

CIMB-Principal Money Market Income Fund

Unaudited Interim Report

For The Six Months Financial Period Ended 30 June 2019

CIMB-PRINCIPAL MONEY MARKET INCOME FUND

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019

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INVESTORS' LETTER

Dear Valued Investors,

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

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

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

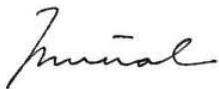
Going forward, you will be receiving e-newsletter from us as part of our commitment in helping you along your financial journey. On a monthly basis, we will share information that will help you better understand your investments and keep you updated on the industry. We have also revamped our website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

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

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 low risk investment option that normally earns higher interest than traditional bank accounts.

Has the Fund achieved its objective?

For the financial period 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 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

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

Low

When was the Fund launched?

18 February 2004

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

RM259.97 million (265.74 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. Please note 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 six months financial period ended 30 June 2019?

The Fund distributed a total net income of RM2.81 million to unit holders for the six months financial period ended 30 June 2019.

The Fund’s NAV per unit are as follows:

Date	NAV per unit (before distribution) RM	NAV per unit (after distribution) RM
29.03.2019	0.9866	0.9763
28.06.2019	0.9849	0.9781

PERFORMANCE DATA

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

	30.06.2019	30.06.2018	30.06.2017
	%	%	%
Unquoted fixed income securities	61.27	97.19	88.66
Cash and other net assets	38.73	2.81	11.34
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.06.2019	30.06.2018	30.06.2017
NAV (RM Million)*	259.97	72.77	64.67
Units in circulation (Million)*	265.74	74.41	65.34
NAV per unit (RM)*	0.9782	0.9780	0.9896
	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018	01.01.2017 to 30.06.2017
Highest NAV per unit (RM)	0.9866	0.9921	1.0072
Lowest NAV per unit (RM)*	0.9763	0.9779	0.9896
Total return (%)	1.81	1.77	1.85
- Capital return (%)	0.08	(0.57)	(0.83)
- Income return (%)	1.75	2.35	2.70

* Ex-distribution

Management Expense Ratio ("MER") (%) ^	0.37	0.39	0.40
Portfolio Turnover Ratio ("PTR") (times) #	0.74	0.63	0.34

^ The Fund's MER decreased from 0.39% to 0.37% due to increase in average NAV in the financial period under review.

The Fund's PTR increased from 0.63 times 0.74 times due to a higher number of transactions during the financial period under review.

Date of distribution	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018	01.01.2017 to 30.06.2017
Distribution on 29 March 2019			
Gross/Net distribution per unit (sen)	1.02	-	-
Distribution on 28 June 2019			
Gross/Net distribution per unit (sen)	0.68	-	-
Distribution on 30 March 2018			
Gross/Net distribution per unit (sen)	-	1.06	-
Distribution on 29 June 2018			
Gross/Net distribution per unit (sen)	-	1.23	-
Distribution on 31 March 2017			
Gross/Net distribution per unit (sen)	-	-	1.32
Distribution on 30 June 2017			
Gross/Net distribution per unit (sen)	-	-	1.34

PERFORMANCE DATA (CONTINUED)

	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
	%	%	%	%	%
Annual total return	3.84	3.51%	3.56	3.36	3.11

(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 period have been extracted from Lipper.

MARKET REVIEW (1 JANUARY 2019 TO 30 JUNE 2019)

In the first two months of 2019, the Consumer Price Index (“CPI”) declined by 0.7% and 0.4% year-on-year (“y-o-y”) respectively for the months of January 2019 and February 2019. The decline was mainly due to the drop in the CPI’s transport component due to cheaper fuel. In the month of April 2019, inflation inched up by 0.2% y-o-y matching the same pace in March 2019. Generally, apart from the cost of transport which declined by 2.6% in April 2019, the other segments registered stable inflation or saw moderation during the month. It remained steady at 0.2% for the third straight month in May 2019.

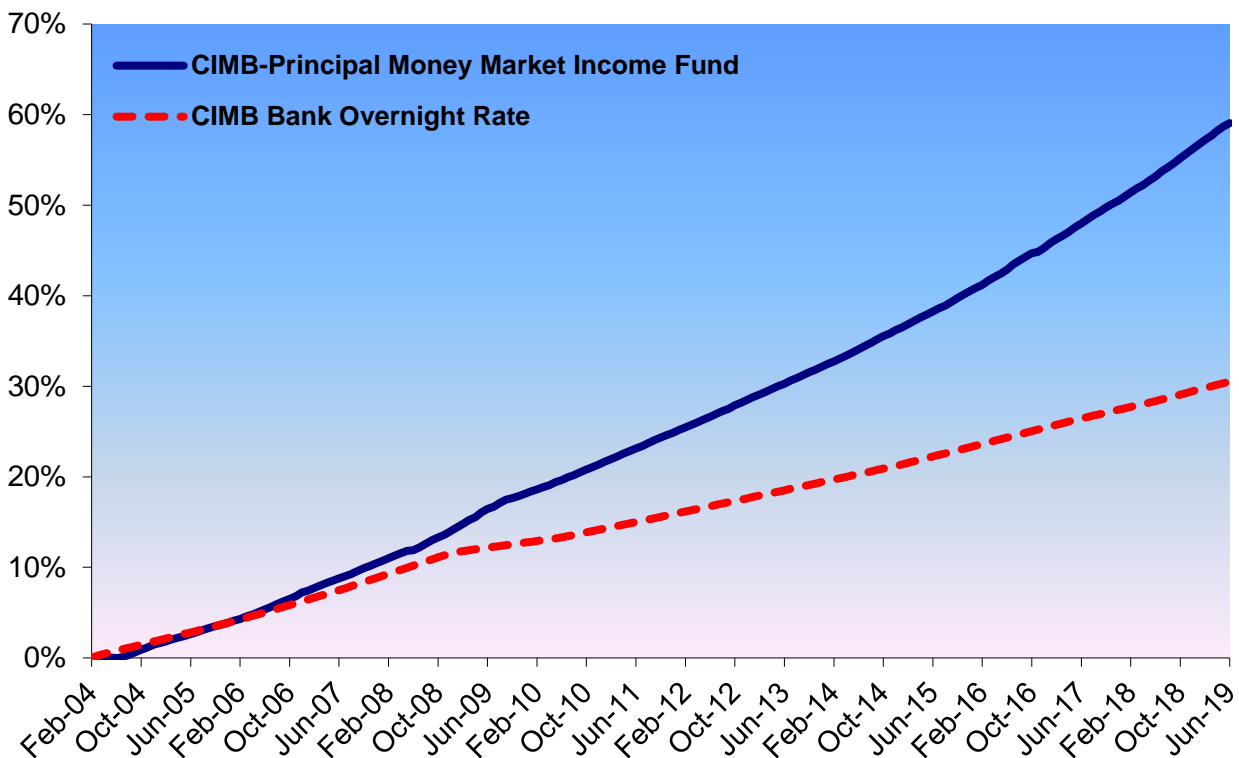
On 7 May 2019, Bank Negara Malaysia’s (“BNM”) Monetary Policy Committee (“MPC”) cut the Overnight Policy Rate (“OPR”) by 25 basis points (‘bps’) to 3.00% as widely anticipated by the market. The MPC statement highlighted that while domestic monetary and financial conditions remain supportive of economic growth, there are some signs of tightening of financial conditions. The adjustment to the OPR is therefore intended to preserve the degree of monetary accommodativeness. BNM also announced that it was taking several development initiatives to improve domestic foreign exchange (“FX”) and bond market liquidity, likely in response to Financial Times Stock Exchange (“FTSE”) Russell’s action last month and in line with the regulator’s intention to continuously broaden and deepen the onshore financial markets. The initiatives include measures to enhance bond market liquidity and FX market accessibility and liquidity.

The Malaysian economy grew 4.5% in the first quarter of the year, driven mainly by the private sector activity and firm private consumption growth. In the 2018 BNM annual report, the Central Bank downgraded 2019 growth between 4.3% and 4.8% (2018: 4.7%), below Ministry of Finance’s (“MoF”) forecast of 4.9% in October 2018. 2019 headline CPI forecast was also revised down between 0.7% and 1.7% (i.e. 2.5% to 3.5% during Budget 2019 projection) given the lower oil prices and price ceiling mechanism on domestic retail fuel prices. The Central Bank expects average headline inflation to be broadly stable in 2019 compared to 2018.

FUND PERFORMANCE (CONTINUED)

	6 months to 30.06.2019 %	1 year to 30.06.2019 %	3 years to 30.06.2019 %	5 years to 30.06.2019 %	Since inception to 30.06.2019 %
Income	1.75	3.82	14.23	24.37	63.38
Capital	0.08	0.03	(2.53)	(4.50)	(2.17)
Total Return	1.81	3.84	11.32	18.63	59.06
Benchmark	0.83	1.68	4.98	8.49	30.51
Average Total Return	N/A	3.84	3.64	3.48	1.98

For the 6-months period leading up to 30 June 2019, the Fund registered 1.81% return outperforming its benchmark by 0.98%. The Fund has delivered 59.06% return since inception, outperforming its benchmark by 28.55%.



Changes in NAV

	30.06.2019	31.12.2018 Audited	Changes %
NAV (RM Million)*	259.97	80.35	>100.00
NAV/Unit (RM)*	0.9782	0.9774	0.08

* Ex-distribution

The Fund's NAV increased by more than 100% for the 6-months period ended 30 June 2019 from RM80.35 million to RM259.97 million. During the same period, the Fund's NAV per unit increased by 0.08% from RM0.9774 per unit to RM0.9782 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's fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures for the financial period have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.06.2019	31.12.2018 Audited
Unquoted fixed income securities	61.27	97.20
Cash and other net assets	38.73	2.80
TOTAL	100.00	100.00

As at 30 June 2019, about 61.27% of the Fund's assets were in debt papers with the remaining 38.73% in cash and other net assets.

MARKET OUTLOOK*

On 7 May 2019, the MPC cut the OPR by 0.25% to 3.00% as widely anticipated by the market. We believe the current monetary policy remains accommodative and are of the view that BNM will maintain its OPR unchanged for the remainder of 2019 unless the trade wars worsen significantly, or domestic growth is significantly lower than expected.

The domestic bond market is expected to stay range bound as no major catalyst is expected for a while following the recent rate cut seen at the MPC meeting held on 7 May 2019. We are expecting some primary issuances in the second half of 2019 but supply seems to be fairly limited in the near term. The domestic bond market should remain well supported due to the ample domestic liquidity as well as the lack of primary issuances.

We continue to see some volatility arising from the unresolved trade war between the two biggest global economies. We believe risks to the global growth outlook remain tilted on the downside on the back of trade tensions and monetary policy normalisation in advanced economies.

*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, CIMB-Principal 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 30 June 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	0.01
10,001 to 50,000	11	0.31	0.12
50,001 to 500,000	13	2.39	0.90
500,001 and above	26	263.01	98.97
Total	57	265.74	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 period under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL 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 unaudited financial statements set out on pages 10 to 32 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2019 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting and International Accounting Standards ("IAS") 34 - Interim Financial Reporting.

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 August 2019

**TRUSTEE'S REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

TO THE UNITHOLDER OF CIMB-PRINCIPAL MONEY MARKET INCOME FUND

We have acted as Trustee for CIMB-Principal Money Market Income Fund ("the Fund") for the financial period ended 30 June 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 period 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 1.70 sen per unit (gross) declared to the unit holders of the Fund for the financial period 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.: 5004-P)

BERNICE K M LAU
Head, Operations

Kuala Lumpur
14 August 2019

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Note	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
INCOME			
Interest income from unquoted fixed income securities		2,253,862	1,509,177
Interest income from deposits with licensed financial institutions at amortised cost		808,055	86,193
Net gain/(loss) on financial assets at fair value through profit or loss	8	<u>159,499</u>	<u>(20,935)</u>
		<u>3,221,416</u>	<u>1,574,435</u>
EXPENSES			
Management fee	4	524,465	254,825
Trustee's fee	5	22,477	10,921
Audit fee		1,800	5,350
Tax agent's fee		2,000	1,775
Other expenses		<u>7,087</u>	<u>11,808</u>
		<u>557,829</u>	<u>284,679</u>
PROFIT BEFORE TAXATION		2,663,587	1,289,756
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>2,663,587</u>	<u>1,289,756</u>
Profit after taxation is made up as follows:			
Realised amount		2,545,054	1,231,240
Unrealised amount		<u>118,533</u>	<u>58,516</u>
		<u>2,663,587</u>	<u>1,289,756</u>

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

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

		30.06.2019	31.12.2018
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	9	89,801,042	2,316,403
Financial assets at fair value through profit or loss	8	159,285,232	78,101,503
Amount due from Manager		11,046,600	3,600
TOTAL ASSETS		<u>260,132,874</u>	<u>80,421,506</u>
LIABILITIES			
Amount due to Manager		2,531	-
Accrued management fee		137,872	53,405
Amount due to Trustee		5,909	2,289
Distribution payable		20	29
Other payables and accruals		20,085	13,778
TOTAL LIABILITIES		<u>166,417</u>	<u>69,501</u>
NET ASSET VALUE OF THE FUND		<u>259,966,457</u>	<u>80,352,005</u>
EQUITY			
Unit holders' capital		255,972,501	76,216,525
Retained earnings		3,993,956	4,135,480
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>259,966,457</u>	<u>80,352,005</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>265,742,407</u>	<u>82,204,401</u>
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		<u>0.9782</u>	<u>0.9774</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 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		187,846,764	-	187,846,764
- Creation of units from distributions		2,805,062	-	2,805,062
- Cancellation of units		(10,895,850)	-	(10,895,850)
Total comprehensive income for the financial period		-	2,663,587	2,663,587
Distributions	6	-	(2,805,111)	(2,805,111)
Balance as at 30 June 2019		<u>255,972,501</u>	<u>3,993,956</u>	<u>259,966,457</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		14,495,821	-	14,495,821
- Creation of units from distributions		1,714,855	-	1,714,855
- Cancellation of units		(15,880,751)	-	(15,880,751)
Total comprehensive income for the financial period		-	1,289,053	1,289,053
Distributions	6	-	(1,714,993)	(1,714,993)
Balance as at 30 June 2018		<u>68,624,455</u>	<u>4,148,011</u>	<u>72,772,466</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of unquoted fixed income securities	57,444,169	37,572,936
Purchase of unquoted fixed income securities	(170,633,951)	(55,679,935)
Proceeds from redemption of unquoted fixed income securities	31,000,000	7,500,000
Interest income received from deposits with licensed financial institutions	808,055	86,194
Interest income received from unquoted fixed income securities	3,419,414	1,560,138
Management fee paid	(439,998)	(253,848)
Trustee's fee paid	(18,857)	(10,879)
Payments for other fees and expenses	(4,580)	(21,302)
Net cash used in from operating activities	<u>(78,425,748)</u>	<u>(9,246,696)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	176,803,764	14,495,421
Payments for cancellation of units	(10,893,319)	(15,901,746)
Distribution paid	(58)	(131)
Net cash generated from/(used in) operating activities	<u>165,910,387</u>	<u>(1,406,456)</u>
Net increase/(decrease) in cash and cash equivalents	87,484,639	(10,653,152)
Cash and cash equivalents at the beginning of the financial period	<u>2,316,403</u>	<u>12,751,231</u>
Cash and cash equivalents at the end of the financial period	<u><u>89,801,042</u></u>	<u><u>2,098,079</u></u>
<u>Cash and cash equivalents comprised of :</u>		
Deposits with licensed financial institutions	11,530	2,014,771
Bank balances	<u>89,789,512</u>	<u>83,308</u>
Cash and cash equivalents at the end of the financial period	<u><u>89,801,042</u></u>	<u><u>2,098,079</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 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 Berhad (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 or of issuance “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 SC Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standard that is effective:

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

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

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

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

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

(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 OCI.

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

The Fund classifies cash and cash equivalents 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.

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

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

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

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

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(j) 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 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.

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

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

(c) 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.

(d) 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 rate method on an accrual basis.

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

Realised gain or loss on disposal of 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.

(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 period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) 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 period if unit holder exercises the right to put the unit back to the Fund.

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

(h) Segment information

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

(i) Distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) **Critical accounting estimates and judgments 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 judgment 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. RISK MANAGEMENT OBJECTIVES AND POLICIES

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 and currency risk).

The price risk is managed through diversification and selection of unquoted fixed income securities and other financial instruments within specified limits according to the Deeds. The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM159,285,232 (31.12.2018: 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.

(ii) Interest rate risk

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

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

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

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

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

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

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted fixed income securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for 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 credit 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 credit rating requirement of at least a "BBB3" or "P2" rating by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issueance or "BBB-" by S&P or equivalent rating by Moody's or Fitch, all of which have a remaining maturity period of more than 365 days but less than 732 days.

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.

From 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 Trusts Funds.

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM255,972,501 (31.12.2018: RM76,216,525) and retained earnings of RM3,993,957 (31.12.2018: RM4,135,480). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(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 period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

(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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.06.2019				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	159,285,232		159,285,232
31.12.2018				
Audited				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	78,101,503	-	78,101,503

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

(ii) The carrying values of amount due from Manager, cash and cash equivalents, 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 1.00% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 30 June 2019, the management fee is recognised at a rate of 0.70% per annum (30.06.2018: 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 and charges (if any).

For the six months financial period ended 30 June 2019, the Trustee's fee is recognised at a rate of 0.03% per annum (30.06.2018: 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:

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
	RM	RM
Interest income from deposits with licensed financial institutions	194,986	16,305
Interest income from unquoted fixed income securities	685,386	229,913
Net realised loss on disposal unquoted fixed income securities	15,557	(2,421)
Prior financial period's realised income	<u>2,216,405</u>	<u>1,529,466</u>
	3,112,334	1,773,263
Less:		
Expenses	<u>(307,223)</u>	<u>(58,270)</u>
Net distribution amount	<u><u>2,805,111</u></u>	<u><u>1,714,993</u></u>

Gross/Net distribution per unit (sen)

Distribution on 29 March 2019	1.02	-
Distribution on 28 June 2019	0.68	-
Distribution on 30 March 2018	-	1.06
Distribution on 29 June 2018	-	1.23

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

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
	RM	RM
Tax charged for the financial period:		
- 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:

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
	RM	RM
Profit before taxation	<u>2,663,587</u>	<u>1,289,756</u>
Taxation at Malaysian statutory rate of 24% (30.06.2018: 24%)	639,261	309,541
Tax effects of:		
Investment income not subject to tax	(773,140)	(377,864)
Expenses not deductible for tax purposes	6,207	3,466
Restriction on tax deductible expenses for Unit Trust Funds	<u>127,672</u>	<u>64,857</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2019	31.12.2018
	RM	Audited RM
Designated at fair value through profit or loss at inception:		
- Unquoted fixed income securities	<u>159,285,232</u>	<u>78,101,503</u>

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
	RM	RM
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	40,966	(11,938)
- Unrealised fair value gain/(loss)	<u>118,533</u>	<u>(8,997)</u>
	<u>159,499</u>	<u>(20,935)</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 %
30.06.2019				
UNQUOTED FIXED INCOME SECURITIES				
Ara Bintang Bhd 4.48% 17/03/2021 (AAA)	3,000,000	3,006,941	3,008,785	1.16
Berjaya Land Bhd 4.85% 16/12/2019 (AAA)	14,000,000	14,076,179	14,089,464	5.42
Celcom Networks Sdn Bhd 3.75% 29/08/2019 (AA+)	10,000,000	10,125,666	10,128,270	3.90
CIMB Group Holdings Bhd 3.80% 12/06/2020 (AA1)	15,000,000	15,029,671	15,038,971	5.78
GB Services Bhd 5.30% 08/11/2019 (AAA)	6,000,000	6,073,403	6,080,375	2.34
GB Services Bhd 5.30% 08/11/19 (AAA)	10,000,000	10,123,851	10,133,959	3.90
Golden Assets International Finance Ltd 5.35% 05/08/2019 (A1s)	1,000,000	1,021,681	1,022,277	0.39
Hong Leong Financial Group Bhd 0% 29/07/2019 (P1)	13,000,000	12,966,061	12,962,573	4.99
Impian Ekspresi Sdn Bhd 4.58% 29/11/2019 (AAA)	20,000,000	20,128,813	20,147,016	7.75
Malakoff Power Bhd 5.05% 17/12/2019 (AA-)	5,000,000	5,033,798	5,038,535	1.94
Sabah Development Bank Bhd 0% 14/02/2020 (P1)	5,000,000	4,862,561	4,867,410	1.87
Sabah Development Bank Bhd 4.78% 16/8/2019 (AA1)	20,000,000	20,362,952	20,368,151	7.83
Sabah Development Bank Bhd 4.780% 21/08/2019 (AA1)	15,000,000	15,268,479	15,271,870	5.87
Tan Chong Motor Holding Bhd 4.50% 22/11/2019 (A1)	16,000,000	15,994,623	16,085,199	6.19
WCT Holdings Bhd 4.4% 09/04/2020 (AA-)	5,000,000	5,041,371	5,042,377	1.94
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>158,000,000</u>	<u>159,116,050</u>	<u>159,285,232</u>	<u>61.27</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>169,182</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>159,285,232</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 %
31.12.2018				
Audited				
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 4.8% 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

	30.06.2019	31.12.2018
	RM	Audited RM
Deposits with licensed financial institutions	89,789,512	2,304,606
Bank balances	11,530	11,797
	<u>89,801,042</u>	<u>2,316,403</u>

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

	30.06.2019	31.12.2018
	%	Audited %
Deposits with licensed financial institutions	<u>3.47</u>	<u>3.59</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 29 days (31.12.2018: 2 days).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.01.2019 to 30.06.2019	01.01.2018 to 31.12.2018 Audited
	No. of units	No. of units
At the beginning of the financial period/year	82,204,401	74,087,895
Add : Creation of units from applications	191,773,779	48,783,532
Add : Creation of units from distributions	2,869,772	3,337,131
Less: Cancellation of units	<u>(11,105,545)</u>	<u>(44,004,157)</u>
At the end of the financial period/year	<u>265,742,407</u>	<u>82,204,401</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
	%	%
MER	<u>0.37</u>	<u>0.39</u>

MER is derived based on the following calculation:

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

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM152,044,234 (30.06.2018: RM73,375,371).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
PTR (times)	<u>0.74</u>	<u>0.63</u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial period = RM168,670,983 (30.06.2018: RM54,924,900)
 total disposal for the financial period = RM56,465,155 (30.06.2018: RM37,117,017)

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

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

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

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

Units held by the Manager and parties related to the Manager

	30.06.2019		31.12.2018 Audited	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	2,664	2,606	2,279	2,227

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.

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	120,847	771
- CIMB Islamic Bank Bhd	3,452	-
Cash Placement with licensed financial institutions:		
- CIMB Bank Bhd	259,461,000	6,335,000
- CIMB Islamic Bank Bhd	15,000,000	-
	30.06.2019	31.12.2018 Audited
	RM	RM
<u>Significant related party balances</u>		
Bank balance:		
- CIMB Bank Bhd	11,530	11,797

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the brokers/dealers for the six months financial period ended 30 June 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	44,468,780	19.75	-	-
RHB Bank Bhd	36,722,610	16.31	-	-
HSBC Bank Malaysia Bhd	30,039,000	13.34	-	-
CIMB Bank Bhd #	29,779,603	13.23	-	-
Alliance Bank Malaysia Bhd	25,999,060	11.55	-	-
Standard Chartered Bank Bhd	20,138,250	8.94	-	-
Hong Leong Bank Bhd	15,012,500	6.67	-	-
AmBank Bhd	12,962,435	5.76	-	-
Hong Leong Investment Bank Bhd	5,007,900	2.22	-	-
Malayan Banking Bhd	5,006,000	2.23	-	-
	<u>225,136,138</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the brokers/dealers for the six months financial period ended 30 June 2018 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	44,111,030	47.92	-	-
RHB Bank Berhad	37,093,487	40.30	-	-
CIMB Bank Bhd #	5,852,900	6.36	-	-
Standard Chartered Bank	4,984,500	5.42	-	-
	<u>92,041,917</u>	<u>100</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with CIMB Bank Bhd, fellow related party to the Manager amounting to RM29,779,603 (30.06.2018: RM5,852,900). The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

15. SEGMENT INFORMATION

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The Fund aims to provide a low risk investment option that normally earns higher interest than traditional bank accounts. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest income earned from investments and gains on the appreciation in the value of investments, which are derived from Ringgit-denominated deposits with licensed financial institutions in Malaysia and unquoted fixed income securities traded in Malaysia.

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

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