

# CIMB-Principal Bond Fund

Annual Report

For The Financial Year Ended 31 December 2019

**CIMB-PRINCIPAL BOND FUND**

**ANNUAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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## INVESTORS' LETTER

Dear Valued Investor,

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

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

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

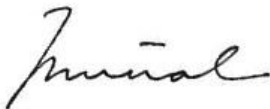
As a fund house, we've never been better positioned to help our investors navigate the market volatility that is becoming the new norm. Our capabilities span from local to global markets with products, strategies and ideas to position your portfolio of investments based on your unique risk tolerance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

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

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

Thank you.

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



**Munirah Khairuddin**  
Chief Executive Officer

**MANAGER'S REPORT****FUND OBJECTIVE AND POLICY****What is the investment objective of the Fund?**

The Fund aims to provide regular income as well as to achieve medium to long-term capital appreciation through investments primarily in Malaysian bonds.

**Has the Fund achieved its objective?**

The Fund achieved its objective in providing regular income as well as opportunity to achieve medium-to-long-term capital appreciation by investing in a diversified pool of fixed income securities.

**What are the Fund investment policy and principal investment strategy?**

The Fund may invest between 70% to 98% (both inclusive) of the Fund's Net Asset Value ("NAV") in debentures carrying at least a "BBB3" or "P2" rating 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 S&P or equivalent rating by Moody's or Fitch. The Fund may invest up to 40% of its NAV in Unrated Debentures\*. 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. The rest of the Fund is maintained in the form of liquid assets to meet any withdrawal payments to the unit holders. In line with its objective, the investment strategy and policy of the Fund is to invest in a diversified portfolio of approved fixed income securities consisting primarily of bonds, aimed to provide a steady stream of income. To achieve its objective, the Fund may also invest in structured products and/or derivatives such as forward contracts, options, futures contracts and swap agreements, that are related/linked to fixed income securities.

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

**Fund category/type**

Bond/Income

**How long should you invest for?**

Recommended three (3) years or more

**When was the Fund launched?**

15 November 1995

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

RM454.50 million (394.33 million units)

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

Quant shop Malaysian Government Securities ("MGS") Bond Index (Medium Sub-Index)

Note: The benchmark is for performance comparison only. Investors are cautioned that the risk profile of the Fund is higher than the benchmark.

**What is the Fund distribution policy?**

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

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

The Fund distributed a total net income of RM12.48 million to unit holders the financial year ended 31 December 2019.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution)	NAV per unit (after distribution)
	RM	RM
23.04.2019	1.1201	1.0921
18.01.2019	1.1216	1.0961

**PERFORMANCE DATA**

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

	31.12.2019	31.12.2018	31.12.2017
	%	%	%
Unquoted fixed income securities	91.95	91.00	95.78
Cash and other net assets	8.05	9.00	4.22
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.12.2019	31.12.2018	31.12.2017
NAV (RM Million)	454.50	249.17	218.93
Units in circulation (Million)	394.33	222.48	194.63
NAV per unit (RM)	1.1525	1.1199	1.1248
Highest NAV per unit (RM)	1.1525	1.1282	1.1390
Lowest NAV per unit (RM)	1.0921	1.0721	1.0809
Total return (%)	8.20	4.60	4.48
- Capital growth (%)	3.10	(0.62)	(0.92)
- Income distribution (%)	4.95	5.22	5.42
Management Expense Ratio ("MER") (%) ^	1.06	1.08	1.13
Portfolio Turnover Ratio ("PTR") (times) #	1.20	1.67	3.00

^ The Fund's MER decreased from 1.08% to 1.06% due to an increase in average NAV of the Fund during the financial year under review.

^ The Fund's PTR decreased from 1.67 times to 1.20 times due to increase in average NAV of the Fund during the financial year under review.

	31.12.2019	31.12.2018	31.12.2017
Gross/Net distribution per unit (sen)			
Distribution on 23 April 2019	2.80	-	-
Distribution on 18 January 2019	2.55	-	-
Distribution on 23 January 2018	-	5.60	-
Distribution on 23 January 2017	-	-	5.88

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	%	%	%	%	%
Annual total return	8.20	4.60	4.48	3.98	3.12

(Launch date: 15 November 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.

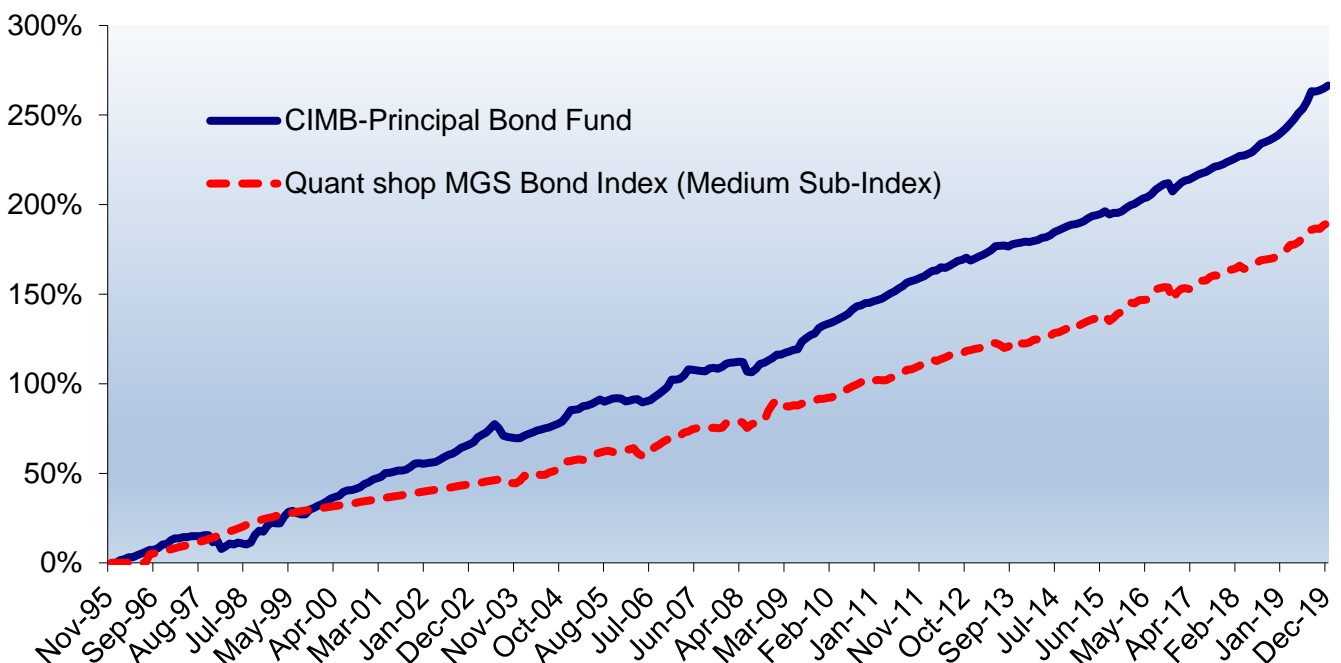
**MARKET REVIEW (1 JANUARY 2019 TO 31 DECEMBER 2019)**

In the beginning of 2019, the Ringgit Malaysia (“RM”) fixed income market was still factoring a potential interest rate hike in the United States market as the dot plot from the committee members of the US Federal Reserve (the “Fed”) is still pointing higher. However, as the yield curve in the US market inverted in the beginning of the year, investors were concerned that Developed Markets may face a slowdown in 2019, hence prompted the purchase of fixed income assets. The RM fixed income market also experienced the same trend and domestic investors were pricing in a potential interest rate cut by Bank Negara Malaysia (“BNM”) in the first half of 2019. Indeed, the 2018 Annual Report published by BNM lowered the Gross Domestic Product (“GDP”) forecast in 2019 due to turbulence in trades. BNM finally delivered the Overnight Interest Rate (“OPR”) cut of 25 basis points (“bps”) in May 2019, and market continue to expect more cuts from the Central Bank, mainly due to regional Central Banks were also in the same trend. By third quarter of 2019 (“3Q2019”), the market has fully priced in another round of 25 bps OPR cut but improving macroeconomic data trend and subsiding trade tension between US and China prompted BNM to put OPR on hold. RM fixed income market started to revert to higher yield since August 2019 for the remaining of the year. Nevertheless, the yield curve as at end December 2019 is still biased toward another round of 25 bps OPR cut in 2020 despite BNM already lowered Statutory Reserve Requirement (“SRR”) by 50 bps in early part of December 2019. Lastly, the 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year MGS was traded at 3.04% (-63 bps), 3.22% (-63 bps), 3.33% (-77 bps), 3.45% (-81 bps), 3.74% (-83 bps), 3.84% (-95 bps) and 4.09% (-85 bps) respectively.

**FUND PERFORMANCE**

	<b>1 year to 31.12.2019</b>	<b>3 years to 31.12.2019</b>	<b>5 years to 31.12.2019</b>	<b>Since inception to 31.12.2019</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income	4.95	16.44	30.47	217.87
Capital	3.10	1.54	(2.82)	18.82
Total Return	8.20	8.24	26.79	266.47
Benchmark	6.62	15.58	25.92	189.85
Average Total Return	8.20	5.74	4.86	5.53

During the financial year under review, the Fund delivered 8.20% of total return, outperforming Benchmark by 1.58%. The outperformance was mainly due to duration positioning as well as credit selection.



**FUND PERFORMANCE (CONTINUED)****Changes in NAV**

	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Changes %</b>
NAV (RM Million)	454.50	249.17	82.41
NAV/Unit (RM)	1.1525	1.1199	2.91

During the financial year under review, the Fund grew by 82.41% to RM454.5 million. The Fund's NAV per unit increased to RM1.1525 which is in line with the total return of the Fund.

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**

<b>(% of NAV)</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Unquoted fixed income securities	91.95	91.00
Cash and other net assets	8.05	9.00
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

During the financial year under review, the Fund's asset allocation was largely unchanged at around 91% in fixed income securities and circa 8% to 9% in cash. The slightly higher cash holdings were mainly due to creation of new units from investors.

**MARKET OUTLOOK\***

In the last the Federal Open Market Committee ("FOMC") meeting of 2019, the Fed kept rate at 1.75% with officials agreed that the current interest rate stance is likely to remain unchanged for a period of time, despite raising concerns that low interest rates could exacerbate imbalances in the financial sector. Policymakers also pledged to discuss changes to the way the central bank manages liquidity in financial markets at future meetings, including the potential role of a standing repo facility, the setting of administered rates, and the composition of the Fed's holdings of Treasury securities over the longer run. Multiple US media outlets reported that US and China have reached consensus on the terms of a "phase one" trade deal despite no official confirmation from both sides of the government. Consensus is already expecting a trade truce to be officially signed in January 2020. Domestic macroeconomic data is scant in December 2019 with only the release of MGS/Malaysia Government Investment Issue ("MGII") auction calendar for 2020. With a fiscal target of 3.2% of GDP in 2020 (gross supply of RM117.5 billion by our estimation), we think the Sukuk supply profile is manageable.

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



**INVESTMENT STRATEGY**

Although we find technical and valuation as weak factors to overweight duration, we recognize that calendar effect and fund flows will still favour fixed income assets, at least in first quarter of 2020 (“1Q2020”). For that reason, we will mildly overweight duration in the 1Q2020. Credit selection (i.e. carry) will continue to be the biggest driver of portfolio return, with tactical duration positioning to capitalize on short-term interest rates movement.

**UNIT HOLDINGS STATISTICS**

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

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	606	1.87	0.47
5,001 to 10,000	443	3.29	0.83
10,001 to 50,000	805	18.58	4.71
50,001 to 500,000	302	35.04	8.89
500,001 and above	35	335.55	85.10
<b>Total</b>	<b>2,191</b>	<b>394.33</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 Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

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

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 13 to 43 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

**MUNIRAH KHAIRUDDIN**  
Chief Executive Officer/Executive Director

**JUAN IGNACIO EYZAGUIRRE BARAONA**  
Director

Kuala Lumpur  
13 February 2020

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

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

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

During the financial year, a total distribution of 5.35 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  
**PB TRUSTEE SERVICES BERHAD**

**CHEAH KUAN YOON**  
Chief Executive Officer

Kuala Lumpur  
13 February 2020

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

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

Our opinion

In our opinion, the financial statements of CIMB-Principal Bond Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 43.

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 BOND FUND (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

**OTHER MATTERS**

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

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
13 February 2020

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

	Note	2019 RM	2018 RM
<b>INCOME</b>			
Interest income from unquoted fixed income securities at fair value through profit or loss		14,290,915	10,253,989
Interest income from deposits with licensed financial institutions at amortised cost		922,537	368,514
Net gain on financial assets at fair value through profit or loss	8	<u>12,692,958</u>	<u>2,123,354</u>
		<u>27,906,410</u>	<u>12,745,857</u>
<b>EXPENSES</b>			
Management fee	4	3,379,186	2,209,667
Trustee's fee	5	168,959	110,483
Audit fee		12,500	11,800
Tax agent's fee		3,200	3,600
Other expenses		<u>18,192</u>	<u>63,640</u>
		<u>3,582,037</u>	<u>2,399,190</u>
<b>PROFIT BEFORE TAXATION</b>		24,324,373	10,346,667
Taxation	7	<u>-</u>	<u>-</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<u>24,324,373</u>	<u>10,346,667</u>
Profit after taxation is made up as follows:			
Realised amount		12,363,329	8,330,355
Unrealised amount		<u>11,961,044</u>	<u>2,016,312</u>
		<u>24,324,373</u>	<u>10,346,667</u>

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



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

	Note	2019 RM	2018 RM
<b>ASSETS</b>			
Cash and cash equivalents	9	36,062,015	19,412,438
Financial assets at fair value through profit and loss	8	417,926,643	226,738,142
Amount due from Manager		2,099,744	3,453,135
<b>TOTAL ASSETS</b>		<u>456,088,402</u>	<u>249,603,715</u>
<b>LIABILITIES</b>			
Amount due to Manager		1,163,230	200,906
Accrued management fee		389,000	206,200
Amount due to Trustee		19,450	10,310
Other payables and accruals		16,200	15,803
<b>TOTAL LIABILITIES</b>		<u>1,587,880</u>	<u>433,219</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>454,500,522</u>	<u>249,170,496</u>
<b>EQUITY</b>			
Unit holders' capital		427,342,456	233,858,803
Retained earnings		27,158,066	15,311,693
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>454,500,522</u>	<u>249,170,496</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	10	<u>394,334,920</u>	<u>222,483,661</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.1525</u>	<u>1.1199</u>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
<b>Balance as at 1 January 2019</b>		233,858,803	15,311,693	249,170,496
Movement in unit holders' contributions:				
- Creation of units from applications		383,079,844	-	383,079,844
- Creation of units from distribution		12,139,266	-	12,139,266
- Cancellation of units		(201,735,457)	-	(201,735,457)
Total comprehensive income for the financial year		-	24,324,373	24,324,373
Distributions	6	-	(12,478,000)	(12,478,000)
<b>Balance as at 31 December 2019</b>		<u>427,342,456</u>	<u>27,158,066</u>	<u>454,500,522</u>
<b>Balance as at 1 January 2018</b>				
Movement in unit holders' contributions:				
- Creation of units from applications		202,982,599	15,945,763	218,928,362
- Creation of units from applications		175,241,246	-	175,241,246
- Creation of units from distribution		10,564,507	-	10,564,507
- Cancellation of units		(154,929,549)	-	(154,929,549)
Total comprehensive income for the financial year		-	10,346,667	10,346,667
Distribution	6	-	(10,980,737)	(10,980,737)
<b>Balance as at 31 December 2018</b>		<u>233,858,803</u>	<u>15,311,693</u>	<u>249,170,496</u>

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

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of unquoted fixed income securities		300,429,529	374,224,277
Proceeds from redemption of unquoted fixed income securities		37,260,135	2,000,000
Purchase of unquoted fixed income securities		(517,157,724)	(391,469,129)
Interest income received from deposits with licensed financial institutions		922,537	368,514
Interest income received from unquoted fixed income securities		15,263,431	10,697,767
Management fee paid		(3,196,386)	(2,191,905)
Trustee's fee paid		(159,819)	(109,595)
Payments for other fees and expenses		(33,494)	(93,851)
<b>Net cash used in operating activities</b>		<u>(166,671,791)</u>	<u>(6,573,922)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		384,433,235	171,933,195
Payments for cancellation of units		(200,773,133)	(155,072,312)
Distribution paid		(338,734)	(416,230)
<b>Net cash generated from financing activities</b>		<u>183,321,368</u>	<u>16,444,653</u>
Net increase in cash and cash equivalents		16,649,577	9,870,731
Cash and cash equivalents at beginning of the financial year		<u>19,412,438</u>	<u>9,541,707</u>
Cash and cash equivalents at end of the financial year	<b>9</b>	<u><u>36,062,015</u></u>	<u><u>19,412,438</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Deposits with licensed financial institutions		36,035,087	19,391,784
Bank balance		<u>26,928</u>	<u>20,654</u>
Cash and cash equivalents at the end of the financial year	<b>9</b>	<u><u>36,062,015</u></u>	<u><u>19,412,438</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB-Principal Bond Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, an Eighth Supplemental Master Deed dated 14 June 2010 and an Eighteenth Supplemental Master Deed dated 25 March 2015 (collectively referred to as the “Deeds”) made between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and PB Trustee Services Berhad (the “Trustee”).

The Fund may invest between 70% to 98% (both inclusive) of the Fund’s NAV in debentures carrying at least a “BBB3” or “P2” rating 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 Debentures. 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. The rest of the Fund is maintained in the form of liquid assets to meet any withdrawal payments to the unit holders. In line with its objective, the investment strategy and policy of the Fund is to invest in a diversified portfolio of approved fixed income securities consisting primarily of bonds, aimed to provide a steady stream of income. To achieve its objective, the Fund may also invest in structured products and/or derivatives such as forward contracts, options, futures contracts and swap agreements, that are related/linked to fixed income securities.

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 International IFRS.

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

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

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

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

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

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

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

The Fund has applied the following amendments to published standards for the first time for the financial year beginning on 1 January 2019:

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

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

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the financial statements of the Fund.

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

### (b) Financial assets and financial liabilities

#### Classification

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

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

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

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

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

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

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

Recognition and measurement

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

Financial liabilities 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.

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.

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

Impairment for assets carried at amortised costs

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

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

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

Definition of default and credit-impaired financial assets

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

Write-off

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

**(c) Income recognition**

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using the effective interest method on an accrual basis.

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

Realised gain or loss on disposal of 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.

**(d) Functional and presentation currency**

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

**(e) Cash and cash equivalents**

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

**(f) Taxation**

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

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

### (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) Unit holders' contributions

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

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

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

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

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

#### Estimate of fair value of unquoted fixed income securities

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

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



### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
<b>2019</b>			
Cash and cash equivalents (Note 9)	-	36,062,015	36,062,015
Unquoted fixed income securities (Note 8)	417,926,643	-	417,926,643
Amount due from Manager	-	2,099,744	2,099,744
	<u>417,926,643</u>	<u>38,161,759</u>	<u>456,088,402</u>
<b>2018</b>			
Cash and cash equivalents (Note 9)	-	19,412,438	19,412,438
Unquoted fixed income securities (Note 8)	226,738,142	-	226,738,142
Amount due from Manager	-	3,453,135	3,453,135
	<u>226,738,142</u>	<u>22,865,573</u>	<u>249,603,715</u>

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

The investment objective of the Fund is to provide regular income as well as to achieve medium to long-term capital appreciation through investments primarily in Malaysian bonds.

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

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

#### (a) Market risk

##### (i) Price risk

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

The price risk is managed through diversification and selection of unquoted fixed income securities and other financial instruments within specified limits according to the Deeds.

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM417,926,643 (2018: RM226,738,142) 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 security till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

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

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

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

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

% Change in interest rate	Impact on profit or loss/NAV	
	RM 2019	RM 2018
+1%	(1,021,426)	(1,018,018)
-1%	<u>1,025,467</u>	<u>86,389</u>

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)**

**(ii) Interest rate risk (continued)**

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

	<b>2019</b>	<b>2018</b>
	%	%
Deposits with licensed financial institutions	<u>3.27</u>	<u>3.60</u>

**(b) Credit risk**

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

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

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted fixed income securities must satisfy a minimum rating requirement of at least “BBB3” or “P2” rating 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 in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

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

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
<b>2019</b>				
- AAA	28,148,258	63,216,409	-	91,364,667
- AA1	-	63,603,862	-	63,603,862
- AA2	7,913,757	34,168,751	-	42,082,508
- AA3	-	170,966,549	-	170,966,549
- A1	-	63,127,384	-	63,127,384
- A2	-	7,785,129	-	7,785,129
- A3	-	3,536,295	-	3,536,295
- Ca	-	1,139,548	-	1,139,548
- GB	-	10,382,716	-	10,382,716
- Not rated	-	-	2,099,744	2,099,744
	<u>36,062,015</u>	<u>417,926,643</u>	<u>2,099,744</u>	<u>456,088,402</u>

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
<b>2018</b>				
- AAA	17,412,243	11,346,997	-	28,759,240
- AA1	-	55,930,336	-	55,930,336
- AA2	2,000,195	37,432,645	-	39,432,840
- AA3	-	63,782,395	-	63,782,395
- A1	-	43,991,514	-	43,991,514
- BB3	-	1,877,435	-	1,877,435
- GG	-	10,354,094	-	10,354,094
- Not rated	-	2,022,726	3,453,135	5,475,861
	<u>19,412,438</u>	<u>226,738,142</u>	<u>3,453,135</u>	<u>249,603,715</u>

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

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

(c) Liquidity risk

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

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

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 Manager	1,163,230	-	1,163,230
Accrued management fee	389,000	-	389,000
Amount due to Trustee	19,450	-	19,450
Other payables and accruals	-	16,200	16,200
<b>Contractual undiscounted cash flows</b>	<u>1,571,680</u>	<u>16,200</u>	<u>1,587,880</u>
<b>2018</b>			
Amount due to Manager	200,906	-	200,906
Accrued management fee	206,200	-	206,200
Amount due to Trustee	10,310	-	10,310
Other payables and accruals	-	15,803	15,803
<b>Contractual undiscounted cash flows</b>	<u>417,416</u>	<u>15,803</u>	<u>433,219</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM427,342,456 (2018: RM233,858,803) and retained earnings of RM27,158,066 (2018: RM15,311,693). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

#### (e) Fair value estimation

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

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

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

The fair value of financial assets 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)**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2019</b>				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	<u>417,926,643</u>	-	<u>417,926,643</u>
<b>2018</b>				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	<u>226,738,142</u>	-	<u>226,738,142</u>

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 Manager and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

**4. MANAGEMENT FEE**

In accordance with the Deeds, the Manager is entitled to a maximum fee of 1.50% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 December 2019, the management fee is recognised at a rate of 1.00% per annum (2018: 1.00% per annum).

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

**5. TRUSTEE'S FEE**

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.05% per annum, calculated daily based on the NAV of the Fund. The Trustee's fee includes local custodian fee but excludes foreign sub-custodian fee (if any).

For the financial year ended 31 December 2019, the Trustee's fee is recognised at a rate of 0.05% per annum (2018: 0.05% per annum).

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

**6. DISTRIBUTION**

Distribution to unit holders is from the following sources:

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Interest income	13,628,055	10,223,746
Net realised gain from sale of investments	335,243	379,737
Prior financial year's realised income	-	450,686
	<u>13,963,298</u>	<u>11,054,169</u>
Less:		
Expenses	<u>(1,485,298)</u>	<u>(73,432)</u>
Net distribution amount	<u>12,478,000</u>	<u>10,980,737</u>
<b>Gross/Net distribution per unit (sen)</b>		
Final distribution on 23 April 2019	2.80	-
Final distribution on 18 January 2019	2.55	-
Final distribution on 23 January 2018	-	5.60
	<u>5.35</u>	<u>5.60</u>

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

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



**7. TAXATION**

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

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

	<b>2019 RM</b>	<b>2018 RM</b>
Profit before taxation	<u>24,324,373</u>	<u>10,348,667</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	5,837,850	2,483,680
Tax effects of:		
- Investment income not subject to tax	(6,697,539)	(3,059,006)
- Expenses not deductible for tax purposes	42,304	30,514
- Restriction on tax deductible expenses for Unit Trust Funds	<u>817,385</u>	<u>544,812</u>
Taxation	<u><u>-</u></u>	<u><u>-</u></u>

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

	<b>2019 RM</b>	<b>2018 RM</b>
At fair value through profit or loss:		
- Unquoted fixed income securities	<u>417,926,643</u>	<u>226,738,142</u>
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	5,266,382	460,727
- Unrealised fair value gain	<u>7,426,576</u>	<u>1,662,627</u>
	<u><u>12,692,958</u></u>	<u><u>2,123,354</u></u>

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

Name of counter	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019</b>				
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
Affin Bank Bhd 5.45% 05/02/2027 (A1)	11,000,000	11,372,481	11,615,662	2.56
Anih Bhd 5.58% 28/11/2025 (AA2)	5,000,000	5,437,459	5,475,775	1.20
Ara Bintang Bhd 5.50% 17/03/2026 (AAA)	21,900,000	21,949,500	22,028,778	4.85
AZRB Capital Sdn Bhd 4.70% 23/12/2022 (AA3)	3,000,000	3,002,318	3,002,288	0.66
AZRB Capital Sdn Bhd 4.85% 26/12/2024 (AA3)	2,800,000	2,802,232	2,802,204	0.62
AZRB Capital Sdn Bhd 5.00% 24/12/2026 (AA3)	670,000	670,551	670,544	0.15
Bank Pembangunan Malaysia Bhd 4.98% 02/03/2032 (AAA)	5,000,000	5,356,197	5,554,641	1.22
Bumitama Agri Ltd 4.10% 22/07/2024 (AA3)	1,650,000	1,680,211	1,698,839	0.37
Bumitama Agri Ltd 4.20% 22/07/2026 (AA3)	1,300,000	1,324,383	1,343,857	0.30
CIMB Thai Bank PLC 4.15% 06/07/2029 (AA3)	1,200,000	1,224,150	1,232,346	0.27
CIMB Thai Bank PLC 5.35% 10/07/2026 (AA3)	1,000,000	1,030,809	1,050,374	0.23
DRB-Hicom Bhd 4.15% 12/12/2022 (A1)	2,050,000	2,054,662	2,056,589	0.45
DRB-Hicom Bhd 4.55% 12/12/2024 (A1)	3,550,000	3,558,851	3,571,560	0.79
DRB-Hicom Bhd 4.85% 11/12/2026 (A1)	7,050,000	7,068,736	7,106,876	1.56
DRB-Hicom Bhd 5.10% 12/12/2029 (A1)	10,850,000	10,880,321	10,906,795	2.40
Edra Energy Sdn Bhd 5.82% 04/07/2025 (AA3)	5,000,000	5,548,669	5,566,057	1.22
Edra Energy Sdn Bhd 6.39% 05/01/2034 (AA3)	5,000,000	5,815,723	6,103,811	1.34
Edra Energy Sdn Bhd 6.43% 05/07/2034 (AA3)	5,000,000	5,840,795	6,138,048	1.35
Edra Energy Sdn Bhd 6.71% 05/01/2038 (AA3)	5,000,000	6,067,975	6,305,302	1.39
Edra Solar Sdn Bhd 4.10% 11/10/2022 (AA2)	500,000	504,605	506,090	0.11
Edra Solar Sdn Bhd 4.40% 09/10/2026 (AA2)	100,000	100,988	101,476	0.02
Edra Solar Sdn Bhd 4.85% 11/10/2034 (AA2)	150,000	151,634	153,968	0.03

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

Name of counter	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (CONTINUED)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES (CONTINUED)</b>				
Exsim Capital Resources Bhd 5.00% 28/01/2022 (AA3)	5,000,000	5,113,528	5,172,879	1.14
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA2)	3,500,000	3,504,013	3,597,778	0.79
Fortune Premiere Sdn Bhd 4.80% 13/03/2023 (AA2)	3,000,000	3,043,792	3,141,412	0.69
Fortune Premiere Sdn Bhd 5.05% 05/09/2025 (AA2)	5,000,000	5,245,034	5,365,171	1.18
Fortune Premiere Sdn Bhd 5.05% 31/10/2025 (AA2)	3,000,000	3,025,371	3,199,004	0.70
Gamuda Bhd 4.83% 23/11/2022 (AA3)	5,000,000	5,037,469	5,171,705	1.14
Genting RMTN Bhd 4.18% 08/11/2029 (AAA)	6,500,000	6,540,197	6,566,002	1.44
GII Murabahah 4.09% 30/11/2023 (GB) #	10,000,000	10,355,493	10,382,716	2.28
Hong Leong Financial Group Bhd 4.30% 14/06/2029 (AA2)	2,200,000	2,204,147	2,240,623	0.49
IJM Corporation Bhd 4.76% 10/04/2029 (AA3)	3,000,000	3,036,592	3,138,282	0.69
IJM Land Bhd 4.73% 17/03/2119 (A2)	5,550,000	5,630,891	5,638,632	1.24
IJM Land Bhd 5.65% 17/03/2119 (A2)	2,000,000	2,032,197	2,146,497	0.47
Jimah Energy Ventures Sdn Bhd 9.50% 12/05/2022 (AA3)	4,500,000	5,057,639	5,149,842	1.13
Jimah Energy Ventures Sdn Bhd 9.55% 11/11/2022 (AA3)	1,000,000	1,144,421	1,169,708	0.26
Kimanis Power Sdn Bhd 5.30% 07/08/2026 (AA3)	5,000,000	5,284,436	5,483,800	1.21
Krung Thai Bank PCL 5.10% 04/07/2025 (AA2)	5,000,000	5,138,221	5,154,208	1.13
Kuala Lumpur Kepong Bhd 3.75% 27/09/2029 (AA1)	2,700,000	2,726,630	2,697,200	0.59
Kuala Lumpur Kepong Bhd 4.00% 02/09/2022 (AA1)	5,000,000	5,121,555	5,127,903	1.13
Malakoff Power Bhd 5.15% 17/12/2020 (AA3)	1,000,000	1,012,238	1,018,826	0.22
Malayan Banking Bhd 4.08% 22/02/2117 (AA3)	7,500,000	7,582,159	7,636,084	1.68
Manjung Island Energy Bhd 4.58% 25/11/2027 (AAA)	5,000,000	5,123,090	5,313,514	1.17

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

Name of counter	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (CONTINUED)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES (CONTINUED)</b>				
MBSB Bank Bhd 5.05% 20/12/2029 (A3)	2,070,000	2,073,390	2,073,804	0.46
MBSB Bank Bhd 5.25% 19/12/2031 (A3)	1,460,000	1,462,520	1,462,491	0.32
MMC Corporation Bhd 5.70% 24/03/2028 (AA3)	5,000,000	5,075,740	5,337,940	1.17
Penang Port Sdn Bhd 4.30% 24/12/2026 (AA3)	500,000	500,295	500,290	0.11
Penang Port Sdn Bhd 4.48% 27/12/2029 (AA3)	1,050,000	1,050,644	1,050,634	0.23
Penang Port Sdn Bhd 4.68% 26/12/2031 (AA3)	1,850,000	1,851,186	1,851,168	0.41
Perbadanan Kemajuan Negeri Selangor 5.15% 10/08/2023 (AA3)	10,000,000	10,648,980	10,641,894	2.34
Press Metal Aluminium Holding Bhd 4.10% 17/10/2024 (AA3)	9,400,000	9,480,248	9,481,000	2.09
Quantum Solar Park Green Sri Sukuk 5.76% 05/04/2030 (A1)	7,500,000	7,544,335	7,803,836	1.72
Quantum Solar Park Green Sri Sukuk 5.84% 04/04/2031 (A1)	5,000,000	5,011,872	5,195,600	1.14
Quantum Solar Park Green Sri Sukuk 5.88% 06/10/2031 (A1)	2,500,000	2,505,393	2,596,911	0.57
Quantum Solar Park Green Sri Sukuk 5.96% 06/10/2032 (A1)	5,000,000	5,168,131	5,190,064	1.14
RHB Islamic Bank Bhd 4.32% 21/05/2029 (AA3)	3,100,000	3,115,043	3,173,075	0.70
Sabah Development Bank Bhd 5.25% 27/12/2023 (AA1)	6,000,000	6,008,674	6,284,215	1.38
Sabah Development Bank Bhd 5.30% 11/05/2022 (AA1)	2,000,000	2,026,272	2,084,411	0.46
Sabah Development Bank Bhd 5.30% 24/04/2024 (AA1)	4,500,000	4,553,407	4,768,061	1.05
Sarawak Energy Bhd 5.28% 17/08/2035 (AAA)	10,000,000	11,183,019	11,620,988	2.56
Sarawak Energy Bhd 4.95% 25/11/2033 (AAA)	2,500,000	2,512,205	2,778,055	0.61

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

Name of counter	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (CONTINUED)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES (CONTINUED)</b>				
Sarawak Energy Bhd 5.32% 03/12/2032 (AAA)	5,000,000	5,467,154	5,735,177	1.26
SEGI Astana Sdn Bhd 5.70% 07/01/2028 (AA3)	13,400,000	14,228,347	14,267,665	3.14
Southern Power Generation Sdn Bhd 5.00% 30/04/2027 (AA3)	5,000,000	5,151,199	5,386,416	1.19
Southern Power Generation Sdn Bhd 5.53% 31/10/2034 (AA3)	5,000,000	5,515,455	5,688,425	1.25
Southern Power Generation Sdn Bhd 5.57% 30/04/2035 (AA3)	10,000,000	11,073,674	11,382,540	2.50
Starbright Capital Bhd 4.00% 27/12/2022 (AAA)	500,000	496,786	497,219	0.11
Starbright Capital Bhd 4.08% 27/12/2023 (AAA)	500,000	495,741	497,009	0.11
Starbright Capital Bhd 4.15% 27/12/2024 (AAA)	300,000	296,847	298,170	0.07
Starbright Capital Bhd 4.25% 26/12/2025 (AAA)	400,000	395,040	397,041	0.09
Starbright Capital Bhd 4.35% 24/12/2026 (AAA)	800,000	788,651	793,069	0.17
Starbright Capital Bhd 4.45% 27/12/2027 (AAA)	500,000	492,063	494,550	0.11
Starbright Capital Bhd 4.55% 27/12/2028 (AAA)	650,000	638,650	642,196	0.14
Tadau Energy Sdn Bhd 5.40% 28/07/2025 (AA3)	1,000,000	1,027,805	1,074,569	0.24
Tadau Energy Sdn Bhd 5.50% 27/07/2026 (AA3)	1,500,000	1,543,395	1,625,500	0.36
Talam Transform Bhd 0% 28/12/2020 (CA)	1,230,110	449,858	1,139,548	0.25
Tan Chong Motor Holdings Bhd 4.70% 24/11/2021 (A1)	2,500,000	2,537,142	2,538,011	0.56
Tanjung Bin Power Sdn Bhd 4.84% 16/08/2022 (AA2)	5,000,000	5,111,010	5,233,246	1.15
TAQA Abu Dhabi National Energy 4.65% 03/03/2022 (AA1)	12,000,000	12,244,174	12,284,315	2.70
UEM Edgenta Bhd 4.85% 26/04/2022 (AA3)	5,000,000	5,064,299	5,166,171	1.14

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

Name of counter	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (CONTINUED)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES (CONTINUED)</b>				
UEM Sunrise Bhd 5.06% 09/12/2022 (AA3)	3,000,000	3,127,258	3,134,764	0.69
UEM Sunrise Bhd 5.32% 11/12/2024 (AA3)	5,000,000	5,096,980	5,367,304	1.18
UEM Sunrise Bhd 4.75% 22/03/2024 (AA3)	3,000,000	3,133,513	3,162,461	0.70
UEM Sunrise Bhd 5.15% 31/10/2025 (AA3)	3,000,000	3,033,476	3,233,274	0.71
UMW Holdings Bhd 6.35% 20/04/2118 (A1)	4,000,000	4,155,916	4,545,480	1.00
UniTapah Sdn Bhd 5.59% 12/12/2024 (AA1)	5,000,000	5,227,875	5,406,415	1.19
WCT Holdings Bhd 5.55% 21/02/2025 (AA3)	4,000,000	4,088,208	4,261,637	0.94
WCT Holdings Bhd 5.65% 20/04/2026 (AA3)	5,000,000	5,068,437	5,325,026	1.17
Westports (M) Sdn Bhd 4.53% 01/04/2027 (AA1)	5,000,000	5,078,580	5,249,984	1.16
YTL Corporation Bhd 4.60% 23/06/2034 (AA1)	7,700,000	7,832,608	7,946,832	1.75
YTL Power International Bhd 5.05% 03/05/2027 (AA1)	10,000,000	10,279,412	10,677,647	2.35
YTL Power International Bhd 4.99% 24/08/2028 (AA1)	1,000,000	1,020,201	1,076,879	0.25
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<b><u>394,630,110</u></b>	<b><u>408,333,471</u></b>	<b><u>417,926,643</u></b>	<b><u>91.95</u></b>
<b>ACCUMULATED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>9,593,172</u></b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>417,926,643</u></b>		

## 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</b>				
<b>UNQUOTED FIXED INCOME SECURITIES</b>				
Affin Bank Bhd 5.45% 05/02/2027 (A1)	11,000,000	11,430,553	11,450,552	4.60
AmBank Bhd 8.25% 18/08/2019 (A1)	1,500,000	1,571,095	1,581,057	0.63
CIMB Thai Bank PCL 5.35% 10/07/2026 (AA3)	1,000,000	1,034,190	1,037,044	0.42
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA2)	3,500,000	3,504,905	3,506,480	1.41
Fortune Premiere Sdn Bhd 4.80% 13/3/2023 (AA2)	3,000,000	3,043,792	3,059,782	1.23
Fortune Premiere Sdn Bhd 5.05% 31/10/2025 (AA2)	3,000,000	3,026,402	3,042,244	1.22
Gamuda Bhd 4.825% 23/11/2022 (AA3)	5,000,000	5,042,936	5,065,377	2.03
GovCo Holdings Bhd 4.88% 28/09/2032 #	5,000,000	5,132,397	5,159,057	2.07
Hong Leong Bank Bhd 8.25% 10/09/2039 (AA2)	2,000,000	2,100,417	2,101,818	0.84
Jimah Energy Ventures Sdn Bhd 9.50% 12/05/2022 (AA3)	4,500,000	5,253,708	5,266,302	2.11
Jimah Energy Ventures Sdn Bhd 9.55% 11/11/2022 (AA3)	1,000,000	1,186,442	1,191,918	0.48
Kimanis Power Sdn Bhd 5.30% 07/08/2026 (AA3)	5,000,000	5,307,083	5,320,500	2.14
Krung Thai Bank PCL 5.10% 4/7/2025 (AA2)	5,000,000	5,167,174	5,159,505	2.07
Manjung Island Energy Bhd 4.58% 25/11/2027 (AAA)	5,000,000	5,132,912	5,058,736	2.03
MMC Corporation Bhd 5.70% 24/3/2028 (AA3)	5,000,000	5,075,740	5,122,740	2.06
Nur Power Sdn Bhd 4.67% 26/06/2024 (AAA)	1,000,000	1,000,146	1,007,438	0.40
PB Finance Bhd 7.50% 05/06/2059 (AA2)	10,000,000	10,177,376	10,190,279	4.09
RHB Bank Bhd 6.75% 17/12/2039 (A1)	5,000,000	5,071,250	5,121,370	2.06
RHB Bank Bhd 8.00% 31/03/2039 (A1)	6,000,000	6,169,699	6,176,891	2.48
Sabah Development Bank Bhd 11/05/2022 (AA1)	6,000,000	6,074,778	6,089,162	2.44
Sabah Development Bank Bhd 27/12/2023 (AA1)	10,000,000	10,016,060	10,024,492	4.02
Sarawak Energy Bhd 5.28% 17/08/2035 (AA1)	5,000,000	5,259,242	5,268,871	2.11
Sarawak Energy Bhd 4.95% 25/11/2033 (AA1)	2,500,000	2,512,205	2,517,580	1.01

## 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>				
Sarawak Energy Bhd 5.32% 03/12/2032 (AA1)	10,000,000	10,473,442	10,492,053	4.21
Serba Dinamik Holdings Bhd 4.95% 02/10/2023 (AA3)	2,500,000	2,530,853	2,536,228	1.02
Southern Power Generation 5.00% 30/04/2027 (AA3)	5,000,000	5,163,428	5,173,966	2.08
Special Power Vehicle 22.18% 19/11/2021 (A1)	5,000,000	7,405,158	7,433,392	2.98
Syarikat Prasarana Negara Bhd 4.75% 26/02/2031 #	5,000,000	5,241,275	5,195,037	2.08
Tadau Energy Sdn Bhd Sri Sukuk 5.40% 28/07/2025 (AA3)	1,000,000	1,028,818	1,045,275	0.42
Tadau Energy Sdn Bhd Sri Sukuk 5.50% 27/07/2026 (AA3)	1,500,000	1,544,860	1,573,872	0.63
Tadau Energy Sdn Bhd Sri Sukuk 5.70% 27/07/2028 (AA3)	5,000,000	5,297,954	5,301,670	2.13
Talam Transform Bhd 0% 28/06/2019 (BB3)	1,490,245	494,095	1,877,435	0.75
Tan Chong Motor Holdings Bhd 4.50% 22/11/2019 (A1)	3,000,000	2,970,699	2,984,005	1.20
Tan Chong Motor Holdings Bhd 4.70% 24/11/2021 (A1)	3,000,000	2,928,028	2,916,167	1.17
Tanjung Bin Power Sdn Bhd 4.84% 16/08/2022 (AA2)	5,000,000	5,118,281	5,157,796	2.07
TAQA Abu Dhabi National Energy 4.65% 03/03/2022 (Not Rated)	2,000,000	2,033,583	2,022,726	0.81
UEM Edgenta Bhd 4.85% 26/4/2022 (AA3)	5,000,000	5,075,086	5,093,664	2.04
UEM Sunrise Bhd 5.32% 11/12/2024 (AA3)	7,500,000	7,666,906	7,730,406	3.10
UEM Sunrise Bhd 5.15% 31/10/2025 (AA3)	3,000,000	3,034,549	3,081,624	1.24
UMW Holdings Bhd 5.22% 02/10/2026 (AA2)	5,000,000	5,206,543	5,214,741	2.09
UMW Holdings Bhd 6.35% 20/4/2118 (A1)	6,000,000	6,076,200	6,328,080	2.54
UniTapah Sdn Bhd 5.59% 12/12/2024 (AA1)	5,000,000	5,265,311	5,307,015	2.13



## 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>				
WCT Holdings Bhd 5.55% 21/02/2025 (AA3)	4,000,000	4,089,659	4,130,757	1.66
WCT Holdings Bhd 5.65% 20/04/2026 (AA3)	5,000,000	5,069,377	5,111,052	2.05
West Coast Expressway Sdn Bhd 5.12% 28/8/2031 (AAA)	5,000,000	5,258,404	5,280,823	2.12
Westports Malaysia Sdn Bhd 4.53% 01/04/2027 (AA1)	5,000,000	5,081,405	5,010,147	2.01
YTL Power International Bhd 5.05% 03/05/2027 (AA1)	10,000,000	10,206,406	10,199,663	4.10
YTL Power International Bhd 4.99% 24/08/2028 (AA1)	1,000,000	1,020,724	1,021,353	0.42
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<b><u>216,990,245</u></b>	<b><u>224,571,546</u></b>	<b><u>226,738,142</u></b>	<b><u>91.00</u></b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>2,166,596</u></b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>226,738,142</u></b>		

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

**9. CASH AND CASH EQUIVALENTS**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Deposits with licensed financial institutions	36,035,087	19,391,784
Bank balance	<u>26,928</u>	<u>20,654</u>
	<u>36,062,015</u>	<u>19,412,438</u>

**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	222,483,661	194,628,426
Add : Creation of units from applications	339,802,470	159,592,574
Add : Creation of units from distributions	11,097,378	9,851,958
Less : Cancellation of units	<u>(179,048,589)</u>	<u>(141,589,297)</u>
At the end of the financial year	<u>394,334,920</u>	<u>222,483,661</u>

**11. MANAGEMENT EXPENSE RATIO (“MER”)**

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
MER	<u>1.06</u>	<u>1.08</u>

MER is derived based on the following calculation:

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

A = Management fee

B = Trustee's fee

C = Audit fee

D = Tax agent's fee

E = Other expenses

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

The average NAV of the Fund for the financial year calculated on a daily basis is RM338,352,820 (2018: RM220,983,002).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	<u>1.20</u>	<u>1.67</u>

PTR is derived from the following calculation:

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

where:

total acquisition for the financial year = RM512,152,529 (2018: RM377,309,070)

total disposal for the financial year = RM296,743,515 (2018: RM358,606,400)

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

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

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Bhd <i>(formerly known as CIMB-Principal Asset Management Bhd)</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

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

Units held by the Manager and parties related to the Manager

	2019		2018	
	No. of units	RM	No. of units	RM
<b>Manager</b>				
Principal Asset Management Bhd <i>(formerly known as CIMB-Principal Asset Management Bhd)</i>	62,774	72,347	102,317	114,585

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

	2019 RM	2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	<u>54,797</u>	<u>4,143</u>
Cash placements with licensed Islamic financial institution:		
- CIMB Bank Bhd	<u>149,245,000</u>	<u>25,184,000</u>
<u>Significant related party balance</u>		
Bank balance:		
- CIMB Bank Bhd	<u>26,928</u>	<u>20,654</u>

## 14. TRANSACTIONS WITH DEALERS

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

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Alliance Bank Malaysia Bhd	126,070,500	15.80	-	-
RHB Investment Bank Bhd	116,148,825	14.56	-	-
CIMB Bank Bhd #	109,658,917	13.74	-	-
Hong Leong Investment Bank Bhd	93,210,000	11.68	-	-
RHB Bank Bhd	89,398,865	11.20	-	-
AmBank Bhd	55,908,795	7.01	-	-
Malayan Banking Bhd	55,277,152	6.93	-	-
Citi Bank Bhd	54,519,100	6.83	-	-
Hong Leong Bank Bhd	31,506,340	3.95	-	-
HSBC Bank Malaysia Bhd	20,470,000	2.57	-	-
Others	45,730,150	5.73	-	-
	<u>797,898,644</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

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

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	198,753,020	27.01	-	-
Hong Leong Investment Bank Bhd	190,435,100	25.88	-	-
RHB Bank Bhd	177,969,500	24.18	-	-
Alliance Bank Malaysia Bhd	111,125,000	15.10	-	-
CIMB Bank Bhd #	40,412,400	5.49	-	-
United Overseas Bank (M) Bhd	10,077,000	1.37	-	-
Hong Leong Bank Bhd	6,637,700	0.90	-	-
Affin Hwang Investment Bank Bhd	505,750	0.07	-	-
	<u>735,915,470</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

# Included in the transactions are trades conducted with CIMB Bank Bhd, a fellow related party to the Manager amounting to RM109,658,917 (2018: RM40,412,400). 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. SUBSEQUENT EVENT**

The Manager proposed for the payment of a gross final distribution of 2.05 sen per unit in respect of the financial year ended 31 December 2019 which will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 31 December 2020. The final distribution has been approved by the Trustee on 26 December 2019.

**16. APPROVAL OF FINANCIAL STATEMENTS**

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

**DIRECTORY**

**Head Office of the Manager**

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**Customer Care Centre**

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**Trustee for the CIMB-Principal Bond Fund**

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**Auditors of the Funds and of the Manager**

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