

CIMB-Principal KLCI-Linked Fund

Annual Report

For The Financial Year Ended 30 September 2019

CIMB-PRINCIPAL KLCI-LINKED FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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INVESTORS' LETTER

Dear Valued Investors,

We have recently launched two new funds – Principal Global Real Estate Fund and Principal Greater Bay Fund in our effort to help you diversify your investments portfolios. These funds will enable you to have the opportunity to increase your investment potential in generating income and capital appreciation with diversified global portfolios.

The Principal Greater Bay Fund seeks investment opportunities in equities of companies which benefit from the development of the Greater Bay Area which includes Hong Kong, Macau, Shenzhen, and Guangdong to achieve capital appreciation over the medium to long term. It provides a variety of asset classes, namely the China A and H shares, focusing on large and/or mid-capitalisation companies in equities from sectors under the Benchmark Index, which includes but not limited to technology, financials and consumer sector.

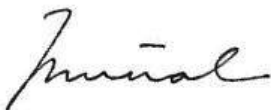
Principal Global Real Estate Fund, the dynamic real estate strategy is different from anything currently available in the market. The unique combination of real estate equity and fixed income securities helps cushion the impact of any unforeseen eventualities.

The Principal Global Real Estate Fund intends to increase investor investment potential, while limiting their downside exposure. This unique combination allows investors to benefit from the growing popularity of Real Estate Investment Trusts (“REITs”) have experienced in recent years for their strong performance in low interest rate and volatile global market conditions; and from Commercial Mortgage-backed Securities (“CMBS”), historically known for strong yields without additional risk exposure. Talk to your consultant today to know more how you can further diversify your portfolios with these funds.

As of September 2019, our Assets under Management (“AUM”) stood at RM57.06 billion. Thank you for your continuous support and allowing us to help you achieve your financial goals and live your best life.

Thank you.

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



Munirah Khairuddin
Chief Executive Officer

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 year under review, the Fund has performed in line with its stated objectives.

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

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

High

When was the Fund launched?

8 June 2000

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

RM18.00 million (14.09 million units)

What is the Fund's benchmark?

FBMKLCI

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

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.

PERFORMANCE DATA

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

	30.09.2019	30.09.2018	30.09.2017
	%	%	%
Quoted securities			
- Construction	-	-	1.95
- Consumer Products	-	-	2.43
- Consumer Products & Services	12.22	13.62	-
- Energy	3.27	3.06	-
- Finance	-	-	34.99
- Financial Services	32.72	31.76	-
- Health Care	6.61	4.59	-
- Industrials	-	-	6.13
- Industrial Products & Services	7.53	8.02	-
- Infrastructure Project Companies ("IPC")	-	-	3.35
- Plantation	8.64	8.49	4.93
- Real Estate Investment Trust ("REITs")	-	0.80	0.58
- Telecommunications & Media	10.81	11.54	-
- Transportation & Logistics	4.04	3.39	-
- Trading/Services	-	-	43.64
- Utilities	12.28	12.44	-
KLCI Futures Contracts	-	0.37	0.21
Cash and other net assets	1.88	1.92	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 the last three financial years are as follows:

	30.09.2019	30.09.2018	30.09.2017
NAV (RM Million)	18.00	20.95	20.56
Units in circulation (Million)	14.09	14.84	15.27
NAV per unit (RM)	1.2778	1.4118	1.3466
Highest NAV per unit (RM)	1.4153	1.4740	1.3708
Lowest NAV per unit (RM)	1.2703	1.3035	1.2223
Total return (%)	(9.54)	4.83	8.00
- Capital growth (%)	(9.54)	4.83	8.00
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) ^	1.14	1.23	1.27
Portfolio Turnover Ratio ("PTR") (times) #	0.12	0.32	0.12

^ The Fund's MER decreased from 1.23% to 1.14% due to decreased expenses during the financial year.

The Fund's PTR decreased from 0.32 times to 0.12 times due to lesser trades during the financial year under review.

PERFORMANCE DATA (CONTINUED)

	30.09.2019	30.09.2018	30.09.2017	30.09.2016	30.09.2015
	%	%	%	%	%
Annual total return	(9.54)	4.83	8.00	4.20	(10.58)

(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 year have been extracted from Lipper.

Characteristics and general composition of the Index

Sector	Percentage of Index (Market Capitalisation)
	%
Consumer Products & Services	11.50
Energy	3.11
Financial Services	35.80
Health Care	6.43
Industrial Products & Services	7.35
Plantation	8.33
Telecommunications/Media	10.50
Transportation/Logistics	3.78
Utilities	13.20
TOTAL	100.00

MARKET REVIEW (1 OCTOBER 2018 TO 30 SEPTEMBER 2019)

For the financial year under review, the FBMKLCI fell 11.6% from 1,793.15 points to 1,583.91 points.

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

The FBMKLCI ended the year in November 2018 and December 2018 marginally higher by 0.64% to close at 1,690.58 points. However, for the whole of 2018, the FBMKLCI was lower by 5.91%. During the month, the RM strengthened to RM4.133 against USD from RM4.184 in the previous month. Brent crude oil slumped to USD53.80 per barrel, down by 8.36% m-o-m. The Street expects the budget deficit to narrow from 3.7% in 2018 to 3.4% in 2019 as the Government draws on Petroliaam Nasional Berhad (“Petronas”)’s financial resources with a RM30 billion special dividend. However, recent oil price weakness has dampened the Government’s finances as Budget 2019 was prepared based on average Brent crude oil price assumption of USD70 per barrel versus less than USD60 per barrel now. Should the current oil price weakness persist, the Federal Government will need to re-calibrate its budget to avoid further widening its budget deficit. If this materialise, Gross Domestic Product (“GDP”) growth will face downside risk as Government’s further cost rationalisation will be a dampener on the economy.

MARKET REVIEW (1 OCTOBER 2018 TO 30 SEPTEMBER 2019) (CONTINUED)

In the beginning of 2019, the FBMKLCI ended January 2019 marginally lower by 0.40% to close at 1,684 points due to profit-taking and concerns over corporate earnings and global growth. During the month, the KLCI underperformed the FTSE Bursa Emas, and the FTSE Small-cap Index. The KLCI also underperformed the Morgan Stanley Capital International (“MSCI”) Asia Pacific ex-Japan Index (“MXASJ”) by 3.7%. RM strengthened to RM4.09 against USD from RM4.13 in the previous month. Brent crude oil rose to USD61.89 per barrel, up by 15.03% m-o-m. On the external front, investors will continue to follow closely the latest developments on the ongoing US-China trade tensions, ongoing development of Brexit and negotiations on the US Federal Government (the “Fed”) budget as the temporary bill to fund the Fed spending will expire on 15 February 2019. Policy uncertainty continues to be the order of the day as the East Coast Rail Link (“ECRL”) on-again, off-again saga plays out. There is still no conclusive decision on the said mega project and a gag order has been issued to avoid any further confusion and escalation of rift with the Chinese Government. Conversation with business leaders revealed that the Government relationship with China is at all-time low. Business and consumer sentiment continued slipping for the 2nd consecutive quarter in fourth quarter of 2018.

The FBMKLCI ended February 2019 higher by 1.44% to close at 1,707 points driven by higher Brent Crude Oil, which traded up 6.7% m-o-m to USD66.82 per barrel on supply constraints. Sentiment in the local bourse was further lifted by announcement made the Communications and Multimedia Minister, which indicated there will not be further reductions in high speed broadband prices in 2019 and Fitch re-affirmed Malaysia’s sovereign rating. Investors will be watching out for new developments (policies) from the upcoming Parliament sitting which will take place from 11 March 2019 to 11 April 2019, the release of the Felda White Paper as well as Bank Negara Malaysia (“BNM”) Annual report (slated for 27 March 2019).

In March 2019, the FBMKLCI dipped 3.8% on receding concerns over moderation in global economic growth following the yield curve inversion in the US. Domestically, the downgrade in BNM’s growth forecast also weighed on sentiments, stoking expectation of a policy rate cut as early as May 2019. Growth trajectory remains lacklustre in Malaysia as flagged by BNM during the release of its annual report in March 2019 where it lowered Malaysia’s 2019 GDP forecast to 4.3% to 4.8% vs earlier forecast of 4.9% by the Ministry of Finance (“MOF”). With inflationary pressure remaining tame (<2%), street expectation of a cut in the Overnight Policy Rate (“OPR”) is rising.

The FBMKLCI was relatively unchanged in April 2019 as the Index inched lower by 0.08%. Blue chips have fared worse versus the small and mid-cap stocks as foreign investors continued to be net sellers of Malaysian equities. Positive news flow continues to buoy the construction sector as the revival of Bandar Malaysia project has lifted sentiment and expectation that the shelved High Speed Rail and MRT3 projects may be revived soon. Sustained rebound in crude oil prices have also seen the revival of job flows to oil & gas service providers.

The FBMKLCI ended May 2019 higher by 0.52%. Sentiment was buoyed by two Mergers & acquisitions (“M&A”) announcements involving Axiata Group Bhd and Telenor Group (“Axiata-Telenor”) and YTL Cement Bhd and Lafarge Malaysia and partly driven by foreign buying in the last three days of May 2019. For the first quarter of 2019 earnings season ended with another disappointment as there were still more misses than beats. Plantation, technology, aviation and basic materials were the major disappointments while positive results came from automotive, construction, telco and utilities. While the moderation in first quarter 2019 GDP growth of 4.5% was shallower than street expectation, growth drivers going forward are weak given the escalating trade tension between the US and its major trading partners and slowing private investments due to dampened sentiment. While still maintaining its 4.3% to 4.8% GDP forecast for 2019, BNM has flagged that a full-blown US-China trade war could shave 1.3% to 1.5% off Malaysia’s GDP growth. This suggests that risk to growth is clearly on the downside. On the bright side, recent resumption of mega infrastructure projects such as ECRL and Light Rail Transit (“LRT”) 3 will provide some boost to growth from second half of 2019 onwards.

MARKET REVIEW (1 OCTOBER 2018 TO 30 SEPTEMBER 2019) (CONTINUED)

The FBMKLCI gained 1.29% in Jun 2019 which benefitted from relief rally in June 2019 stemming from expectation of the Fed rate cuts and de-escalation of US-China trade war. Domestic factors which also helped to boost the market include dissipating concern over regulatory risk particularly for airport operator Malaysia Airports Holdings Bhd (“MAHB”) following the release of the latest consultation paper on the implementation of Regulatory Asset Base (“RAB”) framework. We also observed improving investors’ risk appetite for small and mid-cap stocks judging by FBM Small Cap Index’s gain of 3.6% in June 2019 (YTD 15%). Malaysia’s Nikkei Manufacturing Purchasing Managers’ Index (“PMI”) fell again in June 2019 to 47.8 from 48.8 in May 2019, largely dragged by weak external demand. While Malaysia is expected to be a medium-term beneficiary of trade diversion arising from trade war between US and China, adverse impact from supply chain disruption and weaker end demand will hurt Malaysia’s near-term export.

In July 2019, the FBMKLCI shed 2.2%. Weak petrochemical and Crude Palm Oil (“CPO”) prices, and slow loans growth have been a drag on KLCI performance. On the regulatory front, uncertainty is fast receding as the Federal Government is poised to unveil new regulatory frameworks for many regulated industries such as airport, utilities and telco over the next few months. Expectations are rising that incumbents within these industries will not be as severely impacted as previously anticipated. Another positive development is the recent announcement of the resumption of ECRL following a long period of review and cost rationalization. Expectation is now rising that the government will kick start spending on mega infrastructure projects again which will have a higher multiplier effect given increased local participation rate.

The FBMKLCI declined 1.4% in August 2019 in tandem with the selloff in global equity markets. Domestically, the underwhelming second quarter of 2019 earnings season and sell-down of Genting Bhd and Genting Malaysia Bhd following a related party transaction (“RPT”) proposal also led to the decline in the benchmark Index. Second quarter of 2019 earnings season was a major disappointment as reflected by further negative earnings revision leading to a much higher earnings contraction of 7.2% in 2019 (versus 4.5% a month ago). Banks (Net interest margin (“NIM”) compression following OPR cut and rising nonperforming loan (“NPL”)), plantation (low CPO price), chemical (lower commodity price) and basic material (lower commodity price) sectors were the main contributors to the earnings cut.

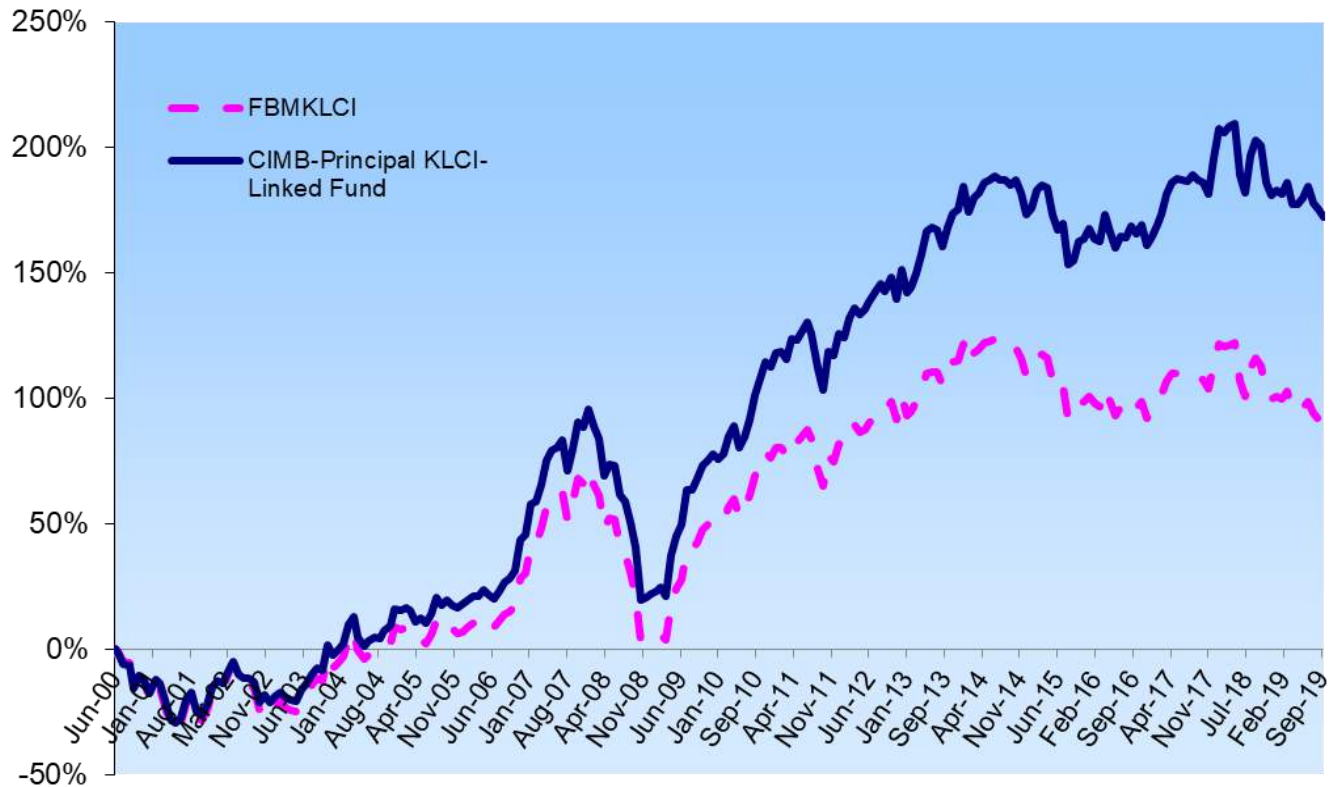
The FBMKLCI declined 1.75% in September 2019 to 1,584 which was in line with regional equity markets. Domestically, the breakdown in Axiata-Telenor merger talks was a dampener on the benchmark Index. As global PMI trend lower, prospect for Malaysia’s external demand growth remain weak with dampened consumer and business sentiment expected to prevail. Ultimately, in the near term, all eyes will be on Budget 2020 which will be revealed by the Government on 11 October 2019.

FUND PERFORMANCE

	1 year to 30.09.2019	3 years to 30.09.2019	5 years to 30.09.2019	Since inception to 30.09.2019
	%	%	%	%
Income	-	-	-	-
Capital	(9.54)	2.41	(4.58)	171.97
Total Return	(9.54)	2.41	(4.58)	171.97
Benchmark	(11.67)	(4.15)	(14.21)	88.06
Average Total Return	(9.54)	2.41	4.58	171.97

During the financial year under review, the Fund fell by 9.54%, outperforming the benchmark, which declined by 11.67%.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	30.09.2019	30.09.2018	Changes %
NAV (RM Million)	18.00	20.95	(14.08)
NAV/Unit (RM)	1.2778	1.4118	(9.49)
FBMKLCI	1,583.91	1,793.15	(11.67)

For the 1-year period under review, the total NAV decreased by 14.08%, while the NAV per unit declined by 9.49%. 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 year have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.09.2019	30.09.2018
Quoted securities	98.12	97.71
KLCI Futures Contracts	-	0.37
Cash and other net assets	1.88	1.92
TOTAL	100.00	100.00

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

MARKET OUTLOOK*

With expectation of further OPR cuts over the next 18 months, we continue to like the dividend investment theme, favouring high dividend yielders with earnings resilience. We also look to accumulate selective growth stocks on weakness within the Utilities, Telecommunication, Oil and Gas and Construction sectors. Our thematic opportunistic trade in the Glove and Technology sectors has performed well, we are cognizant of diminishing returns and will look to sell into strength.

* 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 30 September 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	10,915	1.00	7.09
5,001 – 10,000	183	1.34	9.50
10,001 – 50,000	291	6.02	42.73
50,001 – 500,000	43	3.77	26.75
500,001 and above	3	1.96	13.93
Total	11,435	14.09	100.00

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (*formerly known as CIMB-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 year under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL KLCI-LINKED 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 44 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 September 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 November 2019

**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 year ended 30 September 2019. To the best of our knowledge, Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager"), has operated and managed the Fund in accordance with the following:

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

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
14 November 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB-Principal KLCI-Linked Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 30 September 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 September 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 44.

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 KLCI-LINKED 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 auditor's report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL KLCI-LINKED 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 KLCI-LINKED FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 November 2019

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

	Note	2019 RM	2018 RM
(LOSS)/NCOME			
Dividend income		585,859	776,684
Interest income from deposits with licensed financial institutions at amortised cost		5,899	17,187
Interest income from futures margin accounts		-	242
Net (loss)/gain on financial assets at fair value through profit or loss	7	(2,303,537)	462,446
Net loss on derivative liabilities at fair value through profit or loss	10	(31,436)	(23,639)
		<u>(1,743,215)</u>	<u>1,232,920</u>
EXPENSES			
Management fee	4	180,234	198,260
Trustee's fee	5	13,280	14,609
Audit fee		13,600	12,900
Tax agent's fee		5,600	12,600
Transaction costs		15,428	44,544
Other expenses		3,369	19,181
		<u>231,511</u>	<u>302,094</u>
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		(1,974,726)	930,826
Taxation	6	-	(332)
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		<u>(1,974,726)</u>	<u>930,494</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		551,967	1,412,687
Unrealised amount		(2,526,693)	(482,193)
		<u>(1,974,726)</u>	<u>930,494</u>

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

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

	Not e	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	8	268,296	255,611
Financial assets at fair value through profit or loss	7	17,666,570	20,469,612
Amount due from stockbrokers		-	1,275,938
Amount due from Manager		3,484	595
Dividends receivable		119,939	104,179
Margin account	9	-	77,726
Tax recoverable		7,304	7,304
TOTAL ASSETS		<u>18,065,593</u>	<u>22,190,965</u>
LIABILITIES			
Amount due to stockbrokers		-	861,765
Amount due to Manager		30,252	338,821
Accrued management fee		14,133	16,620
Amount due to Trustee		1,041	1,225
Derivatives liabilities at fair value through profit or loss	10	-	500
Other payables and accruals		15,700	21,998
TOTAL LIABILITIES		<u>61,126</u>	<u>1,240,929</u>
NET ASSET VALUE OF THE FUND		<u>18,004,467</u>	<u>20,950,036</u>
EQUITY			
Unit holders' capital		1,448,987	2,419,830
Retained earnings		16,555,480	18,530,206
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>18,004,467</u>	<u>20,950,036</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	<u>14,089,474</u>	<u>14,838,790</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.2778</u>	<u>1.4118</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

	Unit holders' capital RM	Retained earnings RM	Total RM
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	1,922,977	-	1,922,977
- Cancellation of units	(2,893,820)	-	(2,893,820)
Total comprehensive loss for the financial year	-	(1,974,726)	(1,974,726)
Balance as at 30 September 2019	<u>1,448,987</u>	<u>16,555,480</u>	<u>18,004,467</u>
Balance as at 1 October 2017	2,964,814	17,599,712	20,564,526
Movement in unit holders' contributions:			
- Creation of units from applications	4,483,628	-	4,483,628
- Cancellation of units	(5,028,612)	-	(5,028,612)
Total comprehensive income for the financial year	-	930,494	930,494
Balance as at 30 September 2018	<u>2,419,830</u>	<u>18,530,206</u>	<u>20,950,036</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

	2019	2018
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of quoted securities	3,777,871	6,518,555
Purchase of quoted securities	(2,879,621)	(6,830,824)
Receipt from/(payments to) margin accounts	45,790	(63,625)
Dividend income received	569,939	708,120
Interest income received from deposits with licensed financial institutions	5,899	17,429
Management fee paid	(182,721)	(197,956)
Trustee's fee paid	(13,464)	(14,586)
Payments for other fees and expenses	(28,706)	(42,641)
Net cash generated from operating activities	1,294,987	94,472
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	1,920,088	4,483,627
Payments for cancellation of units	(3,202,390)	(4,738,250)
Net cash used in financing activities	(1,282,302)	(254,623)
Net increase/(decrease) in cash and cash equivalents	12,685	(160,151)
Cash and cash equivalents at the beginning of the financial year	255,611	415,762
Cash and cash equivalents at the end of the financial year	8 268,296	255,611
<u>Cash and cash equivalents comprised of:</u>		
Deposits with licensed financial institutions	248,021	217,059
Bank balance	20,275	38,552
Cash and cash equivalents at the end of the financial year	8 268,296	255,611

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

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 (*formerly known as CIMB-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 IFRS.

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

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

It also requires the Manager to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**Standard that is effective and relevant:

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

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

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument¹ is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represents solely payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income ("OCI") if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative³ and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through OCI. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

(i) Financial year beginning on/after 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 or equity) depends on where the past transactions that generated distributable profits were recognised.

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

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

(b) Financial assets and financial liabilities

Classification

Up to 31 September 2018, the Fund designates its investment in quoted securities as financial assets at fair value through profit or loss at inception.

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

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

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

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

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

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

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

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 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.

Recognition and measurement

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

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

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

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

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

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

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

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

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

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

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

Impairment for assets carried at amortised costs

Up to 30 September 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Impairment for assets carried at amortised costs (continued)

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Income recognition

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

Up to 30 September 2018, when a loan and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

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

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

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

(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 unfavourable.

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).

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 sold and payables for quoted 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 up to 30 September 2018 and subsequently measured at amortised cost using the effective profit method, less provision for impairment for amount due from stockbrokers. From 1 October 2018, these amounts are subsequently measured at amortised cost.

Impairment for amount due from/to stockbrokers are explained in Note 2(b).

(j) Unit holders' capital

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

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

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

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

(k) 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 in applying these accounting policies, no significant judgement was required.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2019			
Cash and cash equivalents (Note 8)	-	268,296	268,296
Quoted securities (Note 7)	17,666,570	-	17,666,570
Amount due from Manager	-	3,484	3,484
Dividends receivable	-	119,939	119,939
	<u>17,666,570</u>	<u>391,719</u>	<u>18,058,289</u>
	Financial assets at fair value through profit or loss RM	Loan and receivables RM	Total RM
2018			
Cash and cash equivalents (Note 8)	-	255,611	255,611
Quoted securities (Note 7)	20,469,612	-	20,469,612
Amount due from stockbrokers	-	1,275,938	1,275,938
Amount due from Manager	-	595	595
Dividends receivable	-	104,179	104,179
Margin account (Note 9)	-	77,726	77,726
	<u>20,469,612</u>	<u>1,714,049</u>	<u>22,183,661</u>

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

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.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

(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.

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	17,666,570	20,469,612
Derivative liabilities at fair value through profit or loss:		
- Futures contracts	-	(500)
	<u>17,666,570</u>	<u>20,469,112</u>

At 30 September, the Fund's overall exposure to price risk including the notional exposure on derivative contracts were as follows:

	2019 RM	2018 RM
Quoted securities	17,666,570	20,469,612
Futures contracts	-	359,000
	<u>17,666,570</u>	<u>20,828,612</u>

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

(b) Market risk

(i) Price risk (continued)

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of quoted securities and derivative liabilities at the end of each reporting year. The analysis is based on the assumptions that the price of the quoted securities fluctuates by 10% (2018: 10%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the FBMKLCI Index quoted securities and derivatives liabilities, having regard to the historical volatility of the index.

% Change in price of quoted securities and derivative liabilities	Fair value RM	Impact on profit or loss/NAV RM
2019		
-10 %	15,899,913	(1,766,657)
0 %	17,666,570	-
10 %	19,433,227	1,766,657
2018		
-10 %	18,422,201	(2,046,911)
0 %	20,469,112	-
10 %	22,516,023	2,046,911

(ii) Interest rate risk

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

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

The Fund's exposure to fair value interest rate risk arises from investment in money market instrument. 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 year, the Fund is not exposed to a material level of interest rate risk.

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

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual 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 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 exchanges. The credit risk is minimal as all transactions in quoted securities are settled/paid upon delivery using approved stockbrokers.

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

	Cash and cash equivalents RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2019				
AAA	268,296	-	-	268,296
Not Rated	-	3,484	119,939	123,423
	<u>268,296</u>	<u>3,484</u>	<u>119,939</u>	<u>391,719</u>

	Cash and cash equivalents RM	Margin Account RM	Amount due from stock-brokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2018						
AAA	255,611	77,726	-	-	98,802	432,139
AA2	-	-	-	-	3,286	3,286
Not Rated	-	-	1,275,938	595	2,091	1,278,624
	<u>255,611</u>	<u>77,726</u>	<u>1,275,938</u>	<u>595</u>	<u>104,179</u>	<u>1,714,049</u>

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

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

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank 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.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2019			
Amount due to Manager	30,252	-	30,252
Accrued management fee	14,133	-	14,133
Amount due to Trustee	1,041	-	1,041
Other payables and accruals	-	15,700	15,700
Contractual undiscounted cash flows	45,426	15,700	61,126
2018			
Amount due to stockbrokers	861,765	-	861,765
Amount due to Manager	338,821	-	338,821
Accrued management fee	16,620	-	16,620
Amount due to Trustee	1,225	-	1,225
Other payables and accruals	-	21,998	21,998
Derivative liabilities at fair value through profit or loss	-	500	500
Contractual undiscounted cash flows	1,218,431	22,498	1,240,929

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holder's capital of RM1,448,987 (2018: RM2,419,830) and retained earnings of RM16,555,480 (2018: RM18,530,206). 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.

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

(e) Fair value estimation

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

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

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

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

(i) Fair value hierarchy

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

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

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires 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	<u>17,666,570</u>	<u>-</u>	<u>-</u>	<u>17,666,570</u>
2018				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>20,469,612</u>	<u>-</u>	<u>-</u>	<u>20,469,612</u>
Financial liabilities at fair value through profit or loss:				
- Derivative liabilities - Future contracts	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>(500)</u>

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

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

4. MANAGEMENT FEE

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

For the financial year ended 30 September 2019, the management fee is recognised at a rate of 0.95% per annum (2018: 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 financial year ended 30 September 2019, the Trustee's fee is recognised at a rate of 0.07% per annum (2018: 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

	2019	2018
	RM	RM
Tax charged for the financial year:		
- Withholding tax	<u>-</u>	<u>332</u>

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

	2019	2018
	RM	RM
(Loss)/Profit before taxation	<u>(1,974,726)</u>	<u>930,826</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	(473,934)	223,398
Tax effects of:		
Loss not deductible for tax purposes/(Income not subject to tax)	418,372	(295,901)
Expenses not deductible for tax purposes	7,348	18,142
Restriction on tax deductible expenses for Unit Trust Funds	48,214	54,361
Income subject to withholding tax	<u>-</u>	<u>332</u>
Taxation	<u>-</u>	<u>332</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM	2018 RM
At fair value through profit or loss:		
- Quoted securities	<u>17,666,570</u>	<u>20,469,612</u>
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	223,656	950,264
- Unrealised fair value loss	<u>(2,527,193)</u>	<u>(487,818)</u>
	<u>(2,303,537)</u>	<u>462,446</u>

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
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	172,900	569,100	587,860	3.27
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 #	37,554	-	-	-
	<u>737,980</u>	<u>5,459,060</u>	<u>5,893,281</u>	<u>32.72</u>
Health Care				
Hartalega Holding Bhd	56,500	347,168	296,625	1.65
IHH Healthcare Bhd	107,900	426,059	612,872	3.40
Top Glove Corporation Bhd	63,000	326,923	280,350	1.56
	<u>227,400</u>	<u>1,100,150</u>	<u>1,189,847</u>	<u>6.61</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 %
2019 (CONTINUED) QUOTED SECURITIES (CONTINUED)				
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 Holding Bhd	67,100	327,869	319,396	1.77
	<u>196,800</u>	<u>1,253,984</u>	<u>1,356,030</u>	<u>7.53</u>
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 Holding 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>		

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 %
2018				
QUOTED SECURITIES				
Consumer Products & Services				
Genting Bhd	89,500	716,366	698,995	3.34
Genting Malaysia Bhd	115,700	413,277	577,343	2.76
Nestle (Malaysia) Bhd	2,600	273,443	380,640	1.82
Petronas Dagangan Bhd	13,300	247,490	349,258	1.67
PPB Group Bhd	27,140	332,833	455,409	2.17
Sime Darby Bhd	148,945	267,376	388,746	1.86
	<u>397,185</u>	<u>2,250,785</u>	<u>2,850,391</u>	<u>13.62</u>
Energy				
Dialog Group Bhd	183,900	607,294	641,811	3.06
Financial Services				
CIMB Group Holdings Bhd	255,865	1,541,432	1,537,749	7.34
Hong Leong Bank Bhd	26,900	323,745	553,602	2.64
Hong Leong Financial Group Bhd	10,910	159,416	210,563	1.01
Malayan Banking Bhd	207,968	1,704,605	2,036,007	9.72
Public Bank Bhd	81,044	1,068,489	2,026,100	9.67
RHB Bank Bhd	53,778	285,880	290,401	1.38
RHB Capital Bhd #	37,554	-	-	-
	<u>674,019</u>	<u>5,083,567</u>	<u>6,654,422</u>	<u>31.76</u>
Health Care				
Hartalega Holdings Bhd	59,500	365,424	393,890	1.88
IHH Healthcare Bhd	108,900	425,087	567,369	2.71
	<u>168,400</u>	<u>790,511</u>	<u>961,259</u>	<u>4.59</u>
Industrial Products & Services				
Hap Seng Consolidated Bhd	28,300	248,955	280,170	1.34
Petronas Chemicals Group Bhd	109,900	698,846	1,028,664	4.91
Press Metal Aluminium Holdings Bhd	76,100	371,845	369,846	1.77
	<u>214,300</u>	<u>1,319,646</u>	<u>1,678,680</u>	<u>8.02</u>
Plantation				
IOI Corporation Bhd	125,580	549,383	570,133	2.72
Kuala Lumpur Kepong Bhd	19,050	359,481	475,488	2.27
Sime Darby Plantation Bhd	138,545	765,968	734,288	3.50
	<u>283,175</u>	<u>1,674,832</u>	<u>1,779,909</u>	<u>8.49</u>
REIT				
KLCC Property Holdings Bhd	22,100	159,835	167,960	0.80

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 %
2018 (CONTINUED) QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Axiata Group Bhd	177,737	772,663	810,481	3.87
Digi.Com Bhd	145,200	431,480	699,864	3.34
Maxis Bhd	108,700	639,545	634,808	3.03
Telekom Malaysia Bhd	84,568	276,555	272,309	1.30
	<u>516,205</u>	<u>2,120,243</u>	<u>2,417,462</u>	<u>11.54</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	40,600	363,132	361,340	1.72
MISC Bhd	57,800	324,983	350,268	1.67
	<u>98,400</u>	<u>688,115</u>	<u>711,608</u>	<u>3.39</u>
Utilities				
Petronas Gas Bhd	31,500	410,815	595,350	2.84
Tenaga Nasional Bhd	130,062	1,367,456	2,010,760	9.60
	<u>161,562</u>	<u>1,778,271</u>	<u>2,606,110</u>	<u>12.44</u>
TOTAL QUOTED SECURITIES	<u>2,719,246</u>	<u>16,473,099</u>	<u>20,469,612</u>	<u>97.71</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>3,996,513</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>20,469,612</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

	2019 RM	2018 RM
Deposits with licensed financial institutions	248,021	217,059
Bank balance	<u>20,275</u>	<u>38,552</u>
	<u>268,296</u>	<u>255,611</u>

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

	2019 %	2018 %
Deposits with licensed financial institutions	<u>3.10</u>	<u>3.30</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 1 day (2018: 1 days).

9. MARGIN ACCOUNT

Margin account represents margin deposits held in respect of open exchange-traded futures contracts.

10. DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM	2018 RM
<u>Derivative liabilities at fair value through profit or loss</u>		
Futures contracts	<u>-</u>	<u>500</u>
<u>Net loss on derivative liabilities at fair value through profit or loss</u>		
Realised loss on futures contracts	(31,936)	(29,264)
Unrealised gain on futures contracts	<u>500</u>	<u>5,625</u>
	<u>(31,436)</u>	<u>(23,639)</u>

As at 30 September 2019, there are no FBMKLCI Futures contracts outstanding (2018: 4). The notional principal amount of the outstanding futures contract amounted to Nil (2018: RM359,000).

The FBMKLCI Futures contracts have been entered into during the financial year to minimise risk of tracking error between the Fund and the Benchmark Index.

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	<u>2019</u>	<u>2018</u>
	No. of units	No. of units
At the beginning of the financial year	14,838,790	15,271,153
Add : Creation of units from applications	1,457,463	3,178,341
Less: Cancellation of units	<u>(2,206,779)</u>	<u>(3,610,704)</u>
At the end of the financial year	<u>14,089,474</u>	<u>14,838,790</u>

12. MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2019</u>	<u>2018</u>
	%	%
MER	<u>1.14</u>	<u>1.23</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 Sales and Services Tax (“SST”) on transaction costs and withholding tax

F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM18,982,565 (2018: RM20,873,699).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2019</u>	<u>2018</u>
PTR (times)	<u>0.12</u>	<u>0.32</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 = RM2,010,932 (2018: RM6,593,569)

total disposal for the financial year = RM2,510,436 (2018 RM6,740,017)

14. 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 (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 Bhd, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of the shareholder of the Manager
CGS-CIMB Securities Sdn Bhd (formerly known as CIMB Securities Sdn Bhd)	Fellow related party to the Manager
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Futures Sdn Bhd	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

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

	<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)	1,692	2,162	188	265

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.

14. 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	-	32
Cash placements with licensed financial institution:		
- CIMB Bank Bhd	-	369,000
Significant related party balances		
Margin account balance		
- CIMB Futures Sdn Bhd	-	77,726

There were no significant related party balances at the end of each financial year, other than those disclosed elsewhere in the financial statements.

15. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

Details of transactions with the top 10 brokers/dealers for the financial year ended 30 September 2019 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 (<i>formerly known as CIMB Securities Sdn Bhd</i>) #	438,737	9.70	1,008	10.74
Kaf Seagroatt & Campbell Securities Sdn. Bhd.	433,093	9.58	974	10.38
Maybank Investment Bank Bhd	431,103	9.53	1,154	12.29
RHB Investment Bank Bhd	404,474	8.95	910	9.69
Affin Hwang Investment Bank Bhd	392,881	8.69	927	9.88
UBS Securities (Malaysia) Sdn Bhd	373,395	8.26	262	2.79
Macquarie Capital Securities (M) Sdn Bhd	350,730	7.76	246	2.62
Credit Suisse Securities (Malaysia) Sdn Bhd	342,060	7.57	770	8.20
CLSA Securities Malaysia Sdn Bhd	323,765	7.16	729	7.77
Alliance Investment Bank Bhd	304,435	6.73	693	7.38
Others	726,695	16.07	1,714	18.26
	<u>4,521,368</u>	<u>100.00</u>	<u>9,387</u>	<u>100.00</u>

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

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

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Affin Hwang Investment Bank Bhd	1,790,234	13.56	4,229	13.80
Hong Leong Investment Bank Bhd	1,787,797	13.54	4,225	13.79
KAF-Seagroatt & Campbell Bhd	1,690,568	12.81	3,804	12.41
Credit Suisse Securities (Malaysia) Sdn Bhd	1,639,038	12.42	3,844	12.54
Kenanga Investment Bank Bhd	1,160,048	8.79	2,685	8.76
Macquarie Capital Securities (Malaysia) Sdn Bhd	1,154,946	8.75	2,654	8.66
RHB Investment Bank Bhd	1,002,776	7.60	2,288	7.47
CLSA Securities Malaysia Sdn Bhd	946,173	7.17	2,129	6.95
CIMB Investment Bank Bhd #	729,961	5.53	1,649	5.38
Maybank Investment Bank Bhd	610,668	4.63	1,571	5.13
Others	688,146	5.20	1,566	5.11
	<u>13,200,355</u>	<u>100.00</u>	<u>30,644</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Investment Bank Bhd and CGS-CIMB Securities Sdn Bhd, fellow related parties to the Manager amounting to Nil (2018: RM729,961) and RM438,737 (2018: Nil). 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.

16. MFRS 9 FINANCIAL INSTRUMENTS

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

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

	Measurement category		Original (MFRS 139) RM	Carrying amount		New (MFRS 9) RM
	Original (MFRS 139)	New (MFRS 9)		Reclassi- fications RM	Remeas- urements RM	
Financial assets						
Cash and cash equivalents	Loan and receivables	Amortised cost	255,611	-	-	255,611
Investment in quoted securities	FVTPL	FVTPL	20,469,612	-	-	20,469,612
Margin account	Loan and receivables	Amortised cost	77,726	-	-	77,726
Amount due from stockbrokers	Loan and receivables	Amortised cost	1,275,938	-	-	1,275,938
Amount due from Manager	Loan and receivables	Amortised cost	595	-	-	595
Dividends receivable	Loan and receivables	Amortised cost	104,179	-	-	104,179
Financial liabilities						
Amount due to stockbrokers	Amortised cost	Amortised cost	861,765	-	-	861,765
Amount due to Manager	Amortised cost	Amortised cost	338,821	-	-	338,821
Accrued management fee	Amortised cost	Amortised cost	16,620	-	-	16,620
Amount due to Trustee	Amortised cost	Amortised cost	1,225	-	-	1,225
Other payables and accruals	Amortised cost	Amortised cost	21,998	-	-	21,998
Derivatives liabilities at fair value through profit or loss	FVTPL	FVTPL	500	-	-	500

17. APPROVAL OF FINANCIAL STATEMENTS

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

DIRECTORY

Head Office of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)
(formerly known as CIMB-Principal Asset Management Berhad)
10th Floor, Bangunan CIMB,
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