

CIMB-Principal Money Market Income Fund

Annual Report

For The Financial Year Ended 31 December 2019

CIMB-PRINCIPAL MONEY MARKET INCOME FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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INVESTORS' LETTER

Dear Valued Investor,

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

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

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

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

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

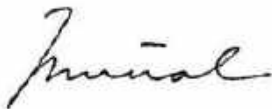
Thank you for your continuous support and allowing us to help you achieve your financial goals.

Thank you.

Yours faithfully,

for **Principal Asset Management Berhad**

(formerly known as CIMB-Principal Asset Management Berhad)



Munirah Khairuddin
Chief Executive Officer

MANAGER’S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to provide a low risk investment option that normally earns higher interest than traditional bank accounts.

Has the Fund achieved its objective?

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

What are the Fund investment policy and principal investment strategy?

The Fund may place at least 90% of its Net Asset Value (“NAV”) in Deposits as well as invest in money market instruments and short-term debentures with a minimum credit rating of “BBB3” or “P2” by RAM Ratings (“RAM”) or equivalent rating by Malaysian Rating Corporation Berhad (“MARC”) or by local rating agency(ies) of the country of issuance or “BBB-” by Standard & Poor’s (“S&P”) or equivalent rating by Moody’s or Fitch, all of which have a remaining maturity period of less than 365 days. Up to 10% of the Fund’s NAV may be invested in short term debentures which have a remaining maturity period of more than 365 days but less than 732 days. The Fund will be actively managed. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation*.

Note:

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

Fund category/type

Money Market/Income

How long should you invest for?

Recommended up to one (1) year or more

When was the Fund launched?

18 February 2004

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

RM472.02 million (481.98 million units)

What is the Fund’s benchmark?

CIMB Bank Overnight Rate

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

What is the Fund distribution policy?

Quarterly, if any, within 14 days after the last day of each quarter.

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

The Fund distributed a total net income of RM9.29 million to unit holders for the financial year ended 31 December 2019.

The Fund’s NAV per unit are as follows:

Date	NAV per unit	NAV per unit
	(Before distribution)	(After distribution)
	RM	RM
29.03.2019	0.9866	0.9763
28.06.2019	0.9849	0.9781
30.09.2019	0.9863	0.9842
31.12.2019	0.9912	0.9793

PERFORMANCE DATA

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

	31.12.2019	31.12.2018	31.12.2017
	%	%	%
Unquoted fixed income securities	49.83	97.20	82.61
Deposits with licensed financial institutions	13.37	-	-
Cash and other net assets	36.80	2.80	17.39
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.12.2019	31.12.2018	31.12.2017
NAV (RM Million)*	472.02	80.35	72.87
Units in circulation (Million)	481.98	82.20	74.09
NAV per unit (RM)*	0.9793	0.9774	0.9835

* Ex-distribution

Highest NAV per unit (RM)	0.9912	0.9921	1.0072
Lowest NAV per unit (RM)	0.9764	0.9774	0.9834
Total return (%)	3.40	3.80	3.59
Capital growth (%)	0.19	(0.62)	(1.44)
Income distribution (%)	3.21	4.43	5.12
Management Expense Ratio ("MER") ^	0.74	0.77	0.81
Portfolio Turnover Ratio ("PTR") #	1.10	1.27	0.77

^ The Fund's MER decreased slightly from 0.77% to 0.74% due to increased average NAV during the financial year under review.

The Fund's PTR decreased from 1.27 times to 1.10 times due to increased average NAV during the financial year under review.

	31.12.2019	31.12.2018	31.12.2017
Gross/Net distribution per unit (sen)			
Distribution on 29 March 2019	1.02	-	-
Distribution on 28 June 2019	0.68	-	-
Distribution on 30 September 2019	0.20	-	-
Distribution on 31 December 2019	1.20	-	-
Distribution on 30 March 2018	-	1.06	-
Distribution on 29 June 2018	-	1.23	-
Distribution on 28 September 2018	-	0.98	-
Distribution on 31 December 2018	-	1.01	-
Distribution on 31 March 2017	-	-	1.32
Distribution on 30 June 2017	-	-	1.34
Distribution on 29 September 2017	-	-	1.19
Distribution on 29 December 2017	-	-	1.12
	<u>3.10</u>	<u>4.28</u>	<u>4.97</u>

PERFORMANCE DATA (CONTINUED)

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	%	%	%	%	%
Annual total return	3.40	3.80	3.59	3.39	3.18

(Launch date: 18 February 2004)

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

MARKET REVIEW (1 JANUARY 2019 TO 31 DECEMBER 2019)

There were no changes to the Overnight Policy Rate (“OPR”) during the financial year under review.

Bank Negara Malaysia (“BNM”) maintained the OPR at 3.00% in its November 2019 meeting, while keeping its still resilient domestic growth forecast for 2019 at 4.3% to 4.8% though it reiterated that the global economy is expanding at a more moderate pace. It opines that the slowdown is becoming more synchronised across both the advanced and emerging economies. Overall, BNM expects the Malaysian economy will stay within its 2019 projections and continued to be sustained going into 2020.

BNM announced a surprise cut in Statutory Reserve Requirement (“SRR”) by 50 basis points (“bps”) to 3.0%, effective 16 November 2019, the first reduction since 2016. The cut in SRR would free up RM7.4 billion to the banking system in terms of better liquidity management and is seen positive for loan growth and economic activities.

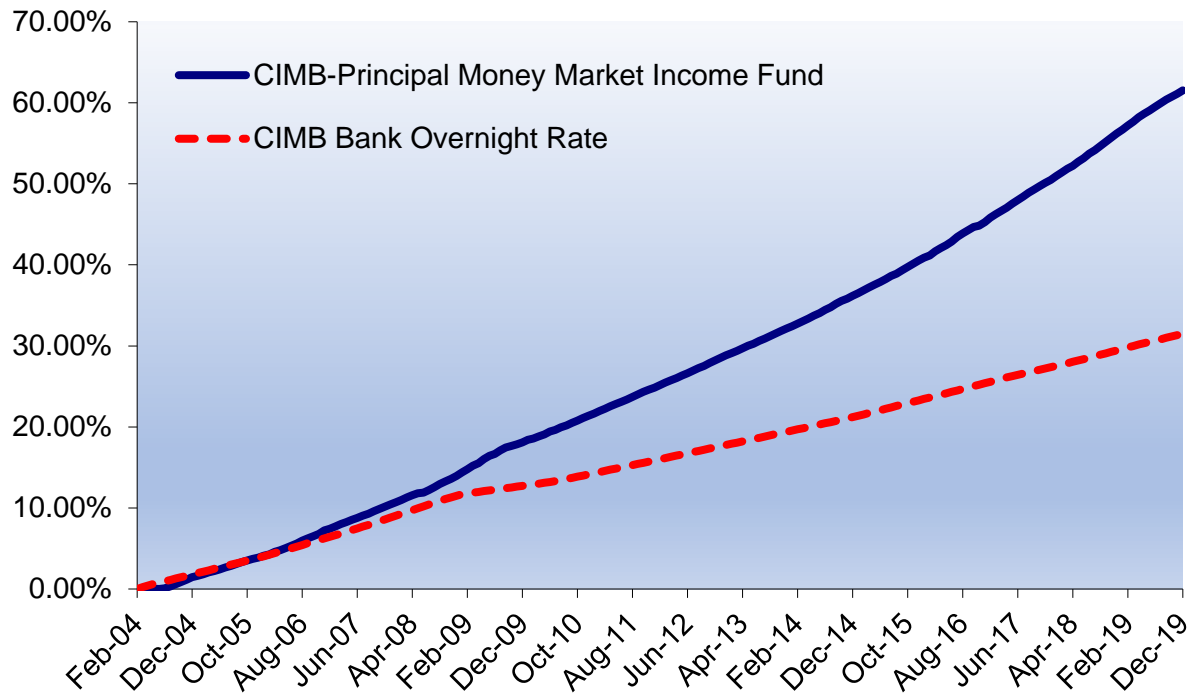
Malaysia’s third quarter of 2019 Gross Domestic Product (“GDP”) growth came in at 4.4% year-on-year (“y-o-y”), in line with market’s expectation but slower than second quarter of 2019 GDP print of 4.9% y-o-y. Growth in domestic demand tapered off substantially to 3.5% y-o-y in the third quarter of 2019 while contribution from net exports also narrowed due to global trade headwinds.

FUND PERFORMANCE

	1 year	3 years	5 years	Since
	to 31.12.2019	to 31.12.2019	to 31.12.2019	inception
	%	%	%	%
Income	3.21	13.30	23.31	65.72
Capital	0.19	(1.87)	(3.76)	(2.07)
Total Return	3.40	11.18	18.60	61.12
Benchmark	1.59	4.88	8.49	31.49
Average Total Return	3.40	3.60	3.47	2.01

For the 1-year period up to 31 December 2019, the Fund registered a total return of 3.40%, outperforming the benchmark by 1.81%. The Fund has delivered 61.12% return since inception, outperforming the benchmark by 29.63%.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	31.12.2019	31.12.2018	Changes %
NAV (RM Million)*	472.02	80.35	>100.00
NAV/Unit (RM)*	0.9793	0.9774	0.19

* Ex-distribution

The Fund's NAV increased by more than 100% for the 12-months period ended 31 December 2019 from RM80.35 million to RM472.02 million. During the same period, the Fund's NAV per unit increased by 0.19% from RM0.9774 per unit to RM0.9793 per unit.

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

	31.12.2019	31.12.2018
Unquoted fixed income securities	49.83	97.20
Deposits with licensed financial institutions	13.37	-
Cash and other net assets	36.80	2.80
TOTAL	100.00	100.00

As at 31 December 2019, about 63.20% of the Fund's assets were in debt papers and deposits with more than 90 days maturity, while the remaining 36.80% in cash and other net assets.

MARKET OUTLOOK*

On 7 May 2019, the Monetary Policy Committee (“MPC”) cut the OPR by 0.25% to 3.00% as a pre-emptive measure to maintain the degree of monetary accommodativeness. We believe the current monetary policy remains accommodative and are of the view that BNM will maintain its OPR unchanged for the remainder of 2020 unless the trade wars worsen significantly, or domestic growth is significantly lower than expected.

For now, the overhang on Financial Times Stock Exchange (“FTSE”) Russell’s decision to remove Malaysia from the World Government Bond Index (“WGBI”) Index has been removed temporarily as FTSE Russell has decided to retain Malaysia on the Watch List for another 6 months, with the next review scheduled in March 2020.

* This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal Malaysia or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

The Fund aims to fully invest its cash in high-grade commercial papers and short dated bonds as well as investing maximum 10% of the Fund’s NAV in papers with maturity of up to 2 years.

UNIT HOLDINGS STATISTICS

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

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	4	0.01	0.00
5,001 to 10,000	3	0.02	0.00
10,001 to 50,000	14	0.34	0.07
50,001 to 500,000	16	2.47	0.51
500,001 and above	24	479.14	99.42
Total	61	481.98	100.00

SOFT COMMISSIONS AND REBATES

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

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL MONEY MARKET INCOME 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 13 to 37 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
13 February 2020

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL MONEY MARKET INCOME FUND**

For The Financial Year Ended 31 December 2019

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

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

A total income distribution of 3.10 sen per unit (gross) declared to the unitholders of the Fund for the financial year under review.

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

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

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
12 February 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL MONEY MARKET INCOME FUND**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 37.

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 MONEY MARKET INCOME FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
13 February 2020

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

	Note	2019 RM	2018 RM
INCOME			
Interest income from unquoted fixed income securities at fair value through profit or loss		6,862,817	3,155,990
Interest income from deposits with licensed financial institutions at amortised cost and current account		3,154,499	206,358
Net gain on financial assets at fair value through profit or loss	8	<u>220,460</u>	<u>53,036</u>
		<u>10,237,776</u>	<u>3,415,384</u>
EXPENSES			
Management fee	4	1,832,733	532,523
Trustee's fee	5	78,546	22,822
Audit fee		9,500	9,000
Tax agent's fee		3,600	5,100
Other expenses		<u>8,633</u>	<u>18,178</u>
		<u>1,933,012</u>	<u>587,623</u>
PROFIT BEFORE TAXATION		8,304,764	2,827,761
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>8,304,764</u>	<u>2,827,761</u>
Profit after taxation is made up as follows:			
Realised amount		7,583,840	2,659,005
Unrealised amount		<u>720,924</u>	<u>168,756</u>
		<u>8,304,764</u>	<u>2,827,761</u>

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

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

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	9	133,824,448	2,316,403
Deposits with licensed financial institutions at amortised cost		63,131,840	-
Financial assets at fair value through profit or loss	8	235,212,768	78,101,503
Amount due from Manager		40,118,000	3,600
		<u>472,287,056</u>	<u>80,421,506</u>
LIABILITIES			
Amount due to Manager		19,847	-
Accrued management fee		227,614	53,405
Amount due to Trustee		9,755	2,289
Distribution payable		34	29
Other payables and accruals		13,498	13,778
TOTAL LIABILITIES		<u>270,748</u>	<u>69,501</u>
NET ASSET VALUE OF THE FUND		<u>472,016,308</u>	<u>80,352,005</u>
EQUITY			
Unit holders' capital		468,869,000	76,216,525
Retained earnings		3,147,308	4,135,480
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>472,016,308</u>	<u>80,352,005</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>481,984,321</u>	<u>82,204,401</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.9793</u>	<u>0.9774</u>

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

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

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2019		76,216,525	4,135,480	80,352,005
Movement in unit holders' contributions:				
- Creation of units from applications		503,568,560	-	503,568,560
- Creation of units from distributions		9,292,847	-	9,292,847
- Cancellation of units		(120,208,932)	-	(120,208,932)
Total comprehensive income for the financial year		-	8,304,764	8,304,764
Distributions	6	-	(9,292,936)	(9,292,936)
Balance as at 31 December 2019		<u>468,869,000</u>	<u>3,147,308</u>	<u>472,016,308</u>
Balance as at 1 January 2018		68,294,530	4,573,951	72,868,481
Movement in unit holders' contributions:				
- Creation of units from applications		48,016,722	-	48,016,722
- Creation of units from distributions		3,266,037	-	3,266,037
- Cancellation of units		(43,360,764)	-	(43,360,764)
Total comprehensive income for the financial year		-	2,827,761	2,827,761
Distributions	6	-	(3,266,232)	(3,266,232)
Balance as at 31 December 2018		<u>76,216,525</u>	<u>4,135,480</u>	<u>80,352,005</u>

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

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

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of unquoted fixed income securities		85,460,125	52,682,463
Proceeds from redemption of unquoted fixed income securities		253,100,000	71,500,000
Purchase of unquoted fixed income securities		(497,641,812)	(143,072,926)
Placement of deposits with licensed financial institutions		(62,625,000)	-
Interest income received from deposits with licensed financial institutions and current account		2,647,659	206,358
Interest income received from unquoted fixed income securities		9,053,699	4,194,568
Management fee paid		(1,658,523)	(520,758)
Trustee's fee paid		(71,080)	(22,318)
Payments for other fees and expenses		(22,013)	(34,945)
Net cash used in operating activities		(211,756,945)	(15,067,558)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		463,454,160	48,014,722
Payments for cancellation of units		(120,189,086)	(43,381,759)
Distribution paid		(84)	(233)
Net cash generated from financing activities		343,264,990	4,632,730
Net increase/(decrease) in cash and cash equivalents		131,508,045	(10,434,828)
Cash and cash equivalents at the beginning of the financial year		2,316,403	12,751,231
Cash and cash equivalents at the end of the financial year	9	133,824,448	2,316,403
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		12,185	11,797
Deposits in licensed financial institutions		133,812,263	2,304,606
Cash and cash equivalents at the end of financial year	9	133,824,448	2,316,403

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

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

CIMB-Principal Money Market Income Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a Fifth Supplemental Master Deed dated 16 July 2009, a Thirteenth Supplemental Master Prospectus dated 26 June 2012 and an Eighteenth Supplemental Master Deed dated 25 March 2015 (collectively referred to as the “Deeds”) made between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and Maybank Trustees Bhd (the “Trustee”).

The Fund may place at least 90% of its NAV in Deposits as well as invest in money market instruments and short-term debentures with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance or “BBB-” by S&P or equivalent rating by Moody’s or Fitch, all of which have a remaining maturity period of less than 365 days. Up to 10% of the Fund’s NAV may be invested in short term debentures which have a remaining maturity period of more than 365 days but less than 732 days. The Fund will be actively managed. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation.

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(i).

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 standard for the first time for the financial year beginning 1 January 2019:

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

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

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

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

(b) Financial assets and financial liabilities

Classification

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

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

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

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

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

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

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

Recognition and measurement

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

Financial liabilities 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.

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

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

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

Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit 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.

Significant increase in credit risk

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

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

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

Write-off

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

(c) Income recognition

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using the effective interest 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 unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(d) 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 RM, which is the Fund's functional and presentation currency.

(e) Cash and cash equivalents

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

(f) Taxation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Distribution

A proposed distribution to the Fund's unit holders is recognised in the statement of comprehensive income and is recognised as a liability in the financial year in which it is approved by the Trustee.

(h) Unit holders' contributions

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

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

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

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

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

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

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

Estimate of fair value of unquoted fixed income securities

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2019			
Cash and cash equivalents (Note 9)	-	133,824,448	133,824,448
Unquoted fixed income securities (Note 8)	235,212,768	-	235,212,768
Deposits with licensed financial institution at amortised cost	-	63,131,840	63,131,840
Amount due from Manager	-	40,118,000	40,118,000
	<u>235,212,768</u>	<u>237,074,288</u>	<u>472,287,056</u>
2018			
Cash and cash equivalents (Note 9)	-	2,316,403	2,316,403
Unquoted fixed income securities (Note 8)	78,101,503	-	78,101,503
Amount due from Manager	-	3,600	3,600
	<u>78,101,503</u>	<u>2,320,003</u>	<u>80,421,506</u>

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

The Fund aims to provide a low risk investment option that normally earns higher interest than traditional bank accounts.

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

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

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM235,212,768 (2018: RM78,101,503) in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

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

(a) Market risk (continued)

(ii) Interest rate risk

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

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

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

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

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

% Change in interest rate	Impact on profit or loss/NAV	
	2019 RM	2018 RM
+1%	(62,082)	(64,693)
-1%	62,094	64,768

The Fund's exposure to interest rate risk associated with deposits with licensed financial institutions is expected to be minimal as the deposits are held on short-term basis.

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

	2019 %	2018 %
Deposits with licensed financial institutions	3.31	3.59

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

(b) Credit risk

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

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

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

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.

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

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

	Cash and cash equivalents	Deposits with licensed financial institutions	Financial assets at fair value through profit or loss	Amount due from Manager	Total
	RM	RM	RM	RM	RM
2019					
- AAA	113,001,062	42,993,662	86,201,554	-	242,196,278
- AA1	-	-	20,196,919	-	20,196,919
- AA2	20,823,386	20,138,178	29,034,758	-	69,996,322
- AA3	-	-	21,386,732	-	21,386,732
- A1	-	-	21,319,292	-	21,319,292
- Not Rated	-	-	57,073,513	40,118,000	97,191,513
	<u>133,824,448</u>	<u>63,131,840</u>	<u>235,212,768</u>	<u>40,118,000</u>	<u>472,287,056</u>

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

(b) Credit risk (continued)

The following table sets out the credit risk concentration of the Fund at the end of each financial year (continued):

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
2018				
- AAA	2,316,403	-	-	2,316,403
- AA1	-	10,062,819	-	10,062,819
- AA2	-	15,285,419	-	15,285,419
- AA3	-	16,434,445	-	16,434,445
- A1	-	36,318,820	-	36,318,820
- Not Rated	-	-	3,600	3,600
	<u>2,316,403</u>	<u>78,101,503</u>	<u>3,600</u>	<u>80,421,506</u>

All deposits with licensed financial institutions of the Fund have an average maturity of 32 days (2018: 2 days).

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balance and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2019			
Amount due to Manager	19,847	-	19,847
Accrued management fee	227,614	-	227,614
Amount due to Trustee	9,755	-	9,755
Distribution payable	34	-	34
Other payables and accruals	-	13,498	13,498
Contractual undiscounted cash flows	<u>257,250</u>	<u>13,498</u>	<u>270,748</u>
2018			
Accrued management fee	53,405	-	53,405
Amount due to Trustee	2,289	-	2,289
Distribution payable	29	-	29
Other payables and accruals	-	13,778	13,778
Contractual undiscounted cash flows	<u>55,723</u>	<u>13,778</u>	<u>69,501</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holder's capital of RM468,869,000 (2018: RM76,216,525) and retained earnings of RM3,147,308 (2018: RM4,135,480). 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 holder. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair values of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year-end date. The Fund utilises the last traded market price for financial assets where the last traded 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. FINANCIAL INSTRUMENTS AND 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	Level 2	Level 3	Total
	RM	RM	RM	RM
2019				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	235,212,768	-	235,212,768
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2018				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	78,101,503	-	78,101,503
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

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

- (ii)** The carrying values of cash and cash equivalents, deposits with licensed financial institutions, amount due from Manager and all current liabilities are a reasonable approximation of their fair values due.

4. MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 1.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 December 2019, the management fee is recognised at a rate of 0.70% per annum (2018: 0.70% per annum).

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.03% per annum calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the financial year ended 31 December 2019, the Trustee's fee is recognised at a rate of 0.03% per annum (2018: 0.03% per annum).

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

6. DISTRIBUTION

Distributions to unit holders are derived from the following sources:

	2019	2018
	RM	RM
Interest income from deposits with licensed financial institutions	3,154,499	44,817
Interest income from unquoted fixed income securities	6,862,817	594,950
Net realised gain/(loss) on disposal of unquoted fixed income securities	159,642	(1,092)
Prior financial year's realised income	1,046,190	2,792,187
	11,223,148	3,430,862
Less:		
Expenses	(1,930,212)	(164,630)
Net distribution amount	9,292,936	3,266,232
 Gross/Net distribution per unit (sen)		
Distribution on 29 March 2019	1.02	-
Distribution on 28 June 2019	0.68	-
Distribution on 30 September 2019	0.20	-
Distribution on 31 December 2019	1.20	-
Distribution on 30 March 2018	-	1.06
Distribution on 29 June 2019	-	1.23
Distribution on 28 September 2018	-	0.98
Distribution on 31 December 2018	-	1.01
	3.10	4.28

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

Gross distribution per unit is derived from gross realised income less expenses, divided by the number of units in circulation. Net distribution per unit is derived from gross realised income less expenses and taxation, divided by the number of units in circulation.

7. TAXATION

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

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

	2019	2018
	RM	RM
Profit before finance cost and taxation	<u>8,304,764</u>	<u>2,827,761</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	1,993,143	678,663
Tax effects of:		
- Investment income not subject to tax	(2,457,066)	(819,692)
- Expenses not deductible for tax purposes	20,359	10,718
- Restriction on tax deductible expenses for Unit Trust Fund	<u>443,564</u>	<u>130,311</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RM	RM
At fair value through profit or loss:		
- Unquoted fixed income securities	<u>235,212,768</u>	<u>78,101,503</u>
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	159,642	211
- Unrealised fair value gain	<u>60,818</u>	<u>52,825</u>
	<u>220,460</u>	<u>53,036</u>

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
UNQUOTED FIXED INCOME SECURITIES				
Berjaya Land Bhd 3.47% 17/12/2020 (AAA)	9,500,000	9,516,156	9,519,010	2.02
Berjaya Land Bhd 3.885% 17/12/2020 (AAA)	20,000,000	20,049,083	20,055,660	4.25
CIMB Group Holdings Bhd 3.80% 12/06/2020 (AA1)	15,000,000	15,031,233	15,054,633	3.19
First Resources Ltd 4.35% 05/06/2020 (AA2)	5,000,000	5,029,169	5,032,993	1.07
GENM Capital Bhd 4.50% 24/08/2020 (AAA)	10,000,000	10,233,966	10,224,874	2.17
Impian Ekspresi Sdn Bhd 3.85% 30/11/2020 (AAA)	15,000,000	15,058,298	15,063,312	3.19
Impian Ekspresi Sdn Bhd 4.75% 27/11/2020 (AAA)	15,000,000	15,186,127	15,166,718	3.21
Imtiaz Sukuk II Bhd 4.46% 29/05/2020 (AA2)	2,500,000	2,519,143	2,521,531	0.53
Jimah Energy Ventures Sdn Bhd 9.15% 05/12/2020 (AA3)	1,000,000	1,032,113	1,033,209	0.22
Lingkar Trans Kota Holdings Bhd 5.70% 15/04/2020 (AA2)	5,950,000	6,059,668	6,061,905	1.28
MMC Corporation Bhd 5.20% 12/11/2020 (AA3)	15,000,000	15,228,901	15,284,449	3.24
Premier Auto Assets Bhd 4.50% 17/07/2020 (AAA)	8,000,000	8,163,726	8,167,566	1.73
Sabah Credit Corporation 182D 30/04/2020 (NR)	20,000,000	19,768,539	19,770,600	4.19
Sabah Credit Corporation 183D 21/02/2020 (NR)	10,000,000	9,950,643	9,951,420	2.11
Sabah Credit Corporation 184D 27/02/2020 (NR)	12,500,000	12,430,943	12,432,263	2.63
Sabah Development Bank Bhd 364D 14/02/2020 (NR)	5,000,000	4,972,970	4,975,160	1.05
Sabah Development Bank Bhd 5.01% 07/08/2020 (AA1)	5,000,000	5,140,918	5,142,286	1.09
Starbright Capital Bhd 4.10% 28/12/2020 (AAA)	8,000,000	8,004,493	8,004,413	1.70
Tan Chong Motor Holdings Bhd 4.70% 24/11/2021 (A1)	21,000,000	21,318,277	21,319,292	4.52
Tanjung Bin Power Sdn Bhd 4.66% 14/08/2020 (AA2)	10,000,000	10,254,335	10,258,486	2.17

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Toyota Capital (M) Sdn Bhd 212D 28/02/2020 (NR)	10,000,000	9,942,717	9,944,070	2.11
UEM Sunrise Bhd 4.58% 10/04/2020 (AA3)	5,000,000	5,064,807	5,069,074	1.07
UMW Holdings Bhd 4.70% 15/02/2021 (AA2)	<u>5,000,000</u>	<u>5,145,076</u>	<u>5,159,844</u>	<u>1.09</u>
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>233,450,000</u>	<u>235,101,301</u>	<u>235,212,768</u>	<u>49.83</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>111,467</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>235,212,768</u>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2018				
UNQUOTED FIXED INCOME SECURITIES				
AmBank Bhd 8.25% 18/08/2019 (A1)	9,500,000	10,008,529	10,013,358	12.46
Bumitama Agri Ltd 5.25% 18/03/2019 (AA3)	1,000,000	1,016,976	1,017,192	1.27
CIMB Thai Bank PCL 5.60% 05/07/2024 (AA3)	10,000,000	10,323,824	10,332,496	12.86
Malayan Banking Bhd 4.25% 10/05/2024 (AA1)	10,000,000	10,056,192	10,062,819	12.52
Media Chinese International Ltd 4.80% 25/02/2019 (AA3)	5,000,000	5,083,610	5,084,758	6.33
PB Finance Bhd 7.50% 05/06/2059 (AA2)	15,000,000	15,282,370	15,285,419	19.02
RHB Bank Bhd 6.75% 17/12/2039 (A1)	15,000,000	15,361,751	15,364,110	19.12
Tan Chong Motor Holdings Bhd 4.50% 22/11/2019 (A1)	11,000,000	10,917,602	10,941,351	13.62
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>76,500,000</u>	<u>78,050,854</u>	<u>78,101,503</u>	<u>97.20</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>50,649</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>78,101,503</u>		

9. CASH AND CASH EQUIVALENTS

	2019	2018
	RM	RM
Deposits with licensed financial institutions	133,812,263	2,304,606
Bank balance	12,185	11,797
	<u>133,824,448</u>	<u>2,316,403</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	2018
	No. of units	No. of units
At the beginning of the financial year	82,204,401	74,087,895
Add : Creation of units from applications	512,204,595	48,783,532
Add : Creation of units from distributions	9,490,671	3,337,131
Less : Cancellation of units	<u>(121,915,346)</u>	<u>(44,004,157)</u>
At the end of the financial year	<u>481,984,321</u>	<u>82,204,401</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2019	2018
	%	%
MER	<u>0.74</u>	<u>0.77</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is RM262,834,494 (2018: RM76,076,122).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
	%	%
PTR	<u>1.10</u>	<u>1.27</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 = RM493,742,879 (2018: RM141,411,960)
- total disposal for the financial year = RM83,947,245 (2018: RM52,084,370)

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

Units held by the Manager and parties related to the Manager

	<u>2019</u>		<u>2018</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	<u>5,313</u>	<u>5,203</u>	<u>2,279</u>	<u>2,227</u>

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

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

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

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

	2019 RM	2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	263,361	2,623
- CIMB Islamic Bank Bhd	18,203	-
	<hr/>	<hr/>
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	611,648,000	11,016,000
- CIMB Islamic Bank Bhd	55,603,000	-
	<hr/>	<hr/>
<u>Significant related party balances</u>		
Bank balance:		
- CIMB Bank Bhd	12,185	11,797
	<hr/>	<hr/>

14. TRANSACTIONS WITH DEALERS

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

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of brokerage fees %
CIMB Bank Bhd #	85,269,445	14.97	-	-
RHB Investment Bank Bhd	83,884,893	14.73	-	-
RHB Bank Bhd	70,853,760	12.44	-	-
Hong Leong Investment Bank Bhd	53,360,850	9.37	-	-
Alliance Bank Malaysia Bhd	53,226,460	9.35	-	-
AmBank Bhd	52,630,391	9.24	-	-
Kenanga Investment Bank Bhd	37,886,925	6.65	-	-
Hong Leong Bank Bhd	30,276,500	5.32	-	-
HSBC Bank Malaysia Bhd	30,039,000	5.27	-	-
Malayan Banking Bhd	26,519,740	4.66	-	-
Others	45,552,250	8.00	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	569,500,214	100.00	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

14. TRANSACTIONS WITH DEALERS (CONTINUED)

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

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of brokerage fees %
RHB Investment Bank Bhd	60,157,020	31.09	-	-
RHB Bank Bhd	59,246,180	30.62	-	-
Hong Leong Investment Bank Bhd	27,314,500	14.12	-	-
Alliance Bank Malaysia Bhd	20,681,730	10.69	-	-
Hong Leong Bank Bhd	15,259,500	7.89	-	-
CIMB Bank Bhd #	5,852,900	3.02	-	-
Standard Chartered Bank Bhd	4,984,500	2.57	-	-
	<u>193,496,330</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with CIMB Bank Bhd, fellow related party to the Manager amounting to RM85,269,445 (2018: RM5,852,900). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

15. APPROVAL OF FINANCIAL STATEMENTS

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

DIRECTORY

Head Office of the Manager

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Trustee for the CIMB-Principal Money Market Income Fund

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