

CIMB-Principal Bond Fund

Unaudited Interim Report

For The Six Months Financial Period Ended 30 June 2019

CIMB-PRINCIPAL BOND FUND

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019

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INVESTORS' LETTER

Dear Valued Investor,

As we have announced in April this year, we are now officially known as Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) ("Principal Malaysia"). With Principal Financial Group ("Principal") taking on the role of primary shareholder, Principal Malaysia is able to bring additional global perspectives and asset management capabilities into the region. With the combination of scale, investment expertise, and deep regional relationships, we are optimistic of solidifying our position as an Association of Southeast Asian Nations ("ASEAN") market leader in the asset management and retirement industry of the region.

As of June 2019, our Assets under Management ("AUM") in Malaysia stands at RM56.1 billion. For the second quarter of fiscal 2019, our dividend distribution was RM126.51 million for 25 of our Funds. Today, we have a total of 83 Funds including both conventional, Islamic Unit Trust Funds, and Exchange-traded Funds ("ETFs"), and 10 Private Retirement Scheme ("PRS") Funds.

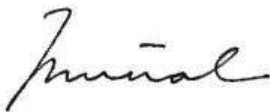
Thanks to the trust you've placed in us, we have been recognized Asia Asset Management 2019 Awards for the Fund Launch of the Year Award in Best of the Best Awards Malaysia category, and the Best Asset Management House in ASEAN in Best of the Best ASEAN category.

Going forward, you will be receiving e-newsletter from us as part of our commitment in helping you along your financial journey. On a monthly basis, we will share information that will help you better understand your investments and keep you updated on the industry. We have also revamped our website to keep it fresh and aligned with our new brand. Please visit www.principal.com.my should you decide to have a peek at our new website.

Once again, thank you for your continuous support and allowing us to help you achieve your financial goals and live your best life.

Thank you.

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



Munirah Khairuddin
Chief Executive Officer

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

The Fund aims to 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 has achieved its objective in providing regular income and capital appreciation through investment in a diversified pool of Ringgit Malaysia ("RM") denominated fixed income securities.

What are the Fund investment policy and principal investment strategy?

Between 70% to 98% (both inclusive) of the Fund's Net Asset Value ("NAV") may be invested 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 Schemes 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 investors. 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 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

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

Low

When was the Fund launched?

15 November 1995

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

RM309.29 million (278.13 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.

FUND OBJECTIVE AND POLICY (CONTINUED)

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 six months financial period ended 30 June 2019?

The Fund distributed a total net income of RM12.48 million to unit holders for the six months financial period ended 30 June 2019.

Date	NAV per unit (before distribution)	NAV per unit (after distribution)
	RM	RM
18.01.2019	1.1216	1.0962
23.04.2019	1.1201	1.0921

PERFORMANCE DATA

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

	30.06.2019	30.06.2018	30.06.2017
	%	%	%
Unquoted fixed income securities	93.97	93.49	95.14
Cash and other net assets	6.03	6.51	4.86
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.06.2019	30.06.2018	30.06.2017
NAV (RM Million)	309.29	223.05	212.40
Units in circulation (Million)	278.13	205.12	192.62
NAV per unit (RM)	1.1120	1.0873	1.1027
	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018	01.01.2017 to 30.06.2017
Highest NAV per unit (RM)	1.1213	1.1282	1.1390
Lowest NAV per unit (RM)	1.0921	1.0721	1.0809
Total return (%)	4.37	1.72	2.45
- Capital growth (%)	(0.58)	(3.33)	(2.85)
- Income distribution (%)	4.95	5.22	5.42
Management Expense Ratio ("MER") (%) ^	0.53	0.55	0.57
Portfolio Turnover Ratio ("PTR") (times) #	0.69	0.51	0.73

^ The Fund's MER decreased slightly from 0.55% to 0.53% due to higher average NAV during the financial period.

The PTR for the financial period under review has increased from 0.51 times to 0.69 times due to active rebalancing the portfolio by extending modified duration.

Date of distribution	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
Distribution on 18 January 2019		
Gross/Net distribution per unit (sen)	2.55	-
Distribution on 23 April 2019		
Gross/Net distribution per unit (sen)	2.80	-
Distribution on 23 January 2018		
Gross/Net distribution per unit (sen)	-	5.60

PERFORMANCE DATA (CONTINUED)

	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
	%	%	%	%	%
Annual total return	7.31	3.74	3.86	3.70	4.23

(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 period have been extracted from Lipper.

MARKET REVIEW (1 JANUARY 2019 TO 30 JUNE 2019)

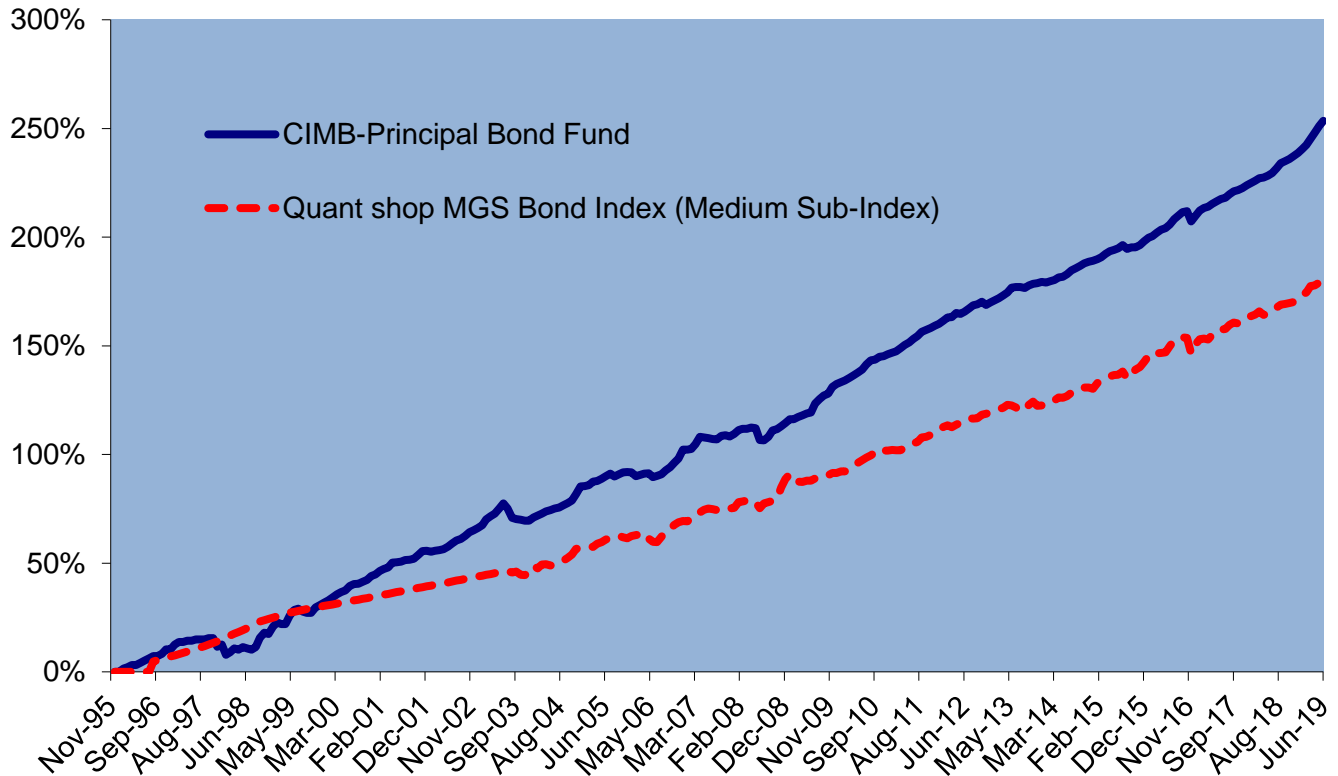
During the financial period under review, market started the year with expectation of dovish interest rate trend as US Treasury yield (“UST”) inverted on the 5-year bucket - a sign that market is expecting Federal Reserve (the “Fed”) to ease at some point in the next few years. Trade tension and weak global growth forecast were the main backdrop of yield curve inversion in the US. Come April 2019, Bank Negara Malaysia (“BNM”) released 2018 annual report with domestic growth forecast downgraded to 4.3% to 4.8%, from 4.5% to 5.0% last year. At that point, market has fully priced in Overnight Policy Rate (“OPR”) cut in the domestic interest rate market. Finally come May 2019, BNM lowered OPR to 3.00% from 3.25% as market expected, and Ringgit Malaysia (RM”) fixed income market saw long-end yield flattened more than short-end yield, exhibiting a bull flattening trend. The trend further continued to end June 2019 as the Fed of United States also hinted a possibility of Fed Fund Rate cut in the second half of 2019. At financial period close, the 3-year, 5- year, 7- year, 10- year, 15- year, 20- year and 30-year Malaysia Government Securities (“MGS”) were traded at 3.32% (December 2018: 3.62%), 3.43% (3.84%), 3.55% (4.01%), 3.63% (4.10%), 3.94% (4.47%), 4.08% (4.66%) and 4.36% (4.87%) respectively.

FUND PERFORMANCE

	6 months	1 year	3 years	5 years	Since
	to 30.06.2019	to 30.06.2019	to 30.06.2019	to 30.06.2019	inception
	%	%	%	%	%
Income	4.95	4.95	16.44	30.47	217.87
Capital	(0.58)	2.36	(0.81)	(5.50)	35.63
Total Return	4.37	7.31	15.63	24.97	253.50
Benchmark	3.56	5.93	12.72	24.13	181.51
Average Total Return	N/A	7.31	4.96	4.56	5.49

During the financial period under review, Fund delivered 4.37% of total return, outperforming Benchmark by 81 basis points (“bps”). The Fund outperformed on credit selection as well as modified duration positioning.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	30.06.2019	31.12.2018 Audited	Changes %
NAV (RM Million)	309.29	249.17	24.13
NAV/Unit (RM)	1.1120	1.1199	(0.71)

During the financial period under review, Fund NAV increased to RM309.29 million due to unit creations and Fund NAV per unit increased to RM1.1120, in line with the Fund’s total return.

Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures for the financial period have been extracted from Lipper.

PORTFOLIO STRUCTURE

(% of NAV)	30.06.2019	31.12.2018 Audited
Unquoted fixed income securities	93.97	90.98
Cash and other net assets	6.03	9.02
TOTAL	100.00	100.00

During the financial period under review, the Fund increased holdings in fixed income securities by 2.99% to 93.97% as the Fund took higher conviction call on overweighting modified duration. Cash was reduced to 6.03% as a result of the investment call.

MARKET OUTLOOK*

Globally, The Group of 20 (“G20”) summit: Trump-Xi meeting were broadly in line with expectations - Presidents Trump and Xi agreed to restart talks and postpone further tariffs. However, details of any agreements or further talks were sparse. Overall, the outcome therefore seems modestly benign but with scope for renewed escalation. US interest rate market has priced in ~70 bps of rate cuts in 2019 as the data have slowed, risks to global growth are looming, and the Fed’s June 2019 dot plot revealed that almost half of the Federal Open Market Committee (“FOMC”) participants now see 2 cuts as the most likely outcome for 2019. With some degree of cut in July 2019 now being broadly consensus, the question remains whether the initial the Fed action will be a 25 bps or 50 bps cut. Domestically, headline inflation remained stable at 0.2% year-on-year (“y-o-y”) in May 2019, lower than consensus 0.3%, as the Government’s price control scheme contained food inflation during the Ramadan month. Benign price pressure and accommodating external financial conditions are supportive of a looser monetary policy to support economic growth. Meanwhile, the Industrial Production Index (“IPI”) extended its run in April 2019 (+4.0% y-o-y vs. +3.1% y-o-y in March 2019), defying market expectations of a slower expansion. There will be a BNM monetary policy meeting this 9 July 2019 which we don’t expect to see any policy rate action. However, we will be closely monitoring the statement for further sign of weakness in the domestic market.

* 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

On Fixed Income strategy, we continue to expect 3.00% OPR will remain for the rest of 2019. The long-end government bond curve has fully priced in another 25 bps cut which means further substantial upside is probably very limited. However, we do not think market will correct immediately given the supply profile in second half of 2019 is very benign. The return of foreign funds is a double-edged sword as it will likely to push the local yield curve lower but expose domestic investors to any global shock. Regardless of the OPR outcome, the Fund will still stay overweight duration against benchmark but cautious against curve positioning as the basis for long-end curve flattening is solely based on technical factors. We will also overweight credit against Government bond as credit spreads have widened after the flattening of risk-free curve.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 June 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	594	1.81	0.65
5,001 to 10,000	432	3.21	1.15
10,001 to 50,000	797	18.12	6.52
50,001 to 500,000	287	33.68	12.11
500,001 and above	34	221.31	79.57
Total	2,144	278.13	100.00

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial period under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL 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 unaudited financial statements set out on pages 10 to 35 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2019 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 August 2019

**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 six months financial period ended 30 June 2019. To the best of our knowledge, Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*), 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 period, 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
Head

Kuala Lumpur
14 August 2019

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Note	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
INCOME			
Interest income from unquoted fixed income securities		5,592,124	4,976,618
Interest income from deposits with licensed financial institutions		259,889	159,913
Net gain/(loss) on financial assets at fair value through profit or loss	8	<u>6,948,326</u>	<u>(265,164)</u>
		<u>12,800,339</u>	<u>4,871,367</u>
EXPENSES			
Management fee	4	1,351,777	1,070,581
Trustee's fees	5	67,589	53,529
Audit fee		8,000	7,550
Tax Agent's fee		2,000	100
Other expenses		<u>7,372</u>	<u>60,029</u>
		<u>1,436,738</u>	<u>1,191,789</u>
PROFIT BEFORE TAXATION		11,363,601	3,679,578
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>11,363,601</u>	<u>3,679,578</u>
Profit after taxation is made up as follows:			
Realised amount		6,999,076	3,634,157
Unrealised amount		<u>4,364,525</u>	<u>45,421</u>
		<u>11,363,601</u>	<u>3,679,578</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		30.06.2019	31.12.2018
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	9	16,896,969	19,412,438
Financial assets at fair value through profit and loss	8	290,631,075	226,738,142
Amount due from Manager		5,373,841	3,453,135
TOTAL ASSETS		<u>312,901,885</u>	<u>249,603,715</u>
LIABILITIES			
Amount due to Manager		3,336,979	200,906
Accrued management fee		252,858	206,200
Amount due to Trustee		12,643	10,310
Other payables and accruals		14,000	15,803
TOTAL LIABILITIES		<u>3,616,480</u>	<u>433,219</u>
NET ASSET VALUE OF THE FUND		<u>309,285,405</u>	<u>249,170,496</u>
EQUITY			
Unit holders' capital		295,088,111	233,858,803
Retained earnings		14,197,294	15,311,693
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>309,285,405</u>	<u>249,170,496</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>278,129,387</u>	<u>222,483,661</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.1120</u>	<u>1.1199</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2019		233,858,803	15,313,693	249,172,496
Movement in unit holders' contributions:				
- Creation of units from applications		131,788,517	-	131,788,517
- Creation of units from distribution		12,139,266	-	12,139,266
- Cancellation of units		(82,698,475)	-	(82,698,475)
Total comprehensive income for the financial period		-	11,363,601	11,363,601
Distribution	6	-	(12,478,000)	(12,478,000)
Balance as at 30 June 2019		<u>295,088,111</u>	<u>14,197,294</u>	<u>309,285,405</u>
Balance as at 1 January 2018		202,982,599	15,945,763	218,928,362
Movement in unit holders' contributions:				
- Creation of units from applications		70,639,338	-	70,639,338
- Creation of units from distribution		10,564,255	-	10,564,255
- Cancellation of units		(69,784,590)	-	(69,784,590)
Total comprehensive income for the financial period		-	3,679,578	3,679,578
Distribution	6	-	(10,980,737)	(10,980,737)
Balance as at 30 June 2018		<u>214,401,602</u>	<u>8,644,604</u>	<u>223,046,206</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of unquoted fixed income securities	153,852,983	122,383,193
Proceeds from redemption of unquoted fixed income securities	16,184,586	-
Purchase of unquoted fixed income securities	(228,369,971)	(121,576,579)
Interest income received from deposits with financial institutions	259,889	160,167
Interest income received from unquoted fixed securities	6,979,920	5,196,516
Management fee paid	(1,305,119)	(1,083,119)
Trustee's fee paid	(65,256)	(54,156)
Payments for other fees and expenses	(19,176)	(80,742)
Net cash (used in)/generated from operating activities	(52,482,144)	4,945,280
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	129,867,811	64,575,523
Payments for cancellation of units	(79,562,402)	(68,651,919)
Distribution paid	(338,734)	(416,482)
Net cash generated from/(used in) operating activities	49,966,675	(4,492,878)
Net (decrease)/increase in cash and cash equivalents	(2,515,469)	452,402
Cash and cash equivalents at the beginning of the financial period	19,412,438	9,541,707
Cash and cash equivalents at the end of the financial period	16,896,969	9,994,109
<u>Cash and cash equivalents comprised of:</u>		
Deposits with licensed financial institutions	16,554,687	9,913,650
Bank balances	342,282	80,459
Cash and cash equivalents at the end of the financial period	16,896,969	9,994,109

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 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”).

Between 70% to 98% (both inclusive) of the Fund’s NAV may be invested 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 Schemes 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 investors. 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 Financial Reporting Standards (“IFRS”).

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

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

It also requires the Manager to exercise 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 estimates and assumptions are significant to the financial statements are disclosed in Note 2(j).

Standard that is effective:

The Fund has applied the following standard for the first time for the financial period beginning 1 January 2019:

(i) Financial year beginning on/after 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 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.

(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

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 and amount due from Manager 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 other financial liabilities as financial liabilities subsequently measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**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(j) for further explanation.

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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

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

(c) 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 rate method on an accrual basis.

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

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

(d) Functional and presentation currency

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

(e) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent 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 period.

(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 period in which it is approved by the Trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(h) 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 period if unit holder exercises the right to put the unit back to the Fund.

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

(i) 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.

(j) Critical accounting estimates and judgments 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 judgments 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. RISK MANAGEMENT OBJECTIVES AND POLICIES

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 and currency risk).

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM290,631,075 (31.12.2018: 226,738,142) 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.

(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 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 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. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(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 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 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 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.

(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. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital risk management

The capital of the fund is represented by equity consisting of unit holders' capital of RM295,088,111 (31.12.2018: RM233,858,803) and retained earnings of RM14,197,294 (31.12.2018: 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.

(e) Fair value estimation

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

The fair values of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine 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 judgment, considering factors specific to the asset or liability.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.06.2018				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	<u>290,631,075</u>	-	<u>290,631,075</u>

31.12.2018
Audited

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. This includes unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund’s policies on valuation of these financial assets are stated in Note 2(b).

- (ii) The carrying values of cash and cash equivalents, amount due from 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 six months financial period ended 30 June 2019, the management fee is recognised at a rate of 1.00% per annum (30.06.2018: 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 six months financial period ended 30 June 2019, the Trustee's fee is recognised at a rate of 0.05% per annum (30.06.2018: 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 derived from the following sources:

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
Interest income	5,290,628	5,904,993
Net realised gain from sale of investments	335,243	379,737
Prior financial periods' realised income	<u>8,288,867</u>	<u>4,769,439</u>
	13,914,738	11,054,169
Less:		
Expenses	<u>(1,436,738)</u>	<u>(73,432)</u>
Net distribution amount	<u><u>12,478,000</u></u>	<u><u>10,980,737</u></u>
Final distribution on 18 January 2019		
Gross/Net distribution per unit (sen)	<u>2.55</u>	<u>-</u>
Final distribution on 23 April 2019		
Gross/Net distribution per unit (sen)	<u>2.80</u>	<u>-</u>
Final distribution on 23 January 2018		
Gross/Net distribution per unit (sen)	<u>-</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 periods' 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.

7. TAXATION

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
Tax charged for the financial period:		
- 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:

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
Profit before taxation	<u>11,363,601</u>	<u>3,679,578</u>
Taxation at Malaysian statutory rate of 24% (30.06.2018: 24%)	2,727,264	883,099
Tax effects of:		
Investment income not subject to tax	(3,072,081)	(1,169,128)
Expenses not deductible for tax purposes	17,228	15,955
Restriction on tax deductible expenses for Unit Trust Funds	<u>327,589</u>	<u>270,074</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2019 RM	31.12.2018 Audited RM
At fair value through profit or loss:		
- Unquoted fixed income securities	<u>290,631,075</u>	<u>226,738,142</u>

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	2,518,893	(116,564)
- Unrealised fair value gain/(loss)	4,429,433	(148,600)
	<u>6,948,326</u>	<u>(265,164)</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 %
30.06.2019				
UNQUOTED FIXED INCOME SECURITIES				
Affin Bank Bhd 5.45% 05/02/2027 (A1)	11,000,000	11,397,171	11,535,386	3.73
Affin Islamic Bank Bhd Murabahah 5.05% 23/10/2028 (A1)	5,000,000	5,072,249	5,157,703	1.67
AmBank Bhd 8.25% 18/08/2019 (A1)	5,000,000	5,173,319	5,178,608	1.67
Bank Pembangunan Malaysia Bhd 4.98% 02/03/2032 (AAA)	5,000,000	5,363,165	5,395,059	1.74
CIMB Thai Bank Bhd 5.35% 10/07/2026 (AA3)	1,000,000	1,032,125	1,042,464	0.34
DanaInfra Nasional Bhd 4.95% 19/10/2046 #	5,000,000	5,484,927	5,497,100	1.78
Edra Energy Sdn Bhd 6.39% 05/01/2034 (AA3)	5,000,000	5,827,455	5,827,185	1.88
Edra Energy Sdn Bhd 6.43% 05/07/2034 (AA3)	5,000,000	5,852,267	5,852,644	1.89
Edra Energy Sdn Bhd 6.55% 04/01/2036 (AA3)	5,000,000	5,883,886	5,928,570	1.92
Exsim Capital Resources Bhd 5.00% 08/01/2022 (AA3)	5,000,000	5,114,030	5,148,360	1.67
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA)	3,500,000	3,504,459	3,562,839	1.15
Fortune Premiere Sdn Bhd 4.80% 13/03/2023 (AA)	3,000,000	3,043,792	3,110,152	1.01
Fortune Premiere Sdn Bhd 5.05% 05/09/2025 (AA)	5,000,000	5,260,019	5,282,297	1.71
Fortune Premiere Sdn Bhd 5.05% 31/10/2025 (AA)	3,000,000	3,026,289	3,140,674	1.02
Gamuda Bhd 4.825% 23/11/2022 (AA3)	5,000,000	5,040,882	5,132,328	1.66
GovCo Holdings Bhd 4.88% 28/09/2032 #	5,000,000	5,187,272	5,403,707	1.75
Hong Leong Bank Bhd 8.25% 10/09/2039 (AA2)	2,000,000	2,064,781	2,067,691	0.67
Hong Leong Financial Group 4.30% 14/06/2029 (AA2)	2,200,000	2,204,406	2,206,980	0.71
IJM Corporation Bhd 4.76% 10/04/2029 (AA3)	3,000,000	3,036,394	3,090,881	1.00
IJM Land Bhd 5.65% 17/03/2119 (A2)	2,000,000	2,032,197	2,119,077	0.69

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 %
30.06.2019 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Jimah Energy Ventures 9.50% 12/05/2022 (AA3)	4,500,000	5,155,965	5,213,784	1.69
Jimah Energy Ventures 9.55% 11/11/2022 (AA3)	1,000,000	1,165,448	1,182,376	0.38
Kimanis Power Sdn Bhd 5.30% 07/08/2026 (AA-)	5,000,000	5,293,803	5,433,422	1.76
Krung Thai Bank PCL 5.10% 4/7/2025AA2	5,000,000	5,150,857	5,164,510	1.67
Malakoff Power Bhd 5.15% 17/12/2020 (AA-)	1,000,000	1,017,260	1,019,776	0.33
Manjung Island Energy Bhd 4.58% 25/11/2027 (AAA)	5,000,000	5,127,164	5,247,609	1.70
MMC Corporation Bhd 5.70% 24/03/2028 (AA-)	5,000,000	5,075,740	5,253,190	1.70
Nur Power Sdn Bhd 4.67% 26/06/2024 (AAA)	1,000,000	1,000,066	1,028,870	0.33
RHB Bank Bhd 6.75% 17/12/2039 (A1)	5,000,000	5,040,941	5,071,295	1.64
RHB Islamic Bank Bhd 4.32% 21/05/2029 (AA3)	3,100,000	3,115,043	3,125,490	1.01
Sabah Development Bank Bhd 5.25% 27/12/2023 (AA1)	10,000,000	10,013,855	10,305,053	3.33
Sabah Development Bank Bhd 5.30% 11/05/2022 (AA1)	7,000,000	7,098,036	7,228,166	2.34
Sabah Development Bank Bhd 5.30% 24/04/2024 (AA1)	4,500,000	4,553,647	4,682,268	1.51
Sarawak Energy Bhd 4.95% 25/11/2033 (AA1)	2,500,000	2,511,866	2,693,491	0.87
Sarawak Energy Bhd 5.32% 03/12/2032 (AA1)	20,000,000	21,911,523	22,249,961	7.19
Serba Dinamik Holdings Bhd 4.95% 02/10/2023 (AA-)	2,500,000	2,530,514	2,562,839	0.83
Southern Power Generation 5.0% 30/04/2027 (AA-)	5,000,000	5,157,422	5,351,316	1.73
Southern Power Generation 5.53% 31/10/2034 (AA-)	5,000,000	5,525,658	5,559,317	1.80
Southern Power Generation 5.57% 30/04/2035 (AA-)	10,000,000	11,093,996	11,106,113	3.59

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 %
30.06.2019 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Special Power Vehicle 22.18% 19/11/2021 (A1)	5,000,000	7,031,772	7,126,415	2.30
Syarikat Prasarana Negara Bhd 4.75% 26/02/2031 #	5,000,000	5,235,004	5,479,585	1.77
Tadau Energy Sdn Bhd 5.40% 28/07/2025 (AA3)	1,000,000	1,027,875	1,064,474	0.34
Tadau Energy Sdn Bhd 5.50% 27/07/2026 (AA3)	1,500,000	1,543,458	1,608,113	0.52
Talam Transform Bhd 0% 28/12/2020 (BB3)	1,305,658	1,725	1,136,143	0.37
Tan Chong Motor Holding Bhd 4.50% 22/11/2019 (A1)	6,000,000	5,997,706	6,031,949	1.95
Tanjung Bin Power Sdn Bhd 4.84% 16/08/2022 (AA2)	5,000,000	5,114,687	5,204,907	1.68
TAQA Abu Dhabi National Energy 4.65% 03/03/2022 (Not Rated)	2,000,000	2,033,043	2,040,765	0.66
UEM Edgenta Bhd 4.85% 26/04/2022 (AA-)	5,000,000	5,070,095	5,139,799	1.66
UEM Sunrise Bhd 5.32% 11/12/2024 (AA-)	5,000,000	5,103,544	5,309,425	1.72
UEM Sunrise Bhd 5.15% 31/10/2025 (AA-)	3,000,000	3,034,017	3,195,504	1.03
UMW Holdings Bhd 6.35% 20/04/2118 (A1)	6,000,000	6,075,156	6,787,596	2.19
UniTapah Sdn Bhd 5.59% 12/12/2024 (AA1)	5,000,000	5,246,197	5,375,349	1.74
WCT Holdings Bhd 5.55% 21/02/2025 (AA-)	4,000,000	4,085,920	4,150,715	1.34
WCT Holdings Bhd 5.65% 20/04/2026 (AA-)	5,000,000	5,067,768	5,158,628	1.67
Westports (M) Sdn Bhd 4.53% 01/04/2027 (AA+)	5,000,000	5,079,240	5,172,216	1.67
YTL Corporation Bhd 4.60% 23/06/2034 (AA1)	7,700,000	7,835,722	7,892,085	2.55
YTL Power International Bhd 5.05% 03/05/2027 (AA1)	10,000,000	10,292,173	10,543,130	3.41
YTL Power International Bhd 4.99% 24/08/2028 (AA1)	1,000,000	1,020,055	1,055,726	0.34

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 %
30.06.2019 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>271,305,658</u>	<u>284,035,046</u>	<u>290,631,075</u>	<u>93.97</u>
ACCUMULATED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>6,596,029</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>290,631,075</u>		
31.12.2018				
Audited				
UNQUOTED FIXED INCOME SECURITIES				
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 (AA)	3,500,000	3,504,905	3,506,480	1.41
Fortune Premiere Sdn Bhd 4.80% 13/3/2023 (AA)	3,000,000	3,043,792	3,059,782	1.23
Fortune Premiere Sdn Bhd 5.05% 31/10/2025 (AA)	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% 28/9/2032 #	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 9.50% 12/05/2022 (AA3)	4,500,000	5,253,708	5,266,302	2.11
Jimah Energy Ventures 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 (AA-)	5,000,000	5,307,083	5,320,500	2.14

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 %
31.12.2018				
Audited				
UNQUOTED FIXED				
INCOME SECURITIES				
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 (AA-)	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
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 (AA-)	2,500,000	2,530,853	2,536,228	1.02
Southern Power Generation 5.0% 30/04/2027 (AA-)	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 5.4% 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% 28/06/19 (BB3)	1,490,245	494,095	1,877,435	0.75

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 %
31.12.2018 (CONTINUED)				
Audited (continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
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% 26/4/2022AA-	5,000,000	5,075,086	5,093,664	2.04
UEM Sunrise Bhd 5.32% 11/12/2024 (AA-)	7,500,000	7,666,906	7,730,406	3.10
UEM Sunrise Bhd 5.15% 31/10/2025 (AA-)	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
WCT Holdings Bhd 5.55% 21/02/2025 (AA-)	4,000,000	4,089,659	4,130,757	1.66
WCT Holdings Bhd 5.65% 20/04/2026 (AA-)	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 (AA+)	5,000,000	5,081,405	5,010,147	2.01

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 %
31.12.2018 (CONTINUED)				
Audited (continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
YTL Power International Bhd 5.05% 03/05/2027 (AA1)	10,000,000	10,206,406	10,199,663	4.09
YTL Power International Bhd 4.99% 24/08/2028 (AA1)	1,000,000	1,020,724	1,021,353	0.41
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>216,990,245</u>	<u>224,571,546</u>	<u>226,738,142</u>	<u>90.98</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS FAIR VALUE THROUGH PROFIT OR LOSS		<u>2,166,596</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>226,738,142</u>		

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

9. CASH AND CASH EQUIVALENTS

	30.06.2019 RM	31.12.2018 Audited RM
Deposits with licensed financial institutions	16,554,687	19,391,784
Bank balances	342,282	20,654
	<u>16,896,969</u>	<u>19,412,438</u>

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

	30.06.2019 %	31.12.2018 Audited %
Deposits with licensed financial institutions	<u>3.17</u>	<u>3.60</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 2 days (31.12.2018: 2 days).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.01.2019 to 30.06.2019	01.01.2018 to 31.12.2018
	No of units	Audited No. of units
At the beginning of the financial period/year	222,483,661	194,628,426
Add : Creation of units from applications	119,110,687	159,592,574
Add : Creation of units from distribution	11,097,378	9,851,958
Less : Cancellation of units	<u>(74,562,339)</u>	<u>(141,589,297)</u>
At the end of the financial period/year	<u>278,129,387</u>	<u>222,483,661</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
	%	%
MER	<u>0.53</u>	<u>0.55</u>

MER is derived based on the following calculation:

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

A = Management fee

B = Trustee's fee

C = Audit fee

D = Tax Agent's fee

E = Other expenses

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM272,809,104 (30.06.2018: RM215,859,260).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
PTR (times)	<u>0.69</u>	<u>0.51</u>

PTR is derived from the following calculation:

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

where:

total acquisition for the financial period = RM225,692,462 (30.06.2018: RM110,277,930)

total disposal for the financial period = RM151,780,850 (30.06.2018: RM110,511,829)

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

Units held by the Manager and parties related to the Manager

	30.06.2019		31.12.2018	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Behad)</i>	182,495	202,934	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.

<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

In addition to 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.

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

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	<u>17,065</u>	<u>2,649</u>
Cash placements with licensed financial institution:		
- CIMB Bank Bhd	<u>67,980,000</u>	<u>25,184,000</u>
	30.06.2019	31.12.2018
<u>Significant related party balances</u>		
Bank balances:		Audited
- CIMB Bank Bhd	<u>342,282</u>	<u>20,654</u>

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the brokers/dealers for the six months financial period ended 30 June 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Alliance Bank Malaysia Bhd	126,070,500	33.40	-	-
RHB Bank Bhd	79,631,400	21.10		
RHB Investment Bank Bhd	76,239,200	20.20	-	-
Hong Leong Investment Bank Bhd	57,559,200	15.25	-	-
CIMB Bank Bhd #	22,348,812	5.92		
Hong Leong Bank Bhd	5,027,000	1.33	-	-
United Overseas Bank (M) Bhd	5,011,650	1.33	-	-
Malayan Banking Bhd	3,004,800	0.80		
Affin Hwang Investment Bank Bhd	<u>2,580,750</u>	<u>0.67</u>	-	-
	<u>377,473,312</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the brokers/dealers for the six months financial period ended 30 June 2018 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	95,185,616	43.11	-	-
RHB Bank Bhd	58,682,837	26.58	-	-
Hong Leong Investment Bank Bhd	40,183,456	18.20	-	-
United Overseas Bank	10,077,000	4.56	-	-
CIMB Bank Bhd #	9,891,600	4.48	-	-
Hong Leong Bank Bhd	6,769,250	3.07	-	-
	<u>220,789,759</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with CIMB Bank Bhd Bank Bhd, fellow related party to the Manager amounting to RM22,348,812 (30.06.2018: RM9,891,600) 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 provide regular income as well as to achieve medium to long-term capital appreciation through investments primarily in Malaysian bonds. 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 earned from investments and gains on the appreciation in the value of investments, which are derived from unquoted fixed income securities traded in Malaysia and Ringgit-denominated deposits with licensed financial institutions in Malaysia.

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

DIRECTORY

Head office of the Manager

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