

CIMB-Principal Equity Fund

Annual Report

For The Financial Year Ended 30 June 2019

CIMB-PRINCIPAL EQUITY FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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INVESTORS' LETTER

Dear Valued Investors,

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

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

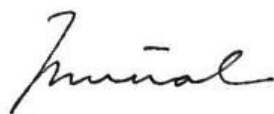
Thanks to the trust you've placed in us, we have been recognized Asia Asset Management 2019 Awards for the Fund Launch of the Year Award in Best of the Best Awards Malaysia category, and the Best Asset Management House in ASEAN in Best of the Best ASEAN category.

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

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

Thank you.

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to maximise capital growth over the medium to long-term through the stock market.

Has the Fund achieved its objective?

For the financial year under review, the Fund's total return rose by 0.12% while the benchmark declined by 1.07%. Nevertheless, the Fund's objective is still in place which is to provide capital growth over the long term.

What are the Fund investment policy and principal investment strategy?

The Fund may invest between 70% to 98% (both inclusive) of its Net Asset Value ("NAV") in equities and other equity related securities. The Fund may also invest up to 28% of its NAV in other permissible investments. In line with its objective, the investment policy and strategy of the Fund will focus on investment in shares of companies with growth potential and listed on the main market. The Fund may opt to seek investment exposure via Collective Investment Schemes that is in line with the Fund's objective, subject to the requirement of the Securities Commission Malaysia ("SC") Guidelines.

Fund category/type

Equity/Growth

How long should you invest for?

Recommended five (5) years or more

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

High

When was the Fund launched?

1 August 1995

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

RM434.46 million (313.97 million units)

What is the Fund's benchmark?

Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Top 100 ("FBM100") Index

What is the Fund distribution policy?

The Manager has the discretion to distribute part or all of the Fund's distributable income. The distribution (if any) may vary from period to period depending on the investment objective and the performance of the Fund.

What was the net income distribution for the financial year ended 30 June 2019?

The Fund distributed a total net income of RM36.36 million to unit holders for the financial year ended 30 June 2019. As a result, the NAV per unit has dropped from RM1.4954 to RM1.3754 on 24 October 2018.

PERFORMANCE DATA

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

	30.06.2019	30.06.2018	30.06.2017
	%	%	%
Quoted securities			
- Construction	1.31	0.74	7.64
- Consumer Products & Services	9.44	-	-
- Consumer Products	-	4.86	0.61
- Energy	7.65	-	-
- Financial Services	25.82	-	-
- Finance	-	28.91	32.36
- Healthcare	3.71	-	-
- Industrial Products & Services	4.58	-	-
- Industrials	-	6.99	3.05
- Infrastructure Project Company ("IPC")	-	0.47	0.92
- Plantation	8.52	5.67	4.78
- Property	1.75	-	-
- Properties	-	0.21	4.30
- Real Estate Investment Trusts ("REITs")	1.51	-	-
- Technology	5.80	2.12	0.85
- Telecommunications & Media	6.78	-	-
- Trading/Services	-	34.64	40.21
- Transportation & Logistics	8.59	-	-
- Utilities	5.75	-	-
Cash and other net assets	8.79	15.39	5.28
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Note: Effective 24 September 2018, Bursa Malaysia has changed its sectoral index and classification.

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

	30.06.2019	30.06.2018	30.06.2017
Net asset value (RM Million)	434.46	454.49	516.62
Units in circulation (Million)	313.97	302.06	307.79
Net asset value per unit (RM)	1.3837	1.5046	1.6784
Highest NAV per unit (RM)	1.5995	1.6942	1.6971
Lowest NAV per unit (RM)	1.2932	1.4870	1.4913
Total return (%)	0.12	(4.08)	10.39
- Capital return (%)	(7.92)	(10.45)	2.43
- Income return (%)	8.72	7.11	7.76
Management Expense Ratio ("MER") (%) *	1.53	1.63	1.64
Portfolio Turnover Ratio ("PTR") (times) #	0.82	0.90	0.91

* The Fund's MER decreased from 1.63% to 1.53% was mainly due to the decreased in expenses during the financial year under review.

The Fund's PTR declined from 0.90 times to 0.82 times as there was less trading activity for the financial year under review.

PERFORMANCE DATA (CONTINUED)

Date of distribution	24.10.2018	23.10.2017	27.10.2016
Gross/Net distribution per unit (sen)	12.00	11.00	12.00

	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
	%	%	%	%	%
Annual total return	0.12	(4.08)	10.39	1.26	(5.33)

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 JULY 2018 TO 30 JUNE 2019)

The FBM100 Index fell 126.28 points or 1.1% to 11,631.65 points over the financial year under review.

After two consecutive months of net foreign selling post 14th General Election (“GE14”), the FBM Kuala Lumpur Composite Index (“FBMKLCI”) ended higher by 5.2% or 87 points to close at 1,779 points in July 2018, as local investors started to bargain-hunt. Foreigners continued to sell in the market with a total net outflow of RM1.7 billion, which is much lower than the RM4.9 billion in June 2018. The recovery continued into August 2018 with the FBMKLCI rising 2% or 35 points to close at 1,819 points, which is just 27 points lower than the last trading day prior to GE14. Foreign selling tapered off to just RM97 million during the month.

September 2018 saw the FBMKLCI succumbed to selling pressure as investors locked in gains made in the previous month on worries that the USD200 billion trade tariff imposed on China may impact global growth and Emerging Market (“EM”) currencies. The downtrend was exacerbated by the financial crisis in Argentina which led investors to flee the Argentine Peso, causing worry of a contagion effect in EM. Sentiment in the local bourse was further affected by the announcement of the cancellation of 3 China-backed projects (the East-Coast Railway Link (“ECRL”) and the two gas pipeline projects estimated at USD23 billion) and the deferment of High Speed Rail (“HSR”) to September 2020, which sent the Construction Index tumbling by 5.38% month-on-month (“m-o-m”).

The FBMKLCI ended October 2018 lower by 4.68% or 84 points to close at 1,709 points. The release of the mid-term review of the austere 11th Malaysia Plan offered no reprieve as investors further locked in gains made due to rising economic risk and uncertainties. Local investors were concerned that the Government would unveil new taxes and announce higher fiscal deficits for Budget 2019. Telecommunication companies were the biggest losers on the back of regulatory risk, while construction sector underperformed on Mass Rapid Transit (“MRT”) Line 2 project cost cut. During the month, the Ringgit Malaysia (“RM”) weakened by 1.1% while the 10-year Malaysian Government Securities (“MGS”) rose by 10 basis points (“bps”) to 4.08%. Brent crude oil fell to USD75 per barrel, down by 9% m-o-m.

The sell-off continued in November 2018 with the FBMKLCI falling by 1.7% or 29 points to close at 1,679.86 points. During the month, Khazanah Nasional Bhd (“Khazanah”) sold a 16% stake in IHH Healthcare Bhd to Mitsui Group. This was part of Khazanah’s rationalisation programme to increase its contribution to the Federal Government. The third quarter of 2018 Gross Domestic Product (“GDP”) came in lower than consensus forecast at 4.4% year-on-year (“y-o-y”), driven by domestic demand. Moody’s affirmed the A1 domestic issuer and foreign currency senior unsecured ratings of Petrolia Nasional Bhd (“Petronas”) but changed its outlook to negative from stable.

The KLCI ended December 2018 higher by 0.64% to close at 1,690.58 points on window-dressing activities. For 2018, the FBMKLCI is lower by 5.91%. During the month, the RM strengthened to RM4.133 against the US Dollar (“USD”) from RM4.184 in the previous month. Brent crude oil slumped to USD53.80 per barrel, down by 8.36% m-o-m.

MARKET REVIEW (1 JULY 2018 TO 30 JUNE 2019) (CONTINUED)

The FBMKLCI ended January 2019 marginally lower by 0.4% to close at 1,684 points due to profit-taking and concerns over corporate earnings and global growth. Foreign investors turned net buyers of close to RM1 billion in January 2019, after three consecutive months of net selling; partly reversing net outflows of RM11.7 billion in 2018. Brent crude oil rose to USD61.89 per barrel, up by 15% m-o-m.

The FBMKLCI rebounded in February 2019 by 1.4% to close at 1,707 points driven by higher Brent Crude oil, which traded up 6.7% m-o-m to USD66.82 per barrel on supply constraints. Sentiment in the local bourse was further lifted by announcement made by the Communications and Multimedia Minister that there will not be further reductions in high speed broadband prices in 2019 and Fitch re-affirmed Malaysia's sovereign rating.

The index then dipped 3.8% in March 2019 on concerns over moderation in global economic growth following the yield curve inversion in the US. Domestically, the downgrade in Bank Negara Malaysia ("BNM") growth forecast also weighed on sentiments, stoking expectation of a policy rate cut as early as May 2019. This resulted in concerns over potential earnings risks for banks due to the possible policy rate cut.

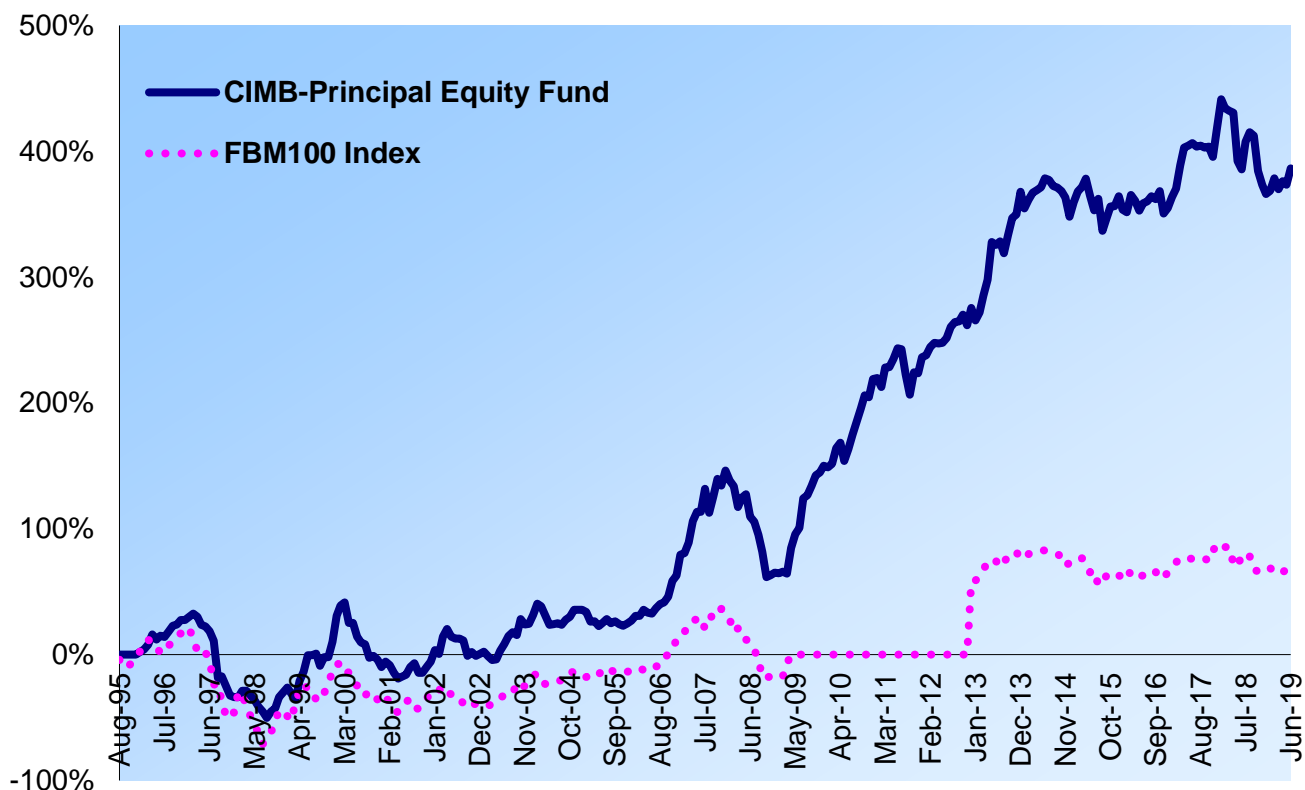
The FBMKLCI was relatively unchanged in April 2019 as it inched lower by 0.08%. Blue chips fared worse versus small and mid-cap stocks as foreign investors continued to be net sellers of Malaysian equities. Positive news flow continued to buoy the construction sector as the revival of Bandar Malaysia project lifted sentiment and expectation that the shelved HSR and MRT 3 projects may be revived soon. A sustained rebound in crude oil prices also saw the revival of job flows to oil & gas service providers.

The FBMKLCI recovered in May 2019 by rising 0.52% during the month. Sentiment was buoyed by two mergers & acquisitions announcements involving Axiata Group Bhd and Telenor Group and YTL Cement Bhd and Lafarge Malaysia and partly driven by foreign buying in the last three days of May 2019. The rebound in the market continued into June 2019 on the back of a relief rally stemming from expectation of the US Federal Reserve (the "Fed") rate cuts and a de-escalation of US-China trade war. The FBMKLCI gained 1.29% in June 2019 which led to the narrowing of the first half of 2019 loss to 1.1%.

FUND PERFORMANCE

	1 year to 30.06.2019	3 years to 30.06.2019	5 years to 30.06.2019	Since Inception to 30.06.2019
	%	%	%	%
Income	8.72	25.49	42.36	251.36
Capital	(7.92)	(15.54)	(28.63)	38.39
Total Return	0.12	6.01	1.62	386.32
Benchmark	(1.07)	3.50	(8.26)	67.96
Average Total Return	0.12	1.96	0.32	6.83

For the financial year under review, the Fund rose 0.12%, outperforming the benchmark by 1.19%.



Changes in NAV

	30.06.2019	30.06.2018	Changes %
NAV (RM Million)	434.46	454.49	(4.41)
NAV/Unit (RM)	1.3837	1.5046	(8.04)

The Fund's NAV declined by 4.41% for the financial year under review due to net units redemption while the NAV per unit fell by 8.04% due to income distribution.

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)	30.06.2019	30.06.2018
Quoted securities	91.21	84.61
Cash and other net assets	8.79	15.39
TOTAL	100.00	100.00

Asset allocation was raised from 84.61% as at 30 June 2018 to 91.21% as at 30 June 2019 as we turned more neutral on the market given the Fed's softening stance on monetary tightening, reduced US-China trade conflict and easing by the Chinese Government.

MARKET OUTLOOK*

The FBMKLCI is currently trading at a 12-month forward Price-to-Earnings Ratio ("PER") of 16.6 times which is one standard deviation above the mean of 16.3 times. While the relief rally may continue in the near term, we caution that corporate earnings have deteriorated with 2019 Earnings Per Share ("EPS") being cut by 6% since the start of the year.

Malaysia's Nikkei Manufacturing Purchasing Managers' Index ("PMI") fell again in June 2019 to 47.8 points from 48.8 points in May 2019, largely dragged by weak external demand. While Malaysia is expected to be a medium-term beneficiary of trade diversion arising from the trade war between the US and China, adverse impact from supply chain disruption and weaker end demand will hurt Malaysia's near term exports. As such, we expect downside risk to Malaysia's GDP growth (median forecast of 4.5% in 2019 and 4.3% in 2020) going forward.

To counter the slowdown in growth, BNM has pre-emptively slashed the Overnight Policy Rate ("OPR") by 25 bps in May 2019 to 3%. With benign inflation (median forecast 1.1% in 2019), BNM has room to cut OPR further should the need arise. On that score, earnings of banks (which make up one third of FBMKLCI weight) will be at risk going forward. On the other hand, we expect Government fiscal spending to pick up going forward following the recent revival of mega projects such as ECRL and MRT 3. More recently, the RM32 billion Penang Transport Master Plan will likely be sanctioned to proceed, which is positive for the construction sector.

*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

We maintain our Neutral stance on Malaysia. We will continue with our stock picking and rotational strategy where we will add growth companies with yield support. Preference remains on construction, utilities and telecommunication sectors. We remain cautious on the technology (which is vulnerable to re-escalation of US-China trade war) and plantation (as muted crude palm oil ("CPO") prices could potentially lead to downward earnings revision) sectors.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 June 2019 are as follows:

Size of unit holding (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	49,860	11.50	3.66
5,001 - 10,000	2,594	18.58	5.92
10,001 - 50,000	4,749	103.86	33.08
50,001 - 500,000	850	79.05	25.18
500,001 and above	15	100.98	32.16
Total	58,068	313.97	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 the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

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

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 15 to 46 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2019 and of its financial performance, changes in equity and cash flows for the financial 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
14 August 2019

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

We, Universal Trustee (Malaysia) Berhad, being the Trustee of CIMB-Principal Equity Fund (the "Fund"), are of the opinion that Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager"), acting in the capacity of Manager of the Fund, have fulfilled their duties in the following manner for the financial year ended 30 June 2019:

- (a) the Fund is being managed in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on the 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 relevant regulatory requirements; and
- (c) creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements.

During this financial year, a total distribution of 12.00 sen per unit (gross) has been distributed to the unit holders of the fund. We are of the view that the distribution is consistent with the objective of the Fund.

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

ONG TEE VANN
Chief Executive Officer

Kuala Lumpur
14 August 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB-Principal Equity Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 30 June 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 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 46.

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 EQUITY 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 the Manager's report but does not include the financial statements of the Fund and our auditor's report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. 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 EQUITY 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.

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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL EQUITY 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
14 August 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	2019 RM	2018 RM
INCOME/(LOSS)			
Dividend income		12,897,403	15,506,220
Interest income from deposits with licensed financial institutions at amortised cost		1,889,855	1,186,523
Net loss on financial assets at fair value through profit or loss	8	<u>(7,155,772)</u>	<u>(25,411,973)</u>
		<u>7,631,486</u>	<u>(8,719,230)</u>
EXPENSES			
Management fee	4	6,663,257	7,330,266
Trustee's and custodian fee	5	114,281	143,457
Audit fee		13,600	13,400
Tax agent's fee		5,700	5,743
Transaction costs		1,538,825	2,146,421
Other expenses		<u>25,606</u>	<u>559,374</u>
		<u>8,361,269</u>	<u>10,198,661</u>
LOSS BEFORE TAXATION		(729,783)	(18,917,891)
Taxation	7	<u>-</u>	<u>-</u>
LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(729,783)</u>	<u>(18,917,891)</u>
Loss after taxation is made up as follows:			
Realised amount		(2,974,405)	20,236,754
Unrealised amount		<u>2,244,622</u>	<u>(39,154,645)</u>
		<u>(729,783)</u>	<u>(18,917,891)</u>

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

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

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	9	38,384,307	71,676,176
Financial assets at fair value through profit or loss	8	396,265,714	384,552,232
Amount due from stockbrokers		-	5,688,304
Amount due from Manager		132,543	342,396
Dividends receivable		563,473	1,600,265
Tax recoverable		208,861	208,861
TOTAL ASSETS		<u>435,554,898</u>	<u>464,068,234</u>
LIABILITIES			
Amount due to stockbrokers		-	7,084,828
Amount due to Manager		545,368	1,884,256
Accrued management fee		529,383	575,771
Amount due to Trustee		5,995	6,304
Other payables and accruals		17,268	23,074
TOTAL LIABILITIES		<u>1,098,014</u>	<u>9,574,233</u>
NET ASSET VALUE OF THE FUND		<u>434,456,884</u>	<u>454,494,001</u>
EQUITY			
Unit holders' capital		286,618,788	269,566,912
Retained earnings		147,838,096	184,927,089
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>434,456,884</u>	<u>454,494,001</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>313,969,814</u>	<u>302,063,563</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.3837</u>	<u>1.5046</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 30 JUNE 2019**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2018		269,566,912	184,927,089	454,494,001
Movement in unit holders' contributions:				
- Creation of units from applications		27,399,671	-	27,399,671
- Creation of units from distribution		35,368,534	-	35,368,534
- Cancellation of units		(45,716,329)	-	(45,716,329)
Total comprehensive loss for the financial year		-	(729,783)	(729,783)
Distribution	6	-	(36,359,210)	(36,359,210)
Balance as at 30 June 2019		<u>286,618,788</u>	<u>147,838,096</u>	<u>434,456,884</u>
Balance as at 1 July 2017		280,806,480	235,808,820	516,615,300
Movement in unit holders' contributions:				
- Creation of units from applications		56,884,715	-	56,884,715
- Creation of units from distribution		31,279,040	-	31,279,040
- Cancellation of units		(99,403,323)	-	(99,403,323)
Total comprehensive loss for the financial year		-	(18,917,891)	(18,917,891)
Distribution	6	-	(31,963,840)	(31,963,840)
Balance as at 30 June 2018		<u>269,566,912</u>	<u>184,927,089</u>	<u>454,494,001</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 30 JUNE 2019**

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of quoted securities		358,164,020	475,374,803
Purchase of quoted securities		(380,699,323)	(393,989,271)
Dividend income received		14,650,976	13,543,090
Interest income received from deposits with licensed financial institutions		1,889,855	1,186,523
Management fee paid		(6,709,645)	(7,397,432)
Trustee's fee paid		(114,590)	(143,905)
Payments for other fees and expenses		(36,793)	(637,388)
Net cash (used in)/generated from operating activities		<u>(12,855,500)</u>	<u>87,936,420</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		27,609,524	56,815,924
Payments for cancellation of units		(47,055,217)	(98,624,338)
Distribution paid		(990,676)	(684,800)
Net cash used in financing activities		<u>(20,436,369)</u>	<u>(42,493,214)</u>
Net (decrease)/increase in cash and cash equivalents		(33,291,869)	45,443,206
Cash and cash equivalents at the beginning of the financial year		<u>71,676,176</u>	<u>26,232,970</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>38,384,307</u></u>	<u><u>71,676,176</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Deposits with licensed financial institutions		37,757,557	71,332,394
Bank balances		<u>626,750</u>	<u>343,782</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>38,384,307</u></u>	<u><u>71,676,176</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 30 JUNE 2019****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB-Principal Equity 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 Fourth Supplemental Master Deed dated 18 March 2009, a Fifth Supplemental Master Deed dated 16 July 2009 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 Universal Trustee (Malaysia) Berhad (the “Trustee”).

The Fund may invest between 70% to 98% (both inclusive) of its net asset value (“NAV”) in equities and other equity related securities. The Fund may also invest up to 28% of its NAV in other permissible investments. In line with its objective, the investment policy and strategy of the Fund will focus on investment in shares of companies with growth potential and listed on the main market. The Fund may opt to seek investment exposure via Collective Investment Schemes that is in line with the Fund’s objective, subject to the requirement of the SC Guidelines.

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 judgment in the process of applying the Fund’s accounting policies. Although these estimates and assumptions are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

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

Standard that is effective:

The Fund has applied the following standard for the first time for the financial year beginning on 1 July 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 solely represent 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).

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 published standards or interpretations that are effective for annual periods beginning on 1 July 2018 that have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

(i) Financial year beginning on/after July 2018 (continued)

- 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, OCI or equity) depends on where the past transactions that generated distributable profits were recognised.

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

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 30 June 2018, the Fund designates its investment in quoted securities as financial assets at fair value through profit or loss at inception.

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

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

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

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

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

- those to be measured 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.

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

The Fund has not taken the option to irrevocably designate any equity securities at fair value through OCI.

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

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

Recognition and measurement

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

Financial liabilities, within the scope of MFRS 139 up to 30 June 2018 and MFRS 9 from 1 July 2018, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

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

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

Quoted securities in Malaysia are valued at the last traded market price quoted on Bursa Malaysia Securities Bhd ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the quoted securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the quoted securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the quoted securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

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

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

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

Impairment for assets carried at amortised costs

Up to 30 June 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 July 2018, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Income recognition

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

For quoted equities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

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 30 June 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 loan and receivables are recognised using the original effective interest rate.

From 1 July 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 quoted securities is accounted for as the difference between the net disposal proceeds and the carrying amount of quoted securities, determined on a weighted average cost basis.

(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) Taxation

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

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

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

(g) Distribution

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

(h) Transaction costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

(i) Amount due from/to stockbrokers

Amounts due from and amount due to stockbrokers represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from stockbrokers balance is held for collection.

These amounts are recognised initially at fair value and, up to 30 June 2018, subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from stockbrokers. A provision for impairment of amounts due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbroker. Significant financial difficulties of the stockbroker, probability that the stockbroker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

From 1 July 2018, these amounts are subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from stockbrokers at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due.

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

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

(k) Segment information

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

(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 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.

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)	-	38,384,307	38,384,307
Quoted securities (Note 8)	396,265,714	-	396,265,714
Amount due from Manager	-	132,543	132,543
Dividends receivable	-	563,473	563,473
	<u>396,265,714</u>	<u>39,080,323</u>	<u>435,346,037</u>
	Financial assets at fair value through profit or loss RM	Loans and receivables RM	Total RM
2018			
Cash and cash equivalents (Note 9)	-	71,676,176	71,676,176
Quoted securities (Note 8)	384,552,232	-	384,552,232
Amount due from stockbrokers	-	5,688,304	5,688,304
Amount due from Manager	-	342,396	342,396
Dividends receivable	-	1,600,265	1,600,265
	<u>384,552,232</u>	<u>79,307,141</u>	<u>463,859,373</u>

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

The Fund aims to maximise capital growth over the medium to long-term through the stock market.

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

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

(a) Market risk

(i) Price risk

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

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

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

(a) Market risk (continued)

(i) Price risk (continued)

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

	2019 RM	2018 RM
Financial assets at fair value through profit or loss:		
- Quoted securities	<u>396,265,714</u>	<u>384,552,232</u>

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

% Change in price of quoted securities	Market value RM	Impact on profit or loss/NAV RM
2019		
-5%	376,452,428	(19,813,286)
0%	396,265,714	-
5%	<u>416,079,000</u>	<u>19,813,286</u>
2018		
-5%	365,324,620	(19,227,612)
0%	384,552,232	-
5%	<u>403,779,844</u>	<u>19,227,612</u>

(ii) 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.

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 reporting year, the Fund is not exposed to a material level of interest rate risk.

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 bank balances and placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. For amount due from Manager, the settlement terms of the proceeds from the creation of units are governed by the SC Guidelines on Unit Trust Funds.

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

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

	Cash and cash equivalents RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2019				
Financial Services				
- Citibank Bhd (AAA)	607,093	-	-	607,093
- Malayan Banking Bhd (AAA)	19,657	-	-	19,657
- CIMB Bank Bhd (AAA)	6,349,130	-	-	6,349,130
- Public Bank Bhd (AA2)	9,699,250	-	-	9,699,250
- Hong Leong Bank Bhd (AA1)	21,709,177	-	-	21,709,177
Construction				
- Not Rated	-	-	29,784	29,784
Consumer Products & Services				
- Not Rated	-	-	307,506	307,506
Health Care				
- Not Rated	-	-	58,362	58,362
Industrial Products & Services				
- Not Rated	-	-	69,741	69,741
Plantation				
- Not Rated	-	-	40,277	40,277
Technology				
- Not Rated	-	-	57,803	57,803
Others				
- Not Rated	-	132,543	-	132,543
	<u>38,384,307</u>	<u>132,543</u>	<u>563,473</u>	<u>39,080,323</u>

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

(b) Credit risk (continued)

	Cash and cash equivalents RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2018					
Finance					
- Citibank Bhd (AAA)	318,398	-	-	-	318,398
- Malayan Banking Bhd (AAA)	25,384	-	-	1,228,578	1,253,962
- Public Bank Bhd (AA2)	25,652,678	-	-	-	25,652,678
- Hong Leong Bank Bhd (AA1)	12,714,611	-	-	-	12,714,611
- RHB Bank Bhd (AA2)	23,529,745	-	-	-	23,529,745
- Am Bank Bhd (AA2)	9,435,360	-	-	-	9,435,360
- Not Rated	-	5,688,304	-	95,350	5,783,654
Technology					
- Not Rated	-	-	-	32,342	32,342
Trading/Services					
- Not Rated	-	-	-	243,995	243,995
Others					
- Not Rated	-	-	342,396	-	342,396
	<u>71,676,176</u>	<u>5,688,304</u>	<u>342,396</u>	<u>1,600,265</u>	<u>79,307,141</u>

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. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining year 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	545,368		545,368
Accrued management fee	529,383		529,383
Amount due to Trustee	5,995		5,995
Other payables and accruals	-	17,268	17,268
Contractual undiscounted cash outflows	1,080,746	17,268	1,098,014
2018			
Amount due to stockbrokers	7,084,828	-	7,084,828
Amount due to Manager	1,884,256	-	1,884,256
Accrued management fee	575,771	-	575,771
Amount due to Trustee	6,304	-	6,304
Other payables and accruals	-	23,074	23,074
Contractual undiscounted cash outflows	9,551,159	23,074	9,574,233

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM286,618,788 (2018: RM269,566,912) and retained earnings of RM147,838,096 (2018: RM184,927,089). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

(e) Fair value estimation

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>396,265,714</u>	<u>-</u>	<u>-</u>	<u>396,265,714</u>
2018				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>384,552,232</u>	<u>-</u>	<u>-</u>	<u>384,552,232</u>

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

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

4. MANAGEMENT FEE

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

For the financial year ended 30 June 2019, the management fee is recognised at a rate of 1.50% per annum (2018: 1.50% per annum).

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

5. TRUSTEE'S AND CUSTODIAN FEES

In accordance with the Deeds, the Trustee is entitled to a fee at the following rates for both the current and the previous financial year:

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

The Trustee's fee is calculated daily based on the NAV of the Fund. The custodian fee is accrued at an annual fee of RM25,000.

For the financial year ended 30 June 2019 and 30 June 2018, the Trustee's fee is recognised at the above mentioned rates and the custodian fees is recognised at an annual fee of RM25,000 per annum (2018: RM25,000 per annum).

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

6. DISTRIBUTION

Distributions to unit holders are derived from the following sources:

	2019 RM	2018 RM
Dividend income	153,427	981,867
Interest income from deposits with licensed financial Institutions	71,285	22,988
Net realised gain on sale of investments	271,233	-
Prior financial years' realised income	35,944,380	30,991,873
	<u>36,440,325</u>	<u>31,996,728</u>
Less:		
Expenses	(81,115)	(32,888)
Net distribution amount	<u>36,359,210</u>	<u>31,963,840</u>
Distribution on 24 October 2018		
Gross/Net distribution per unit (sen)	<u>12.00</u>	<u>-</u>
Distribution on 23 October 2017		
Gross/Net distribution per unit (sen)	<u>-</u>	<u>11.00</u>

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

Gross distribution per unit is derived from gross realised income less expenses, divided by the number of units in circulation. Net distribution 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 30 June 2018, the Fund incurred unrealised losses of RM39,154,645.

7. TAXATION

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

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

	2019 RM	2018 RM
Loss before taxation	<u>(729,783)</u>	<u>(18,917,891)</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	(175,148)	(4,540,294)
Tax effects of:		
- Loss not deductible for tax purposes/(Income not subject to tax)	(1,831,556)	2,092,615
- Expenses not deductible for tax purposes	402,993	578,504
- Restriction on tax deductible expenses for Unit Trust Funds	<u>1,603,711</u>	<u>1,869,175</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM	2018 RM
At fair value through profit or loss at inception:		
- Quoted securities	<u>396,265,714</u>	<u>384,552,232</u>
Net loss on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(9,400,393)	13,742,672
- Unrealised fair value gain/(loss)	<u>2,244,621</u>	<u>(39,154,645)</u>
	<u>(7,155,772)</u>	<u>(25,411,973)</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
QUOTED SECURITIES				
Construction				
IJM Corporation Bhd	1,489,200	2,925,965	3,574,080	0.82
Muhibbah Engineering M Bhd	774,400	2,340,487	2,137,344	0.49
	<u>2,263,600</u>	<u>5,266,452</u>	<u>5,711,424</u>	<u>1.31</u>
Consumer Products & Services				
Aeon Co. M Bhd	2,718,100	4,380,597	4,593,589	1.06
Carlsberg Brewery Malaysia Bhd	166,600	4,183,716	4,274,956	0.98
Genting Bhd	1,919,200	17,336,297	12,992,984	2.99
Genting Malaysia Bhd	1,672,600	5,182,144	5,419,224	1.25
Petronas Dagangan Bhd	194,600	5,095,329	4,942,840	1.14
Sime Darby Bhd	3,891,900	9,128,018	8,795,694	2.02
	<u>10,563,000</u>	<u>45,306,101</u>	<u>41,019,287</u>	<u>9.44</u>
Energy				
Dialog Group Bhd	3,048,900	8,596,292	9,939,414	2.29
Hibiscus Petroleum Bhd	2,147,500	2,164,953	2,297,825	0.53
Sapura Energy Bhd	13,138,000	4,531,024	3,941,400	0.91
Serba Dinamik Holdings Bhd	1,084,600	4,220,638	4,370,938	1.01
Yinson Holdings Bhd	2,074,100	9,484,849	12,631,269	2.91
	<u>21,493,100</u>	<u>28,997,756</u>	<u>33,180,846</u>	<u>7.65</u>
Financial Services				
Aeon Credit Service M Bhd	223,900	223,900	342,567	0.08
Alliance Bank Malaysia Bhd	1,003,500	4,110,550	3,773,160	0.87
Bursa Malaysia Bhd	327,550	2,380,134	2,292,850	0.53
CIMB Group Holdings Bhd	5,910,244	31,843,327	31,797,113	7.32
Hong Leong Bank Bhd	421,000	6,755,840	7,999,000	1.84
Hong Leong Financial Group Bhd	143,200	2,531,181	2,654,928	0.61
Malayan Banking Bhd	3,801,943	34,516,157	33,761,254	7.77
Public Bank Bhd	905,278	19,796,484	20,821,394	4.79
RHB Bank Bhd	1,561,600	8,628,818	8,729,344	2.01
	<u>14,298,215</u>	<u>110,786,391</u>	<u>112,171,610</u>	<u>25.82</u>
Health Care				
Hartalega Holdings Bhd	919,800	4,765,905	4,819,752	1.11
IHH Healthcare Bhd	1,945,400	10,972,971	11,283,320	2.60
	<u>2,865,200</u>	<u>15,738,876</u>	<u>16,103,072</u>	<u>3.71</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
Petronas Chemicals Group Bhd	1,852,700	14,773,432	15,562,680	3.58
Sunway Bhd - Warrant	669,750	-	251,156	0.06
Uchi Technologies Bhd	996,300	2,996,783	2,869,344	0.66
V.S. Industry Bhd	1,104,500	1,822,509	1,214,950	0.28
	<u>4,623,250</u>	<u>19,592,724</u>	<u>19,898,130</u>	<u>4.58</u>
Plantation				
FGV Holdings Bhd	3,304,300	4,083,768	3,700,816	0.85
Genting Plantations Bhd	488,200	5,307,320	4,882,000	1.12
IOI Corporation Bhd	2,462,100	11,259,306	10,463,925	2.41
Kuala Lumpur Kepong Bhd	263,100	6,501,634	6,461,736	1.49
Sime Darby Plantation Bhd	2,343,325	12,022,678	11,529,159	2.65
	<u>8,861,025</u>	<u>39,174,706</u>	<u>37,037,636</u>	<u>8.52</u>
Property				
Malaysian Resources Corporation Bhd	4,751,300	4,249,024	4,513,735	1.04
Sime Darby Property Bhd	3,008,600	3,151,632	3,098,858	0.71
	<u>7,759,900</u>	<u>7,400,656</u>	<u>7,612,593</u>	<u>1.75</u>
REITs				
IGB REIT	2,289,100	4,082,543	4,372,181	1.01
Sunway REIT	1,166,600	2,068,316	2,181,542	0.50
	<u>3,455,700</u>	<u>6,150,859</u>	<u>6,553,723</u>	<u>1.51</u>
Technology				
Frontken Corporation Bhd	2,484,700	2,423,841	3,329,498	0.77
Globetronics Technology Bhd	1,396,200	3,447,134	2,331,654	0.54
Greatech Technology Bhd	2,882,500	2,371,145	2,796,025	0.64
Malaysian Pacific Industries	548,100	6,352,821	5,053,482	1.16
Pentamaster Corporation Bhd	2,853,900	5,792,313	8,219,232	1.89
Revenue Group Bhd	2,205,200	2,734,134	3,131,384	0.72
Revenue Group Bhd -Warrant	802,950	-	365,342	0.08
	<u>13,173,550</u>	<u>23,121,388</u>	<u>25,226,617</u>	<u>5.80</u>
Telecommunications & Media				
Axiata Group Bhd	2,891,109	14,148,638	14,397,723	3.31
Digi.com Bhd	1,958,700	9,422,275	9,891,435	2.28
Telekom Malaysia Bhd	972,700	3,017,996	3,890,800	0.90
Time Dotcom Bhd	141,300	1,163,577	1,267,461	0.29
	<u>5,963,809</u>	<u>27,752,486</u>	<u>29,447,419</u>	<u>6.78</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Transportation & Logistics				
Malaysia Airports Holding Bhd	2,063,100	17,682,363	17,598,243	4.05
MISC Bhd	1,563,400	10,693,585	11,178,310	2.57
Westports Holdings Bhd	2,173,400	7,783,215	8,563,196	1.97
	<u>5,799,900</u>	<u>36,159,163</u>	<u>37,339,749</u>	<u>8.59</u>
Utilities				
Petronas Gas Bhd	433,400	7,788,236	7,523,824	1.73
Tenaga Nasional Bhd	1,260,100	16,749,392	17,439,784	4.02
	<u>1,693,500</u>	<u>24,537,628</u>	<u>24,963,608</u>	<u>5.75</u>
TOTAL QUOTED SECURITIES	<u>102,813,749</u>	<u>389,985,186</u>	<u>396,265,714</u>	<u>91.21</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>6,280,528</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>396,265,714</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018				
QUOTED SECURITIES				
Construction				
Muhibbah Engineering (M) Bhd	1,114,300	3,367,775	3,342,900	0.74
Consumer Products				
British American Tobacco Bhd	142,200	4,810,253	4,945,716	1.09
Fraser & Neave Holdings Bhd	132,000	4,847,391	5,150,640	1.13
Malayan Flour Mills Bhd	1,637,000	3,516,120	2,324,540	0.51
Nestle Malaysia Bhd	34,400	4,906,138	5,074,000	1.12
Padini Holdings Bhd	770,900	4,433,732	4,602,273	1.01
	<u>2,716,500</u>	<u>22,513,634</u>	<u>22,097,169</u>	<u>4.86</u>
Finance				
Aeon Credit Service M Bhd	476,750	5,926,792	6,865,200	1.51
Aeon Credit Service M Bhd - Rights issue	223,900	223,900	291,070	0.06
Alliance Bank Malaysia Bhd	1,107,200	4,535,328	4,473,088	0.98
Bursa Malaysia Bhd	907,950	6,714,243	6,673,433	1.47
CIMB Group Holdings Bhd	4,264,206	23,530,381	23,239,923	5.11
Hong Leong Bank Bhd	528,200	8,476,091	9,613,240	2.12
Hong Leong Financial Group	172,300	2,619,787	3,101,400	0.68
Malayan Banking Bhd	3,893,055	34,875,589	35,037,495	7.71
Public Bank Bhd	1,615,778	32,546,832	37,744,574	8.30
RHB Bank Bhd	810,600	4,173,780	4,425,876	0.97
	<u>13,999,939</u>	<u>123,622,723</u>	<u>131,465,299</u>	<u>28.91</u>
Industrials				
Denko Industrial Corporation Bhd	921,800	1,428,790	1,318,174	0.29
Hartalega Holdings Bhd	768,300	4,801,478	4,602,117	1.01
Pecca Group Bhd	2,022,800	3,564,228	1,759,836	0.39
Petronas Chemicals Group Bhd	1,861,600	13,821,678	15,656,056	3.44
Top Glove Corporation Bhd	470,800	3,757,918	5,715,512	1.26
V.S. Industry Bhd	1,753,200	2,776,590	2,717,460	0.60
	<u>7,798,500</u>	<u>30,150,682</u>	<u>31,769,155</u>	<u>6.99</u>
IPC				
Digi.com Bhd	514,600	2,438,535	2,135,590	0.47

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (Continued)				
QUOTED SECURITIES (CONTINUED)				
Plantation				
Genting Plantations Bhd	488,200	5,307,320	4,613,490	1.02
IOI Corporation Bhd	2,462,100	11,259,306	11,177,934	2.46
Sime Darby Plantation Bhd	1,865,625	10,428,844	9,943,781	2.19
	<u>4,815,925</u>	<u>26,995,470</u>	<u>25,735,205</u>	<u>5.67</u>
Properties				
SP Setia Bhd - Preference shares	961,160	961,160	951,548	0.21
Technology				
Inari Amertron Bhd	2,021,400	3,644,317	4,568,364	1.01
MI Equipment Holdings Bhd	2,035,300	3,080,610	3,867,070	0.85
Pentamaster Corporation Bhd	475,000	1,197,808	1,163,750	0.26
	<u>4,531,700</u>	<u>7,922,735</u>	<u>9,599,184</u>	<u>2.12</u>
Trading/Services				
AirAsia Group Bhd	747,900	2,506,807	2,236,221	0.49
Axiata Group Bhd	4,172,009	20,676,807	15,853,634	3.49
Dialog Group Bhd	2,169,700	5,283,151	6,704,373	1.48
Genting Bhd	1,975,600	17,845,763	16,614,796	3.66
Genting Malaysia Bhd	3,377,400	18,282,727	16,481,712	3.63
IHH Healthcare Bhd	1,190,300	7,231,073	7,260,830	1.60
Malaysia Airports Holdings Bhd	1,592,800	13,260,590	14,016,640	3.08
MBM Resources Bhd	1,071,700	2,625,864	2,550,646	0.56
MISC Bhd	1,074,900	7,786,638	6,363,408	1.40
Petronas Dagangan Bhd	186,300	4,845,605	4,620,240	1.02
Sime Darby Bhd	2,789,925	5,661,229	6,835,316	1.50
Sunway Bhd	2,277,966	3,538,971	3,530,848	0.78
Sunway Bhd - Warrants 03/10/2024	669,750	-	237,761	0.05
Telekom Malaysia Bhd	1,479,155	9,040,165	4,600,172	1.01
Tenaga Nasional Bhd	2,476,300	32,708,794	36,253,032	7.98
Westports Holdings Bhd	1,439,900	4,937,208	4,881,261	1.07
Yinson Holdings Bhd	1,837,400	6,312,219	8,415,292	1.84
	<u>30,529,005</u>	<u>162,543,611</u>	<u>157,456,182</u>	<u>34.64</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (Continued)				
QUOTED SECURITIES (CONTINUED)				
TOTAL QUOTED SECURITIES	<u>66,981,629</u>	380,516,325	<u>384,552,232</u>	<u>84.61</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,035,907</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>384,552,232</u>		

9. CASH AND CASH EQUIVALENTS

	2019 RM	2018 RM
Deposits with licensed financial institutions	37,757,557	71,332,394
Bank balances	626,750	343,782
	<u>38,384,307</u>	<u>71,676,176</u>

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

	2019 %	2018 %
Deposits with licensed financial institutions	<u>3.20</u>	<u>3.58</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 2 days (2018: 7 days).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	2018
	No. of units	No. of units
At the beginning of the financial year	302,063,563	307,794,046
Add : Creation of units from applications	18,822,007	35,276,406
Add: Creation of units from distribution	25,715,089	20,230,929
Less: Cancellation of units	<u>(32,630,845)</u>	<u>(61,237,818)</u>
At the end of the financial year	<u><u>313,969,814</u></u>	<u><u>302,063,563</u></u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2019	2018
	%	%
MER	<u><u>1.53</u></u>	<u><u>1.63</u></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 excluding Goods and Services Tax (“GST”) on transaction costs and withholding tax
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on daily basis is RM444,367,115 (2018: RM488,670,121).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	<u><u>0.82</u></u>	<u><u>0.90</u></u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year = RM372,838,064 (2018: RM400,087,758)

total disposal for the financial year = RM353,238,110 (2018: RM480,008,529)

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

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

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Bhd, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of the Manager
CIMB Investment Bank Bhd	Fellow related party to the Manager
CIMB Securities Sdn Bhd	Fellow related party to the Manager
CIMB Bank Bhd	Fellow related party to 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>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	<u>232,256</u>	<u>321,372</u>	<u>53,488</u>	<u>80,478</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 other 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.

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

	2019 RM	2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	<u>55,964</u>	<u>65,158</u>
Deposits with licensed financial institution:		
- CIMB Bank Bhd	<u>126,461,000</u>	<u>92,086,000</u>

14. TRANSACTIONS WITH BROKERS

Details of transactions with the top 10 brokers for the financial year ended 30 June 2019 are as follows:

Brokers	Value of trades RM	Percentage of total %	Brokerage fees RM	Percentage of total %
Macquarie Malaysia Sdn Bhd	110,667,161	15.34	166,899	13.42
CIMB Securities Sdn Bhd #	100,090,589	13.87	147,673	11.87
KAF Seagroats & Campbell Securities	91,711,591	12.71	200,823	16.14
Affin Hwang Investment Bank Bhd	77,572,210	10.75	169,215	13.60
JPMorgan Securities (M) Sdn Bhd	73,332,601	10.16	92,952	7.47
CLSA Securities (M) Sdn Bhd	61,916,457	8.58	85,922	6.91
RHB Investment Bank Bhd	52,415,084	7.26	113,939	9.16
UBS Securities Malaysia Sdn Bhd	48,392,649	6.71	55,058	4.43
Maybank Investment Bank Bhd	32,756,362	4.54	70,513	5.67
Hong Leong Investment Bank Bhd	24,338,658	3.37	45,989	3.70
Others	<u>48,465,898</u>	<u>6.71</u>	<u>94,967</u>	<u>7.63</u>
	<u>721,659,260</u>	<u>100.00</u>	<u>1,243,950</u>	<u>100.00</u>

14. TRANSACTIONS WITH BROKERS (CONTINUED)

Details of transactions with the top 10 brokers for the financial year ended 30 June 2018 are as follows:

Brokers	Value of trades RM	Percentage of total %	Brokerage fees RM	Percentage of total %
CIMB Investment Bank Bhd #	183,158,865	22.02	364,206	20.54
Macquarie Malaysia Sdn Bhd	111,992,565	13.46	238,524	13.45
Hong Leong Investment Bank Bhd	94,213,987	11.33	188,217	10.61
Maybank Investment Bank Bhd	74,579,460	8.97	148,610	8.38
Affin Hwang Investment Bank Bhd	71,365,258	8.58	183,687	10.36
KAF Seagroats & Campbell Securities	63,305,552	7.61	136,818	7.72
RHB Investment Bank Bhd	59,107,242	7.11	123,419	6.96
CLSA Securities (M) Sdn Bhd	55,243,213	6.64	116,715	6.58
JPMorgan Securities (M) Sdn Bhd	46,892,247	5.64	103,732	5.85
Credit Suisse (M) Sdn Bhd	41,464,386	4.98	91,519	5.16
Others	30,570,568	3.66	77,925	4.39
	<u>831,893,343</u>	<u>100.00</u>	<u>1,773,372</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Securities Sdn Bhd and CIMB Investment Bank Bhd, fellow related parties to the Manager amounting to RM100,090,589 (2018: Nil) and Nil (2018: RM183,158,885) 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 maximise capital growth over the medium to long-term through the stock market. The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of interest income and dividend income earned from investments and gains on the appreciation in the value of investments, which are derived from Ringgit denominated deposits with licensed financial institutions in Malaysia and quoted securities listed on the Bursa Securities, Malaysia.

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

16. MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note 2(a), the Fund has adopted MFRS 9, which resulted in changes in accounting policies as disclosed in Note 2(b) and adjustments to the financial position. The main changes are 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 July 2018 are compared as follows:

	Measurement category		Original (MFRS 139) RM	Carrying amount		New (MFRS 9) RM
	Original (MFRS 139)	New (MFRS 9)		Reclassi- fications RM	Remeasu- rements RM	
Financial assets						
Cash and cash equivalents	Loan and receivables	Amortised cost	71,676,176	-	-	71,676,176
Investment in quoted securities	FVTPL	FVTPL	384,552,232	-	-	384,552,232
Amount due from stockbrokers	Loan and receivables	Amortised cost	5,688,304	-	-	5,688,304
Amount due from Manager	Loan and receivables	Amortised cost	342,396	-	-	342,396
Dividends receivable	Loan and receivables	Amortised cost	1,600,265	-	-	1,600,265
Financial liabilities						
Amount due to stockbrokers	Amortised cost	Amortised cost	7,084,828	-	-	7,084,828
Amount due to Manager	Amortised cost	Amortised cost	1,884,256	-	-	1,884,256
Accrued management fee	Amortised cost	Amortised cost	575,771	-	-	575,771
Amount due to Trustee	Amortised cost	Amortised cost	6,304	-	-	6,304
Other payables and accruals	Amortised cost	Amortised cost	23,074	-	-	23,074

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 14 August 2019.

DIRECTORY

Head office of the Manager

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Auditors of the Fund and of the Manager

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