #	2,000,000	2,016,651	2,010,717	0.88
Golden Assets International Finance Ltd 5.35% 05/08/2019 (A1)	1,500,000	1,508,016	1,511,956	0.66
Hong Leong Bank Bhd 4.50% 21/06/2024 (AA1)	5,000,000	5,050,047	5,048,967	2.21
Malaysia Government Securities 3.90% 30/11/2026 (NR) #	3,000,000	3,100,320	2,975,130	1.30
Malaysia Government Securities 4.25% 31/05/2035 (NR) #	3,000,000	3,011,669	2,889,928	1.26
Malaysian Government 3.73% 15/06/2028 #	4,000,000	3,881,546	3,932,682	1.72
Malaysian Government 3.96% 15/09/2025 #	5,000,000	5,015,078	5,059,403	2.21
MMC Corporation Bhd 5.20% 12/11/2020 (AA)	5,000,000	5,111,462	5,101,156	2.22
Talam Transform Bhd 0% 28/06/2019 (B)*	3,609,917	535,555	3,582,834	1.57
Tan Chong Motor Holdings Bhd 4.50% 22/11/2019 (A1)	5,000,000	4,970,513	4,970,394	2.17

## 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 %
<b>2018 (CONTINUED)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES (CONTINUED)</b>				
Tenaga Nasional Bhd 4.98% 27/08/2038 (AAA)	4,000,000	4,001,637	4,016,717	1.75
UEM Sunrise Bhd 4.80% 11/12/2020 (AA)	5,000,000	5,067,791	5,081,318	2.22
UMW Holdings Bhd 4.82% 04/10/2019 (AA2)	3,500,000	3,584,671	3,587,319	1.57
UMW Holdings Bhd 5.02% 04/10/2021 (AA2)	3,000,000	3,102,344	3,105,870	1.36
UMW Holdings Bhd 6.35% 20/04/2118 (AA2)	500,000	511,656	533,671	0.23
WCT Holdings Bhd 5.32% 11/05/2022 (AA)	7,000,000	7,172,016	7,187,200	3.14
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<b>77,609,917</b>	<b>75,529,759</b>	<b>78,576,949</b>	<b>34.33</b>
<b>ACCUMULATED UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>3,047,190</b>		
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>78,576,949</b>		

<sup>1</sup> 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.

<sup>2</sup> NVDR, or non-voting depository receipt, is a trading Instrument issued by Thai NVDR Company Limited, a subsidiary wholly owned by the Stock Exchange of Thailand ("SET"). It is a valid security as specified by the United States Securities and Exchange Commission ("SEC") and is automatically regarded as a listed security by the SET. The underlying security is a listed security in the SET.

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

\* Talam Transform Bhd had been downgraded to B3 since 1 August 2014. The Fund is still holding the said security as there are no liquidity in view of its below investment good rating.

**9. CASH AND CASH EQUIVALENTS**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Deposits with licensed financial institutions	1,660,273	10,878,788
Bank balances	14,065,016	5,386,129
	15,725,289	16,264,917

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

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Deposits with licensed financial institutions	3.00	3.36

Deposits with licensed financial institutions of the Fund have an average maturity of 2 days (2018: 3 days).

**10. NUMBER OF UNITS IN CIRCULATION (UNITS)**

	<b>2019</b>	<b>2018</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	304,794,031	324,398,069
Add: Creation of units from applications	15,162,421	21,008,272
Add: Creation of units from distribution	17,154,447	23,397,101
Less: Cancellation of units	(41,570,759)	(64,009,411)
At the end of the financial year	295,540,140	304,794,031

**11. MANAGEMENT EXPENSE RATIO ("MER")**

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
MER	1.55	1.64

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 and custodian fees
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 RM213,195,974 (2018: RM239,057,138).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	1.01	1.19

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 = RM210,220,119 (2018: RM274,749,427)  
 total disposal for the financial year = RM222,364,366 (2018: RM293,544,316)

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

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

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

Units held by the Manager and parties related to the Manager

		<b>2019</b>		<b>2018</b>
	<b>No. of units</b>	<b>RM</b>	<b>No. of units</b>	<b>RM</b>
<b>Manager</b>				
Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad)				
	<u>115,282</u>	<u>77,746</u>	<u>8,853</u>	<u>6,649</u>

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.

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	<u>33,935</u>	<u>21,837</u>
Cash placement with licensed financial institution:		
- CIMB Bank Bhd	<u>97,306,000</u>	<u>87,940,000</u>
<u>Significant related party balances</u>		
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	<u>1,660,000</u>	<u>3,715,000</u>

## 14. TRANSACTIONS WITH BROKERS/DEALERS

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

<b>Brokers/Dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage Fees RM</b>	<b>Percentage of total brokerage fees %</b>
RHB Investment Bank Bhd	85,427,299	19.76	77,483	17.32
Macquarie Capital Securities (Malaysia) Sdn Bhd	47,784,876	11.05	95,938	21.45
Alliance Bank Malaysia Bhd	41,504,150	9.60	-	-
Hong Leong Investment Bank Bhd	28,669,736	6.63	18,824	4.21
Maybank Investment Bank Bhd	26,904,225	6.22	58,044	12.98
CLSA Securities Malaysia Sdn Bhd	24,734,253	5.72	46,358	10.37
RHB Bank Bhd	24,301,430	5.62	-	-
KAF-Seagroatt & Campbell Bhd	22,424,638	5.19	48,682	10.89
CIMB Bank Bhd #	21,090,260	4.88	-	-
UBS Securities Malaysia Sdn Bhd	18,687,416	4.32	21,987	4.92
Others #	90,833,493	21.01	79,923	17.86
	<u>432,361,776</u>	<u>100.00</u>	<u>447,239</u>	<u>100.00</u>

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

<b>Brokers/Dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage Fees RM</b>	<b>Percentage of total brokerage fees %</b>
RHB Investment Bank Bhd	116,830,279	20.99	111,266	15.48
RHB Bank Bhd	82,661,250	14.85	-	-
Maybank Investment Bank	44,528,775	8.00	104,249	14.51
CIMB Investment Bank Bhd#	43,341,194	7.79	97,747	13.58
CIMB Bank Bhd#	40,587,020	7.29	-	-
Credit Suisse Malaysia Sdn Bhd	27,578,396	4.96	62,081	8.64
JP Morgan Securities (Malaysia) Sdn Bhd	25,623,347	4.61	57,106	7.95
Macquarie Malaysia Sdn Bhd	24,940,778	4.48	55,463	7.72
KAF-Seagroatt & Campbell Securities Sdn Bhd	23,235,093	4.17	50,382	7.01
Affin Hwang Investment Bank Bhd	21,656,315	3.89	30,723	4.28
Others #	105,583,558	18.97	149,669	20.83
	<u>556,566,005</u>	<u>100.00</u>	<u>718,686</u>	<u>100.00</u>

**14. TRANSACTIONS WITH BROKERS/ DEALERS (CONTINUED)**

# 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 RM21,090,260 (2018: RM40,587,020), RM3,747,171 (2018: RM3,529,910) and Nil (2018: RM43,341,194) respectively. 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.

**15. SEGMENT INFORMATION**

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to seek long-term growth in capital and income by investing in all types of investments. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest income and dividend income earned from investments and gains on the appreciation in the value of investments, which are derived from Ringgit denominated deposits with licensed financial institutions in Malaysia, quoted securities listed on the Bursa Securities Malaysia and Jakarta Stock Exchange and unquoted fixed income securities traded in Malaysia and Singapore.

There were no changes in reportable operating segment during the financial year.

**16. MFRS 9 FINANCIAL INSTRUMENTS**

As disclosed in Note 2(a), the Fund has adopted MFRS 9, which resulted in the following changes in accounting policies as disclosed in Note 2(b) and adjustments to the financial position as follows.

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

	Measurement category		Original (MFRS 139) RM	Carrying amount		New (MFRS 9) RM
	Original (MFRS 139)	New (MFRS 9)		Reclassi- fications RM	Remeas- urements RM	
<b>Financial assets</b>						
Cash and cash equivalents	Loans and receivables	Amortised cost	16,264,917	-	-	16,264,917
Investment in quoted securities	FVTPL	FVTPL	134,728,578	-	-	134,728,578
Investment in unquoted fixed income securities	FVTPL	FVTPL	78,576,949	-	-	78,576,949
Amount due from stockbrokers	Loans and receivables	Amortised cost	487,428	-	-	487,428
Amount due from Manager	Loans and receivables	Amortised cost	55,621	-	-	55,621
Dividend receivable	Loans and receivables	Amortised cost	168,788	-	-	168,788
<b>Financial liabilities</b>						
Amount due to stockbrokers	Amortised cost	Amortised cost	766,031	-	-	766,031
Amount due to Manager	Amortised cost	Amortised cost	299,080	-	-	299,080
Accrued management fee	Amortised cost	Amortised cost	291,397	-	-	291,397
Amount due to Trustee	Amortised cost	Amortised cost	4,491	-	-	4,491
Distribution payable	Amortised cost	Amortised cost	3,463	-	-	3,463
Other payables and accruals	Amortised cost	Amortised cost	15,582	-	-	15,582

**17. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 17 October 2019.

## DIRECTORY

### Head office of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)  
*(formerly known as CIMB-Principal Asset Management Berhad)*  
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### General investment enquiries

(03) 7718 3000

### Trustee for the CIMB-Principal Balanced Income Fund

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### Auditors of the Fund and of the Manager

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