

CIMB-Principal China Multi Asset Income Fund

Annual Report

For The Financial Year Ended 31 October 2019

CIMB-PRINCIPAL CHINA MULTI ASSET INCOME FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2019

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INVESTORS' LETTER

Dear Valued Investors,

Thank you for your continued support and for the confidence that you have placed in us.

Don't miss out on the Private Retirement Schemes ("PRS") Tax Relief for 2019. As you are well aware, you can enjoy personal tax relief for the first RM3,000 per year until 2021, on top of the RM6,000 per year tax relief for the mandatory retirement savings contribution and life insurance premiums. This could be as much as RM840 per year¹ (depending on your tax bracket).

The tax incentive that is available for a period of 10 years, ending year 2021 was specially introduced to encourage you to save more for your retirement.

Why retirement savings is crucial?

1. Longer lifespan

The average Malaysian is expected to live beyond 75 years. The longer you live, the greater the risk of outliving your retirement income.

2. Inflation Challenge

Over the course of time, the impact of inflation can be significant, and it may reduce your purchasing power. Rising costs of living and healthcare are important factors to consider.

3. Inadequacy of Saving

59% of EPF active members in 2016 do not achieve basic savings requirement for retirement. You want to be able to sustain your current lifestyle.

As of October 2019, our Assets under Management ("AUM") stood at RM57.53 billion.

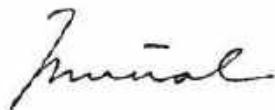
Thank you for your continuous support and allowing us to help you achieve your financial goals and live your best life.

Thank you.

Yours faithfully,

for **Principal Asset Management Berhad**

(formerly known as CIMB-Principal Asset Management Berhad)



Munirah Khairuddin

Chief Executive Officer

¹ www.ppa.my

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to provide income and moderate capital growth through investments in one collective investment scheme, which invests primarily in a diversified portfolio of securities related to China.

Has the Fund achieved its objective?

For the financial year under review, the Fund has performed in line with its objective as stated under the Fund Performance section.

What are the Fund investment policy and principal investment strategy?

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. HSBC China Multi-Asset Income Fund ("Target Fund"). The Fund may also invest in Liquid Asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in the Target Fund; a sub-fund established on 21 November 2014 under the HSBC Collective Investment Trust. The Fund will also maintain up to 5% of its NAV in Liquid Assets for liquidity purposes.

Information on the Target Fund:

| | | |
|--------------------------------|---|--|
| Trust | : | HSBC Collective Investment Trust, an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 27 February 2014 between the Target Fund Manager and HSBC Institutional Trust Services (Asia) Limited as the Target Fund's trustee. |
| Target Fund Manager | : | HSBC Investment Funds (Hong Kong) Ltd |
| Target Fund Investment Adviser | : | HSBC Global Asset Management (Hong Kong) Ltd |
| Target Fund Research Adviser | : | HSBC Jintrust Fund Management Company Ltd |
| Regulatory authority | : | Securities and Futures Commission of Hong Kong |

Base Currency

US Dollar ("USD")

Fund category/type

Feeder Fund/Income & Growth

How long should you invest for?

Recommended three (3) years or more

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

High

When was the Fund launched?

Class MYR-Hedged ("MYR-H") & Class USD

3 July 2017

SGD-Hedged ("SGD-H")

8 June 2018

Class AUD-Hedged ("AUD-H"), Class RMB-Hedged ("RMB-H")

2 July 2018

FUND OBJECTIVE AND POLICY (CONTINUED)

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

USD71.27 million (272.11 million units)

What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund for performance comparison. The benchmark of the Target Fund is 50% Morgan Stanley Capital International ("MSCI") China Net + 50% Markit iBoxx Asia Local Bond Index China Offshore for comparison purposes.

What is the Fund distribution policy?

Quarterly, depending on the availability of realised income and/or realised gains and at the discretion of the Manager.

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

The Fund distributed a total net income of USD1.73 million to unit holders for the financial year ended 31 October 2019.

| | NAV per unit (before distribution) USD | NAV per unit (after distribution) USD |
|----------------------------------|---|--|
| Distribution on 21 November 2018 | | |
| - Class USD | 0.9312 | 0.9292 |
| Distribution on 26 February 2019 | | |
| - Class SGD-H | 0.7030 | 0.6903 |
| - Class USD | 1.0173 | 1.0155 |
| Distribution on 29 May 2019 | | |
| - Class MYR-H | 0.2223 | 0.2165 |
| - Class SGD-H | 0.6342 | 0.6206 |
| - Class USD | 0.9584 | 0.9537 |
| Distribution on 27 August 2019 | | |
| - Class USD | 0.9606 | 0.9592 |

PERFORMANCE DATA

Details of portfolio composition of the Fund for the financial year/period are as follows:

| | 31.10.2019 | 31.10.2018 |
|------------------------------|-------------------|-------------------|
| | % | % |
| Collective investment scheme | 98.09 | 99.60 |
| Cash and other net assets | 1.91 | 0.40 |
| | <u>100.00</u> | <u>100.00</u> |

Performance details of the Fund for the financial year/period are as follows:

| | 31.10.2019 | 31.10.2018 |
|--------------------------------|----------------------|-------------------------|
| NAV (USD Million) | | |
| - Class AUD-H | 0.00 | 0.00 |
| - Class RMB-H | 0.00 | 0.00 |
| - Class MYR-H | 58.73 | 56.24 |
| - Class SGD-H | 0.47 | 0.44 |
| - Class USD | 12.07 | 13.75 |
| Units in circulation (Million) | | |
| - Class AUD-H | 0.00 | 0.00 |
| - Class RMB-H | 0.00 | 0.00 |
| - Class MYR-H | 259.22 | 266.99 |
| - Class SGD-H | 0.71 | 0.72 |
| - Class USD | 12.18 | 15.10 |
| NAV per unit (USD) | | |
| - Class AUD-H | 0.7140 | 0.6600 |
| - Class RMB-H | 0.1403 | 0.1400 |
| - Class MYR-H | 0.2265 | 0.2106 |
| - Class SGD-H | 0.6534 | 0.6143 |
| - Class USD | 0.9912 | 0.9109 |
| | 01.11.2018 | 03.07.2017 |
| | to 31.10.2019 | (date of launch) |
| | | to 31.10.2018 |
| Highest NAV per unit (USD) | | |
| - Class AUD-H | 0.7892 | 0.7600 |
| - Class RMB-H | 0.1559 | 0.1500 |
| - Class MYR-H | 0.2494 | 0.2996 |
| - Class SGD-H | 0.7119 | 0.7387 |
| - Class USD | 1.0515 | 1.1623 |
| Lowest NAV per unit (USD) | | |
| - Class AUD-H | 0.6700 | 0.6500 |
| - Class RMB-H | 0.1331 | 0.1400 |
| - Class MYR-H | 0.2128 | 0.2062 |
| - Class SGD-H | 0.6199 | 0.6011 |
| - Class USD | 0.9126 | 0.8909 |
| Total return (%) | | |
| - Class AUD-H | 7.82 | (9.91) |
| - Class RMB-H | 0.36 | (6.85) |
| - Class MYR-H | 10.43 | (6.56) |
| - Class SGD-H | 10.80 | (17.90) |
| - Class USD | 9.94 | (7.00) |

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the financial year/period are as follows: (continued)

| | 01.11.2018 to 31.10.2019 | 03.07.2017 (date of launch) to 31.10.2018 |
|--|-------------------------------------|--|
| Capital growth (%) | | |
| - Class AUD-H | 7.82 | (9.91) |
| - Class RMB-H | 0.36 | (6.85) |
| - Class MYR-H | 7.55 | (2.14) |
| - Class SGD-H | 6.38 | (11.99) |
| - Class USD | 8.81 | (18.87) |
| Income distribution (%) | | |
| - Class AUD-H | - | - |
| - Class RMB-H | - | - |
| - Class MYR-H | 2.68 | 6.01 |
| - Class SGD-H | 4.07 | 0.09 |
| - Class USD | 1.03 | 2.08 |
| Management Expense Ratio ("MER") (%) ^ | 1.85 | 2.44 |
| Portfolio Turnover Ratio ("PTR") (times) # | 0.12 | 0.89 |

^ The Fund's MER decrease from 2.44% to 1.85% was mainly due to decreased in total expenses.

For the financial year under review, the Fund's PTR decreased from 0.89 times to 0.12 times due to lesser trading activities.

Distribution on 21 November 2018

Gross/Net distribution per unit (cent)

| | | |
|-------------|------|---|
| - Class USD | 0.20 | - |
|-------------|------|---|

Distribution on 26 February 2019

Gross/Net distribution per unit (cent)

| | | |
|---------------|------|---|
| - Class SGD-H | 1.27 | - |
| - Class USD | 0.18 | - |

Distribution on 29 May 2019

Gross/Net distribution per unit (cent)

| | | |
|---------------|------|---|
| - Class MYR-H | 0.58 | - |
| - Class SGD-H | 1.36 | - |
| - Class USD | 0.47 | - |

Distribution on 27 August 2019

Gross/Net distribution per unit (cent)

| | | |
|-------------|------|---|
| - Class USD | 0.14 | - |
|-------------|------|---|

Distribution on 6 August 2018

Gross/Net distribution per unit (cent)

| | | |
|---------------|---|------|
| - Class MYR-H | - | 1.41 |
| - Class SGD-H | - | 0.06 |
| - Class USD | - | 2.06 |

| | | |
|--|-------------|-------------|
| | <u>4.20</u> | <u>3.53</u> |
|--|-------------|-------------|

PERFORMANCE DATA (CONTINUED)

| | 31.10.2019 | Since inception |
|---------------------|-------------------|------------------------|
| | % | to 31.10.2018 |
| | | % |
| Annual total return | | |
| - Class MYR-H | 10.43 | (6.56) |
| - Class USD | 9.94 | (7.00) |

(Launch date: 3 July 2017)

| | 31.10.2019 | Since inception |
|---------------------|-------------------|------------------------|
| | % | to 31.10.2018 |
| | | % |
| Annual total return | | |
| - Class SGD-H | 10.80 | (17.90) |

(Launch date: 8 June 2018)

| | 31.10.2019 | Since inception |
|---------------------|-------------------|------------------------|
| | % | to 31.10.2018 |
| | | % |
| Annual total return | | |
| - Class AUD-H | 7.82 | (9.91) |
| - Class RMB-H | 0.36 | (6.85) |

(Launch date: 2 July 2018)

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/period have been extracted from Lipper.

MARKET REVIEW (1 NOVEMBER 2018 TO 31 OCTOBER 2019)

Chinese markets fared better throughout November 2018 and recouped a significant portion of October 2018 losses, ending up by 7.13% on the MSCI China Index (against down by 11.33% in October 2018), but down by 0.56% on the Shanghai Composite Index of onshore shares (down by 7.75% in October 2018). One important driver of markets was the significant fall in the price of oil, Brent crude falling 22.21% over the month giving a boost to those economies, like China, who import a significant amount of oil. A rally late in the month of the back of comments from US Federal Reserve (the "Fed") Chairman Powell that US interest rates were approaching a neutral level, suggesting further rate rises could be limited, took global stock markets into positive territory for the month, the MSCI World Index rising 0.95% for November 2018 as a whole, having been in negative territory for most of the month.

China's stock markets followed global markets lower in December 2018 with the MSCI China index down by 6.02% and the Shanghai Composite Index of onshore shares down by 3.64%, as concerns have grown that both the domestic Chinese and broader global economies may be in the early stages of a slowdown. An important market driver has been the actions of the US Central Bank and the extensive commentary surrounding them. Several high-profile figures, most importantly the US President, have been highly vocal in criticizing the Fed for raising interest rates, which they did in December 2018. The effect of this commentary appears to be to raise fears that the Central Bank may be making a mistake which will harm the US, and therefore global economy. By making the assertion, commentators draw attention to the risk, and possibly exacerbate the situation.

MARKET REVIEW (1 NOVEMBER 2018 TO 31 OCTOBER 2019) (CONTINUED)

Following a volatile month in December 2018, January 2019 markets somewhat recovered. Positive news on the trade front and evidence that China is willing to act to support growth have improved sentiment, even though the US Government remained partially shut for most of the month. All in all, it appears that sentiment had become overly pessimistic about Chinese and global growth and that is now in the process of correcting. As a result, stock markets have seen good gains in January 2019, the MSCI China Index up 11.06% and the Shanghai Composite index of onshore shares up 6.39%. These moves reverse a significant part of December 2018 losses, in fact for both the onshore and offshore markets January 2019 gains more than offset December 2018 losses.

The improving sentiment has seen equities continue to build on their January 2019 gains with the MSCI China Index and the Shanghai Composite Index up a huge 13.79% in February 2019. Bonds have also produced generally positive returns. Although global Government bond yields were roughly unchanged over the month bonds in China delivered positive returns, the Markit iBoxx Asia Local Bond Index China Offshore returning 0.40% and the equivalent onshore index 0.02%. The Chinese Yuan Renminbi ("CNY") gained ground against the Euro ("EUR") and Japanese Yen ("JPN") and was roughly stable against the US dollar ("USD"), but lost against most Asian currencies, a notable exception being the Indian Rupee ("INR") which was hurt late in the month by military tension between India and Pakistan. In commodities oil continued to rise following the strong gains in January 2019, Brent crude now up 22.73% year-to-date ("YTD").

China's stock markets have continued to rally in March 2019 delivering strong year to date returns of 2.44% on the MSCI China Index and 4.81% for the Shanghai Composite Index. MSCI's recent decision to lift the weighting of China A-shares in its indices, starting in May 2019, by increasing the inclusion factor from 5% to 20% in a three-step process is yet another recognition of the country's efforts to open its domestic capital markets. The change could lead to USD73 billion in equity inflows into A-shares this year, adding more fuel to the already hot market. Since the MSCI announcement in February 2019, some A-share companies have stopped taking buy orders from foreign investors as they are inching close to hitting the 30% foreign holdings limit. We believe the weight increase could have a more profound impact on the development of the Chinese capital market than merely attracting capital inflows, with expectations for better market transparency and corporate governance over the long term.

Markets in China continued to advance in April 2019. Chinese shares benefited from positive economic news. China's economy expanded at a faster-than-expected rate of 6.4% year-on-year ("y-o-y") in the first quarter of 2019. Other data, including factory output, industrial profits, retail sales and fixed asset investment, also showed strong growth in March 2019. However, gains were pared by concerns that Chinese authorities would scale back policy support.

Chinese and global markets have been dominated by international trade news in May 2019. At the start of the month markets fully expected a positive trade deal between US and China to be announced, believing both sides wanted a "deal". There were even some expectations that a deal would be announced in early May 2019 as a Chinese delegation visited the US for the latest round of talks. These expectations were proved very wrong and the situation escalated further when the US placed Chinese technology company, i.e. Huawei Technologies Co., Ltd on a list of companies that would restrict its access to key components like chips made by American firms. And, at the end of the month, the tariff situation took another twist as the US imposed tariffs on Mexico not for any trade reasons but connected with illegal immigration into the US.

MARKET REVIEW (1 NOVEMBER 2018 TO 31 OCTOBER 2019) (CONTINUED)

Having been hit by adverse trade news in May 2019, China's stock markets bounced back in June 2019 as relief that things on the trade front were not getting any worse was coupled with a feeling that looser policy in response to the trade shock would be supportive for growth and markets. Interest rate cuts are now fully priced in for the remainder of the year in several countries, not least the US. Economic data continues to undershoot expectations globally and in China, and inflation remains below target in most places, giving policy makers the freedom to ease policy as necessary. The Government's takeover of a troubled bank has raised some concerns over the health of smaller lenders' balance sheets, but this appears to be an idiosyncratic incident rather than indicative of a systematic problem.

Chinese markets remained relatively quiet in July 2019. Global stock markets produced positive returns, but the gains were focused in developed markets with the MSCI Indices for North America, Europe and Japan all showing positive returns (of 1.31%, 0.25% and 0.91% respectively). In contrast China's stock markets saw modest declines both offshore and onshore, i.e. -0.74% for the MSCI China Index and -1.56% for the Shanghai Composite Index. China's newest trading venue, the Shanghai Stock Exchange ("SSE") Science and Technology Innovation Board, dubbed the "STAR" Market, made a stellar debut in July 2019, raising USD5.4 billion with its first batch of listings. The first batch of 25 companies – ranging from healthcare companies to chip makers – in the STAR board soared significantly on their market debut, even though there is no limitation on valuations at issue as there is for other markets

The trade dispute has once again dominated market sentiment in August 2019 with the announcement by the US of new tariffs on Chinese exports followed by calls from the US President for US companies to move out of China completely. As a result, recession fears have risen, undermining stock markets and causing bond yields to fall. Global equities fell around 2.5% during the month with almost all markets declining. In China onshore shares fared somewhat better than those in the offshore market with the MSCI China Index falling 4.20% while the Shanghai Composite Index only fell by 1.58%. In addition to the trade concerns, the situation in the UK about "Brexit" remains highly uncertain, while in Emerging Markets ("EM") Argentina is once again in the spotlight, its stock market losing over 40% during the month.

In September 2019, we saw drone attacks on Saudi Arabian oil production causing volatility in the oil price, while in the US impeachment proceedings have been started against the President. Economic data in China has continued to have a subdued tone with both industrial production and retail sales missing expectations and both imports and exports falling in year-over-year terms as a result of the trade war. However, policy easing continues apace with a Reserve Requirement Ratio ("RRR") cut in China backing up policy easing globally with interest rate cuts in the US and Europe, and a significant corporate tax cut in India. Against this background market performance has been quite mixed. In equity markets the MSCI China Index fell by -0.20% while the Shanghai Composite Index rose by 0.66%. Chinese bond markets have seen positive returns for the offshore market but slightly negative for onshore bonds, as Financial Times Stock Exchange ("FTSE") Russell decided not to include onshore bonds in its flagship index for the time being, in contrast to other Index providers.

In October 2019, MSCI China Index increased by 4.0%, in line with MSCI EM. Global markets continued to be driven by US-China trade negotiations and the tentative trade truce in mid-October 2019 was positive for sentiment. The agreed outline of a mini-trade deal includes a significant increase in China's purchase of US agricultural products, a currency pact, China's further opening of the financial sector, some tech transfer and Intellectual Property ("IP") protection issues, and the suspension of 15 tariff increase from the US. Meanwhile, on the domestic front, China's third quarter of 2019 Gross Domestic Products ("GDP") growth was slightly weaker than expected at 6.0% y-o-y but did end the quarter on a stronger note with improving September 2019 data such as better than expected industrial production numbers and growth in improved fixed asset investment.

FUND PERFORMANCE

1 year to 31.10.2019

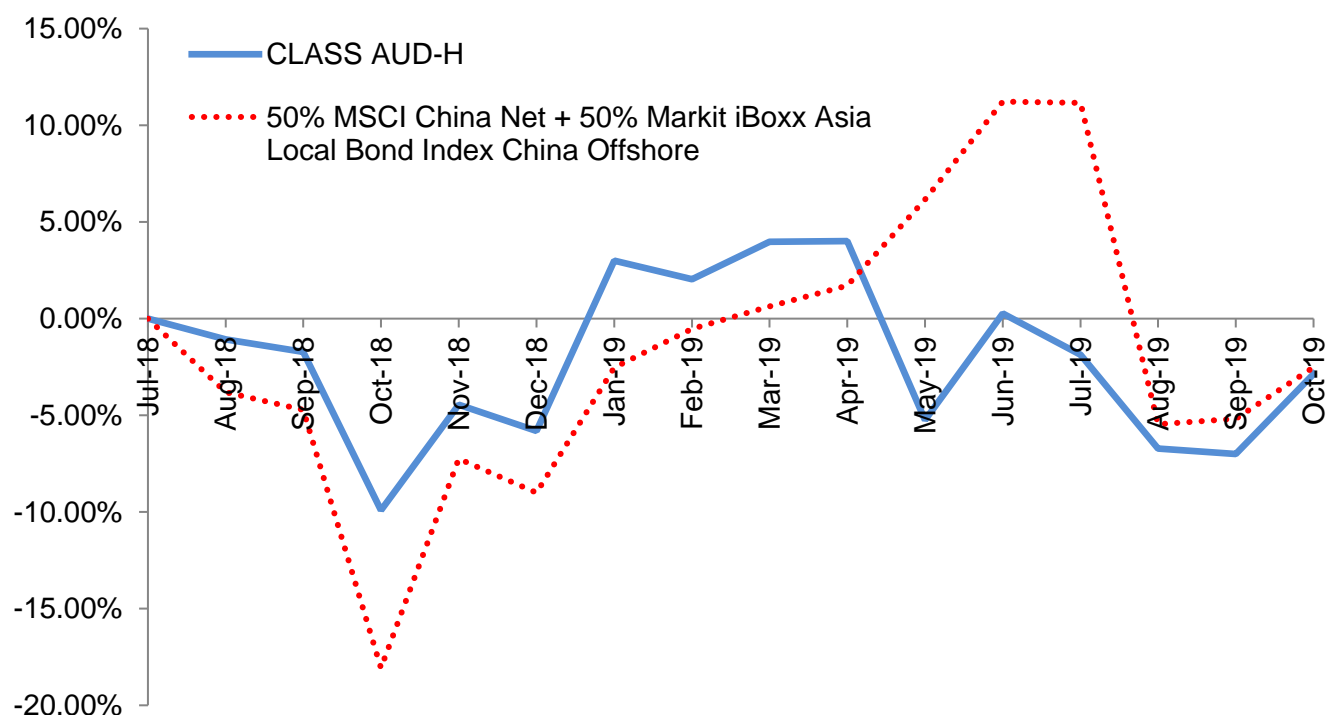
| | Class AUD-H | Class RMB-H | Class MYR-H | Class SGD-H | Class USD |
|--------------|--------------------|--------------------|--------------------|--------------------|------------------|
| | % | % | % | % | % |
| Income | - | - | 2.68 | 4.07 | 1.03 |
| Capital | 7.82 | 0.36 | 7.55 | 6.38 | 8.81 |
| Total Return | 7.82 | 0.36 | 10.43 | 10.80 | 9.94 |
| Benchmark | 9.42 | 9.42 | 9.42 | 9.42 | 9.42 |
| Average | | | | | |
| Total Return | 7.82 | 0.36 | 10.43 | 10.80 | 9.94 |

Since inception to 31.10.2019

| | Class AUD-H | Class RMB-H | Class MYR-H | Class SGD-H | Class USD |
|--------------|--------------------|--------------------|--------------------|--------------------|------------------|
| | % | % | % | % | % |
| Income | - | - | 8.85 | 4.16 | 3.14 |
| Capital | (2.86) | (6.52) | (2.99) | (11.53) | (1.26) |
| Total Return | (2.86) | (6.52) | 6.09 | (9.03) | 1.84 |
| Benchmark | (2.52) | (2.52) | 10.45 | (7.99) | 10.45 |
| Average | | | | | |
| Total Return | (2.15) | (4.93) | 2.57 | (6.54) | 0.95 |

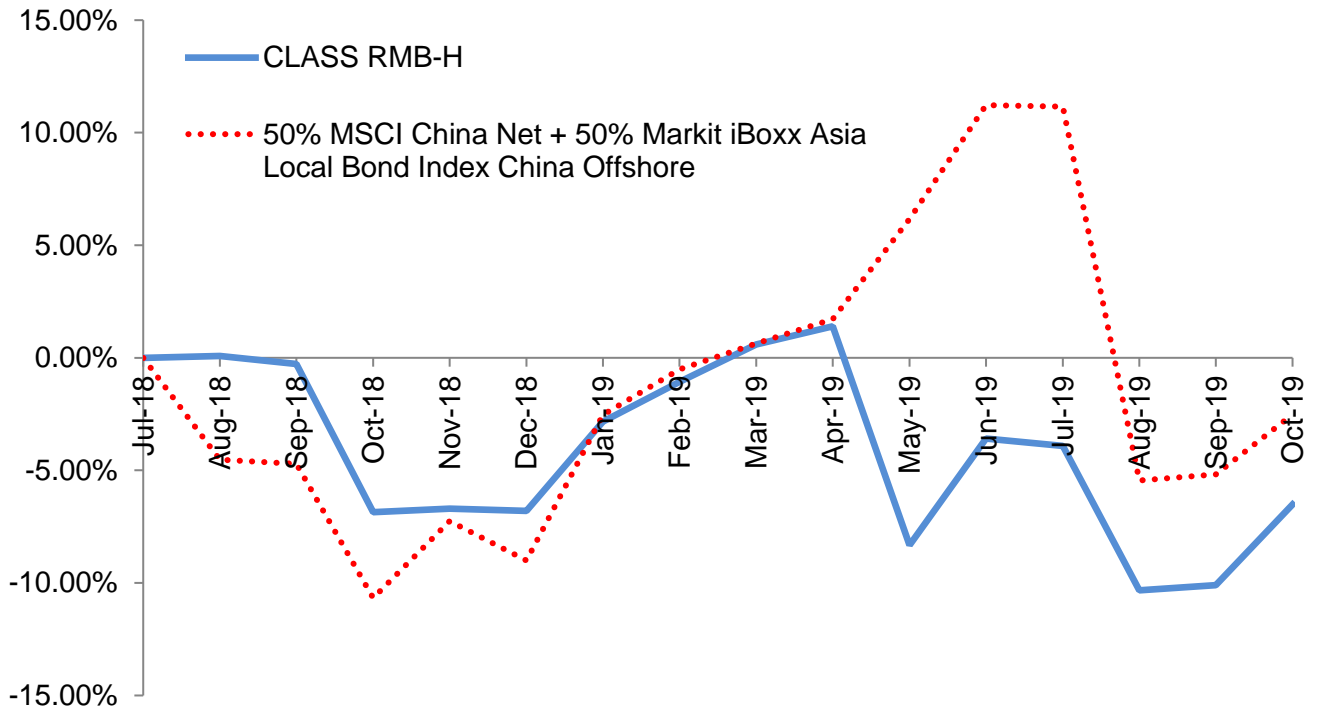
For the 1-year period under review, Class AUD-H, Class RMB-H, Class MYR-H, Class SGD-H, and Class USD all recorded an increase of 7.82%, 0.36%, 10.43%, 10.80%, and 9.94% respectively. This is in comparison to the benchmark for all the Class, which recorded an increase of 9.42% during the financial year under review.

CLASS AUD-H

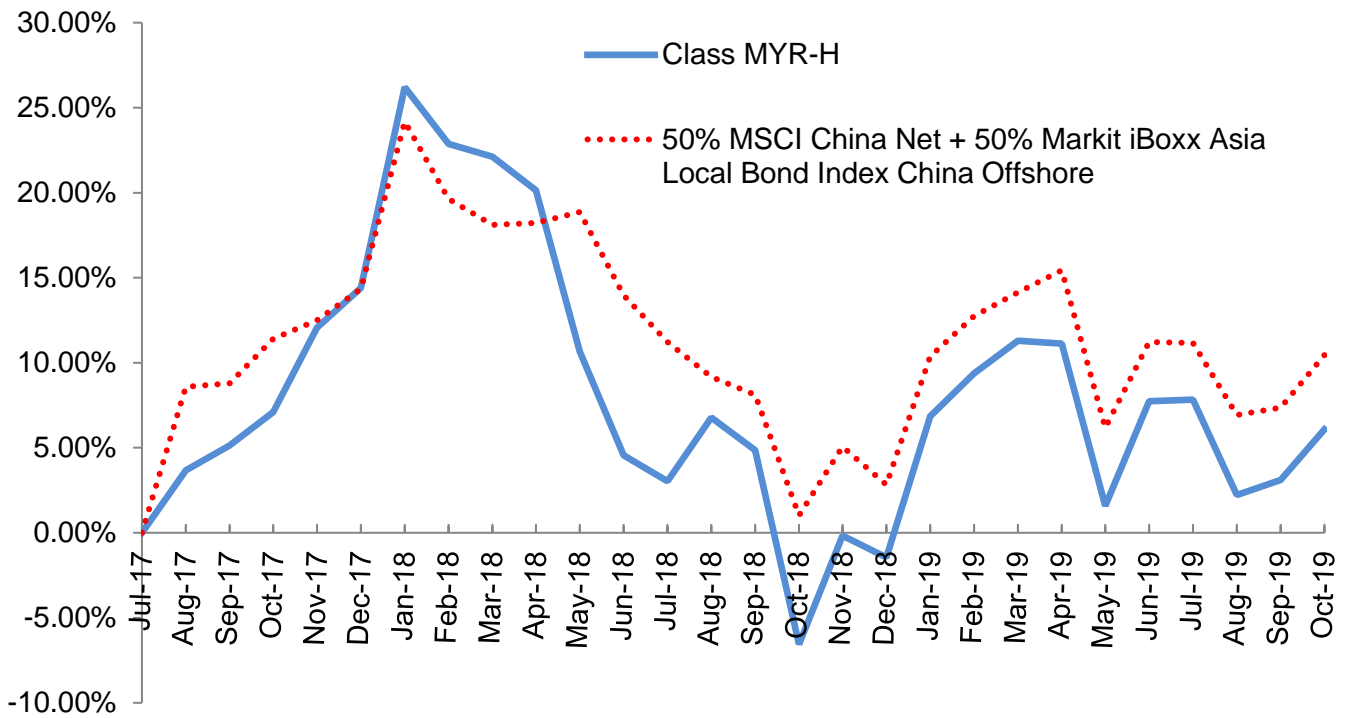


FUND PERFORMANCE (CONTINUED)

CLASS RMB-H

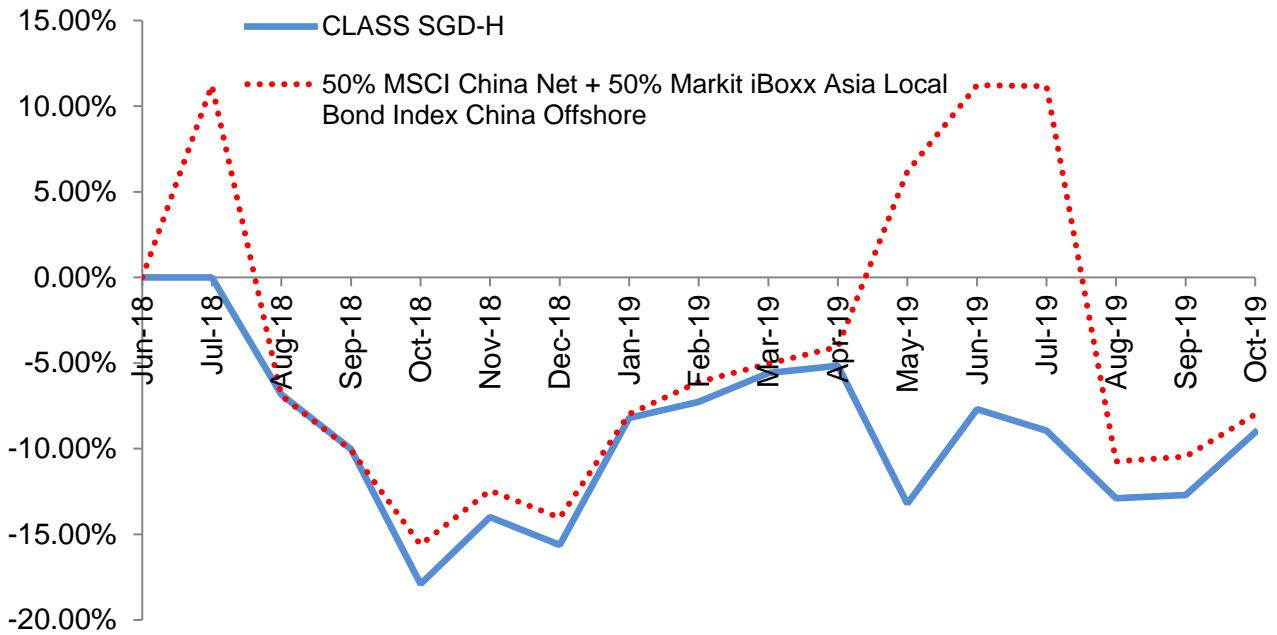


CLASS MYR-H

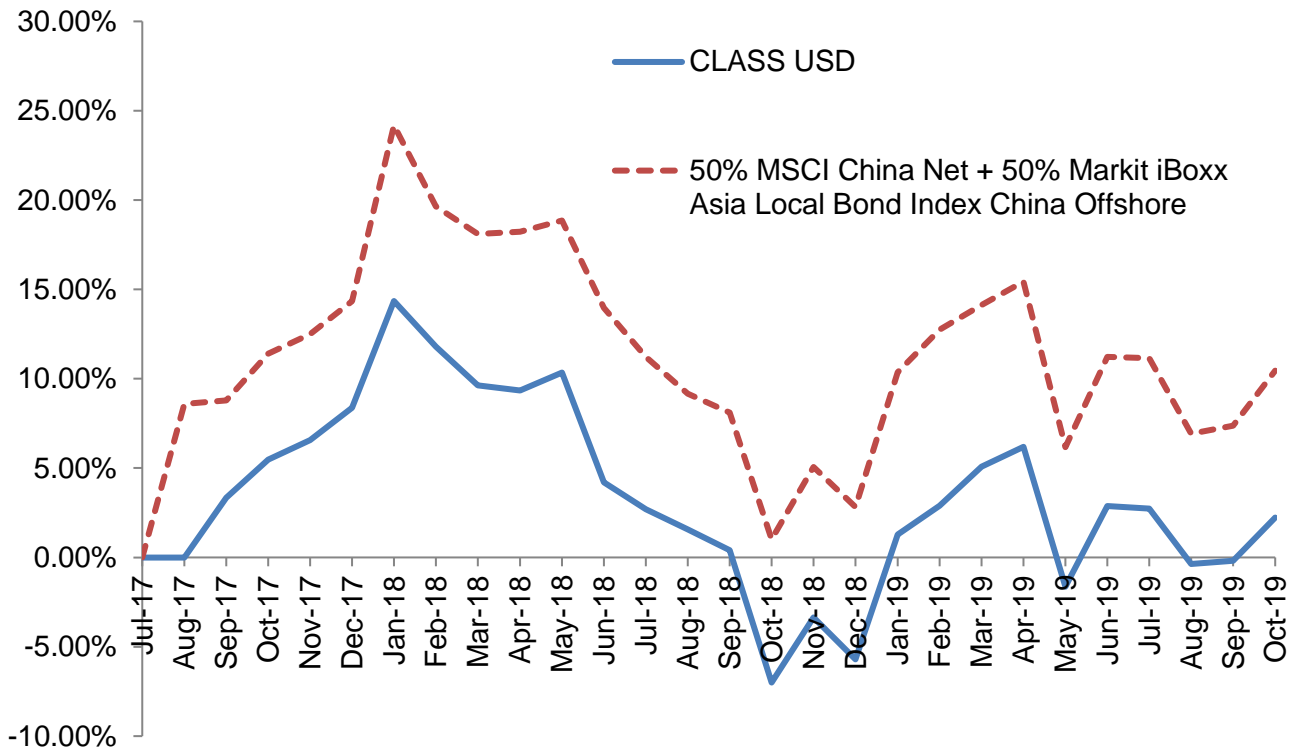


FUND PERFORMANCE (CONTINUED)

CLASS SGD-H



CLASS USD



FUND PERFORMANCE (CONTINUED)

Changes in NAV

CLASS AUD-H

| | 31.10.2019 | 31.10.2018 | Changes % |
|-------------------|-------------------|-------------------|----------------------|
| NAV (USD Million) | 0.00 | 0.00 | - |
| NAV/Unit (USD) | 0.7140 | 0.6600 | 8.18 |

CLASS RMB-H

| | 31.10.2019 | 31.10.2018 | Changes % |
|-------------------|-------------------|-------------------|----------------------|
| NAV (USD Million) | 0.00 | 0.00 | - |
| NAV/Unit (USD) | 0.1403 | 0.1400 | 0.21 |

CLASS MYR-H

| | 31.10.2019 | 31.10.2018 | Changes % |
|-------------------|-------------------|-------------------|----------------------|
| NAV (USD Million) | 58.73 | 56.24 | 4.43 |
| NAV/Unit (USD) | 0.2265 | 0.2106 | 7.55 |

CLASS SGD-H

| | 31.10.2019 | 31.10.2018 | Changes % |
|-------------------|-------------------|-------------------|----------------------|
| NAV (USD Million) | 0.47 | 0.44 | 6.82 |
| NAV/Unit (USD) | 0.6534 | 0.6143 | 6.36 |

CLASS USD

| | 31.10.2019 | 31.10.2018 | Changes % |
|-------------------|-------------------|-------------------|----------------------|
| NAV (USD Million) | 12.07 | 13.75 | (12.22) |
| NAV/Unit (USD) | 0.9912 | 0.9109 | 8.82 |

During the financial year under review, the Fund's NAV for Class MYR-H and Class SGD-H increased by 4.43% and 6.82% respectively. Meanwhile, the Fund's NAV for Class USD saw a decline of 12.22%. The increase in NAV for Class MYR-H and Class SGD-H were mainly due to positive market performance over the reporting period. On the other hand, the decline in NAV for Class USD was attributed towards a net outflow from unit redemptions over the reporting period.

The Fund's NAV per unit for the Class MYR-H, Class SGD-H, and Class USD increased by 7.55%, 6.36%, and 8.82% respectively. The rise in the Fund's NAV per unit is due to the positive investment performance during the financial year under review. At the time of reporting, Class MYR-H has the largest total NAV at USD58.73 million. Also, there's no investor in Class AUD-H and Class RMB-H.

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/period have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

| (% of NAV) | 31.10.2019 | 31.10.2018 |
|------------------------------|-------------------|-------------------|
| Collective investment scheme | 98.09 | 99.60 |
| Cash and other net assets | 1.91 | 0.40 |
| TOTAL | 100.00 | 100.00 |

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

MARKET OUTLOOK*

With US tariff hikes on Chinese goods kicking in, the timing and the terms of the final deal have become more uncertain, and potential negative surprises from trade negotiation remain a key risk to the market. In the long term, however, domestic growth and policy support will play a more important role. We expect the ongoing cyclical recovery to continue as the accommodative policy stance and effects of macro policy support continue to feed through. Recent policy moves have sent clear pro-growth and loosening signals which should bode well for near-term market sentiment amid lingering macro uncertainties. Looking ahead, we expect investors to shift the focus back to corporate earnings. Companies with strong fundamentals and growth are expected to outperform. Short term uncertainties on trade tension could introduce more volatility to the market but this could also create more mispricing opportunities for disciplined investors to capture.

* 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

The Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes.

UNIT HOLDINGS STATISTICS

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

CLASS AUD-H

| Size of unit holdings (units) | No. of unit holders | No. of units held (million) | % of units held |
|--------------------------------------|----------------------------|------------------------------------|------------------------|
| 5,000 and below | 1 | 0.00 | 100.00 |
| 5,001 - 10,000 | - | - | - |
| 10,001 - 50,000 | - | - | - |
| 50,001 - 500,000 | - | - | - |
| 500,001 and above | - | - | - |
| Total | 1 | 0.00 | 100.00 |

UNIT HOLDINGS STATISTICS (CONTINUED)

CLASS RMB-H

| Size of unit holdings (units) | No. of unit holders | No. of units held (million) | % of units held |
|-------------------------------|---------------------|-----------------------------|-----------------|
| 5,000 and below | 1 | 0.00 | 100.00 |
| 5,001 - 10,000 | - | - | - |
| 10,001 - 50,000 | - | - | - |
| 50,001 - 500,000 | - | - | - |
| 500,001 and above | - | - | - |
| Total | 1 | 0.00 | 100.00 |

CLASS MYR-H

| Size of unit holdings (units) | No. of unit holders | No. of units held (million) | % of units held |
|-------------------------------|---------------------|-----------------------------|-----------------|
| 5,000 and below | - | - | - |
| 5,001 - 10,000 | 6 | 0.05 | 0.02 |
| 10,001 - 50,000 | 18 | 0.47 | 0.18 |
| 50,001 - 500,000 | 14 | 2.00 | 0.77 |
| 500,001 and above | 1 | 256.70 | 99.03 |
| Total | 39 | 259.22 | 100.00 |

CLASS SGD-H

| Size of unit holdings (units) | No. of unit holders | No. of units held (million) | % of units held |
|-------------------------------|---------------------|-----------------------------|-----------------|
| 5,000 and below | 1 | 0.00 | 0.00 |
| 5,001 - 10,000 | - | - | - |
| 10,001 - 50,000 | - | - | - |
| 50,001 - 500,000 | - | - | - |
| 500,001 and above | 1 | 0.71 | 100.00 |
| Total | 2 | 0.71 | 100.00 |

CLASS USD

| Size of unit holdings (units) | No. of unit holders | No. of units held (million) | % of units held |
|-------------------------------|---------------------|-----------------------------|-----------------|
| 5,000 and below | 1 | 0.00 | 0.00 |
| 5,001 - 10,000 | - | - | - |
| 10,001 - 50,000 | - | - | - |
| 50,001 - 500,000 | 1 | 0.07 | 0.57 |
| 500,001 and above | 1 | 12.11 | 99.43 |
| Total | 3 | 12.18 | 100.00 |

SOFT COMMISSIONS AND REBATES

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

During the financial year under review, the Manager and 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 CHINA MULTI ASSET INCOME FUND**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 22 to 53 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 October 2019 and of its financial performance, changes in net assets attributable to unit holders 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
12 December 2019

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL CHINA MULTI ASSET INCOME FUND**

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

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

During the financial year, a total distribution of 0.58 cent per unit (gross) for MYR-Hedged class, 2.63 cent per unit (gross) for SGD-Hedged class and 0.99 cent per unit (gross) for USD class have been distributed to the unit holders of the Fund respectively. We are of the view that the distributions are not inconsistent with the objectives of the Fund.

For HSBC (Malaysia) Trustee Berhad

Vicknesan Balakrishnan
Chief Executive Officer

Kuala Lumpur
12 December 2019

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL CHINA MULTI ASSET INCOME FUND**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB-Principal China Multi Asset Income Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 31 October 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 October 2019, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders 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 22 to 53.

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 CHINA MULTI ASSET INCOME FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report, but does not include the financial statements of the Fund and our 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 CHINA MULTI ASSET INCOME FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL CHINA MULTI ASSET INCOME FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
12 December 2019

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

| | Note | 2019 USD | 03.07.2017 (date of launch) to 31.10.2018 USD |
|---|------|-------------|--|
| INCOME/(LOSS) | | | |
| Dividend income | | 2,327,705 | 2,963,834 |
| Interest income | | - | 68 |
| Net gain/(loss) on financial assets at fair value through profit or loss | 8 | 6,220,942 | (10,197,954) |
| Net gain on derivative assets at fair value through profit or loss | 9 | 188,178 | 682,780 |
| Net foreign exchange loss | | (8,323) | (3,216) |
| | | 8,728,502 | (6,554,488) |
| EXPENSES | | | |
| Management fee | 4 | 1,377,527 | 1,560,359 |
| Trustee's fee | 5 | 30,612 | 34,675 |
| Audit fee | | 2,087 | 1,700 |
| Tax agent's fee | | 901 | 900 |
| Other expenses | | 4,392 | 61,443 |
| | | 1,415,519 | 1,659,077 |
| PROFIT/(LOSS) BEFORE FINANCE COST AND TAXATION | | 7,312,983 | (8,213,565) |
| Finance costs (excluding increase in net assets attributable to unit holders): | | | |
| - Class MYR-H | | (1,566,027) | (3,669,006) |
| - Class SGD-H | | (21,946) | (202) |
| - Class USD | | (145,336) | (315,528) |
| | 6 | (1,733,309) | (3,984,736) |
| PROFIT/(LOSS) BEFORE TAXATION | | 5,579,674 | (12,198,301) |
| Taxation | 7 | - | - |
| INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS | | 5,579,674 | (12,198,301) |
| Increase/(Decrease) in net assets attributable to unit holders are made up as follows: | | | |
| Realised amount | | (1,107,330) | (316,101) |
| Unrealised amount | | 6,687,004 | (11,882,200) |
| | | 5,579,674 | (12,198,301) |

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

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

| | Note | 2019 USD | 2018 USD |
|--|-------------|---------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | 10 | 1,257,157 | 504,647 |
| Financial assets at fair value through profit or loss | 8 | 69,905,345 | 70,155,543 |
| Derivative assets at fair value through profit or loss | 9 | 202,805 | - |
| Amount due from dealer | | 159,867 | 189,427 |
| Amount due from Manager | | 50,126 | 144,323 |
| Amount due from Manager of collective investment scheme | | | |
| - Management fee rebate | | 83,114 | 82,676 |
| Dividends receivable | | 161,401 | 229,700 |
| TOTAL ASSETS | | <u>71,819,815</u> | <u>71,306,316</u> |
| LIABILITIES | | | |
| Derivative liabilities at fair value through profit or loss | 9 | - | 320,885 |
| Amount due to dealer | | 159,606 | 189,532 |
| Amount due to Manager | | 280,312 | 242,193 |
| Accrued management fee | | 108,494 | 110,806 |
| Amount due to Trustee | | 2,411 | 2,462 |
| Other payables and accruals | | 3,234 | 2,268 |
| TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS) | | <u>554,057</u> | <u>868,146</u> |
| NET ASSET VALUE OF THE FUND | | <u>71,265,758</u> | <u>70,438,170</u> |
| NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS | | <u>71,265,758</u> | <u>70,438,170</u> |

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

**STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 OCTOBER 2019 (CONTINUED)**

| | Note | 2019 USD | 2018 USD |
|--|------|--------------------|--------------------|
| REPRESENTED BY: | | | |
| FAIR VALUE OF OUTSTANDING UNITS (USD) | | | |
| - Class AUD-H | | 714 | 0 |
| - Class RMB-H | | 140 | 0 |
| - Class MYR-H | | 58,727,955 | 56,241,238 |
| - Class SGD-H | | 465,469 | 443,368 |
| - Class USD | | 12,071,480 | 13,753,564 |
| | | <u>71,265,758</u> | <u>70,438,170</u> |
| NUMBER OF UNITS IN CIRCULATION (UNITS) | | | |
| - Class AUD-H | | 1,000 | 1 |
| - Class RMB-H | | 1,000 | 1 |
| - Class MYR-H | | 259,219,284 | 266,986,296 |
| - Class SGD-H | | 712,321 | 721,691 |
| - Class USD | | 12,177,508 | 15,098,034 |
| | 11 | <u>272,111,113</u> | <u>282,806,023</u> |
| NET ASSET VALUE PER UNIT (USD) | | | |
| - Class AUD-H | | 0.7140 | 0.6600 |
| - Class RMB-H | | 0.1403 | 0.1400 |
| - Class MYR-H | | 0.2265 | 0.2106 |
| - Class SGD-H | | 0.6534 | 0.6143 |
| - Class USD | | <u>0.9912</u> | <u>0.9110</u> |
| NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES | | | |
| - Class AUD-H | | AUD1.0329 | AUD0.9313 |
| - Class RMB-H | | RMB0.9885 | RMB0.9764 |
| - Class MYR-H | | MYR0.9464 | MYR0.8814 |
| - Class SGD-H | | SGD0.8899 | SGD0.8511 |
| - Class USD | | <u>USD0.9912</u> | <u>USD0.9110</u> |

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2019**

| | 2019 | 03.07.2017 |
|--|---------------------|-------------------------|
| | USD | (date of launch) |
| | | to 31.10.2018 |
| | | USD |
| NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD | 70,438,170 | - |
| Movement due to units created and cancelled during the financial year/period: | | |
| Creation of units from applications | | |
| - Class AUD-H | 719 | 0 |
| - Class RMB-H | 140 | 0 |
| - Class MYR-H | 8,877,960 | 99,746,791 |
| - Class SGD-H | 279,209 | 529,793 |
| - Class USD | 1,912,286 | 24,199,307 |
| | <u>11,070,314</u> | <u>124,475,891</u> |
| Creation of units from distributions | | |
| - Class MYR-H | 1,565,977 | 3,668,878 |
| - Class SGD-H | 21,946 | 202 |
| - Class USD | 145,336 | 315,528 |
| | <u>1,733,259</u> | <u>3,984,608</u> |
| Cancellation of units | | |
| - Class MYR-H | (12,270,802) | (37,337,981) |
| - Class SGD-H | (313,305) | (32,612) |
| - Class USD | (4,971,552) | (8,453,435) |
| | <u>(17,555,659)</u> | <u>(45,824,028)</u> |
| Increase/(Decrease) in net assets attributable to unit holders during the financial year/period | <u>5,579,674</u> | <u>(12,198,301)</u> |
| NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR/PERIOD | <u>71,265,758</u> | <u>70,438,170</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 OCTOBER 2019**

**03.07.2017
(date of launch)
to 31.10.2018
USD**

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|------------------|---------------------|
| Proceeds from disposal of collective investment scheme | 12,100,000 | 19,450,000 |
| Purchase of collective investment scheme | (6,650,000) | (100,997,000) |
| Dividend income received | 2,396,004 | 2,734,134 |
| Interest income received | - | 68 |
| Management fee paid | (1,379,839) | (1,449,553) |
| Management fee rebates received | 1,020,702 | 1,110,827 |
| Trustee's fees paid | (30,663) | (32,213) |
| Payments for other fees and expenses | (6,414) | (61,775) |
| Net realised foreign exchange loss | (18,247) | (30,068) |
| Net realised (loss)/gain on forward foreign currency contracts | (335,878) | 1,003,770 |
| Net cash generated from/(used in) operating activities | 7,095,665 | (78,271,810) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|--------------------|-------------------|
| Cash proceeds from units created | 11,164,511 | 124,331,568 |
| Payments for cancellation of units | (17,517,540) | (45,581,835) |
| Distributions paid | (50) | (128) |
| Net cash (used in)/generated from financing activities | (6,353,079) | 78,749,605 |

| | | |
|---|---------------------|----------------|
| Net increase in cash and cash equivalents | 742,586 | 477,795 |
| Effects of foreign exchange differences | 9,924 | 26,852 |
| Cash and cash equivalents at the beginning of the financial year/period | 504,647 | - |
| Cash and cash equivalents at the end of the financial year/period | 10 1,257,157 | 504,647 |

Cash and cash equivalents comprised of:

| | | |
|---|---------------------|----------------|
| Bank balances | 1,257,157 | 504,647 |
| Cash and cash equivalents at the end of the financial year/period | 10 1,257,157 | 504,647 |

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 OCTOBER 2019**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal China Multi-Asset Income Fund (the “Fund”) is governed by Principal Deed dated 28 June 2017 (the “Deed”), made between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. Target Fund. The Fund may also invest in Liquid Asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the Target Fund; a sub-fund established on 21 November 2014 under the HSBC Collective Investment Trust. The Fund will also maintain up to 5% of its NAV in Liquid Assets for liquidity purposes.

Information on the Target Fund:

| | | |
|--------------------------------|---|--|
| Trust | : | HSBC Collective Investment Trust, an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 27 February 2014 between the Target Fund Manager and HSBC Institutional Trust Services (Asia) Limited as the Target Fund’s trustee. |
| Target Fund Manager | : | HSBC Investment Funds (Hong Kong) Ltd |
| Target Fund Investment Adviser | : | HSBC Global Asset Management (Hong Kong) Ltd |
| Target Fund Research Adviser | : | HSBC Jintrust Fund Management Company Ltd |
| Regulatory authority | : | Securities and Futures Commission of Hong Kong |

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Manager, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia’s leading universal banking groups. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and IFRS.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) 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/period.

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

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

Standard that is effective and relevant:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The Fund has applied the following standard for the first time for the financial year beginning 1 November 2018: (continued)

MFRS 9 has been applied retrospectively by the Fund and did not result in any change to the classification or measurement of financial instruments as outlined in Note 2(b).

In accordance with the transitional provisions provided in MFRS 9, comparative information was not restated and continued to be reported under previous accounting policies governed under MFRS 139.

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

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

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

(i) Financial year beginning on/after 1 November 2019

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

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

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

(b) Financial assets and financial liabilities

Classification

Up to 31 October 2018, the Fund designates its investments in collective investment scheme as financial assets at fair value through profit or loss at inception.

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

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

Derivatives are financial assets or liabilities at fair value through profit or loss categorised as held for trading unless they are designated hedges (Note 2(k)).

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

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

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

From 1 November 2018, 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.

Investments in collective investment scheme and derivatives of the Fund have contractual cash flows that do not represent SPPI, and therefore are classified as fair value through profit or loss.

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

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

The Fund classifies amount due to Manager, amount due to dealer, accrued management fee, amount due to Trustee, and other payables and accruals as financial liabilities 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, within the scope of MFRS 139 up to 31 October 2018 and MFRS 9 from 1 November 2018, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial year/period which they arise.

Collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, the last published price of such unit or share (excluding any sales charge included in such selling price).

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

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

Impairment for assets carried at amortised costs

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

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

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

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

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

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

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

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

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

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

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

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

(d) Foreign currency**Functional and presentation currency**

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

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

- i) The Fund's investments are denominated in USD;
- ii) Significant portion of the Fund's expenses are denominated in USD; and
- iii) Significant portion of the cash is denominated in USD for the purpose of making settlement of foreign trades.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

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

For the purpose of statement of cash flow, cash and cash equivalent comprise bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Unit holder's contributions

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in five classes of units, known respectively as the Class AUD-H, Class RMB-H, Class MYR-H, Class SGD-H and Class USD, which are cancelled at the unit holder's option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unit holders' option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to members of respective classes with the total number of outstanding units of respective classes.

(g) Management fee rebate

Management fee rebate is derived from the Manager and the Manager of the collective investment scheme held by the Fund on an accrual basis to ensure no double charging of management fee. It is accrued daily based on the fair value of collective investment scheme held.

(h) 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/period.

Tax on income from foreign collective investment scheme is based on the tax regime of the respective countries that the Fund invests in.

(i) Increase/Decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders.

(j) Distribution

A distribution to the Fund's unit holders is accounted for as a finance cost in the statement of comprehensive income. A proposed distribution is recognised as a financial liability in the financial period in which it is approved by the Trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(k) Derivative financial instruments**

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

The Fund's derivative financial instruments comprise forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note 2(b).

(l) 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 Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

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

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

However, the Manager is of the opinion that in applying these accounting policies, no significant judgement was required.

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 USD | Financial assets at amortised cost USD | Total USD |
|--|--|---|----------------------|
| 2019 | | | |
| Cash and cash equivalents (Note 10) | - | 1,257,157 | 1,257,157 |
| Collective investment scheme (Note 8) | 69,905,345 | - | 69,905,345 |
| Derivative assets (Note 9) | 202,805 | - | 202,805 |
| Amount due from dealer | - | 159,867 | 159,867 |
| Amount due from Manager | - | 50,126 | 50,126 |
| Amount due from Manager of the collective investment scheme | | | |
| - Management fee rebate | - | 83,114 | 83,114 |
| Dividends receivable | - | 161,401 | 161,401 |
| | <u>70,108,150</u> | <u>1,711,665</u> | <u>71,819,815</u> |
| | | | |
| | Financial assets at fair value through profit or loss USD | Loans and receivables USD | Total USD |
| 2018 | | | |
| Cash and cash equivalents (Note 10) | - | 504,647 | 504,647 |
| Collective investment scheme (Note 8) | 70,155,543 | - | 70,155,543 |
| Amount due from dealer | - | 189,427 | 189,427 |
| Amount due from Manager | - | 144,323 | 144,323 |
| Amount due from Manager of the collective investment scheme | | | |
| - Management fee rebate | - | 82,676 | 82,676 |
| Dividends receivable | - | 229,700 | 229,700 |
| | <u>70,155,543</u> | <u>1,150,773</u> | <u>71,306,316</u> |

All liabilities, except derivative liabilities at fair value through profit or loss, are financial liabilities which are carried at amortised cost.

The Fund aims to provide income and moderate capital growth through investments in one collective investment scheme, which invests primarily in a diversified portfolio of securities related to China.

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

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed and SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

(a) Market risk

(i) Price risk

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

The price risk is managed through diversification and selection of collective investment scheme and other financial instruments within specified limits according to the Deed.

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

| | 2019 USD | 2018 USD |
|--|---------------------|---------------------|
| Financial assets at fair value through profit or loss: | | |
| - Collective investment scheme | <u>69,905,345</u> | <u>70,155,543</u> |

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

| % Change in price of collective investment scheme | Market value USD | Impact on profit or loss/NAV USD |
|--|-----------------------------|---|
| 2019 | | |
| -5% | 66,410,078 | (3,495,267) |
| 0% | 69,905,345 | - |
| +5% | 73,400,612 | 3,495,267 |
| 2018 | | |
| -5% | 66,647,766 | (3,507,777) |
| 0% | 70,155,543 | - |
| +5% | <u>73,663,320</u> | <u>3,507,777</u> |

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

(a) Market risk (continued)

(ii) Currency risk

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

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

| | Cash and cash equivalents USD | Amount due from Manager USD | Amount due from dealer USD | Derivative assets at fair value through profit or loss USD | Total USD |
|-------------------------|-------------------------------|-----------------------------|----------------------------|--|----------------|
| Financial assets | | | | | |
| 2019 | | | | | |
| AUD | 682 | 10 | - | 3 | 695 |
| RMB | 142 | - | - | 1 | 143 |
| MYR | 3,489 | 50,116 | 158,267 | 202,665 | 414,537 |
| SGD | 357 | - | - | 136 | 493 |
| | <u>4,670</u> | <u>50,126</u> | <u>158,267</u> | <u>202,805</u> | <u>415,868</u> |

| | Cash and cash equivalents USD | Amount due from Manager USD | Amount due from dealer USD | Dividends receivable USD | Total USD |
|-------------------------|-------------------------------|-----------------------------|----------------------------|--------------------------|----------------|
| Financial assets | | | | | |
| 2018 | | | | | |
| AUD | 1 | - | - | - | 1 |
| MYR | 9,258 | 134,373 | 170,215 | 229,700 | 543,546 |
| SGD | 19,819 | - | 19,212 | - | 39,031 |
| | <u>29,078</u> | <u>134,373</u> | <u>189,427</u> | <u>229,700</u> | <u>582,578</u> |

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

(a) Market risk (continued)

(ii) Currency risk (continued)

| | Amount due to Manager USD | Amount due to dealer USD | Derivative liabilities at fair value through profit or loss USD | Net assets attributable to unit holders USD | Total USD |
|------------------------------|---------------------------|--------------------------|---|---|-------------------|
| Financial liabilities | | | | | |
| 2019 | | | | | |
| AUD | - | - | - | 714 | 714 |
| RMB | - | - | - | 140 | 140 |
| MYR | 248,492 | 1,602 | - | 58,727,955 | 58,978,049 |
| SGD | - | - | - | 465,469 | 465,469 |
| | <u>248,492</u> | <u>1,602</u> | <u>-</u> | <u>59,194,278</u> | <u>59,444,372</u> |
| 2018 | | | | | |
| MYR | 242,193 | 170,381 | 320,885 | 56,241,238 | 56,974,697 |
| SGD | - | 19,151 | - | 443,369 | 462,520 |
| | <u>242,193</u> | <u>189,532</u> | <u>320,885</u> | <u>56,684,607</u> | <u>57,437,217</u> |

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

| Change in foreign exchange rate | | Impact on profit or loss/NAV | |
|---------------------------------|----|------------------------------|--------------------|
| | % | 2019 USD | 2018 USD |
| AUD | +5 | (1) | - |
| MYR | +5 | (2,928,176) | (2,821,558) |
| SGD | +5 | (23,249) | (21,174) |
| | | <u>(2,951,426)</u> | <u>(2,842,732)</u> |

| Change in foreign exchange rate | | Impact on profit or loss/NAV | |
|---------------------------------|----|------------------------------|------------------|
| | % | 2019 USD | 2018 USD |
| AUD | -5 | 1 | - |
| MYR | -5 | 2,928,176 | 2,821,558 |
| SGD | -5 | 23,249 | 21,174 |
| | | <u>2,951,426</u> | <u>2,842,732</u> |

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

(b) Credit risk

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

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

In derivative activities, credit risk arises when counterparties to derivative contracts, are unable or unwilling to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

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 Wholesale Funds.

For amount due from Manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by relevant regulatory authority in its home jurisdiction.

The following table sets out the credit risk concentration of the Fund at the end of the reporting year/period:

| | Cash and cash equivalents USD | Amount due from dealer USD | Amount due from Manager USD | Amount due from Manager of collective investment scheme USD | Dividends receivable USD | Total USD |
|-------------|--|---------------------------------------|--|--|-------------------------------------|----------------------|
| 2019 | | | | | | |
| -AAA | 1,257,157 | - | - | - | - | 1,257,157 |
| -Not Rated | - | 159,867 | 50,126 | 83,114 | 161,401 | 454,508 |
| | <u>1,257,157</u> | <u>159,867</u> | <u>50,126</u> | <u>83,114</u> | <u>161,401</u> | <u>1,711,665</u> |
| 2018 | | | | | | |
| -AAA | 504,647 | - | - | - | - | 504,647 |
| -Not Rated | - | 189,427 | 144,323 | 82,676 | 229,700 | 646,126 |
| | <u>504,647</u> | <u>189,427</u> | <u>144,323</u> | <u>82,676</u> | <u>229,700</u> | <u>1,150,773</u> |

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

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 holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period on 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 USD | Between 1 month to 1 year USD | Total USD |
|--|-----------------------------|--|--------------------------|
| 2019 | | | |
| Amount due to Manager | 280,312 | - | 280,312 |
| Amount due to dealer | 159,606 | - | 159,606 |
| Accrued management fee | 108,494 | - | 108,494 |
| Amount due to Trustee | 2,411 | - | 2,411 |
| Other payables and accruals | - | 3,234 | 3,234 |
| Net assets attributable to unit holders* | <u>71,265,758</u> | <u>-</u> | <u>71,265,758</u> |
| Contractual undiscounted cash flows | <u><u>71,816,581</u></u> | <u><u>3,234</u></u> | <u><u>71,819,815</u></u> |
| 2018 | | | |
| Amount due to Manager | 242,193 | - | 242,193 |
| Amount due to dealer | 189,532 | - | 189,532 |
| Accrued management fee | 110,806 | - | 110,806 |
| Amount due to Trustee | 2,462 | - | 2,462 |
| Other payables and accruals | - | 2,268 | 2,268 |
| Derivatives liabilities | 320,885 | - | 320,885 |
| Net assets attributable to unit holders* | <u>70,438,170</u> | <u>-</u> | <u>70,438,170</u> |
| Contractual undiscounted cash flows | <u><u>71,304,048</u></u> | <u><u>2,268</u></u> | <u><u>71,306,316</u></u> |

* Outstanding units are redeemed on demand at the unit holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of USD71,265,758 (2018: USD70,438,170). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

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

| | Level 1 USD | Level 2 USD | Level 3 USD | Total USD |
|---|-------------------|----------------|----------------|-------------------|
| 2019 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Collective investment scheme | 69,905,345 | - | - | 69,905,345 |
| - Derivative assets - forward foreign currency contracts | - | 202,805 | - | 202,805 |
| | <u>69,905,345</u> | <u>202,805</u> | <u>-</u> | <u>70,108,150</u> |
| 2018 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Collective investment scheme | 70,155,543 | - | - | 70,155,543 |
| Financial liabilities at fair value through profit or loss: | | | | |
| - Derivative liabilities - forward foreign currency contracts | - | 320,885 | - | 320,885 |

Investments whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

Financial instruments that trade in markets that are 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, forward foreign currency contracts and interest rate swaps. 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.

- (ii) The carrying values of cash and cash equivalents, amount due from dealer, amount due from Manager, amount due from Manager of collective investment scheme, dividends receivable and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

4. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a maximum management fee of 3.00% per annum for each class, calculated daily based on the NAV of the Fund.

For the financial year ended 31 October 2019, the management fee is recognised at a rate of 1.80% per annum (03.07.2017 (date of launch) to 31.10.2018: 1.80% per annum) for each classes.

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

5. TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.04% per annum, calculated daily based on the NAV of the Fund. The Trustee's fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

For the financial year ended 31 October 2019, the management fee is recognised at a rate of 0.04% per annum (03.07.2017 (date of launch) to 31.10.2018: 0.04% per annum) for each classes.

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

6. FINANCE COST

Distribution to unit holders is derived from the following sources:

| | 2019 USD | 03.07.2017 (date of launch) to 31.10.2018 USD |
|---|------------------|--|
| Dividend income | 640,401 | 1,350,803 |
| Interest income | - | 45 |
| Net realised gain on disposal of collective investment scheme | 1,430,576 | 502,418 |
| Net realised gain on forward foreign currency contract | 51,771 | 2,147,946 |
| | <u>2,122,748</u> | <u>4,001,212</u> |
| Less: | | |
| Expenses | (389,439) | (16,476) |
| Net distribution amount | <u>1,733,309</u> | <u>3,984,736</u> |

Distribution on 21 November 2018

Gross/Net distribution per unit (cent)

| | | |
|-------------|------|---|
| - Class USD | 0.20 | - |
|-------------|------|---|

Distribution on 26 February 2019

Gross/Net distribution per unit (cent)

| | | |
|---------------|------|---|
| - Class SGD-H | 1.27 | - |
| - Class USD | 0.18 | - |

Distribution on 29 May 2019

Gross/Net distribution per unit (cent)

| | | |
|---------------|------|---|
| - Class MYR-H | 0.58 | - |
| - Class SGD-H | 1.36 | - |
| - Class USD | 0.47 | - |

Distribution on 27 August 2019

Gross/Net distribution per unit (cent)

| | | |
|-------------|------|---|
| - Class USD | 0.14 | - |
|-------------|------|---|

Distribution on 6 August 2018

Gross/Net distribution per unit (cent)

| | | |
|---------------|-------------|-------------|
| - Class MYR-H | - | 1.41 |
| - Class SGD-H | - | 0.06 |
| - Class USD | - | 2.06 |
| | <u>4.20</u> | <u>3.53</u> |

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current financial year's realised income.

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

During the financial year ended 31 October 2018, the Fund incurred unrealised loss USD11,882,200.

7. TAXATION

| | 2019 USD | 03.07.2017 (date of launch) to 31.10.2018 USD |
|--|---------------------|--|
| Tax charged for the financial year/period: | | |
| - Current taxation | - | - |

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

| | 2019 USD | 03.07.2017 (date of launch) to 31.10.2018 USD |
|--|---------------------|--|
| Profit/(Loss) before taxation | 7,312,983 | (8,213,565) |
| Taxation at Malaysian statutory rate of 24% (2018: 24%) | 1,755,116 | (1,971,256) |
| Tax effects of: | | |
| (Investment income not subject to tax)/Investment loss not deductible for tax purpose | (2,094,840) | 1,573,078 |
| Expenses not deductible for tax purposes | 8,617 | 8,981 |
| Restriction on tax deductible expenses for Wholesale Funds | 331,107 | 389,197 |
| Taxation | - | - |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2019 USD | 2018 USD |
|---------------------------------------|---------------------|---------------------|
| At fair value through profit or loss: | | |
| - Collective investment scheme | 69,905,345 | 70,155,543 |

| | 2019 USD | 03.07.2017 (date of launch) to 31.10.2018 USD |
|--|---------------------|--|
| Net gain/(loss) on financial assets at fair value through profit or loss: | | |
| - Realised (loss)/gain on disposals | (953,587) | 196,710 |
| - Unrealised fair value gain/(loss) | 6,153,389 | (11,588,167) |
| - Management fee rebate # | 1,021,140 | 1,193,503 |
| | 6,220,942 | (10,197,954) |

Management fee rebate represents the Fund's entitlement to management fee rebate from the Manager of collective investment scheme the Fund invests in.

For the financial year ended 31 October 2019, the rebate is recognised at a rate of 1.35% per annum (03.07.2017 (date of launch) to 31.10.2018: 1.35% per annum) calculated and accrued daily based on the NAV of the collective investment scheme.

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

| Name of counter | Quantity Units | Aggregate cost USD | Market value USD | Percentage of NAV % |
|---|-------------------------|----------------------------|--------------------------|---------------------------|
| 2019 | | | | |
| COLLECTIVE INVESTMENT SCHEME | | | | |
| HSBC China Multi-Asset Income Fund | <u>6,207,739</u> | <u>75,340,123</u> | <u>69,905,345</u> | <u>98.09</u> |
| TOTAL COLLECTIVE INVESTMENT SCHEME | <u>6,207,739</u> | <u>75,340,123</u> | <u>69,905,345</u> | <u>98.09</u> |
| ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>(5,434,778)</u> | | |
| TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>69,905,345</u> | | |
| 2018 | | | | |
| COLLECTIVE INVESTMENT SCHEME | | | | |
| HSBC China Multi-Asset Income Fund | <u>6,696,787</u> | <u>81,743,710</u> | <u>70,155,543</u> | <u>99.60</u> |
| TOTAL COLLECTIVE INVESTMENT SCHEME | <u>6,696,787</u> | <u>81,743,710</u> | <u>70,155,543</u> | <u>99.60</u> |
| ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>(11,588,167)</u> | | |
| TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>70,155,543</u> | | |

9. DERIVATIVE ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 October 2019, there are 4 outstanding (2018: 6 outstanding) forward foreign currency contracts. The notional principal amount of the outstanding forward foreign currency contracts amounted to USD59,298,347 (2018: USD61,350,969).

The forward foreign currency contracts are entered into during the financial year to minimise the risk of foreign currency exposure between the USD and the Australian Dollar (“AUD”), Chinese Yuan Renminbi (“RMB”), Malaysian Ringgit (“MYR”), and Singapore Dollar (“SGD”) for the Fund.

As the Fund has not adopted hedge accounting during the financial year/period, any changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income during the period in which it was incurred.

Net fair value gain on derivative assets at fair value through profit or loss:

| | 2019 USD | 2018 USD |
|--|---------------------|--|
| Forward foreign currency contracts | <u>202,805</u> | <u>(320,885)</u> |
| | | 03.07.2017 (date of launch) to 31.10.2018 |
| | 2019 USD | USD |
| Net realised (loss)/gain on forward foreign currency contracts | (335,512) | 1,003,665 |
| Net unrealised gain/(loss) on forward foreign currency contracts | <u>523,690</u> | <u>(320,885)</u> |
| | <u>188,178</u> | <u>682,780</u> |

10. CASH AND CASH EQUIVALENTS

| | 2019 USD | 2018 USD |
|---------------|---------------------|---------------------|
| Bank balances | <u>1,257,157</u> | <u>504,647</u> |

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

| | 2019 No. of units | 03.07.2017 (date of launch) to 31.10.2018 No. of units |
|-------------------|------------------------------|---|
| Class AUD-H (i) | 1,000 | 1 |
| Class RMB-H (ii) | 1,000 | 1 |
| Class MYR-H (iii) | 259,219,284 | 266,986,296 |
| Class SGD-H (iv) | 712,321 | 721,691 |
| Class USD (v) | <u>12,177,508</u> | <u>15,098,034</u> |
| | <u>272,111,113</u> | <u>282,806,023</u> |

11. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)

(i) Class AUD-H

| | 2019 | 03.07.2017 |
|---|---------------------|-------------------------|
| | No. of units | (date of launch) |
| | | to 31.10.2018 |
| | | No. of units |
| At the beginning of the financial year/period | 1 | - |
| Add: Creation of units from applications | 999 | 1 |
| At the end of the financial year/period | <u>1,000</u> | <u>1</u> |

(ii) Class RMB-H

| | 2019 | 03.07.2017 |
|---|---------------------|-------------------------|
| | No. of units | (date of launch) |
| | | to 31.10.2018 |
| | | No. of units |
| At the beginning of the financial year/period | 1 | - |
| Add: Creation of units from applications | 999 | 1 |
| At the end of the financial year/period | <u>1,000</u> | <u>1</u> |

(iii) Class MYR-H

| | 2019 | 03.07.2017 |
|---|---------------------|-------------------------|
| | No. of units | (date of launch) |
| | | to 31.10.2018 |
| | | No. of units |
| At the beginning of the financial year/period | 266,986,296 | - |
| Add: Creation of units from applications | 38,226,171 | 390,395,626 |
| Add: Creation of units from distribution | 7,233,822 | 15,633,404 |
| Less: Cancellation of units | (53,227,005) | (139,042,734) |
| At the end of the financial year/period | <u>259,219,284</u> | <u>266,986,296</u> |

(iv) Class SGD-H

| | 2019 | 03.07.2017 |
|---|---------------------|-------------------------|
| | No. of units | (date of launch) |
| | | to 31.10.2018 |
| | | No. of units |
| At the beginning of the financial year/period | 721,691 | - |
| Add: Creation of units from applications | 415,872 | 768,431 |
| Add: Creation of units from distributions | 33,533 | 298 |
| Less: Cancellation of units | (458,775) | (47,038) |
| At the end of the financial year/period | <u>712,321</u> | <u>721,691</u> |

11. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)

(v) Class USD

| | 2019 | 03.07.2017 (date of launch) to 31.10.2018 |
|---|---------------------|--|
| | No. of units | No. of units |
| At the beginning of the financial year/period | 15,098,034 | - |
| Add: Creation of units from applications | 1,895,940 | 22,524,167 |
| Add: Creation of units from distributions | 151,343 | 318,651 |
| Less: Cancellation of units | (4,967,809) | (7,744,784) |
| At the end of the financial year/period | <u>12,177,508</u> | <u>15,098,034</u> |

12. MANAGEMENT EXPENSE RATIO ("MER")

| | 2019 | 03.07.2017 (date of launch) to 31.10.2018 |
|-----|-------------|--|
| | % | % |
| MER | <u>1.85</u> | <u>2.44</u> |

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee's fee
- C = Audit fee
- D = Tax agent's fee
- E = Other expenses
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year ended 31 October 2019 calculated on a daily basis is USD76,534,248 (03.07.2017 (date of launch) to 31.10.2018: USD67,979,905).

13. PORTFOLIO TURNOVER RATIO ("PTR")

| | 2019 | 03.07.2017 (date of launch) to 31.10.2018 |
|-------------|-------------|--|
| PTR (times) | <u>0.12</u> | <u>0.89</u> |

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial year/period = USD6,650,000 (03.07.2017 (date of launch) to 31.10.2018: USD100,997,000)
- total disposal for the financial year/period = USD12,100,000 (03.07.2017 (date of launch) to 31.10.2018: USD19,450,000)

14. 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 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 Berhad, other than above, as disclosed in its financial statements | Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager |

Units held by the Manager and parties related to the Manager

| | <u>2019</u> | | <u>2018</u> |
|---|---------------------|------------|---------------------|
| | <u>No. of units</u> | <u>USD</u> | <u>No. of units</u> |
| Manager | | | <u>USD</u> |
| Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i> | | | |
| - Class AUD-H | 1,000 | 714 | 1 |
| - Class RMB-H | 1,000 | 140 | - |
| - Class MYR-H | 39,497 | 8,946 | 39,859 |
| - Class SGD-H | 35 | 23 | - |
| - Class USD | 444 | 440 | 664 |
| | <u>444</u> | <u>440</u> | <u>664</u> |

In the opinion of the Manager, the above units were transacted at the prevailing market price.

The units are held beneficially by the Manager for booking purposes. Other than the above, there were no units held by the Directors or parties related to the Manager.

In addition to related party disclosures mentioned elsewhere in the financial statements, there are no significant related party transactions and balances for the financial year/period. 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. TRANSACTIONS WITH BROKERS

Details of transactions with the brokers for the financial year ended 31 October 2019 are as follows:

| Brokers | Value of trades USD | Percentage of total trades % |
|---------------------------------------|--------------------------------|---|
| HSBC Investment Funds (Hong Kong) Ltd | 18,550,000 | 98.93 |
| HSBC Nominees (Tempatan) Sdn Bhd | 200,000 | 1.07 |
| | <u>18,750,000</u> | <u>100.00</u> |

Details of transactions with the brokers for the financial period from 3 July 2017 (date of launch) to 31 October 2018 are as follows:

| Brokers | Value of trades USD | Percentage of total trades % |
|---------------------------------------|--------------------------------|---|
| HSBC Investment Funds (Hong Kong) Ltd | 119,921,000 | 99.56 |
| HSBC Nominees (Tempatan) Sdn Bhd | 526,000 | 0.44 |
| | <u>120,447,000</u> | <u>100.00</u> |

16. MFRS 9 FINANCIAL INSTRUMENTS

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

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

| | Measurement category | | | Carrying amount | | |
|--|-----------------------------|-----------------|-------------------------------|-------------------------------|----------------------------|------------------------|
| | Original (MFRS 139) | New (MFRS 9) | Original (MFRS 139) USD | Reclassi- fications USD | Remeas- urements USD | New (MFRS 9) USD |
| <i>Financial assets</i> | | | | | | |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 504,647 | - | - | 504,647 |
| Investment in collective investment scheme | FVTPL | FVTPL | 70,155,543 | - | - | 70,155,543 |

16. MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

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

| | Measurement category | | Carrying amount | | | |
|---|------------------------|-----------------|-------------------------------|-------------------------------|----------------------------|------------------------|
| | Original (MFRS 139) | New (MFRS 9) | Original (MFRS 139) USD | Reclassi- fications USD | Remeas- urements USD | New (MFRS 9) USD |
| Financial assets (continued) | | | | | | |
| Amount due from dealer | Loans and receivables | Amortised cost | 189,427 | - | - | 189,427 |
| Amount due from Manager | Loans and receivables | Amortised cost | 144,323 | - | - | 144,323 |
| Amount due from Manager of collective investment scheme | Loans and receivables | Amortised cost | 82,676 | - | - | 82,676 |
| Dividends receivable | Loans and receivables | Amortised cost | 229,700 | - | - | 229,700 |
| Financial liabilities | | | | | | |
| Investment in forward foreign currency contract | FVTPL | FVTPL | 320,885 | - | - | 320,885 |
| Amount due to dealer | Amortised cost | Amortised cost | 189,532 | - | - | 189,532 |
| Amount due to Manager | Amortised cost | Amortised cost | 242,193 | - | - | 242,193 |
| Accrued management fee | Amortised cost | Amortised cost | 110,806 | - | - | 110,806 |
| Amount due to Trustee | Amortised cost | Amortised cost | 2,462 | - | - | 2,462 |
| Other payables and accruals | Amortised cost | Amortised cost | 2,268 | - | - | 2,268 |

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 12 December 2019.

DIRECTORY

Head Office of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)
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Trustee for the CIMB-Principal China Multi Asset Income Fund

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Auditors of the Trusts and of the Manager

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