

CIMB-Principal KLCI-Linked Fund

Interim Report

For The Financial Period Ended 31 March 2020

CIMB-PRINCIPAL KLCI-LINKED FUND

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 8
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	9
TRUSTEE'S REPORT	10
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	11
UNAUDITED STATEMENT OF FINANCIAL POSITION	12
UNAUDITED STATEMENT OF CHANGES IN EQUITY	13
UNAUDITED STATEMENT OF CASH FLOWS	14
NOTES TO THE FINANCIAL STATEMENTS	15 - 33
DIRECTORY	34

INVESTORS' LETTER

Dear Valued Investor,

We are now two months into our shared “quarantine” and I hope you and your family are staying well. Around the world, communities and Governments are working together to break the chain of the Coronavirus Disease 2019 (“COVID-19”). This unprecedented crisis has been met with unimaginable action. The global response to fighting the pandemic has been encouraging.

Global equity market has shown signs of recovery towards the end of April 2019 in rebounding by approximately 11% from a decline in March 2019 of this year. Governments around the world launched fiscal stimulus packages, estimated at over 3% of global Gross Domestic Product (“GDP”), to help stabilise their local businesses and citizens amongst the strain that COVID-19 has placed on all of us. In Malaysia alone, the Government unveiled a RM260 billion stimulus package.

As an investment house, we’re refining our short-term asset allocation within our investment portfolio to an equal split between equities and fixed income. We favour Large cap, high quality defensive stocks and Asian equities due to the region having more policy room relative to the rest of the world and China is likely to return to normalcy ahead of the rest. For our:

- **Conservative investors, we recommend:** Malaysia focus bond and balanced funds that consistently pay dividends.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific and Global Technology.

I know this may be a challenging time for you. Please know we’re committed to being by your side throughout this year and beyond. I encourage you to check our website (www.principal.com.my) and Facebook account (@PrincipalAssetMY) for up-to-date market commentaries and investment content.

We are well positioned and experienced to manage through this period of adversity. While we may face some short-term challenges and headwinds, we will continue to focus on what we can control, and I have no doubt that we will emerge from this crisis stronger.

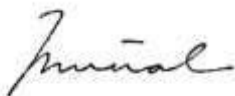
Because of the trust you’ve placed in us, we continue to win accolades - the most recent recognition coming from Lipper Refinitiv for our Principal Titans Income Plus Fund (*formerly known as CIMB-Principal Equity Income Fund*) on its 2019 performance.

Please be informed that effective 17 April 2020, the Fund has been renamed as Principal KLCI-Linked Fund following the issuance of the Replacement Master Prospectus.

Even in challenging times, we all can celebrate the simple joys. To that end, my sincere wishes to our Muslim customers for a most peaceful and blessed Ramadhan Kareem.

Stay safe everyone. We appreciate your continuous support and the trust you place in us.

Yours faithfully,
for **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 achieve medium to long-term capital appreciation by seeking to match the performance of the Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Kuala Lumpur Composite Index ("FBMKLCI").

Has the Fund achieved its objective?

For the financial period under review, the Fund has performed in line with its stated objective.

What are the Fund investment policy and principal investment strategy?

The Fund is an index fund which aims to track the movement of the FBMKLCI. The Fund's indexing strategy is to hold a representative sample of the securities that make up its underlying index. Thus, the Fund normally invests at least 90% of its Net Asset Value ("NAV") in the index stocks representing the top 95%-98% of the index weights. As such, the Fund may invest up to 30 index stocks, being the representative index stocks of the FBMKLCI. The Fund may also utilise index futures to ensure it is fully invested at all times and to reduce transaction costs.

Fund category/type

Equity/Index-tracking

How long should you invest for?

Recommended three (3) years or more

When was the Fund launched?

8 June 2000

What was the size of the Fund as at 31 March 2020?

RM16.19 million (14.64 million units)

What is the Fund's benchmark?

FBMKLCI

What is the Fund distribution policy?

No distribution is expected to be paid, however, distribution, if any, will be incidental and will vary from period to period depending on interest rates, market conditions and the performance of the Fund.

Note: The Fund's benchmark is for performance comparison purpose only.

PERFORMANCE DATA

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

	31.03.2020	31.03.2019	31.03.2018
	%	%	%
Quoted securities			
- Consumer Products	-	-	3.76
- Consumer Products & Services	10.67	12.55	-
- Energy	3.13	3.07	-
- Finance	-	-	37.51
- Financial Services	29.49	33.16	-
- Health Care	8.32	6.26	-
- Industrial Products & Services	5.74	8.28	-
- Infrastructure Project Companies ("IPC")	-	-	7.82
- Industrials	-	-	3.03
- Plantation	9.13	8.93	8.38
- Real Estate Investment Trust ("REIT")	-	-	0.51
- Telecommunications & Media	10.37	10.13	-
- Trading/Services	-	-	36.81
- Transportation & Logistics	3.35	3.49	-
- Utilities	11.97	12.53	-
KLCI Futures Contracts	-	0.25	0.39
Cash and other net assets	7.83	1.35	1.79
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

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

	31.03.2020	31.03.2019	31.03.2018
NAV (RM Million)	16.19	18.46	21.06
Units in circulation (Million)	14.64	14.17	14.54
NAV per unit (RM)	1.1057	1.3023	1.4485
	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019	01.10.2017 to 31.03.2018
Highest NAV per unit (RM)	1.3075	1.4153	1.4566
Lowest NAV per unit (RM)	1.0027	1.2863	1.3171
Total return (%)	(13.41)	(7.73)	7.59
- Capital growth (%)	(13.41)	(7.73)	7.59
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) ^	0.61	0.59	0.64
Portfolio Turnover Ratio ("PTR") (times) #	0.02	0.09	0.06

^ The Fund's MER increased from 0.59% to 0.61% due to decrease in average NAV during the financial period under review.

The Fund's PTR decreased from 0.09 times to 0.02 times as the trading activities remain low which reflect the index-tracking status of the Fund.

PERFORMANCE DATA (CONTINUED)

	31.03.2020	31.03.2019	31.03.2018	31.03.2017	31.03.2016
	%	%	%	%	%
Annual total return	(15.11)	(10.10)	9.57	3.16	(4.19)

(Launch date: 8 June 2000)

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

Characteristics and general composition of the Index

Sector	Percentage of Index (Market Capitalisation)
	%
Consumer Products & Services	11.17
Energy	3.29
Financial Services	34.08
Health Care	8.60
Industrial Products & Services	6.02
Plantation	9.45
Telecommunications & Media	10.79
Transportation & Logistics	3.43
Utilities	13.17
TOTAL	100.00

MARKET REVIEW (1 OCTOBER 2019 TO 31 MARCH 2020)

The FBMKLCI gained 0.9% in October 2019, in line with regional markets' performance as risk appetite returned on the back of easing US-China trade war concern, and the US Federal Reserve's (the "Fed") further monetary easing. The Budget 2020 was also announced during the month as the Government focuses on reinventing Malaysia in the digital space over the medium term by attracting foreign and domestic investments. Various tax incentives have been proposed to attract these investments which are expected to create high-paying jobs, especially those in the manufacturing and technology sectors. In view of the need to spur the domestic economy amid external challenges, the Federal Government has also lowered its fiscal deficit target to 3.2% versus 3.0% earlier. This raises the prospect for resumption of infrastructure spending by the Government with the resumption of mega projects under review such as East Coast Rail Link ("ECRL") and Pan Borneo Highway.

The FBMKLCI declined by -2.3% in November 2019, in line with regional markets. The third quarter of 2019 earnings season has been uninspiring as negative earnings surprises still trumped positive surprises. Despite rising crude palm oil ("CPO") prices, plantation stocks' results have largely been disappointing due to lower fresh fruit bunch ("FFB") production while several banks were also dragged by spike in credit cost and other one-off expenses. Within the mid and small cap space, aviation and construction stocks have also disappointed. FBMKLCI earnings rebound in 2020 is expected to be driven by banks (cost normalization) and plantation (higher CPO prices) sectors. Domestic discretionary spending (auto and property) will remain weak while we expect cyclical sectors (basic material, plantation and oil and gas) to be boosted by potential US-China trade deal.

The FBMKLCI ended the year as the worst performing Asian market with a loss of 6% in 2019. In December 2019, FBMKLCI gained 1.7% as the continued surge in 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. Externally, the rebound in Purchasing Managers' 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.

MARKET REVIEW (1 OCTOBER 2019 TO 31 MARCH 2020) (CONTINUED)

The FBMKLCI started the year positively before succumbing to sell-down as fears of COVID-19 outbreak dampens investors sentiment. In January 2020, the FBMKLCI declined 3.6% with notable gainers were gloves and healthcare stocks. Given the widespread travel curtailment imposed by various Governments since the COVID-19 in Wuhan, global tourism will be hit in the near term. This dampens the prospect of Malaysia achieving its 30 million tourist arrival target during Visit Malaysia Year 2020 as China accounts for 2.94 million or 12% of arrivals in 2018 (versus 0.7 million or 6% in 2002 prior to Severe Acute Respiratory Syndrome (“SARS”)). Bank Negara Malaysia (“BNM”) has surprised the market in January 2020 by cutting the Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) to 2.75% as the Central Bank took pre-emptive measure to support the economic growth trajectory amid benign inflationary pressure and still uncertain geopolitical tensions and policy uncertainties in a number of countries.

The FBMKLCI declined 3.2% in February 2020 amid concerns over uncertainty in domestic politics, COVID-19 outbreak and the poor set of lacklustre corporate results. Political uncertainty engulfed Malaysia again following the shocking resignation of Tun Dr Mahathir as Prime Minister after losing a majority support in the Parliament. However, the uncertainty of not having a functioning Federal Government was short-lived as the King has appointed Tan Sri Muhyiddin Yasin as the 8th Prime Minister after determining that the latter is likely to get a majority support in the Parliament. In his last act as interim Prime Minister, Tun Dr Mahathir unveiled a RM20 billion stimulus package to mitigate the adverse economic impact from the COVID-19 outbreak. He furthers lower Malaysia GDP growth forecast in 2020 from 4.8% to between 3.2% to 4.2% while raising the fiscal deficit target from 3.2% to 3.4%.

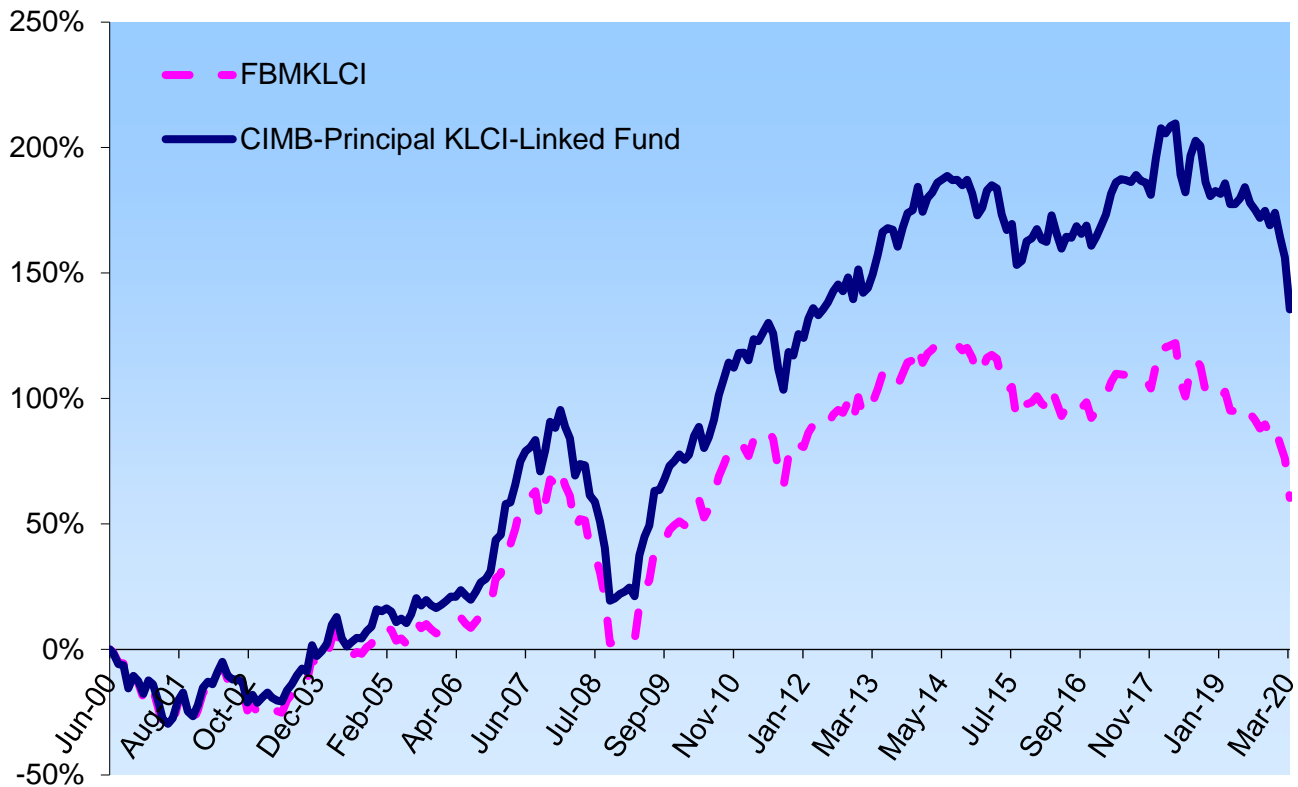
The FBMKLCI declined 8.9% in March 2020 as concerns over the COVID-19 outbreak intensified which was further exacerbated by the sharp 47% fall in Brent crude oil price following the breakdown in talks between Saudi Arabia and Russia to extend the Organisation of the Petroleum Exporting Countries (“OPEC”) production cut agreement. The Malaysian Government has enforced an initial 2-week Movement Control Order (“MCO”) since 18 March 2020 which was extended until 14 April 2020 as the number of new COVID-19 infections spiked. To mitigate the economic impact of COVID-19 and MCO, a RM250 billion stimulus package was announced with the primary focus of (i) sustaining private consumption and confidence, (ii) preserving the viability and continuity of domestic business entities; and (iii) strengthening the domestic economy. While the stimulus package amounts to 17% of GDP, direct Government spending is only RM25 billion which is equivalent to 1.7% of GDP.

FUND PERFORMANCE

	6 months	1 year	3 years	5 years	Since
	to 31.03.2020	to 31.03.2020	to 31.03.2020	to 31.03.2020	inception
	%	%	%	%	%
Income	-	-	-	-	-
Capital	(13.41)	(15.11)	(16.38)	(17.35)	135.51
Total Return	(13.41)	(15.11)	(16.38)	(17.35)	135.51
Benchmark	(14.71)	(17.81)	(22.37)	(26.21)	60.39
Average Total Return	N/A	(15.11)	(5.79)	(3.74)	4.41

During the 6-month financial period under review, the Fund fell by -13.41%, outperforming the benchmark, which declined by -14.71%.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	31.03.2020	30.09.2019 Audited	Changes %
NAV (RM Million)	16.19	18.00	(10.06)
NAV/Unit (RM)	1.1057	1.2778	(13.47)
FBMKLCI	1,322.66	1,583.91	(16.49)

For the 6-month financial period under review, the total NAV decreased by 10.06%, while the NAV per unit declined by 13.47%. The decrease in total NAV was due to fund redemption, while the lower NAV per unit was due to negative 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 period have been extracted from Lipper.

PORTFOLIO STRUCTURE**Asset allocation**

(% of NAV)	31.03.2020	30.09.2019 Audited
Quoted securities	92.17	98.12
Cash and other net assets	7.83	1.88
TOTAL	100.00	100.00

The Fund remained fully invested during the financial period under review. A minimal level of liquid assets was maintained primarily for liquidity purposes. The higher cash levels of 7.83% was due to rebalancing activities at the end of the reporting period.

MARKET OUTLOOK*

Malaysia's fiscal deficit is expected to expand from an earlier 3.2% target to just 4.0% as the Government looks to partly fund its spending with budget re-allocation and higher dividends from Government-Linked Companies ("GLCs") such as Petroliaam Nasional Berhad ("Petronas"). BNM has also cut its OPR by a further 25 bps to 2.5% and slashed its Statutory Reserve Requirement ("SRR") by 100 bps to 2.0% in order to inject liquidity into the economy. Despite the significant fiscal and monetary policy response, we still expect the domestic economy to be severely impacted by both supply disruption and demand destruction from the COVID-19 outbreak.

* 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

As this is an Index Fund, the Fund will continue to remain fully invested in the Benchmark Index stocks with minimal cash kept for liquidity purposes in order to track the performance of the benchmark.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 March 2020 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	372	1.00	6.83
5,001 to 10,000	182	1.33	9.08
10,001 to 50,000	285	5.94	40.57
50,001 to 500,000	45	4.23	28.89
500,001 and above	3	2.14	14.63
Total	887	14.64	100.00

SOFT COMMISSIONS AND REBATES

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

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

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

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 11 to 33 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 March 2020 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 May 2020

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

We have acted as Trustee of CIMB-Principal KLCI-Linked Fund (the "Fund") for the financial period ended 31 March 2020. To the best of our knowledge, Principal Asset Management Berhad (the "Manager"), has operated and managed the Fund in accordance with the following:

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

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
14 May 2020

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020**

		01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
	Note	RM	RM
LOSS			
Dividend income		337,147	246,311
Interest income from deposits with licensed financial institutions at amortised cost and current account		4,446	2,985
Interest income from futures margin accounts		-	195
Net loss on financial assets at fair value through profit or loss	7	(2,652,911)	(1,718,786)
Net loss on derivative liabilities at fair value through profit or loss	9	-	(30,265)
		<u>(2,311,318)</u>	<u>(1,499,560)</u>
EXPENSES			
Management fee	4	83,346	92,376
Trustee's fee	5	6,141	6,806
Audit fee		8,550	8,550
Tax agent's fee		2,800	2,050
Transaction costs		2,942	12,219
Other expenses		6,657	4,999
		<u>110,436</u>	<u>127,000</u>
LOSS BEFORE TAXATION		(2,421,754)	(1,626,560)
Taxation	6	-	-
LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u>(2,421,754)</u>	<u>(1,626,560)</u>
Loss after taxation is made up as follows:			
Realised amount		259,508	234,795
Unrealised amount		(2,681,262)	(1,861,355)
		<u>(2,421,754)</u>	<u>(1,626,560)</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

		31.03.2020	30.09.2019
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	8	681,993	268,296
Financial assets at fair value through profit or loss	7	14,923,076	17,666,570
Amount due from Manager		468,311	3,484
Dividends receivable		144,630	119,939
Tax recoverable		3,826	7,304
TOTAL ASSETS		<u>16,221,836</u>	<u>18,065,593</u>
LIABILITIES			
Amount due to Manager		-	30,252
Accrued management fee		12,563	14,133
Amount due to Trustee		926	1,041
Other payables and accruals		16,950	15,700
TOTAL LIABILITIES		<u>30,439</u>	<u>61,126</u>
NET ASSET VALUE OF THE FUND		<u>16,191,397</u>	<u>18,004,467</u>
EQUITY			
Unit holders' capital		2,057,671	1,448,987
Retained earnings		14,133,726	16,555,480
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>16,191,397</u>	<u>18,004,467</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>14,643,544</u>	<u>14,089,474</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.1057</u>	<u>1.2778</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 October 2019		1,448,987	16,555,480	18,004,467
Movement in unit holders' contributions:				
- Creation of units from applications		1,971,022	-	1,971,022
- Cancellation of units		(1,362,338)	-	(1,362,338)
Total comprehensive loss for the financial period		-	(2,421,754)	(2,421,754)
Balance as at 31 March 2020		<u>2,057,671</u>	<u>14,133,726</u>	<u>16,191,397</u>
Balance as at 1 October 2018		2,419,830	18,530,206	20,950,036
Movement in unit holders' contributions:				
- Creation of units from applications		860,886	-	860,886
- Cancellation of units		(1,726,566)	-	(1,726,566)
Total comprehensive loss for the financial period		-	(1,626,560)	(1,626,560)
Balance as at 31 March 2019		<u>1,554,150</u>	<u>16,903,646</u>	<u>18,457,796</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020**

	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of quoted securities	383,715	2,814,588
Purchase of quoted securities	(296,074)	(2,258,419)
Increase in margin accounts	-	31,112
Dividend income received	312,456	301,554
Interest income received from deposits with licensed financial institutions	4,446	3,180
Management fee paid	(84,916)	(93,649)
Trustee's fee paid	(6,256)	(6,900)
Payments for other fees and expenses	(16,757)	(9,624)
Receipts for future margin	-	(31,110)
Tax refund received	3,478	-
Net cash generated from operating activities	<u>300,092</u>	<u>750,732</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	1,506,195	860,493
Payments for cancellation of units	(1,392,590)	(1,829,576)
Net cash generated from/(used in) financing activities	<u>113,605</u>	<u>(969,083)</u>
Net increase/(decrease) in cash and cash equivalents	413,697	(218,351)
Cash and cash equivalents at the beginning of the financial period	<u>268,296</u>	<u>255,611</u>
Cash and cash equivalents at the end of the financial period	<u>681,993</u>	<u>37,260</u>
Cash and cash equivalents comprise of		
Deposits with licensed financial institutions	645,045	-
Bank balances	<u>36,948</u>	<u>37,260</u>
Cash and cash equivalents at the end of the financial period	<u>681,993</u>	<u>37,260</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2020

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal KLCI-Linked Fund (the “Fund”) is governed by a Master Deed dated 30 November 2007, a First Supplemental Master Deed dated 25 June 2008, a Second Supplemental Master Deed dated 14 July 2008, a Third Supplemental Deed dated 16 July 2009, a Fourth Supplemental Deed dated 26 July 2013 and a Fifth Supplemental Deed dated 23 March 2015 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund is an index fund which aims to track the movement of the FBMKLCI. The Fund’s indexing strategy is to hold a representative sample of the securities that make up its underlying index. Thus, the Fund normally invests at least 90% of its NAV in the index stocks representing the top 95%-98% of the index weights. As such, the Fund may invest up to 30 index stocks, being the representative index stocks of the FBMKLCI. The Fund may also utilise index futures to ensure it is fully invested at all times and to reduce transaction costs.

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and International Financial Reporting Standards (“IFRS”).

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

The Fund has applied the following amendments to published standards for the first time for the financial period beginning 1 October 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 financial periods beginning on 1 October 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 financial period beginning on/after 1 October 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.

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 at fair value through OCI.

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

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

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

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

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

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

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

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

Deposits with licensed financial institution 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 losses ("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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

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

(d) Functional and presentation currency

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

(e) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Taxation**

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

Withholding taxes on investment income from investments are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not “income tax” in nature and are recognised and measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

(g) 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.

(h) Derivatives financial instruments

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

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

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

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

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

(i) Realised and unrealised portions of increase/decrease in net assets attributable to unit holders.

The analysis of realised and unrealised portions of increase/decrease in net assets attributable to unit holders as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on Unit Trust Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(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 are no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

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

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

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

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

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

However, the Manager is of the opinion that there are no accounting policies which require significant judgement to be exercised.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to achieve medium to long-term capital appreciation by seeking to match the performance of the FBMKLCI.

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

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

(a) Market risk

(i) Price risk

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

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

(ii) Interest rate risk

Interest rate is a general economic indicator that will have an impact on the management of the Fund.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

Cash flow interest rate risk is the risk that the futures cash flows of financial instruments which fluctuate because of changes in market interest rate.

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Credit risk**

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

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

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holder's capital of and retained earnings. The amount of capital can change significantly on a daily basis as the Fund is subjected to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit 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 value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31.03.2020				
Financial asset at fair value through profit or loss:				
- Quoted securities	14,923,076	-	-	14,923,076
30.09.2019				
Audited				
Financial asset at fair value through profit or loss:				
- Quoted securities	17,666,570	-	-	17,666,570

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

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

4. MANAGEMENT FEE

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

For the six months financial period ended 31 March 2020, the management fee is recognised at a rate of 0.95% per annum (31.03.2019: 0.95% per annum).

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.20% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 31 March 2020, the Trustee's fee is recognised at a rate of 0.07% per annum (31.03.2019: 0.07% per annum).

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

6. TAXATION

	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
	RM	RM
Tax charged for the financial period:		
- Current taxation	-	-

6. TAXATION (CONTINUED)

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

	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
	RM	RM
Loss before taxation	<u>(2,421,754)</u>	<u>(1,626,560)</u>
Taxation at Malaysian statutory rate of 24%	(581,221)	(390,374)
Tax effects of:		
Income not subject to tax	554,716	359,894
Expenses not deductible for tax purposes	3,076	5,476
Restriction on tax deductible expenses for Unit Trust Funds	<u>23,429</u>	<u>25,004</u>
Taxation	<u>-</u>	<u>-</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.03.2020	30.09.2019
	RM	Audited RM
At fair value through profit or loss:		
- Quoted securities	<u>14,923,076</u>	<u>17,666,570</u>
	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
	RM	RM
Net loss on financial assets at fair value through profit or loss:		
- Realised gain on disposals	28,351	143,369
- Unrealised fair value loss	<u>(2,681,262)</u>	<u>(1,862,155)</u>
	<u>(2,652,911)</u>	<u>(1,718,786)</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.03.2020				
QUOTED SECURITIES				
Consumer Products & Services				
Genting Bhd	85,300	676,019	319,875	1.98
Genting Malaysia Bhd	105,700	386,096	212,457	1.31
Nestle (Malaysia) Bhd	2,300	251,170	314,410	1.94
Petronas Dagangan Bhd	11,200	219,235	236,992	1.46
PPB Group Bhd	25,440	317,381	417,724	2.58
Sime Darby Bhd	134,245	244,375	226,874	1.40
	<u>364,185</u>	<u>2,094,276</u>	<u>1,728,332</u>	<u>10.67</u>
Energy				
Dialog Group Bhd	<u>166,900</u>	<u>549,351</u>	<u>507,376</u>	<u>3.13</u>
Financial Services				
AMMB Holdings Bhd	72,000	311,751	216,000	1.33
CIMB Group Holdings Bhd	251,326	1,500,116	904,774	5.59
Hong Leong Bank Bhd	24,400	293,657	328,424	2.03
Hong Leong Financial Group Bhd	9,210	134,576	125,993	0.78
Malayan Banking Bhd	193,468	1,595,649	1,441,337	8.90
Public Bank Bhd	94,044	1,382,935	1,495,300	9.24
RHB Bank Bhd	55,778	297,340	261,599	1.62
RHB Capital Bhd #	37,554	-	-	0.00
	<u>737,780</u>	<u>5,516,024</u>	<u>4,773,427</u>	<u>29.49</u>
Health Care				
Hartalega Holdings Bhd	56,500	347,168	388,720	2.40
IHH Healthcare Bhd	106,900	422,110	551,604	3.41
Top Glove Corporation Bhd	63,000	326,923	406,350	2.51
	<u>226,400</u>	<u>1,096,201</u>	<u>1,346,674</u>	<u>8.32</u>
Industrial Products & Services				
Hap Seng Consolidated Bhd	23,300	205,489	177,546	1.10
Petronas Chemicals Group Bhd	103,900	699,620	524,695	3.24
Press Metal Aluminium Holdings Bhd	69,100	337,169	227,339	1.40
	<u>196,300</u>	<u>1,242,278</u>	<u>929,580</u>	<u>5.74</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.03.2020 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Plantation				
IOI Corporation Bhd	116,580	510,010	466,320	2.88
Kuala Lumpur Kepong Bhd	17,321	327,850	359,584	2.22
Sime Darby Plantation Bhd	132,045	730,032	652,302	4.03
	<u>265,946</u>	<u>1,567,892</u>	<u>1,478,206</u>	<u>9.13</u>
Telecommunications & Media				
Axiata Group Bhd	166,737	724,843	546,897	3.38
DiGi.Com Bhd	136,200	408,278	592,470	3.66
Maxis Bhd	100,700	590,055	538,745	3.33
	<u>403,637</u>	<u>1,723,176</u>	<u>1,678,112</u>	<u>10.37</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	34,600	309,467	149,472	0.92
MISC Bhd	52,800	296,845	392,832	2.43
	<u>87,400</u>	<u>606,312</u>	<u>542,304</u>	<u>3.35</u>
Utilities				
Petronas Gas Bhd	28,300	376,219	435,820	2.69
Tenaga Nasional Bhd	125,062	1,363,289	1,503,245	9.28
	<u>153,362</u>	<u>1,739,508</u>	<u>1,939,065</u>	<u>11.97</u>
TOTAL QUOTED SECURITIES	<u>2,601,910</u>	<u>16,135,018</u>	<u>14,923,076</u>	<u>92.17</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(1,211,942)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>14,923,076</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2019				
Audited				
QUOTED SECURITIES				
Consumer Products & Services				
Genting Bhd	86,300	683,944	495,362	2.75
Genting Malaysia Bhd	105,700	386,096	320,271	1.78
Nestle (Malaysia) Bhd	2,400	262,090	349,681	1.94
Petronas Dagangan Bhd	11,200	219,235	264,320	1.47
PPB Group Bhd	25,140	308,306	456,040	2.53
Sime Darby Bhd	140,245	255,297	315,551	1.75
	<u>370,985</u>	<u>2,114,968</u>	<u>2,201,225</u>	<u>12.22</u>
Energy				
Dialog Group Bhd	<u>172,900</u>	<u>569,100</u>	<u>587,860</u>	<u>3.27</u>
Financial Services				
AMMB Holding Bhd	75,000	324,741	310,500	1.72
CIMB Group Holdings Bhd	247,326	1,480,355	1,244,050	6.91
Hong Leong Bank Bhd	24,400	293,657	399,184	2.22
Hong Leong Financial Group	9,910	144,804	161,137	0.89
Malayan Banking Bhd	202,968	1,673,670	1,727,258	9.59
Public Bank Bhd	87,044	1,255,953	1,747,844	9.71
RHB Bank Bhd	53,778	285,880	303,308	1.68
RHB Capital Bhd #	<u>37,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>737,980</u>	<u>5,459,060</u>	<u>5,893,281</u>	<u>32.72</u>
Health Care				
Hartalega Holdings Bhd	56,500	347,168	296,625	1.65
IHH Healthcare Bhd	107,900	426,059	612,872	3.40
Top Glove Corporation Bhd	<u>63,000</u>	<u>326,923</u>	<u>280,350</u>	<u>1.56</u>
	<u>227,400</u>	<u>1,100,150</u>	<u>1,189,847</u>	<u>6.61</u>
Industrial Products & Services				
Hap Seng Consolidated Bhd	25,300	223,128	249,458	1.39
Petronas Chemicals Group Bhd	104,400	702,987	787,176	4.37
Press Metal Aluminium Holdings Bhd	<u>67,100</u>	<u>327,869</u>	<u>319,396</u>	<u>1.77</u>
	<u>196,800</u>	<u>1,253,984</u>	<u>1,356,030</u>	<u>7.53</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2019 (CONTINUED)				
Audited (Continued)				
QUOTED SECURITIES				
(CONTINUED)				
Plantation				
IOI Corporation Bhd	118,580	518,759	525,310	2.92
Kuala Lumpur Kepong Bhd	17,550	331,176	405,054	2.25
Sime Darby Plantation Bhd	132,045	730,032	624,573	3.47
	<u>268,175</u>	<u>1,579,967</u>	<u>1,554,937</u>	<u>8.64</u>
Telecommunications & Media				
Axiata Group Bhd	169,737	737,885	729,870	4.05
DiGi.Com Bhd	136,200	408,278	646,950	3.60
Maxis Bhd	101,700	595,915	569,520	3.16
	<u>407,637</u>	<u>1,742,078</u>	<u>1,946,340</u>	<u>10.81</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	34,600	309,467	299,290	1.66
MISC Bhd	54,800	308,089	427,440	2.38
	<u>89,400</u>	<u>617,556</u>	<u>726,730</u>	<u>4.04</u>
Utilities				
Petronas Gas Bhd	28,300	376,219	463,554	2.57
Tenaga Nasional Bhd	128,062	1,384,168	1,746,766	9.71
	<u>156,362</u>	<u>1,760,387</u>	<u>2,210,320</u>	<u>12.28</u>
TOTAL QUOTED SECURITIES	<u>2,627,639</u>	<u>16,197,250</u>	<u>17,666,570</u>	<u>98.12</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,469,320</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>17,666,570</u>		

The Fund holds shares in RHB Capital Bhd, which has been delisted to facilitate the transfer of shares and listing status to RHB Bank Bhd. Following the spin-off event on 2 June 2016, there is no cost and market value for the said security as all assets and liabilities have been vested to RHB Bank Bhd.

8. CASH AND CASH EQUIVALENTS

	31.03.2020	30.09.2019
	RM	Audited RM
Deposits with licensed financial institutions	645,045	248,021
Bank balances	36,948	20,275
	<u>681,993</u>	<u>268,296</u>

9. DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	01.10.2018 to 31.03.2019
	RM
Net loss on derivative liabilities at fair value through profit or loss	
- Realised loss on futures contract	(31,065)
- Unrealised gain on futures contract	800
	<u>(30,265)</u>

As at 31 March 2020, there are no FBMKLCI Futures contracts outstanding (30.09.2019: Nil).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.10.2019 to 31.03.2020	01.10.2018 to 30.09.2019
	No. of units	Audited No. of units
At the beginning of the financial period/year	14,089,474	14,838,790
Add: Creation of units from applications	1,649,784	1,457,463
Less: Cancellation of units	(1,095,714)	(2,206,779)
At the end of the financial period/year	<u>14,643,544</u>	<u>14,089,474</u>

11. MANAGEMENT EXPENSE RATIO ("MER")

	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
	%	%
MER	<u>0.61</u>	<u>0.59</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM17,556,657 (31.03.2019: RM19,501,312).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.10.2019 to 31.03.2020	01.10.2018 to 31.03.2019
PTR (times)	<u>0.02</u>	<u>0.09</u>

PTR is derived from the following calculation:

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

where:

total acquisition for the financial period = RM294,930 (31.03.2019: RM1,391,612)
 total disposal for the financial period = RM385,513 (31.03.2019: RM1,980,711)

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

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

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

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

Units held by the Manager and parties related to the Manager

The units in the Fund, held by the Manager are as follows:

	31.03.2020		30.09.2019 Audited	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad	2,006	2,218	1,692	2,162

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

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

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

There were no significant related party transactions and balances at the end of each financial period/year.

14. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

Details of transactions with the top 10 brokers/dealers for the six months financial period ended 31 March 2020 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CGS-CIMB Securities Sdn Bhd #	147,560	21.88	363	18.74
RHB Investment Bank Bhd	130,172	19.30	322	16.62
CLSA Securities Malaysia Sdn Bhd	126,982	18.83	286	14.77
Hong Leong Investment Bank Bhd	97,040	14.39	361	18.64
Maybank Investment Bank Bhd	95,851	14.21	353	18.22
Affin Hwang Investment Bank Bhd	76,700	11.39	252	13.01
	<u>674,305</u>	<u>100.00</u>	<u>1,937</u>	<u>100.00</u>

14. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the six months financial period ended 31 March 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Investment Bank Bhd #	438,737	13.13	1,008	12.84
KAF Seagroats & Campbell Securities Sdn Bhd	433,093	12.96	974	12.41
Affin Hwang Investment Bank Bhd	392,881	11.76	926	11.80
RHB Investment Bank Bhd	386,664	11.57	870	11.08
Credit Suisse (M) Sdn Bhd	342,060	10.24	770	9.80
CLSA Securities Malaysia Sdn Bhd	323,764	9.69	728	9.27
Alliance Investment Bank Bhd	304,435	9.11	693	8.82
Kenanga Investment Bank Bhd	271,290	8.12	610	7.77
JPMorgan Securities (M) Sdn Bhd	247,050	7.39	586	7.46
Hong Leong Investment Bank Bhd	122,500	3.67	394	5.02
Others	79,353	2.36	293	3.73
	<u>3,341,827</u>	<u>100.00</u>	<u>7,852</u>	<u>100.00</u>

Included in the transactions are trades conducted with CGS-CIMB Securities Sdn Bhd and CIMB Investment Bank Bhd, fellow related parties to the Manager amounting to RM147,560 (31.03.2019: Nil) and Nil (31.03.2019: RM438,737). 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. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

The worsening of the macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund's performance after the financial period end.

The Manager is monitoring the situation closely and will be managing the portfolio to achieve the Fund's objective.

16. SUBSEQUENT EVENTS

The Fund has changed its name from CIMB-Principal KLCI-Linked Fund to Principal KLCI-Linked Fund following the issuance of the Replacement Master Prospectus dated 17 April 2020.

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