

CIMB-Principal Deposit Fund

Annual Report

For The Financial Year Ended 31 August 2019

CIMB-PRINCIPAL DEPOSIT FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019

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INVESTORS' LETTER

Dear Valued Members,

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

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

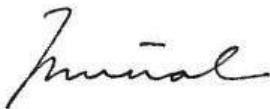
In today’s era of dynamic change, there is a growing need to accommodate the emergence of more tech savvy investors. We’re glad to have the opportunity to partner with the EPF and are excited to bring our global experience and expertise to make saving for retirement faster and easier for those who prefer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

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

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

Thank you.

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



Munirah Khairuddin
Chief Executive Officer

*The 0% sales fee is subject to change

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to generate regular income for investors through investments primarily in the money market.

Has the Fund achieved its objective?

For the financial year under review, the Fund is in line with its stated objective.

What are the Fund investment policy and principal investment strategy?

The Fund will place at least 95% of its Net Asset Value ("NAV") in Deposits. Up to 5% of the Fund's NAV may be invested in money market instruments, short-term bonds and/or notes with a minimum credit rating of "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country of issuance or "BBB-" by Standard & Poor's ("S&P") or equivalent rating by Moody's or Fitch, all of which have a remaining maturity period of less than 365 days. The Fund will be actively managed. The investment policy and strategy is to invest in liquid and low risk short-term investments with capital preservation*.

Note:

*The Fund is neither a capital guaranteed fund nor a capital protected fund.

Fund category/type

Money Market/Income

How long should you invest for?

Recommended one (1) year or more

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

Low

When was the Fund launched?

8 July 2004

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

RM2.06 billion (2.06 billion units)

What is the Fund's benchmark?

CIMB Bank Overnight Rate

Note: Given that the Fund is an income fund, the Fund shall benchmark itself against the overnight rate for performance comparison purpose only. Therefore, investors are cautioned that the risk profile of the Fund is higher than the benchmark.

What is the Fund distribution policy?

Monthly, depending on the level of income (if any) the Fund generates.

FUND OBJECTIVE AND POLICY (OBJECTIVE)

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

The Fund distributed a total net income of RM54.25 million to unit holders for the financial year ended 31 August 2019.

The Fund's NAV per unit are as follows:

Date	NAV per unit (Before distribution)	NAV per unit (After distribution)
28.09.2018	1.0028	1.0000
31.10.2018	1.0028	1.0000
30.11.2018	1.0028	1.0000
31.12.2018	1.0027	1.0000
31.01.2019	1.0029	1.0000
28.02.2019	1.0025	1.0000
29.03.2019	1.0029	1.0000
30.04.2019	1.0027	1.0000
31.05.2019	1.0028	1.0000
28.06.2019	1.0027	1.0000
31.07.2019	1.0027	1.0000
30.08.2019	1.0027	1.0000

PERFORMANCE DATA

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

	31.08.2019 %	31.08.2018 %	31.08.2017 %
Deposits with licensed financial institutions	95.16	99.88	99.97
Cash and other net assets	4.84	0.12	0.03
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.08.2019	31.08.2018	31.08.2017
NAV (RM Million)*	2,063.06	1,501.06	1,657.54
Units in circulation (Million)	2,063.00	1,501.09	1,657.58
NAV per unit (RM)*	1.0000	0.9999	0.9999
Highest NAV per unit (RM)*	1.0029	1.0028	1.0026
Lowest NAV per unit (RM)*	1.0000	0.9999	0.9999
Total return (%)	3.41	3.39	3.20
- Capital growth (%)	-	-	-
- Income distribution (%)	3.41	3.39	3.20

*Ex-distribution

Management Expense Ratio ("MER") (%) ^	0.49	0.51	0.52
Portfolio Turnover Ratio ("PTR") (times) #	12.16	9.95	9.17

^ The Fund's MER decreased from 0.51% to 0.49% due to decreased expenses.

The Fund's PTR for the financial year under review increased from 9.95 times to 12.16 times due to an increase in placement and maturity of deposits.

PERFORMANCE DATA (CONTINUED)

Date of distribution	31.08.2019	31.08.2018	31.08.2017		
Gross/Net distribution per unit (sen)					
Distribution on 28 September 2018	0.28	-	-		
Distribution on 31 October 2018	0.29	-	-		
Distribution on 30 November 2018	0.28	-	-		
Distribution on 31 December 2018	0.28	-	-		
Distribution on 31 January 2019	0.29	-	-		
Distribution on 28 February 2019	0.25	-	-		
Distribution on 29 March 2019	0.29	-	-		
Distribution on 30 April 2019	0.28	-	-		
Distribution on 31 May 2019	0.28	-	-		
Distribution on 28 June 2019	0.28	-	-		
Distribution on 31 July 2019	0.28	-	-		
Distribution on 30 August 2019	0.28	-	-		
Distribution on 29 September 2017	-	0.27	-		
Distribution on 31 October 2017	-	0.28	-		
Distribution on 30 November 2017	-	0.27	-		
Distribution on 29 December 2017	-	0.28	-		
Distribution on 30 January 2018	-	0.28	-		
Distribution on 28 February 2018	-	0.25	-		
Distribution on 30 March 2018	-	0.29	-		
Distribution on 30 April 2018	-	0.28	-		
Distribution on 31 May 2018	-	0.29	-		
Distribution on 29 June 2018	-	0.27	-		
Distribution on 31 July 2018	-	0.29	-		
Distribution on 30 August 2018	-	0.29	-		
Distribution on 30 September 2016	-	-	0.24		
Distribution on 31 October 2016	-	-	0.26		
Distribution on 30 November 2016	-	-	0.25		
Distribution on 30 December 2016	-	-	0.25		
Distribution on 31 January 2017	-	-	0.26		
Distribution on 28 February 2017	-	-	0.24		
Distribution on 31 March 2017	-	-	0.27		
Distribution on 28 April 2017	-	-	0.27		
Distribution on 31 May 2017	-	-	0.28		
Distribution on 30 June 2017	-	-	0.27		
Distribution on 31 July 2017	-	-	0.28		
Distribution on 30 August 2017	-	-	0.28		
	31.08.2019	31.08.2018	31.08.2017	31.08.2016	31.08.2015
	%	%	%	%	%
Annual total return	3.41	3.39	3.20	3.34	3.18

(Launch date: 8 July 2004)

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial year have been extracted from Lipper.

MARKET REVIEW (1 SEPTEMBER 2018 TO 31 AUGUST 2019)

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

BNM also announced liberalization measures in March 2019 and August 2019 on the Foreign Exchange Administration (“FEA”) Rules that it was taking several development initiatives to improve the domestic forex and bond market liquidity, likely in response to Financial Times Stock Exchange (“FTSE”) Russell’s action whereby Malaysia was placed on the watch list for their World Government Bond Index (“WGBI”).

In the second quarter of 2019 (“2Q19”), the Malaysian economy increased at a faster pace of 4.9% year-on-year (“y-o-y”) as compared to first quarter of 2019 (“1Q19”) Gross Domestic Product (“GDP”) of 4.5% (above market’s consensus of 4.7%) led by firmer domestic demand and across all economic sectors despite lingering global trade tensions. Domestic demand continued to expand at 4.6% in 2Q19 (1Q19: 4.4%) supported by firm household spending and slightly higher private investment. On the supply side, all sectors recorded positive growth primarily driven by services and manufacturing sectors. Meanwhile, net exports grew at a much faster pace lifted by a bigger decline in imports amid sustained exports.

Overall, BNM’s baseline projection for 2019 growth remains within the range of 4.3% to 4.8% supported mainly by private sector activity. It notes that outlook is subject to downside risks from lingering external factors and domestic environment, worsening trade tensions and extended weakness in commodity related sectors.

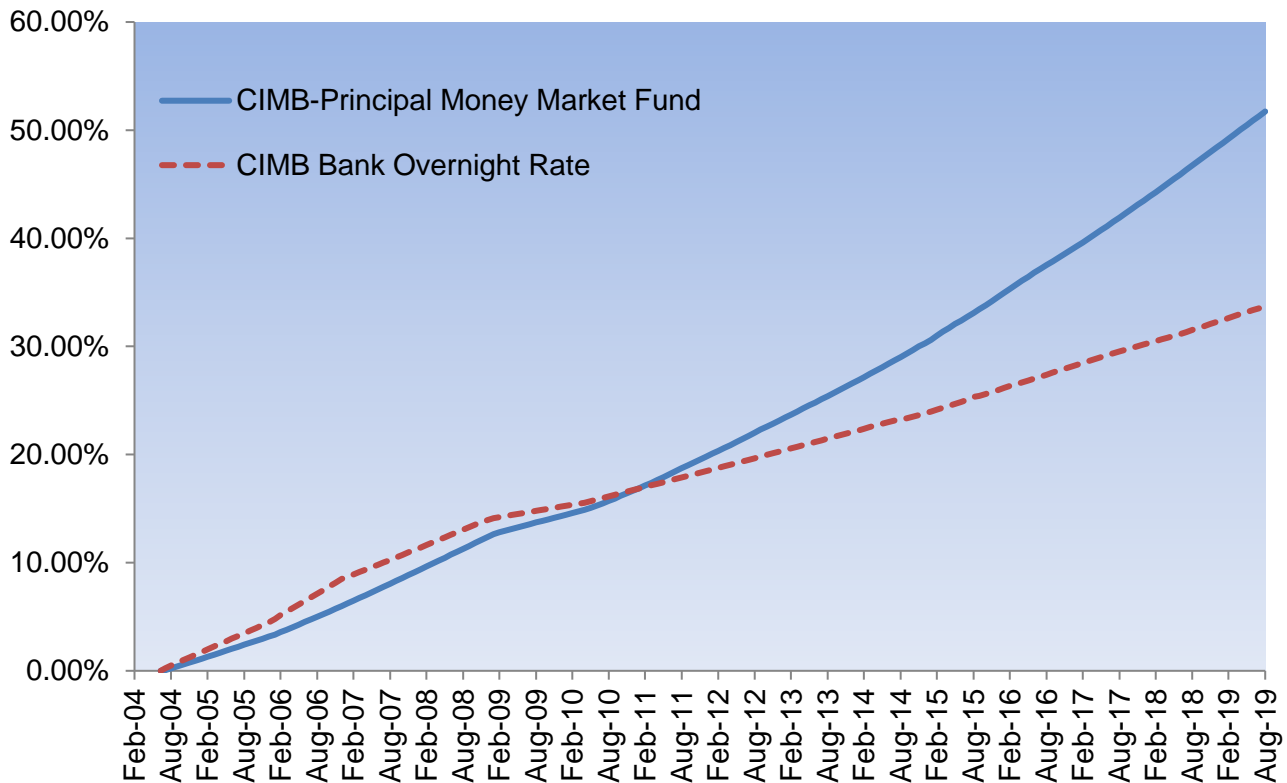
Malaysia’s July 2019 inflation continued to experience large gain for the second consecutive month at 1.4% y-o-y as compared to June’s 1.5% y-o-y due to the low base readings post Goods and Services Tax (“GST”) zerorization in June 2018. Headline inflation for second half of 2019 is expected to be higher compared to first half of 2019 following the lapse in the impact of GST.

FUND PERFORMANCE

	1 year to 31.08.2019	3 years to 31.08.2019	5 years to 31.08.2019	Since inception to 31.08.2019
	%	%	%	%
Income	3.41	10.33	17.64	51.73
Capital	-	-	-	-
Total Return	3.41	10.33	17.64	51.73
Benchmark	1.66	4.95	8.49	33.69
Average Total Return	3.41	3.33	3.30	2.79

For the one-year financial year under review, the fund delivered a total return of 3.41% and outperformed the benchmark by 1.75%. Since inception, the fund has delivered a total return of 51.73% and outperformed the benchmark by 18.04%.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	31.08.2019	31.08.2018	Changes %
NAV (RM Million)*	2,063.06	1,501.06	37.44
NAV/Unit (RM)*	1.0000	0.9999	0.01

* Ex- distribution

The Fund’s NAV has grown from RM1,501.06 as at 31 August 2018 to RM2,063.06 million as at 31 August 2019. The Fund’s NAV per unit increased by 0.01% during the financial year under review.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.08.2019	31.08.2018
Deposits with licensed financial institutions	95.16	99.88
Cash and other net assets	4.84	0.12
TOTAL	100.00	100.00

As at 31st August 2019, the Fund was 95.16% invested in deposit placements with licensed Islamic financial institutions and 4.84% cash and other net assets.

MARKET OUTLOOK*

On 7 May 2019, the MPC cut the OPR by 0.25% to 3.00% as widely anticipated by the market. We believe the current monetary policy remains accommodative and are of the view that BNM will maintain its OPR unchanged for the remainder of 2019 unless the trade wars worsen significantly, or domestic growth is significantly lower than expected.

* 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’s objective is to provide investors with liquidity and regular income hence it will continue to maintain its investment primarily in deposits.

UNIT HOLDINGS STATISTICS

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

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	12,407	0.01	0.00
5,001-10,000	32	0.26	0.01
10,001-50,000	232	5.73	0.28
50,001-500,000	84	10.49	0.51
500,001 and above	70	2,046.51	99.20
Total	12,825	2,063.00	100.00

SOFT COMMISSIONS AND REBATES

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

During the financial year under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but have retained soft commissions 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 DEPOSIT FUND**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 14 to 36 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 August 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the 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
17 October 2019

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

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

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing 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 this financial year, a total distribution of 3.36 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distributions are not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
17 October 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 August 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 36.

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 DEPOSIT 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 DEPOSIT 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 DEPOSIT FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
17 October 2019

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

	Note	2019 RM	2018 RM
INCOME			
Interest income from deposits with licensed financial institutions at amortised cost		62,338,593	60,620,894
Interest earned from current account		2,212	78,952
		<u>62,340,805</u>	<u>60,699,846</u>
EXPENSES			
Management fee	4	7,233,557	7,103,348
Trustee's fee	5	642,983	631,408
Audit fee		9,500	9,000
Tax agent's fee		12,500	9,143
Other expenses		3,459	348,445
		<u>7,901,999</u>	<u>8,101,344</u>
PROFIT BEFORE TAXATION		54,438,806	52,598,502
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>54,438,806</u>	<u>52,598,502</u>
Profit after taxation is made up as follows:			
Realised amount		<u>54,438,806</u>	<u>52,598,502</u>

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

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

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	9	10,802	10,925
Financial assets at fair value through profit or loss	8	1,963,302,718	1,499,277,740
Amount due from Manager		102,580,810	2,489,000
TOTAL ASSETS		<u>2,065,894,330</u>	<u>1,501,777,665</u>
LIABILITIES			
Amount due to Manager		2,060,128	23,034
Accrued management fee		652,265	598,862
Amount due to Trustee		57,979	53,232
Distribution payable		50,689	29,803
Other payables and accruals		15,200	12,300
TOTAL LIABILITIES		<u>2,836,261</u>	<u>717,231</u>
NET ASSET VALUE OF THE FUND		<u>2,063,058,069</u>	<u>1,501,060,434</u>
EQUITY			
Unit holders' capital		2,060,062,411	1,498,123,322
Retained earnings		2,995,658	2,937,112
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>2,063,058,069</u>	<u>1,501,060,434</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>2,062,997,553</u>	<u>1,501,087,357</u>
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		<u>1.0000</u>	<u>0.9999</u>

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

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

	Note	Unit holders' capital RM	Retained earnings RM	RM
Balance as at 1 September 2018		1,498,123,322	2,937,112	1,501,060,434
Movement in unit holders' contributions				
- Creation of units from applications		2,920,719,191	-	2,920,719,191
- Creation of units from distributions		53,780,546	-	53,780,546
- Cancellation of units		(2,412,691,256)	-	(2,412,691,256)
Total comprehensive income for the financial year		-	54,438,806	54,438,806
Distributions	6	130,608	(54,380,260)	(54,249,652)
Balance as at 31 August 2019		<u>2,060,062,411</u>	<u>2,995,658</u>	<u>2,063,058,069</u>
Balance as at 1 September 2017		1,657,110,103	431,450	1,657,541,553
Movement in unit holders' contributions				
- Creation of units from applications		2,384,078,140	-	2,384,078,140
- Creation of units from distributions		50,896,958	-	50,896,958
- Cancellation of units		(2,592,714,645)	-	(2,592,714,645)
Total comprehensive income for the financial year		-	52,598,502	52,598,502
Distributions	6	(1,247,234)	(50,092,840)	(51,340,074)
Balance as at 31 August 2018		<u>1,498,123,322</u>	<u>2,937,112</u>	<u>1,501,060,434</u>

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

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

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from maturity of deposits with licensed financial institutions		19,308,338,736	15,456,984,301
Placement of deposits with licensed financial institutions		(19,978,483,000)	(15,927,500,000)
Redemption of deposits with licensed financial institutions		206,119,286	629,361,119
Interest income received from deposits with licensed financial institutions and interest earned		62,340,805	60,699,846
Management fee paid		(7,180,154)	(7,153,887)
Trustee's fee paid		(638,236)	(635,901)
Payments for other fees and expenses		(22,559)	(413,676)
Net cash (used in)/generated from operating activities		<u>(409,525,122)</u>	<u>211,341,802</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		2,820,627,381	2,382,109,140
Payments for cancellation of units		(2,410,654,162)	(2,592,714,645)
Distributions paid		(448,220)	(736,400)
Net cash generated from/(used in) financing activities		<u>409,524,999</u>	<u>(211,341,905)</u>
Net decrease in cash and cash equivalents		(123)	(103)
Cash and cash equivalents at the beginning of the financial year		<u>10,925</u>	<u>11,028</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>10,802</u></u>	<u><u>10,925</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		<u>10,802</u>	<u>10,925</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>10,802</u></u>	<u><u>10,925</u></u>

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

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

CIMB-Principal Deposit Fund (the "Fund") is governed by a Principal Master Deed dated 15 May 2008, a First Supplemental Master Deed dated 25 June 2008, a Third Supplemental Master Deed dated 14 July 2008, a Fifth Supplemental Master Deed dated 16 July 2009, a Thirteenth Supplemental Master Deed dated 26 June 2012, a Fourteenth Supplemental Master Deed dated 21 September 2012 and an Eighteenth Supplemental Master deed dated 25 March 2015 (collectively referred to as the "Deeds"), made between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager") and HSBC (Malaysia) Trustee Berhad (the "Trustee").

The Fund will place at least 95% of its NAV in deposits. Up to 5% of the Fund's NAV may be invested in money market instruments, short-term bonds and/or notes with a minimum credit rating of "BBB3" or "P2" by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance or "BBB-" by S&P or equivalent rating by Moody's or Fitch Ratings ("Fitch"), all of which have a remaining maturity period of less than 365 days. The Fund will be actively managed. The investment policy and strategy is to invest in liquid and low risk short-term investments with capital preservation.

All investments are subjected to the SC Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

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

Standard that is effective and relevant:

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

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

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument 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.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

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

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

(b) Financial assets and financial liabilities

Classification

Up to 31 August 2018, the Fund designates its investment in deposits with licensed financial institutions 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 are evaluated on a fair value basis.

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

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, accrued management fee, amount due to Trustee, distribution payable, and other payables and accruals as other financial liabilities.

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

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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

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

Recognition and measurement

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

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

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

Deposits with licensed financial institutions are stated at fair value. Due to the short-term nature of the deposits, the cost plus accrued profit calculated based on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits is a reasonable estimate of fair value.

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

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

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

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

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.

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

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

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

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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

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

(c) Income recognition

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

Up to 31 August 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 September 2018, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(d) Functional and presentation currency

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

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance which are subject to an insignificant risk of changes in value.

(f) Taxation

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

(g) Distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(h) Unit holders' capital**

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

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

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

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

(i) Segment information

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

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

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

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

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

However, the Manager is of the opinion that in applying these accounting policies, no significant judgement was required, except the measurement of deposits with financial institutions at fair value in Note 2(b).

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2019			
Cash and cash equivalents (Note 9)	-	10,802	10,802
Deposits with licensed financial institutions (Note 8)	1,963,302,718	-	1,963,302,718
Amount due from Manager	-	102,580,810	102,580,810
	<u>1,963,302,718</u>	<u>102,591,612</u>	<u>2,065,894,330</u>
	Financial assets at fair value through profit or loss RM	Loans and receivables RM	Total RM
2018			
Cash and cash equivalents (Note 9)	-	10,925	10,925
Deposits with licensed financial institutions (Note 8)	1,499,277,740	-	1,499,277,740
Amount due from Manager	-	2,489,000	2,489,000
	<u>1,499,277,740</u>	<u>2,499,925</u>	<u>1,501,777,665</u>

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

The Fund aims to generate regular income for investors through investments primarily in the money market.

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

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

(a) Market risk

(i) Interest rate risk

Interest rate is a general economic indicator that will have an impact on the management of the Fund. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to fair value interest rate risk arises from investment in money market instruments. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions.

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

(a) Market risk (continued)

(i) Interest rate risk (continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

As at the end of each financial year, the Fund is not exposed to a material level of interest rate risk.

(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 bank balance and placements of deposits with licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

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

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
2019				
- AAA	10,802	627,253,936	-	627,264,738
- AA2	-	852,268,309	-	852,268,309
- AA3	-	483,780,473	-	483,780,473
- Not Rated	-	-	102,580,810	102,580,810
	<u>10,802</u>	<u>1,963,302,718</u>	<u>102,580,810</u>	<u>2,065,894,330</u>
2018				
- AAA	10,925	339,566,358	-	339,577,283
- AA1	-	98,100,067	-	98,100,067
- AA2	-	676,057,589	-	676,057,589
- AA3	-	385,553,726	-	385,553,726
- Not Rated	-	-	2,489,000	2,489,000
	<u>10,925</u>	<u>1,499,277,740</u>	<u>2,489,000</u>	<u>1,501,777,665</u>

All financial assets of the Fund as at the end of each financial year 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 balance and deposits with licensed financial institutions, which are capable of being converted into cash within 7 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 as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2019			
Amount due to Manager	2,060,128	-	2,060,128
Accrued management fee	652,265	-	652,265
Amount due to Trustee	57,979	-	57,979
Distribution payable	50,689	-	50,689
Other payables and accruals	-	15,200	15,200
Contractual undiscounted cash flows	2,821,061	15,200	2,836,261
2018			
Amount due to Manager	23,034	-	23,034
Accrued management fee	598,862	-	598,862
Amount due to Trustee	53,232	-	53,232
Distribution payable	29,803	-	29,803
Other payables and accruals	-	12,300	12,300
Contractual undiscounted cash flows	704,931	12,300	717,231

(d) Capital risk management

The capital of the fund is represented by equity consisting of unit holders' capital of RM2,060,062,411 (2018: RM1,498,123,322) and retained earnings of RM2,995,658 (2018: RM2,937,112). The amount of capital can change significantly on a daily basis as the Fund is subjected to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

(e) Fair value estimation

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

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

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

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

(i) Fair value hierarchy

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	<u>1,963,302,718</u>	-	<u>1,963,302,718</u>
2018				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	<u>1,499,277,740</u>	-	<u>1,499,277,740</u>

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes deposits with licensed financial institutions.

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

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

4. MANAGEMENT FEE

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

For the financial year ended 31 August 2019, the management fee is recognised at a rate of 0.45% per annum (2018: 0.45% per annum).

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.04% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 August 2019, the Trustee fee is recognised at a rate of 0.04% per annum (2018: 0.04% per annum).

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

6. DISTRIBUTION

Distributions to unit holders are derived from the following sources:

	2019	2018
	RM	RM
Interest income	62,282,259	60,688,652
Distribution equalisation	(130,608)	(1,247,234)
	<u>62,151,651</u>	<u>59,441,418</u>
Expenses	(7,901,999)	(8,101,344)
Net distribution amount	<u>54,249,652</u>	<u>51,340,074</u>

	2019	2018
	RM	RM
Date of distribution		
Gross/Net distribution per unit (sen)		
Distribution on 28 September 2018	0.28	-
Distribution on 31 October 2018	0.29	-
Distribution on 30 November 2018	0.28	-
Distribution on 31 December 2018	0.28	-
Distribution on 31 January 2019	0.29	-
Distribution on 28 February 2019	0.25	-
Distribution on 29 March 2019	0.29	-
Distribution on 30 April 2019	0.28	-
Distribution on 31 May 2019	0.28	-
Distribution on 28 June 2019	0.28	-
Distribution on 31 July 2019	0.28	-
Distribution on 30 August 2019	0.28	-
Distribution on 29 September 2017	-	0.27
Distribution on 31 October 2017	-	0.28
Distribution on 30 November 2017	-	0.27
Distribution on 29 December 2017	-	0.28
Distribution on 30 January 2018	-	0.28
Distribution on 28 February 2018	-	0.25
Distribution on 30 March 2018	-	0.29
Distribution on 30 April 2018	-	0.28
Distribution on 31 May 2018	-	0.29
Distribution on 29 June 2018	-	0.27
Distribution on 31 July 2018	-	0.29
Distribution on 30 August 2018	-	0.29
	<u>3.36</u>	<u>3.34</u>

6. DISTRIBUTION (CONTINUED)

Gross distribution is derived using total income less total expenses. Net distribution above is mainly 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.

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purpose of determining amount available for distribution, distribution equalisation is included in the computation of realised gain or income available for distribution.

7. TAXATION

	2019	2018
	RM	RM
Tax charged for the financial year		
- Current taxation	-	-

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

	2019	2018
	RM	RM
Profit before taxation	54,438,806	52,598,502
Taxation at Malaysian statutory rate of 24% (2018: 24%)	13,065,313	12,623,640
Tax effects of:		
- Investment income not subject to tax	(14,961,793)	(14,567,963)
- Expenses not deductible for tax purposes	157,621	160,695
- Restriction on tax deductible expenses for Unit Trust Funds	1,738,859	1,783,628
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RM	RM
Financial assets at fair value through profit or loss:		
- Deposits with licensed financial institutions*	<u>1,963,302,718</u>	<u>1,499,277,740</u>

* Includes interest receivables of RM23,767,718 (2018: RM6,779,740).

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

	2019	2018
	%	%
Deposits with licensed financial institutions	<u>3.77</u>	<u>3.97</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 135 days (2018: 108 days).

9. CASH AND CASH EQUIVALENTS

	2019	2018
	RM	RM
Bank balance	<u>10,802</u>	<u>10,925</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	2018
	No. of units	No. of units
At the beginning of the financial year	1,501,087,357	1,657,579,668
Add : Creation of units from applications	2,917,003,574	2,381,310,933
Add : Creation of units from distributions	53,780,546	50,896,958
Less : Cancellation of units	<u>(2,408,873,924)</u>	<u>(2,588,700,202)</u>
At the end of the financial year	<u>2,062,997,553</u>	<u>1,501,087,357</u>

11. MANAGEMENT EXPENSE RATIO ("MER")

	2019	2018
	%	%
MER	<u>0.49</u>	<u>0.51</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 calculated on a daily basis is RM1,625,828,008 (2018: RM1,577,810,533).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	<u>12.16</u>	<u>9.95</u>

PTR is derived from the following calculation:

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

where:

total placement for the financial year = RM19,978,483,000 (2018: RM15,927,500,000)

total maturity for the financial year = RM19,576,796,616 (2018: RM15,455,891,881)

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

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

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Bhd, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to the Manager

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

Units held by the Manager and parties related to the Manager:

Manager	2019		2018	
	No. of units	RM	No. of units	RM
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	196,414	196,414	60,134	60,128

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

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

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

	2019	2018
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	888,663	224,905
- CIMB Islamic Bank Bhd	6,157	-
<u>Significant related party balances</u>		
Deposits with licensed financial institution:		
- CIMB Bank Bhd	10,004,589	31,599,000

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

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

Financial Institutions	Value of placements	Percentage of total placements
	RM	%
Malayan Banking Bhd	7,757,637,000	38.83
Hong Leong Bank Bhd	5,910,234,000	29.58
Public Bank Bhd	1,263,250,000	6.32
CIMB Bank Bhd #	1,081,793,000	5.41
AmBank Bhd	866,606,000	4.34
Public Islamic Bank Bhd	733,411,000	3.67
Affin Bank Bhd	657,584,000	3.29
RHB Bank Bhd	564,620,000	2.83
RHB Islamic Bank Bhd	347,014,000	1.74
Affin Hwang Investment Bank Bhd	299,052,000	1.50
Others #	497,282,000	2.49
	<u>19,978,483,000</u>	<u>100.00</u>

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS (CONTINUED)

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

Financial Institutions	Value of placements RM	Percentage of total placements %
Malayan Banking Bhd	5,160,691,000	32.40
Hong Leong Bank Bhd	2,094,917,000	13.15
Public Bank Bhd	1,559,526,000	9.79
Affin Bank Bhd	1,273,713,000	8.00
RHB Bank Bhd	1,196,614,000	7.51
AmBank Bhd	1,047,212,000	6.58
Affin Hwang Investment Bank Bhd	746,186,000	4.69
RHB Islamic Bank Bhd	650,375,000	4.08
Maybank Islamic Bhd	647,240,000	4.06
CIMB Bank Bhd #	573,262,000	3.60
Others	977,764,000	6.14
	<u>15,927,500,000</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd, related parties to the Manager amounting to RM1,081,793,000 (2018: RM573,262,000) and RM71,342,000 (2018: Nil) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

15. SEGMENT INFORMATION

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

The investment objective of the Fund is to generate regular income for investors through investments primarily in the money market. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest income earned from investments, which is derived from Ringgit-denominated deposits with licensed financial institutions in Malaysia.

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

16. SUBSEQUENT EVENTS

The Manager proposed for the payment of a gross distribution of 0.26 sen per unit in respect of the month of September 2019, which has been approved by the Trustee. The distribution will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 31 August 2020.

17. MFRS 9 FINANCIAL INSTRUMENTS

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

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

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassifi-cations	Remeasu-rements	New (MFRS 9)
			RM	RM	RM	RM
Financial assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	10,925	-	-	10,925
Deposits with licensed financial institutions	FVTPL	FVTPL	1,499,277,740	-	-	1,499,277,740
Amount due from Manager	Loans and receivables	Amortised cost	2,489,000	-	-	2,489,000
Financial liabilities						
Amount due to Manager	Amortised cost	Amortised cost	23,034	-	-	23,034
Accrued management fee	Amortised cost	Amortised cost	598,862	-	-	598,862
Amount due to Trustee	Amortised cost	Amortised cost	53,232	-	-	53,232
Distribution payable	Amortised cost	Amortised cost	29,803	-	-	29,803
Other payables and accruals	Amortised cost	Amortised cost	12,300	-	-	12,300

18. APPROVAL OF FINANCIAL STATEMENTS

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

DIRECTORY

Head Office of the Manager

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