

CIMB-Principal Income Plus Balanced Fund

Annual Report

For The Financial Year Ended 31 December 2019

CIMB-PRINCIPAL INCOME PLUS BALANCED FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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INVESTORS' LETTER

Dear Valued Investor,

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

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

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

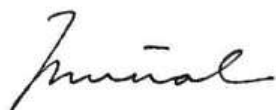
As a fund house, we've never been better positioned to help our investors navigate the market volatility that is becoming the new norm. Our capabilities span from local to global markets with products, strategies and ideas to position your portfolio of investments based on your unique risk tolerance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

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

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

Thank you.

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



Munirah Khairuddin
Chief Executive Officer

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

The Fund aims to provide capital growth over the medium to long-term as well as income distributions.

Has the Fund achieved its objective?

For the financial year under review, the Fund has achieved its stated objective of providing long term growth in capital and income.

What are the Fund investment policy and principal investment strategy?

The Fund aims to invest in a diversified portfolio of primarily fixed income investments and some exposure in equities. The Fund may invest between 20% to 80% (both inclusive) of its Net Asset Value ("NAV") in debentures carrying a minimum credit rating of "BBB3" or "P2" rating by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country or "BBB-" by Standard & Poor's ("S&P") or equivalent rating by Moody's or Fitch. Up to 40% of its NAV maybe invested in unrated fixed income securities. The Fund may also invest between 20% to 80% (both inclusive) of its NAV in equities. As part of its equities portfolio, the Fund may invest in stocks listed on the following foreign stock exchanges: Australia, the People's Republic of China, Hong Kong Special Administrative Region ("SAR"), India, New Zealand, Singapore, Sri Lanka, Thailand, Korea, the Philippines, Indonesia and Taiwan subject to a maximum of 12% of its NAV. In line with the objective of the Fund, the investment policy and strategy of the Fund is to invest primarily in fixed income securities in order to provide streams of income and some capital stability, whilst having some exposure to equities in order to provide growth and added return in a rising market. Under normal market conditions, the Fund will remain invested 40% to 60% of its NAV in fixed income securities and equities. However, the Fund has the flexibility to swing between 20% to 80% of its NAV in fixed income securities and equities depending on the market conditions. The Fund may also opt to seek investment exposure via collective investment scheme ("CIS") that is in line with the Fund's objective, subject to the requirement of the Securities Commission Malaysia ("SC") Guidelines.

Fund category/type

Balanced/Income

How long should you invest for?

Recommended three (3) years or more

When was the Fund launched?

12 March 1998

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

RM50.29 million (174.07 million units)

What is the Fund's benchmark?

40% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") 100 Index + 60% CIMB Bank 1-Month Fixed Deposit Rate

Note: The benchmark is customised as such to align it closer to the structure of the portfolio and the objective of the Fund. The 1-Month Fixed Deposit Rate is reflective of the objective to provide a steady stream of distribution. Thus, investors are cautioned that the risk profile of the Fund is higher than investing in fixed deposits.

FUND OBJECTIVE AND POLICY (CONTINUED)**What is the Fund distribution policy?**

Distribution (if any) is expected to be distributed half-yearly in January and July at the Manager's discretion*.

*Note: Pursuant to the Master Deed, the Manager has the right to make provisions for reserves in respect of distribution of the Fund. If the distribution available is too small or insignificant, any distribution may not be of benefit to the Unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to the Unit holders.

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

The Fund distributed a total net income of RM1.76 million to unit holders for the financial year ended 31 December 2019.

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution) RM	NAV per unit (after distribution) RM
11.01.2019	0.2872	0.2871
23.07.2019	0.2980	0.2883

PERFORMANCE DATA

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

	31.12.2019 %	31.12.2018 %	31.12.2017 %
Quoted securities			
- Communication Services	1.03	1.98	2.63
- Consumer Discretionary	4.05	1.74	3.81
- Consumer Staples	1.89	3.11	2.69
- Energy	2.56	2.52	3.95
- Financials	12.96	15.11	11.55
- Health Care	1.20	1.21	1.54
- Industrials	2.86	1.13	15.00
- Information Technology	2.55	0.86	1.29
- Materials	1.92	3.81	3.00
- Real Estate	3.14	1.46	1.55
- Utilities	1.46	3.33	6.06
Unquoted fixed income securities	60.93	55.74	42.60
Cash	3.45	8.00	4.33
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Note: The Fund had applied the Global Industry Classification Standard ("GICS") sectors classification.

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

	31.12.2019	31.12.2018	31.12.2017
NAV (RM Million)	50.29	55.81	66.54
Units in circulation (Million)	174.07	193.79	208.50
NAV per unit (RM)	0.2889	0.2879	0.3191
Highest NAV per unit (RM)	0.2986	0.3265	0.3191
Lowest NAV per unit (RM)	0.2838	0.2847	0.2995
Total return (%)	3.80	(3.72)	10.71
- Capital growth (%)	0.36	(8.87)	3.93
- Income distribution (%)	3.42	6.65	4.19

PERFORMANCE DATA (CONTINUED)

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

	31.12.2019	31.12.2018	31.12.2017
Management Expense Ratio ("MER") (%) ^	2.00	2.02	2.11
Portfolio Turnover Ratio ("PTR") (times) #	1.26	0.77	0.99

^ The Fund's MER decrease from 2.02% to 2.00% mainly due to decreased in expenses during the financial year.

The Fund's PTR increased from 0.77 times to 1.26 times as there were more trading activities during the financial year.

	31.12.2019	31.12.2018	31.12.2017
Date of distribution	11.01.2019	18.01.2018	19.01.2017
Gross/Net distribution per unit (sen)	0.01	1.00	0.95
Date of distribution	23.07.2019	25.07.2018	26.07.2017
Gross/Net distribution per unit (sen)	0.97	1.00	1.00

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	%	%	%	%	%
Annual total return	3.80	(3.72)	10.71	0.38	3.67

(Launch date: 12 March 1998)

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

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

The FBM Kuala Lumpur Composite Index ("FBM KLCI") ended the year as the worst performing Asian market with a loss of 6% in 2019. In December 2019, KLCI gained 1.7% as the continued surge in crude palm oil ("CPO") prices led to a 9.4% surge in the plantation Index. Besides this, market sentiment was also buoyed by the phase 1 trade deal between US and China. Top three contributors towards the KLCI's gains were Sime Darby Plantation Bhd (+9.4%), Petroliaam Nasional Bhd ("Petronas") (+8.5%) and IOI Corporation Bhd (+6.0%). Despite on-going trade tension, we expect growth to be sustained at a moderate rate going into 2020. This will be underpinned by more growth-oriented Budget 2020 (higher fiscal deficit, resumption of mega infrastructure projects) and accommodative monetary policy. Externally, the rebound in Purchase Manager Index ("PMI") to 50 in December 2019 after hitting a low of 46.8 in December 2018 bodes well for exports outlook particularly in the electronics and electrical ("E&E") segment. Furthermore, the plantation sector will also be boosted by improving supply and demand dynamics which have led to CPO prices surging past RM3,000 per tonnes. Given a modest consensus earnings growth expectation of 7.3% in 2020, we believe earnings upside risks outweigh downside risks. While political and regulatory risks remain elevated, we do not believe that this will deteriorate further. Recent by-election loss of the ruling Government will potentially be the catalyst for more market friendly policies going forward.

MARKET REVIEW (1 JANUARY 2019 TO 31 DECEMBER 2019) (CONTINUED)**Fixed Income**

On 7 May 2019, Bank Negara Malaysia's ("BNM") Monetary Policy Committee ("MPC") cut the Overnight Policy Rate ("OPR") by 25 basis points ("bps") to 3.00% as widely anticipated by the market. The MPC statement highlighted that while domestic monetary and financial conditions remain supportive of economic growth, there were some signs of tightening of financial conditions. The adjustment to the OPR was a pre-emptive move by the Central Bank to preserve the degree of monetary accommodativeness in the country. Following the OPR cut in May 2019, there were no further changes made to the OPR at the remaining MPC meetings held throughout the year.

In the first two months of 2019, the Consumer Price Index ("CPI") declined by 0.7% and 0.4% year-on-year ("y-o-y") respectively for the months of January and February 2019. It continued to rise at a slow pace of 0.2% y-o-y in the following months of March, April and May 2019. In the following three months of June, July and August 2019, it inched higher by rising 1.50%, 1.40% and 1.50% y-o-y respectively, on the back of the low base seen in the prior year due to the zerorisation of Goods and Services Tax ("GST") in year 2018. In September and October 2019, it eased slightly to 1.1% y-o-y for two consecutive months. It continued to ease further in the month of November 2019 as it grew only 0.9% y-o-y as food and beverages and transport component prices weakened.

The local bond market saw some volatility following the announcement made by FTSE Russell to place Malaysia in their Watch list in the month of April 2019. In the month of September 2019, the Index provider announced that Malaysia would continue to be on the Watch list up until the next review in March 2020. As for now, Malaysia continues to be in the Index provider's World Government Bond Index ("WGBI"). In the month of May 2019, the Central Bank announced measures to boost bond market accessibility, likely in response to the action taken by the index provider. The measures include boosting repurchase agreement ("repo") market liquidity and flexibility and enhancing the delivery mechanism for settlement of Government securities futures contracts. The local bond market also saw a mild boost following the Central Bank's recent announcement in early November 2019 whereby they cut the Statutory Reserve Requirement ("SRR") ratio to 3% from 3.5% to enhance liquidity in the domestic financial system. The 10-year Malaysian Government Security ("MGS") began the year at 4.10% and ended the year at 3.32%. Government bond yields across all tenors moved lower by 32 - 93 bps in 2019.

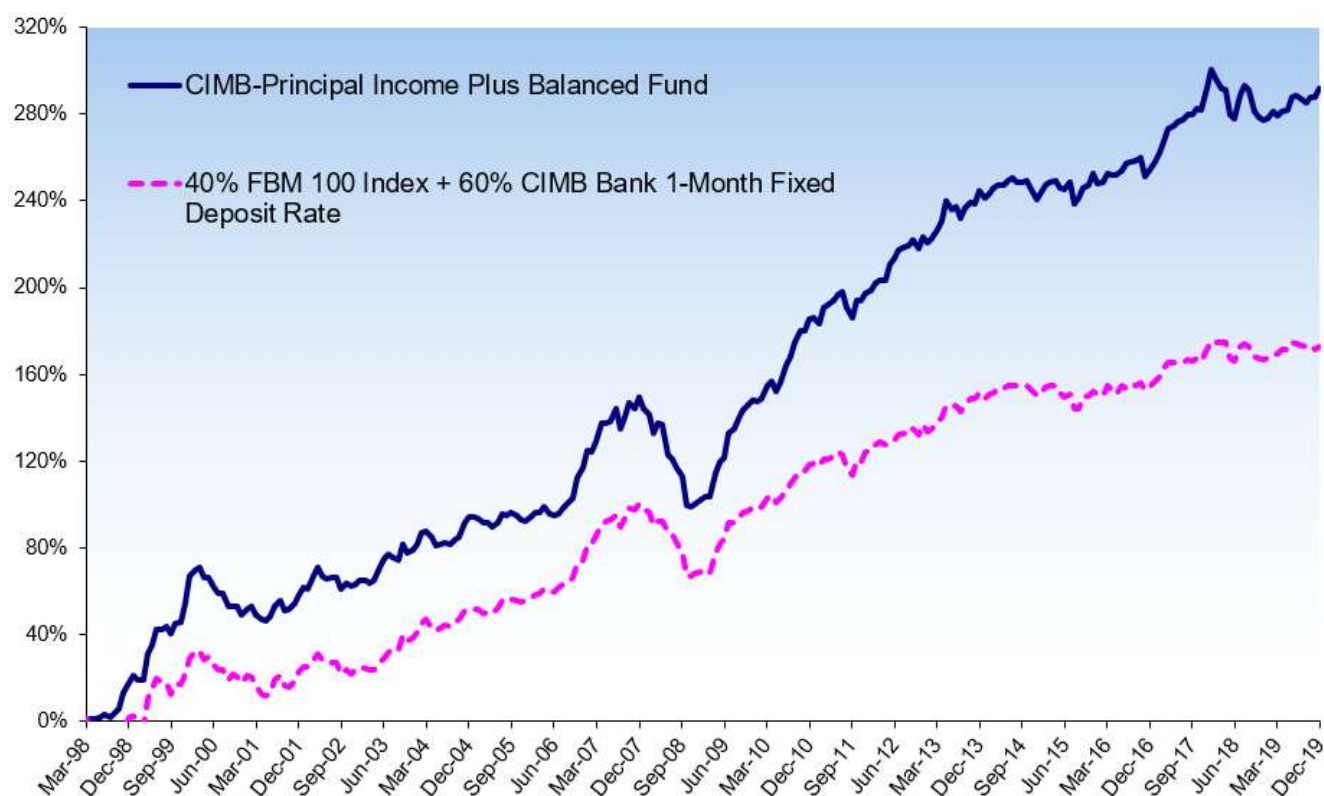
Meanwhile, the country's economy expanded by 4.4% in the third quarter of 2019, slower than the 4.9% growth recorded in the second quarter of 2019 and the 4.5% growth seen in the first quarter of 2019. The slower growth in third quarter of 2019 was primarily due to lower growth in key sectors and a decline in mining and construction activities.

FUND PERFORMANCE

	1 year to 31.12.2019	3 years to 31.12.2019	5 years to 31.12.2019	Since inception to 31.12.2019
	%	%	%	%
Income	3.42	17.48	33.40	221.07
Capital	0.36	(2.92)	(11.08)	21.49
Total Return	3.80	10.63	15.12	291.78
Benchmark	0.55	5.25	7.03	172.45
Average Total Return	3.80	3.42	2.86	6.46

The Fund registered a return of 3.80% for the financial year under review, outperforming the benchmark by 3.25%. On a 3-year and 5-year basis, the Fund appreciated 10.63% and 15.12% respectively, outperforming the benchmark return in both periods.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	31.12.2019	31.12.2018	Changes %
NAV (RM Million)	50.29	55.81	(9.89)
NAV/Unit (RM)	0.2889	0.2879	0.35

The Fund's NAV dropped from RM55.81 million to RM50.29 million (-9.89%) and the NAV per unit rose from RM0.2879 to RM0.2889 (0.35%) during the financial year under review due to positive market performance.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.12.2019	31.12.2018
Quoted securities - local	27.95	36.26
Quoted securities - foreign	7.67	-
Unquoted fixed income securities	60.93	55.74
Cash and other net assets	3.45	8.00
TOTAL	100.00	100.00

Investment in local equities fell from 36.26% to 27.95% at the end of 2019, whilst investment in foreign equities increased to 7.67%. The movement from local equities to foreign equities as Fund Manager see more opportunities in the regional market to generate better returns. Meanwhile, investment in fixed income securities increased from 55.74% to 60.93% at the end of 2019 in line with our asset allocation strategy.

MARKET OUTLOOK*

Equity

Despite on-going trade tension, we expect growth to be sustained at a moderate rate going into 2020. This will be underpinned by more growth-oriented Budget 2020 (higher fiscal deficit, resumption of mega infrastructure projects) and accommodative monetary policy. Externally, the rebound in PMI to 50 in December 2019 after hitting a low of 46.8 in December 2018 bodes well for exports outlook particularly in the E&E segment. Furthermore, the plantation sector will also be boosted by improving supply and demand dynamics which have led to CPO prices surging past RM3,000 per tonnes. Given a modest consensus earnings growth expectation of 7.3% in 2020, we believe earnings upside risks outweigh downside risks. While political and regulatory risks remain elevated, we do not believe that this will deteriorate further. Recent by-election loss of the ruling Government will potentially be the catalyst for more market friendly policies going forward. We expect Government-linked companies ("GLC") reforms to take centre stage again following a slew of leadership changes in Government-linked investment companies ("GLIC") and GLC since the general election in May 2018. Malaysia is also benefitting from trade diversion with the increase in foreign direct investment ("FDI") flow, but the Government would need to do more to restore business and consumer confidence in order to boost both domestic investment and consumption.

Fixed Income

On 7 May 2019, the MPC cut the OPR by 0.25% to 3.00% as widely anticipated by the market. We believe the current monetary policy remains accommodative and are of the view that BNM will maintain its OPR unchanged unless the trade wars worsen significantly, or very negative hard data is consecutively released domestically.

For now, we expect the domestic bond market to remain well supported due to ample domestic liquidity as well as the lack of primary issuances. We are expecting some primary issuances in the first half of 2020 but supply seems fairly limited in the near term. In the first quarter of 2020, we expect investors to be closely watching the two MPC meetings scheduled in the months of January and March 2020. Additionally, FTSE Russell's verdict on whether Malaysia will remain on their WGBI index in the month of March 2020 will be of interest.

* 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

Equity

We maintain Malaysia at “Overweight” as we turn constructively more positive going into 2020. We believe earnings downside risk has narrowed significantly following recent cuts which is further supported by undemanding valuation now. As such, we take a barbell approach on high yield sectors like Real Estate Investment Trust (“REITs”) and utilities and increasing on cyclical growth sectors like banks, plantation, oil and gas, and the technology sectors.

Fixed Income

Overall, we continue to prefer credit over sovereign bonds, particularly in the AA-rated space with strong fundamentals for better total return and yield pick-up. That said, although valuations in the sovereign space are not attractive currently, we recognize that calendar effect and fund flows will still favour fixed income assets in first quarter of 2020 and as such, will watch the space closely on the possibility of reentering.

UNIT HOLDINGS STATISTICS

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

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	339	1.30	0.75
5,001 to 10,000	356	2.76	1.59
10,001 to 50,000	1,075	25.86	14.86
50,001 to 500,000	417	54.70	31.42
500,001 and above	26	89.45	51.38
Total	2,213	174.07	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 commissions in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL INCOME PLUS BALANCED 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 49 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
13 February 2020

**TRUSTEE'S REPORT
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019**

TO THE UNIT HOLDERS OF CIMB-PRINCIPAL INCOME PLUS BALANCED FUND

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

1. Limitations imposed on the investment powers of the Manager under the deeds, securities laws and Guidelines on Unit Trust Funds;
2. Valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirement; and
3. Creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirement.

A total distribution of 0.98 sen per unit was declared to the unitholders of the Fund for the financial year under review.

We are of the view that the distribution is consistent with the objective and distribution policy of the Fund.

For **Maybank Trustees Berhad**
[Company No.: 196301000109 (5004-P)]

JULIA BINTI MUSTAFFA
Chief Executive Officer

Kuala Lumpur, Malaysia
12 February 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL INCOME PLUS BALANCED FUND**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 49.

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 INCOME PLUS BALANCED FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL INCOME PLUS BALANCED FUND (CONTINUED)****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Auditors' responsibilities for the audit of the financial statements

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
13 February 2020

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

	Note	2019 RM	2018 RM
INCOME/(LOSS)			
Dividend income		663,695	925,796
Interest income from unquoted fixed income securities at fair value through profit or loss		1,427,420	1,208,276
Interest income from deposits with licensed financial institutions at amortised cost		77,792	125,404
Net gain/(loss) on financial assets at fair value through profit or loss	8	1,265,695	(3,001,642)
Net foreign exchange loss		(189,010)	-
		<u>3,245,592</u>	<u>(742,166)</u>
EXPENSES			
Management fee	4	982,937	1,124,162
Trustee's fee	5	42,505	48,612
Audit fee		15,400	15,100
Tax agent's fee		3,600	2,780
Transaction costs		222,938	228,296
Other expenses		23,438	44,066
		<u>1,290,818</u>	<u>1,463,016</u>
PROFIT/(LOSS) BEFORE TAXATION		1,954,774	(2,205,182)
Taxation	7	-	(307)
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		<u>1,954,774</u>	<u>(2,205,489)</u>
Profit/(Loss) after taxation is made up as follows:			
Realised amount		1,870,034	(293,482)
Unrealised amount		84,740	(1,912,007)
		<u>1,954,774</u>	<u>(2,205,489)</u>

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

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

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	9	2,089,707	4,592,818
Financial assets at fair value through profit or loss	8	48,555,899	51,346,312
Amount due from stockbrokers		-	397,072
Amount due from Manager		1,840	1,800
Dividends receivable		450	21,821
TOTAL ASSETS		<u>50,647,896</u>	<u>56,359,823</u>
LIABILITIES			
Amount due to stockbrokers		-	230,249
Amount due to Manager		91,633	48,277
Accrued management fee		79,017	87,606
Amount due to Trustee		3,417	3,788
Distribution payable		164,389	165,711
Other payables and accruals		19,000	18,199
TOTAL LIABILITIES		<u>357,456</u>	<u>553,830</u>
NET ASSET VALUE OF THE FUND		<u>50,290,440</u>	<u>55,805,993</u>
EQUITY			
Unit holders' capital		47,871,595	53,586,046
Retained earnings		2,418,845	2,219,947
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>50,290,440</u>	<u>55,805,993</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>174,074,390</u>	<u>193,794,540</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.2889</u>	<u>0.2879</u>

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

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

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2019		53,586,046	2,219,947	55,805,993
Movement in unit holders' contributions:				
- Creation of units from applications		346,686	-	346,686
- Creation of units from distributions		1,565,412	-	1,565,412
- Cancellation of units		(7,626,549)	-	(7,626,549)
Total comprehensive income for the financial year		-	1,954,774	1,954,774
Distributions	6	-	(1,755,876)	(1,755,876)
Balance as at 31 December 2019		<u>47,871,595</u>	<u>2,418,845</u>	<u>50,290,440</u>
Balance as at 1 January 2018		58,087,718	8,448,850	66,536,568
Movement in unit holders' contributions:				
- Creation of units from applications		1,283,364	-	1,283,364
- Creation of units from distributions		3,578,609	-	3,578,609
- Cancellation of units		(9,363,645)	-	(9,363,645)
Total comprehensive loss for the financial year		-	(2,205,489)	(2,205,489)
Distributions	6	-	(4,023,414)	(4,023,414)
Balance as at 31 December 2018		<u>53,586,046</u>	<u>2,219,947</u>	<u>55,805,993</u>

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

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

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of quoted securities		39,370,131	42,779,492
Proceeds from disposal of unquoted fixed income securities		30,016,463	8,584,322
Proceeds from redemption of unquoted fixed income securities		-	500,000
Purchase of quoted securities		(37,006,390)	(30,868,528)
Purchase of unquoted fixed income securities		(28,052,958)	(11,741,274)
Dividend income received		680,227	911,571
Interest income received from deposits with licensed financial institutions		77,792	125,404
Interest income received from unquoted fixed income securities		1,089,383	1,214,880
Management fee paid		(991,526)	(1,139,688)
Trustee's fees paid		(42,876)	(49,284)
Payments for other fees and expenses		(38,537)	(74,073)
Net realised foreign exchange loss		(151,909)	-
Net cash generated from operating activities		4,949,800	10,242,822
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		346,646	1,283,464
Payments for cancellation of units		(7,583,193)	(9,712,114)
Distributions paid		(190,464)	(444,805)
Net cash used in financing activities		(7,427,011)	(8,873,455)
Net (decrease)/increase in cash and cash equivalents		(2,477,211)	1,369,367
Effects of foreign exchange differences		(25,900)	-
Cash and cash equivalents at the beginning of the financial year		4,592,818	3,223,451
Cash and cash equivalents at the end of the financial year	9	2,089,707	4,592,818
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		1,399,645	195,942
Deposits with licensed financial institutions		690,062	4,396,876
Cash and cash equivalents at the end of the financial year	9	2,089,707	4,592,818

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

NOTES TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal Income Plus Balanced Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, an Eighth Supplemental Master Deed dated 14 June 2010, a Thirteenth Supplemental Master Deed dated 26 June 2012 and an Eighteenth Supplemental Master Deed dated 25 March 2015 (collectively referred to as the “Deeds”) between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and Maybank Trustees Berhad (the “Trustee”).

The Fund aims to invest in a diversified portfolio of primarily fixed income investments and some exposure in equities. The Fund may invest between 20% to 80% (both inclusive) of its NAV in debentures carrying a minimum credit rating of “BBB3” or “P2” rating by RAM or equivalent rating by MARC or by local rating agency(ies) of the country or “BBB-” by S&P or equivalent rating by Moody’s or Fitch. Up to 40% of its NAV maybe invested in unrated fixed income securities. The Fund may also invest between 20% to 80% (both inclusive) of its NAV in equities. As part of its equities portfolio, the Fund may invest in stocks listed on the following foreign stock exchanges: Australia, the People’s Republic of China, Hong Kong SAR, India, New Zealand, Singapore, Sri Lanka, Thailand, Korea, the Philippines, Indonesia and Taiwan subject to a maximum of 12% of its NAV. In line with the objective of the Fund, the investment policy and strategy of the Fund is to invest primarily in fixed income securities in order to provide streams of income and some capital stability, whilst having some exposure to equities in order to provide growth and added return in a rising market. Under normal market conditions, the Fund will remain invested 40% to 60% of its NAV in fixed income securities and equities. However, the Fund has the flexibility to swing between 20% to 80% of its NAV in fixed income securities and equities depending on the market conditions. The Fund may also opt to seek investment exposure via CIS 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

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

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

(i) Financial period beginning on/after 1 January 2019

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

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

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

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

(b) Financial assets and financial liabilities

Classification

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

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

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

The Fund classifies cash and cash equivalents, amount due from stockbrokers, amount due from Manager and dividends receivable 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 stockbrokers, amount due to Manager, accrued management fee, amount due to Trustee, distribution payable, and other payables and accruals as other financial liabilities.

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 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 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 and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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

Foreign quoted securities are valued at the last traded market price quoted on the respective foreign stock exchanges at the close of the business day of the respective foreign stock exchanges.

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 bases approved by the Trustee after appropriate technical consultation.

Unquoted fixed income securities denominated in Ringgit Malaysia ("RM") are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Refer to Note 2(k) for further explanation.

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

Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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

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

(c) Income recognition

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

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

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

Realised gain or loss on disposal of quoted securities are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

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

(d) Foreign currencyFunctional and presentation currency

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

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

- i) The Fund's units are denominated in RM; and
- ii) Significant portion of the Fund's expenses are denominated in RM; and
- iii) Significant portion of the Fund's NAV is invested in investment denominated in RM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Foreign currency (continued)**Transactions and balances

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

(e) Cash and cash equivalents

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

(f) Taxation

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

Tax on investment income from foreign investments are based on the tax regime of the respective countries the Fund invest in.

(g) Distribution

A proposed distribution to the Fund's unit holders is recognised in the statement of comprehensive income and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Amount due from/to stockbrokers**

Amounts due from and amount due to stockbrokers represent receivables for quoted securities and unquoted fixed income securities sold and payables for quoted securities and unquoted fixed income securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund measure the loss allowance on amounts due from broker 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 management 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.

(j) Unit holders' contributions

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

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

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

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

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

Estimate of fair value of unquoted fixed income securities

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2019			
Cash and cash equivalents (Note 9)	-	2,089,707	2,089,707
Quoted securities - Local (Note 8)	14,054,718	-	14,054,718
Quoted securities - Foreign (Note 8)	3,856,862	-	3,856,862
Unquoted fixed income securities (Note 8)	30,644,319	-	30,644,319
Amount due from Manager	-	1,840	1,840
Dividends receivable	-	450	450
	<u>48,555,899</u>	<u>2,091,997</u>	<u>50,647,896</u>
2018			
Cash and cash equivalents (Note 9)	-	4,592,818	4,592,818
Quoted securities - Local (Note 8)	20,235,616	-	20,235,616
Unquoted fixed income securities (Note 8)	31,110,696	-	31,110,696
Amount due from stockbrokers	-	397,072	397,072
Amount due from Manager	-	1,800	1,800
Dividends receivable	-	21,821	21,821
	<u>51,346,312</u>	<u>5,013,511</u>	<u>56,359,823</u>

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

The Fund aims to provide capital growth over the medium to long-term as well as income distributions.

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

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

(a) Market risk**(i) Price risk**

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

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

(a) Market risk (continued)

(i) Price risk (continued)

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

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 - Local	14,054,718	20,235,616
- Quoted securities - Foreign	3,856,862	-
- Unquoted fixed income securities*	30,644,319	31,110,696
	<u>48,555,899</u>	<u>51,346,312</u>

* Includes interest receivables of RM358,430 (2018: RM290,598)

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 and unquoted fixed income 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%	17,016,001	(895,579)
0%	17,911,580	-
+5%	<u>18,807,159</u>	<u>895,579</u>
2018		
-5%	19,223,835	(1,011,781)
0%	20,235,616	-
+5%	<u>21,247,397</u>	<u>1,011,781</u>

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM30,644,319 (2018: RM31,110,696) in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

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

(a) Market risk (continued)

(ii) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

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

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

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

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

% Change in interest rate	Impact on profit or loss/NAV	
	2019 RM	2018 RM
+1%	(56,294)	(86,863)
-1%	56,478	87,262

The Fund's exposure to interest rate risk associated with deposits with licensed financial institutions is not material as the deposits are held on short-term basis.

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

	2019 %	2018 %
Deposits with licensed financial institutions	<u>3.30</u>	<u>3.42</u>

(iii) Currency risk

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

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

Financial assets	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Total RM
2019			
HKD	2,016,579	-	2,016,579
IDR	519,941	-	519,941
SGD	1,320,342	-	1,320,342
USD	-	1,205,808	1,205,808
	<u>3,856,862</u>	<u>1,205,808</u>	<u>5,062,670</u>

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

	Change in foreign exchange rate	Impact on profit or loss/NAV 2019 RM
	%	
HKD	+ 5	(100,829)
IDR	+ 5	(25,997)
SGD	+ 5	(66,017)
USD	+ 5	(60,290)
		<u>(253,133)</u>

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

(a) Market risk (continued)

(ii) Currency risk (continued)

	Change in foreign exchange rate	Impact on profit or loss/NAV
	%	2019 RM
HKD	- 5	100,829
IDR	- 5	25,997
SGD	- 5	66,017
USD	- 5	60,290
		<u>253,133</u>

(b) Credit risk

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

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

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted fixed income securities must satisfy a minimum rating requirement of at least "BBB3" or "P2" by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance; "BBB-" by S&P or equivalent rating by Moody's or Fitch.

The credit risk arising from bank balance 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 receivable from the Manager 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 unquoted fixed income securities are settled or paid upon delivery using approved stockbrokers.

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from manager RM	Dividends receivable RM	Total RM
2019					
- AAA	2,089,707	2,011,760	-	-	4,101,467
- AA1	-	11,434,071	-	-	11,434,071
- AA2	-	3,244,579	-	-	3,244,579
- AA3	-	8,238,395	-	-	8,238,395
- A1	-	4,296,691	-	-	4,296,691
- A2	-	1,298,602	-	-	1,298,602
- A3	-	120,221	-	-	120,221
- NR	-	-	1,840	450	2,290
	<u>2,089,707</u>	<u>30,644,319</u>	<u>1,840</u>	<u>450</u>	<u>32,736,316</u>

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from stockbrokers RM	Amount due from manager RM	Dividends receivable RM	Total RM
2018						
- AAA	3,699,742	6,047,903	-	-	-	9,747,645
- AA1	-	12,815,358	-	-	-	12,815,358
- AA2	893,076	5,673,398	-	-	-	6,566,474
- AA3	-	5,601,981	-	-	-	5,601,981
- A1	-	972,056	-	-	-	972,056
- NR	-	-	397,072	1,800	21,821	420,693
	<u>4,592,818</u>	<u>31,110,696</u>	<u>397,072</u>	<u>1,800</u>	<u>21,821</u>	<u>36,124,207</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 2 day (2018: 4 days).

(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 period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2019			
Amount due to Manager	91,633	-	91,633
Accrued management fee	79,017	-	79,017
Amount due to Trustee	3,417	-	3,417
Distribution payable	164,389	-	164,389
Other payables and accruals	-	19,000	19,000
Contractual undiscounted cash flows	338,456	19,000	357,456
2018			
Amount due to stockbrokers	230,249	-	230,249
Amount due to Manager	48,277	-	48,277
Accrued management fee	87,606	-	87,606
Amount due to Trustee	3,788	-	3,788
Distribution payable	165,711	-	165,711
Other payables and accruals	-	18,199	18,199
Contractual undiscounted cash flows	535,631	18,199	553,830

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holder's capital of RM47,871,595 (2018: RM53,586,046) and retained earnings of RM2,418,845 (2018: RM2,219,947). 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 holder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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

(e) Fair value estimation (continued)

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

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

(i) Fair value hierarchy

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

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Quoted securities -				
Local	14,054,718	-	-	14,054,718
- Quoted securities -				
Foreign	3,856,862	-	-	3,856,862
- Unquoted fixed income securities	-	30,644,319	-	30,644,319
	<u>17,911,580</u>	<u>30,644,319</u>	<u>-</u>	<u>48,555,899</u>
2018				
Financial assets at fair value through profit or loss:				
- Quoted securities -				
Local	20,235,616	-	-	20,235,616
- Unquoted fixed income securities	-	31,110,696	-	31,110,696
	<u>20,235,616</u>	<u>31,110,696</u>	<u>-</u>	<u>51,346,312</u>

Investments which 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).

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

- (ii) The carrying values of cash and cash equivalents, amount due from 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 2.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 December 2019, the management fee is recognised at a rate of 1.85% per annum (2018: 1.85% per annum).

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.08% per annum, calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

The foreign sub-custodian fee is dependent on the country invested and is charged monthly in arrears.

For the financial year ended 31 December 2019, the Trustee's fee is recognised at a rate of 0.08% per annum (2018: 0.08% per annum) while the foreign custodian fee is recognised at Nil.

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

6. DISTRIBUTION

Distributions to unit holders are derived from the following sources:

	2019 RM	2018 RM
Dividend income	627,316	368,224
Interest Income	1,505,212	750,766
Net realised gain on disposal of investment	610,747	918,280
Prior financial years' realised (loss)/income	(293,482)	2,299,830
	<u>2,449,793</u>	<u>4,337,100</u>
Less:		
Expenses	(693,917)	(313,686)
Net distribution amount	<u>1,755,876</u>	<u>4,023,414</u>
Distribution on 11 January 2019		
Gross/Net distribution per unit (sen)	0.01	-
Distribution on 23 July 2019		
Gross/Net distribution per unit (sen)	0.97	-
Distribution on 18 January 2018		
Gross/Net distribution per unit (sen)	-	1.00
Distribution on 25 July 2018		
Gross/Net distribution per unit (sen)	-	1.00
Total Gross/Net distribution per unit (sen)	<u>0.98</u>	<u>2.00</u>

6. DISTRIBUTIONS (CONTINUED)

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

There are unrealised losses of RM1,912,007 arising for the financial year ended 31 December 2018.

7. TAXATION

	2019 RM	2018 RM
Tax charged for the financial year:		
- Withholding taxation	<u>-</u>	<u>307</u>

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

	2019 RM	2018 RM
Profit/(Loss) before taxation	<u>1,954,774</u>	<u>(2,205,182)</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	469,146	(529,244)
Tax effects of:		
- (Income not subject to tax)/Loss not deductible for tax purpose	(778,943)	178,120
- Expenses not deductible for tax purposes	66,299	70,125
- Restriction on tax deductible expenses for Unit Trust Funds	243,498	280,999
Income subject to withholding tax	<u>-</u>	<u>307</u>
Taxation	<u>-</u>	<u>307</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM	2018 RM
At fair value through profit or loss:		
- Quoted securities - Local	14,054,718	20,235,616
- Quoted securities - Foreign	3,856,862	-
- Unquoted fixed income securities	<u>30,644,319</u>	<u>31,110,696</u>
	<u>48,555,899</u>	<u>51,346,312</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	1,144,734	(997,799)
- Unrealised fair value gain/(loss)	<u>120,961</u>	<u>(2,003,843)</u>
	<u>1,265,695</u>	<u>(3,001,642)</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 - LOCAL				
Communication Services				
Axiata Group Bhd	50,000	225,057	207,000	0.41
Digi.com Bhd	70,000	328,818	312,200	0.62
	<u>120,000</u>	<u>553,875</u>	<u>519,200</u>	<u>1.03</u>
Consumer Discretionary				
Bermaz Auto Bhd	70,000	167,669	147,000	0.29
Genting Malaysia Bhd	37,500	150,066	123,375	0.25
	<u>107,500</u>	<u>317,735</u>	<u>270,375</u>	<u>0.54</u>
Consumer Staples				
Kuala Lumpur Kepong Bhd	14,100	307,720	349,680	0.70
Sime Darby Plantation Bhd	110,000	548,493	599,500	1.19
	<u>124,100</u>	<u>856,213</u>	<u>949,180</u>	<u>1.89</u>
Energy				
Dayang Enterprise Holdings Bhd	5,000	8,225	12,550	0.03
Dialog Group Bhd	100,000	306,689	345,000	0.69
Hibiscus Petroleum Bhd	237,300	216,999	223,062	0.44
Serba Dinamik Holdings Bhd	198,660	408,309	437,052	0.87
Serba Dinamik Holdings Bhd - Warrant	56,760	-	24,974	0.05
Wah Seong Corporation Bhd	200,000	241,378	240,000	0.48
	<u>797,720</u>	<u>1,181,600</u>	<u>1,282,638</u>	<u>2.56</u>
Financials				
CIMB Group Holdings Bhd	250,066	1,354,280	1,287,840	2.56
Hong Leong Bank Bhd	25,000	420,020	432,500	0.86
Malayan Banking Bhd	185,347	1,653,559	1,601,398	3.18
Public Bank Bhd	60,000	1,315,250	1,166,400	2.32
RHB Bank Bhd	180,000	1,015,138	1,040,400	2.07
	<u>700,413</u>	<u>5,758,247</u>	<u>5,528,538</u>	<u>10.99</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 - LOCAL (CONTINUED)				
Health Care				
Hartalega Holdings Bhd	50,000	270,875	274,000	0.55
IHH Healthcare Bhd	60,000	351,340	328,200	0.65
	<u>110,000</u>	<u>622,215</u>	<u>602,200</u>	<u>1.20</u>
Industrials				
Gamuda Bhd	120,000	449,703	468,000	0.93
IJM Corporation Bhd	139,000	276,372	301,630	0.60
MISC Bhd	30,900	211,873	258,015	0.51
Sime Darby Bhd	111,300	258,575	247,086	0.49
Westports Holdings Bhd	40,000	149,925	168,400	0.33
	<u>441,200</u>	<u>1,346,448</u>	<u>1,443,131</u>	<u>2.86</u>
Information Technology				
D&O Green Technologies Bhd	600,000	450,204	510,000	1.01
Malaysian Pacific Industries Bhd	25,000	281,512	286,000	0.57
Vitrox Corporation Bhd	30,000	208,840	237,600	0.47
	<u>655,000</u>	<u>940,556</u>	<u>1,033,600</u>	<u>2.05</u>
Materials				
ATA IMS Bhd	300,000	520,140	522,000	1.04
Petronas Chemicals Group Bhd	60,000	447,782	441,000	0.88
	<u>360,000</u>	<u>967,922</u>	<u>963,000</u>	<u>1.92</u>
Real Estate				
Sime Darby Property Bhd	400,000	317,144	366,000	0.73
Sunway Bhd	201,251	346,126	362,252	0.72
	<u>601,251</u>	<u>663,270</u>	<u>728,252</u>	<u>1.45</u>
Utilities				
Tenaga Nasional Bhd	55,400	774,371	734,604	1.46
TOTAL QUOTED SECURITIES - LOCAL	<u>4,072,584</u>	<u>13,982,452</u>	<u>14,054,718</u>	<u>27.95</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 - FOREIGN				
CAYMAN ISLANDS				
Consumer Discretionary				
Alibaba Group Holdings Ltd	16,200	1,729,870	1,762,907	3.51
TOTAL CAYMAN ISLANDS	16,200	1,729,870	1,762,907	3.51
HONG KONG SAR, CHINA				
Information Technology				
Kingboard Laminates Holdings Ltd	50,000	189,625	253,672	0.50
TOTAL HONG KONG SAR, CHINA	50,000	189,625	253,672	0.50
INDONESIA				
Financials				
PT Bank Negara Indonesia	224,600	506,000	519,941	1.03
TOTAL INDONESIA	224,600	506,000	519,941	1.03
SINGAPORE				
Financials				
DBS Group Holdings Ltd	6,000	472,006	472,098	0.94
Real Estate				
Lendlease Global Commercial	300,000	858,316	848,244	1.69
TOTAL SINGAPORE	306,000	1,330,322	1,320,342	2.63
TOTAL QUOTED SECURITIES - FOREIGN	596,800	3,755,817	3,856,862	7.67

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)				
TOTAL QUOTED SECURITIES	4,669,384	17,738,269	17,911,580	35.62
ACCUMULATED UNREALISED GAIN ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		173,311		
TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		17,911,580		
Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES				
Ara Bintang Bhd 5.50% 17/03/2026 (AAA)	2,000,000	2,004,521	2,011,761	4.00
CIMB Thai Bank PCL 4.15% 06/07/2029 (AA3)	300,000	306,037	308,086	0.61
DRB-Hicom Bhd 4.55% 12/12/2024 (A1)	1,450,000	1,453,615	1,458,806	2.90
DRB-Hicom Bhd 4.850% 11/12/2026 (A1)	750,000	751,993	756,051	1.50
Exsim Capital Resources Bhd 5.00% 28/01/2022 (AA3)	3,500,000	3,579,469	3,621,016	7.20
Fortune Premiere Sdn Bhd 3.99% 11/09/2026 (AA2)	150,000	152,303	152,055	0.30
IJM Corporation Bhd 4.76% 10/04/2029 (AA3)	500,000	506,099	523,047	1.04
IJM Land Bhd 4.73% 17/03/2119 (A2)	750,000	760,931	761,977	1.51
IJM Land Bhd 5.65% 17/03/2119 (A2)	500,000	508,049	536,624	1.07
Kapar Energy Ventures Sdn Bhd 4.63% 05/07/2022 (AA1)	5,000,000	5,166,399	5,238,364	10.42

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Krung Thai Bank PCL 5.10% 04/07/2025 (AA2)	3,000,000	3,074,486	3,092,525	6.15
Malayan Banking Bhd 4.08% 22/02/2117 (AA3)	1,000,000	1,010,955	1,018,144	2.02
MBSB Bank Bhd 5.05% 20/12/2029 (A3)	120,000	120,197	120,221	0.24
Penang Port Sdn Bhd 4.30% 24/12/2026 (AA3)	550,000	550,324	550,318	1.09
Penang Port Sdn Bhd 4.48% 27/12/2029 (AA3)	200,000	200,123	200,121	0.40
Penang Port Sdn Bhd 4.68% 26/12/2031 (AA3)	400,000	400,256	400,252	0.80
Quantum Solar Park Sdn Bhd 5.72% 05/10/2029 (A1)	2,000,000	2,024,230	2,081,834	4.14
Sabah Development Bank Bhd 5.25% 27/12/2023 (AA1)	1,500,000	1,502,168	1,571,054	3.12
Sarawak Energy Bhd 4.70% 24/11/2028 (AA1)	3,000,000	3,013,907	3,231,377	6.43
Sports Toto Malaysia Sdn Bhd 4.95% 30/06/2022 (AA3)	1,600,000	1,602,317	1,617,410	3.22
YTL Corporation Bhd 4.60% 23/06/2034 (AA1)	1,350,000	1,361,020	1,393,276	2.77
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>29,620,000</u>	<u>30,049,399</u>	<u>30,644,319</u>	<u>60.93</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>594,920</u>		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>30,644,319</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				
Communication Services				
Digi.com Bhd	245,900	1,128,477	1,106,550	1.98
Consumer Discretionary				
Bermaz Auto Bhd	213,400	444,939	458,810	0.82
Genting Bhd	34,000	219,310	207,400	0.37
Genting Malaysia Bhd	42,400	219,214	128,048	0.23
Mynews Holdings Bhd	116,700	195,048	175,050	0.32
	406,500	1,078,511	969,308	1.74
Consumer Staples				
British American Tobacco Bhd	13,400	444,953	483,472	0.87
Fraser & Neave Holdings Bhd	7,900	236,584	264,650	0.47
IOI Corp Bhd	105,800	481,286	470,810	0.84
Nestle (Malaysia) Bhd	2,000	287,808	294,800	0.53
QL Resources Bhd	32,800	229,748	223,368	0.40
	161,900	1,680,379	1,737,100	3.11
Energy				
Dialog Group Bhd	371,000	1,054,115	1,153,810	2.07
Petronas Dagangan Bhd	9,600	251,720	254,400	0.45
	380,600	1,305,835	1,408,210	2.52
Financials				
Alliance Bank Malaysia Bhd	90,200	363,524	362,604	0.65
CIMB Group Holdings Bhd	225,966	1,287,537	1,290,266	2.31
Hong Leong Bank Bhd	44,600	836,012	909,840	1.63
Malayan Banking Bhd	220,195	1,993,653	2,091,853	3.75
Public Bank Bhd	124,000	2,986,969	3,070,240	5.50
RHB Bank Bhd	133,800	720,831	707,802	1.27
	838,761	8,188,526	8,432,605	15.11
Health Care				
Hartalega Holdings Bhd	22,300	130,414	136,922	0.25
IHH Healthcare Bhd	62,000	374,096	334,180	0.60
Top Glove Corporation Bhd	36,800	128,620	206,080	0.36
	121,100	633,130	677,182	1.21

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)				
Industrials				
Gabungan AQRS Bhd - Warrant	23,900	-	4,661	0.01
Gamuda Bhd	98,000	229,409	229,320	0.41
Malaysia Airports Holding Bhd	47,000	416,666	393,860	0.71
	<u>168,900</u>	<u>646,075</u>	<u>627,841</u>	<u>1.13</u>
Information Technology				
Uchi Technologies Bhd	<u>187,900</u>	<u>574,055</u>	<u>477,266</u>	<u>0.86</u>
Materials				
Petronas Chemicals Group Bhd	<u>228,900</u>	<u>1,710,101</u>	<u>2,126,481</u>	<u>3.81</u>
Real Estate				
IGB REIT	263,800	448,657	456,375	0.82
Sunway Bhd	<u>245,100</u>	<u>411,939</u>	<u>360,297</u>	<u>0.64</u>
	<u>508,900</u>	<u>860,596</u>	<u>816,672</u>	<u>1.46</u>
Utilities				
Tenaga Nasional Bhd	<u>136,500</u>	<u>1,956,815</u>	<u>1,856,401</u>	<u>3.33</u>
TOTAL QUOTED SECURITIES	<u>3,385,861</u>	<u>19,762,500</u>	<u>20,235,616</u>	<u>36.26</u>
ACCUMULATED UNREALISED GAIN ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>473,116</u>		
TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>20,235,616</u>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES				
Berjaya Land Bhd 4.85% 16/12/2019 (AAA)	5,000,000	5,030,420	5,040,465	9.03
Kapar Energy Ventures 4.63% 05/07/2022 (AA)	2,000,000	2,056,926	2,061,745	3.69
Krung Thai Bank PCL 5.10% 04/07/2025 (AA2)	3,500,000	3,588,560	3,611,653	6.47
Nur Power Sdn Bhd 4.67% 26/06/2024 (AAA)	1,000,000	1,004,213	1,007,438	1.81
Sabah Development Bank Bhd 11/05/2022 (AA1)	3,000,000	3,023,477	3,044,581	5.46
Sabah Development Bank Bhd 27/12/2023 (AA1)	1,500,000	1,502,409	1,503,674	2.69
Sarawak Energy Bhd 4.70% 24/11/2028 (AA1)	3,000,000	3,013,907	3,021,077	5.41
Sarawak Energy Bhd 5.32% 03/12/2032 (AA1)	5,000,000	5,236,897	5,246,026	9.40
Tan Chong Motor Holding Bhd 4.70% 24/11/2021 (A1)	1,000,000	982,532	972,056	1.74
Tanjung Bin Energy Issuer Bhd 5.95% 14/09/2029 (AA3)	5,000,000	5,497,201	5,601,981	10.04
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>30,000,000</u>	<u>30,936,542</u>	<u>31,110,696</u>	<u>55.74</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>174,154</u>		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u><u>31,110,696</u></u>		

9. CASH AND CASH EQUIVALENTS

	2019 RM	2018 RM
Deposits with licensed financial institutions	690,062	4,396,876
Bank balances	1,399,645	195,942
	<u>2,089,707</u>	<u>4,592,818</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019 No. of units	2018 No. of units
At the beginning of the financial year	193,794,540	208,502,748
Add: Creation of units from applications	1,205,703	4,241,910
Add: Creation of units from distributions	5,430,053	11,741,665
Less: Cancellation of units	(26,355,906)	(30,691,783)
At the end of the financial year	<u>174,074,390</u>	<u>193,794,540</u>

11. MANAGEMENT EXPENSE RATIO ("MER")

	2019 %	2018 %
MER	<u>2.00</u>	<u>2.02</u>

MER is derived based on the following calculation:

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

A = Management fee

B = Trustee's fee

C = Audit fee

D = Tax agent's fee

E = Other expenses excluding 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 a basis is RM53,111,804 (2018: RM60,752,234).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2019	2018
PTR (times)	<u>1.26</u>	<u>0.77</u>

PTR is derived from the following calculation:

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

where:

Total acquisition for the financial year = RM64,620,975 (2018: RM42,572,531)

Total disposal for the financial year = RM68,718,854 (2018: RM51,432,658)

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

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad)	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Berhad, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Bank Bhd	Fellow related party to Manager
CGS-CIMB Securities (Singapore) Pte Ltd	Fellow related party to Manager
CGS-CIMB Securities Sdn Bhd	Fellow related party to Manager
CIMB Investment Bank Bhd	Fellow related party to 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 (formerly known as CIMB-Principal Asset Management Berhad)	13,434	3,881	10,215	2,941

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

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

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are 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 PARTIES 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	10,181	3,034
Dividend income:		
- CIMB Group Holdings Bhd	48,125	95,209
Cash placements with licensed Islamic financial institution:		
- CIMB Bank Bhd	52,096,000	16,098,000
<u>Significant related party balances</u>		
Bank balance:		
- CIMB Bank Bhd	193,836	195,942

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 December 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	12,728,661	9.65	17,701	11.78
RHB Bank Bhd	10,149,738	7.70	-	-
United Overseas Bank (Malaysia) Bhd	8,989,655	6.82	-	-
Macquarie Capital Securities (Malaysia) Sdn Bhd	8,722,112	6.62	16,060	10.69
Hong Leong Bank Bhd	8,640,800	6.55	-	-
Hong Leong Investment Bank Bhd	8,474,864	6.43	16,292	10.84
Malayan Banking Bhd	7,398,384	5.61	-	-
Affin Hwang Investment Bank Bhd	6,924,796	5.25	15,682	10.43
CIMB Bank Bhd #	6,665,300	5.06	-	-
CLSA Securities (Malaysia) Sdn Bhd	6,269,761	4.76	12,181	8.10
Others #	46,884,099	35.55	72,379	48.16
	<u>131,848,170</u>	<u>100.00</u>	<u>150,295</u>	<u>100.00</u>

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 December 2018 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Bank Bhd	18,206,044	19.51	31,449	19.34
RHB Investment Bank Bhd	15,216,500	16.31	-	-
Hong Leong Investment Bank Bhd	12,670,327	13.58	10,394	6.39
Maybank Investment Bank Bhd	7,768,264	8.32	26,171	16.09
Hong Leong Bank Bhd	5,442,500	5.83	-	-
Malayan Banking Bhd	4,891,500	5.24	-	-
CIMB Bank Bhd #	4,501,350	4.82	-	-
KAF-Seagroatt & Campbell Securities Sdn Bhd	4,327,154	4.64	15,533	9.55
JP Morgan Securities (Malaysia) Sdn Bhd	3,723,829	3.99	13,671	8.41
Credit Suisse (Malaysia) Sdn Bhd	3,703,183	3.97	11,340	6.97
Others #	12,869,643	13.79	54,082	33.25
	<u>93,320,294</u>	<u>100.00</u>	<u>162,640</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Bank Bhd, CGS-CIMB Securities (Singapore) Pte Ltd, CGS-CIMB Securities Sdn Bhd and CIMB Investment Bank Bhd, fellow related parties to the Manager amounting to RM6,665,300 (2018: RM4,501,350), RM1,356,894 (2018: Nil), RM1,065,129 (2018: Nil) and Nil (2018: RM2,962,440) 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. SUBSEQUENT EVENTS

The Manager proposed for the payment of a gross final distribution of 0.70 sen per unit in respect of the financial year ended 31 December 2019 which will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 31 December 2020. The final distribution has been approved by the Trustee on 30 December 2019.

16. APPROVAL OF FINANCIAL STATEMENTS

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

DIRECTORY

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