

CIMB-Principal Small Cap Fund

Unaudited Interim Report

For The Six Months Financial Period Ended 30 June 2019

CIMB-PRINCIPAL SMALL CAP FUND

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019

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INVESTORS' LETTER

Dear Valued Investor,

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.

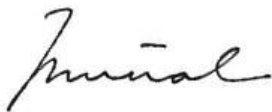
Thanks to the trust you've placed in us, we have been recognized Asia Asset Management 2019 Awards for the Fund Launch of the Year Award in Best of the Best Awards Malaysia category, and the Best Asset Management House in ASEAN in Best of the Best ASEAN category.

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.

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 objective of the Fund is to provide growth to the value of Unit holders' investments over the long-term in an equity fund by investing in undiscovered smaller companies listed on Bursa Malaysia.

Has the Fund achieved its objective?

The Fund has achieved its objective of providing long-term capital growth.

What are the Fund investment policy and principal investment strategy?

The Fund may invest between 70% to 98% (both inclusive) of the Fund's Net Asset Value ("NAV") in shares of smaller companies with market capitalisation of up to three (3) billion Ringgit Malaysia at the point of purchase that are listed on Bursa Malaysia. The investment policy and strategy of the Fund will therefore focus on investments in securities of such smaller companies with potential growth and hands-on management policies but may be under-researched by major stock broking houses. However, should there be lack of liquidity or when we deem necessary to reduce volatility of the Fund, the Fund may invest up to 20% of its NAV in companies with market capitalisation above three (3) billion Ringgit Malaysia but not more than five (5) billion Ringgit Malaysia at the point of purchase*. The Fund may opt to seek investment exposure via Collective Investment Scheme that is in line with the Fund's objective, subject to the requirement of the Securities Commission Malaysia ("SC") Guidelines. To a lesser extent, the Fund may also invest in other permissible investments such as liquid assets primarily for the purpose of cash management. In addition, liquid assets may be strategically used if we feel that the market downside risk is high in the short-term.

* With effective 1 October 2017, the Fund may invest up to 20% of its NAV in companies with market capitalisation above three (3) billion Ringgit Malaysia but not more than five (5) billion Ringgit Malaysia at the point of purchases.

Fund category/type

Equity (Small-Cap)/Growth

How long should you invest for?

Recommended five (5) years or more

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

High

When was the Fund launched?

20 April 2004

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

RM118.73 million (147.82 million units)

What is the Fund's benchmark?

Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Small Cap ("FBMSCAP") Index

What is the Fund distribution policy?

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

What was the net income distribution for the six months financial period ended 30 June 2019?

There was no distribution made for the six months financial period ended 30 June 2019.

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
	%	%	%
Quoted securities			
- Construction	5.83	13.77	11.39
- Consumer Products	-	4.97	10.88
- Consumer Products & Services	14.27	-	-
- Energy	9.09		
- Finance		1.42	2.77
- Financial Services	3.33	-	-
- Health Care	4.41	-	-
- Industrial Products		23.68	26.11
- Industrials Products & Service	15.95	-	-
- Plantation	3.29	-	0.35
- Properties	-	4.62	2.76
- Property	2.56		
- Real Estate Investment Trust ("REIT")	3.10	-	-
- Technology	16.59	23.13	11.09
- Telecommunications		-	-
- Telecommunications & Media	3.13		
- Trading/Services	-	24.39	26.67
- Transportation & Logistics	1.93		
- Utilities	2.97	-	-
Cash and other net assets	13.55	4.01	7.98
Total	100.00	100.00	100.00

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

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)	118.73	116.26	172.59
Units in circulation (Million)	147.82	156.19	195.79
NAV per unit (RM)	0.8032	0.7443	0.8815
	01.01.2019	01.01.2018	01.01.2017
	to 30.06.2019	to 30.06.2018	to 30.06.2017
Highest NAV per unit (RM)	0.8341	0.9614	0.9066
Lowest NAV per unit (RM)	0.6527	0.6944	0.7369
Total return (%)	20.91	(18.17)	19.64
- Capital growth (%)	20.91	(18.17)	19.64
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) ^	0.80	0.84	0.85
Portfolio Turnover Ratio ("PTR") (times) #	0.44	0.48	0.62

^ The Fund's MER decreased from 0.84% to 0.80% due to decrease in expenses during the six months financial period under review.

The Fund's PTR decreased from 0.48 times to 0.44 times as there was less trading activity during the financial period under review.

PERFORMANCE DATA (CONTINUED)

	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
	%	%	%	%	%
Annual total return	7.90	(15.55)	16.80	1.47	(9.46)

(Launch date: 20 April 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)

For the financial period under review, the FBMSCAP Index increased by 15.02% from 11,298.74 points to 12,996.06 points.

FBMSCAP Index commenced 2019 with a rally and ended January 2019 higher by 7.17%. Ringgit Malaysia ("RM") strengthened to RM4.09 against US Dollar ("USD") from RM4.13 in the previous month. Brent crude oil rose to USD61.89 per barrel, up by 15.03% month-on-month ("m-o-m"). On the external front, investors will continue to follow closely the latest developments on the ongoing US-China trade tensions, ongoing development of Brexit and negotiations on the US Federal Government budget as the temporary bill to fund US Government spending will expire on 15 February 2019. Policy uncertainty continues to be the order of the day as the East Coast Railway Line ("ECRL") on-again, off-again saga plays out. As of now, there is still no conclusive decision on the said mega project and a gag order has been issued to avoid any further confusion and escalation of rift with the Chinese Government. But the damage seems to have been done already. Conversation with business leaders revealed that the government relationship with China is at all-time low. Business and consumer sentiment continued slipping for the second consecutive quarter in fourth quarter of 2018.

FBMSCAP Index continued its rally along with FBM Kuala Lumpur Composite ("KLCI") ended higher in February 2019 driven by higher Brent Crude Oil, which traded up 6.7% m-o-m to USD66.82 per barrel on supply constraints. In addition, sentiment in the local bourse was further lifted by announcement made the Communications and Multimedia Minister, which indicated there will not be further reductions in high speed broadband prices in 2019 and Fitch re-affirmed Malaysia's sovereign rating.

Positive news flow continues to buoy the construction sector as the revival of Bandar Malaysia project has lifted sentiment and expectation that the shelved ("HSR") and Mass Rapid Transit ("MRT") 3 projects may be revived soon. Sustained rebound in crude oil prices have also seen the revival of job flows to oil and gas service providers. Additionally, news that China had also recently agreed to purchase a minimum of 1.9 million metric tons of crude palm oil over 5 years' worth RM4.5 billion in addition to the earlier purchase contracts signed for 1.62 million metric tons for RM3.64 billion, provides additional boost to confidence that relationship with China has improved. Meanwhile on regulatory uncertainty, we believe risk is receding for telecommunication, airport and utilities sectors as much of the negatives have been priced in while the formalization of regulatory changes in the months to come would lift investors' sentiment.

However, FBMSCAP Index along with regional markets took a turn and was sold down after a statement by US President Donald Trump that there would not be a deal after all for US-China trade negotiation. The fall-out has resulted in global manufacturing Purchasing Managers' Index ("PMI") falling into contraction for the first time since 2012. In addition to external factors, RM faced additional selling pressure as Malaysia may be dropped from the FTSE World Government Bond Index ("WGBI") during September 2019 review.

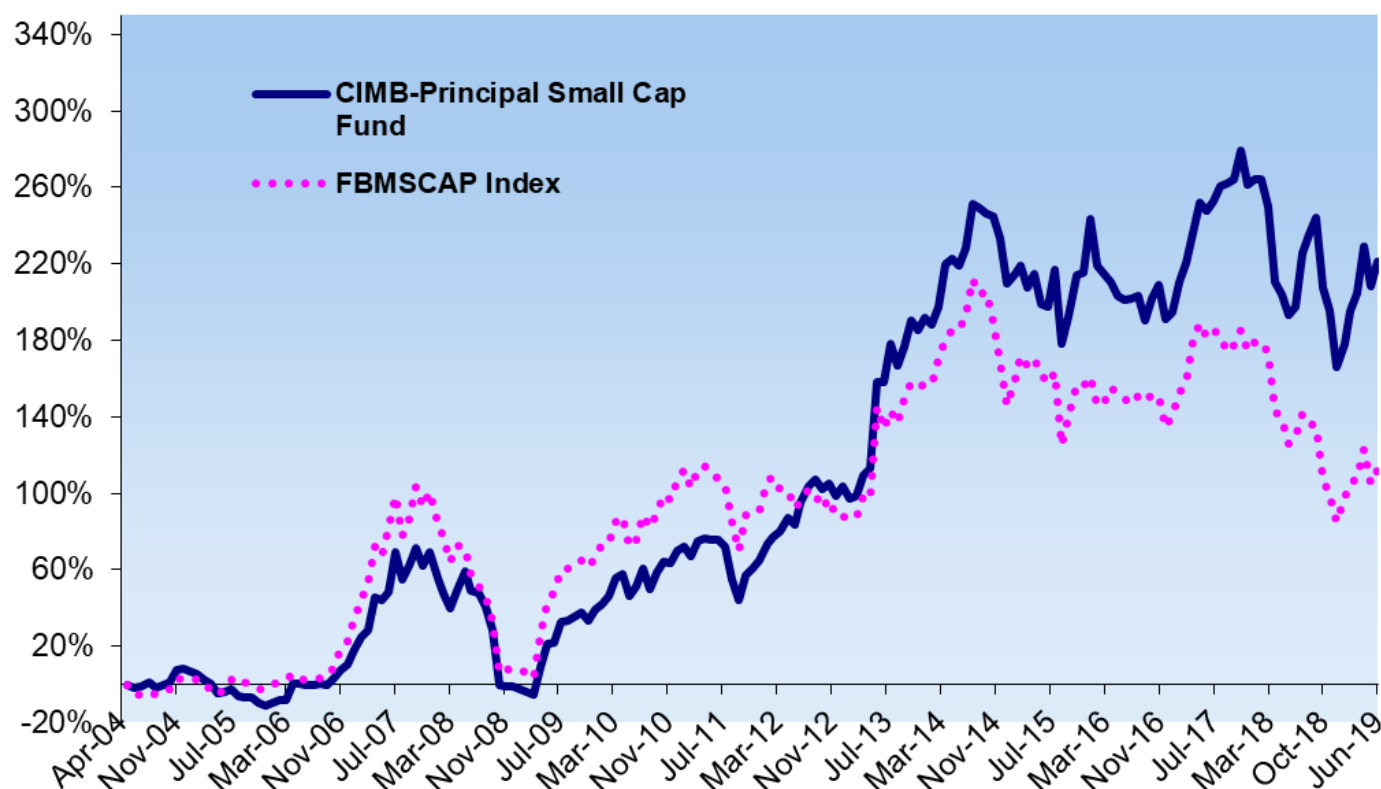
MARKET REVIEW (1 JANUARY 2019 TO 30 JUNE 2019) (CONTINUED)

Malaysian equities benefitted from relief rally in June stemming from expectation of the US Federal Reserve (the “Fed”) rate cuts and de-escalation of US-China trade war. Domestic factors which also helped to boost the market include dissipating concern over regulatory risk particularly for airport operator Malaysia Airport Holding Bhd (“MAHB”) following the release of the latest consultation paper on the implementation of Regulatory Asset Base (“RAB”) framework. Malaysia’s Nikkei Manufacturing PMI fell again in June 2019 to 47.8 from 48.8 in May 2019, largely dragged by weak external demand. While Malaysia is expected to be a medium-term beneficiary of trade diversion arising from trade war between US and China, adverse impact from supply chain disruption and weaker end demand will hurt Malaysia’s near-term export. As such, we expect downside risk to Malaysian Gross Domestic Product (“GDP”) going forward. To counter the growth slowdown, Bank Negara Malaysia (“BNM”) has pre-emptively slashed Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) in May 2019 to 3%. With benign inflation, BNM has further room to cut its OPR should the need arises. On the other hand, we expect government fiscal spending to pick up going forward following the recent revival of mega projects such as ECRL and Light Rail Transit 3 (“LRT3”). Most recently, the RM32 billion Penang Transport Master Plan will likely be sanctioned to proceed, which is a positive for the construction sector.

FUND PERFORMANCE

	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	-	-	-	-	-
Capital	20.91	7.90	6.43	(2.23)	221.28
Total Return	20.91	7.90	6.43	(2.23)	221.28
Benchmark	15.02	(7.25)	(13.88)	(27.53)	112.55
Average Total Return	N/A	7.90	2.10	(0.45)	7.98

For the financial period under review, the Fund's increased by 20.91%, while the benchmark gained by 15.02%. As such, the Fund outperformed its benchmark by 5.89%.



FUND PERFORMANCE (CONTINUED)**Changes in NAV**

	30.06.2019	31.12.2018 Audited	Changes %
NAV (RM Million)	118.73	100.17	18.53
NAV/Unit (RM)	0.8032	0.6643	20.91

The NAV per unit increased by 20.91% due to positive investment performance during the financial period under review.

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

PORTFOLIO STRUCTURE**Asset allocation**

(% of NAV)	30.06.2019	31.12.2018 Audited
Quoted securities	86.45	82.02
Cash and other net assets	13.55	17.98
TOTAL	100.00	100.00

Asset allocation increased from 82.02% as at 31 December 2018 to 86.45% as at 30 June 2019 to capitalize on market opportunities during the financial period under review.

MARKET OUTLOOK*

Towards the end of May 2019, sentiment was buoyed by two merger and acquisition announcements involving Axiata Group Bhd and Telenor Group and YTL Cement Bhd and Lafarge Malaysia Bhd and partly driven by foreign buying in the last three days of May 2019. First quarter earnings season ended with another disappointment as there were still more misses than beats. Plantation, Technology, Aviation and Basic Materials were the major disappointments while positive results came from Automotive, Construction, Telecommunication and Utilities. While the moderation in first quarter of 2019 GDP growth of 4.5% was shallower than street expectation, growth drivers going forward are weak given the escalating trade tension between the US and its major trading partners and slowing private investments due to dampened sentiment. Freshly out May PMI numbers (48.8 vs.49.4 in April 2019) for Malaysia showed further weakening in external demand. While still maintaining its 4.3% to 4.8% GDP forecast for 2019, BNM has flagged that a full-blown US-China trade could shave 1.3% to 1.5% off Malaysia's GDP growth. This suggests that risk to growth is clearly on the downside. In addition to external factors, RM could face additional selling pressure as Malaysia may be dropped from the FTSE World Government Bond Index during September 2019 review. This will dampen the sentiment on investors' risk appetite for small and mid-cap stocks. On the bright side, recent resumption of mega infrastructure projects such as ECRL and LRT3 will provide some boost to growth from second half of 2019 onwards.

* 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

Overall, we remain cautious on Malaysia given lack of earnings growth (consensus penciled in negative earnings growth for 2019) which is balanced by undemanding valuation now. Having said that, we are of the opinion that value is emerging in Malaysian equities and Malaysia tend to be more defensive when volatility in global equity markets rises. We look to add into names that are domestically driven and companies that payout high dividend. At the same time, we are reducing exposure on some of the Technology-related names on the back of rising trade conflicts.

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	1,593	4.64	3.14
5,001 to 10,000	965	7.08	4.79
10,001 to 50,000	1,952	45.06	30.49
50,001 to 500,000	618	60.77	41.11
500,001 and above	11	30.27	20.47
Total	5,139	147.82	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 the 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 SMALL CAP 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 36 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the state of 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 TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL SMALL CAP FUND**

We have acted as Trustee for CIMB-PRINCIPAL SMALL CAP 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*) has managed the Fund in the financial period under review in accordance with the following:

- (a) Limitations imposed on the investment powers of the Manager under the deeds, securities laws and these Guidelines;
- (b) Valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirement; and
- (c) Creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirement.

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

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
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/(LOSS)			
Dividend income		1,019,676	1,263,076
Interest income from deposits with licensed financial institutions at amortised cost		298,045	90,404
Net gain/(loss) on financial assets at fair value through profit or loss	7	<u>21,706,759</u>	<u>(26,159,101)</u>
		<u>23,024,480</u>	<u>(24,805,621)</u>
EXPENSES			
Management fee	4	872,653	955,763
Trustee's fee	5	40,724	44,602
Audit fee		8,550	8,100
Tax agent's fee		2,450	3,400
Transaction costs		292,315	383,602
Other expenses		<u>15,611</u>	<u>84,970</u>
		<u>1,232,303</u>	<u>1,480,437</u>
PROFIT/(LOSS) BEFORE TAXATION		21,792,177	(26,286,058)
Taxation	6	<u>-</u>	<u>-</u>
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD		<u>21,792,177</u>	<u>(26,286,058)</u>
Profit/(Loss) after taxation is made up as follows:			
Realised amount		1,031,993	(4,967,854)
Unrealised amount		<u>20,760,184</u>	<u>(21,318,204)</u>
		<u>21,792,177</u>	<u>(26,286,058)</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	8	16,281,061	13,838,898
Financial assets at fair value through profit or loss	7	102,641,190	82,165,129
Amount due from stockbrokers		-	4,180,327
Amount due from Manager		78,564	22,472
Dividends receivable		330,987	319,749
TOTAL ASSETS		<u>119,331,802</u>	<u>100,526,575</u>
LIABILITIES			
Amount due to stockbrokers		-	172,744
Amount due to Manager		441,507	28,327
Accrued management fee		143,647	132,039
Amount due to Trustee		6,704	6,162
Other payables and accruals		13,800	14,501
TOTAL LIABILITIES		<u>605,658</u>	<u>353,773</u>
NET ASSET VALUE OF THE FUND		<u>118,726,144</u>	<u>100,172,802</u>
EQUITY			
Unit holders' capital		22,993,791	26,232,626
Retained earnings		95,732,353	73,940,176
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>118,726,144</u>	<u>100,172,802</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	9	<u>147,816,049</u>	<u>150,772,701</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.8032</u>	<u>0.6643</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**

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2019	26,232,626	73,940,176	100,172,802
Movement in unit holders' contributions:			
- Creation of units from applications	46,839,110	-	46,839,110
- Cancellation of units	(50,077,945)	-	(50,077,945)
Total comprehensive income for the financial period	-	21,792,177	21,792,177
Balance as at 30 June 2019	<u>22,993,791</u>	<u>95,732,353</u>	<u>118,726,144</u>
Balance as at 1 January 2018	29,174,572	112,344,598	141,519,170
Movement in unit holders' contributions:			
- Creation of units from applications	22,217,326	-	22,217,326
- Cancellation of units	(21,186,855)	-	(21,186,855)
Total comprehensive loss for the financial period	-	(26,286,058)	(26,286,058)
Balance as at 30 June 2018	<u>30,205,043</u>	<u>86,058,540</u>	<u>116,263,583</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 quoted securities	56,601,030	62,108,287
Purchase of quoted securities	(51,655,065)	(63,951,985)
Dividend income received	1,005,782	1,501,450
Interest income received from deposits with licensed financial institutions	298,045	90,404
Management fee paid	(861,045)	(988,980)
Trustee's fee paid	(40,182)	(46,152)
Payments for other fees and expenses	(24,656)	(124,845)
Tax refund received	-	-
Net cash generate/(used in) from operating activities	5,323,909	(1,411,821)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	46,783,019	22,200,155
Payments for cancellation of units	(49,664,765)	(21,420,452)
Net cash (used in)/generated from financing activities	(2,881,746)	779,703
Net increase/(decrease) in cash and cash equivalents	2,442,163	(632,118)
Cash and cash equivalents at the beginning of the financial period	13,838,898	6,002,061
Cash and cash equivalents at the end of the financial period	<u>16,281,061</u>	<u>5,369,943</u>
<u>Cash and cash equivalents comprised of:</u>		
Deposits with licensed financial institutions	16,239,753	5,258,325
Bank balances	41,308	111,618
Cash and cash equivalents at the end of the financial period	<u>16,281,061</u>	<u>5,369,943</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 ACTIVITY

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

The Fund may invest between 70% to 98% (both inclusive) of the Fund’s NAV in shares of smaller companies with market capitalisation of up to three (3) billion Ringgit Malaysia at the point of purchase that are listed on Bursa Malaysia. The investment policy and strategy of the Fund will therefore focus on investments in securities of such smaller companies with potential growth and hands-on management policies but may be under-researched by major stock broking houses. However, should there be lack of liquidity or when we deem necessary to reduce volatility of the Fund, the Fund may invest up to 20% of its NAV in companies with market capitalisation above three (3) billion Ringgit Malaysia but not more than five (5) billion Ringgit Malaysia at the point of purchase. The Fund may opt to seek investment exposure via Collective Investment Scheme that is in line with the Fund’s objective, subject to the requirement of the SC Guidelines. To a lesser extent, the Fund may also invest in other permissible investments such as liquid assets primarily for the purpose of cash management. In addition, liquid assets may be strategically used if we feel that the market downside risk is high in the short-term.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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 other OCI.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

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

Recognition and measurement

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

Financial liabilities 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 period which they arise.

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

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

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

Deposits with licensed financial 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 carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit loss (“ECL”) using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any ECL. Management 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 management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Income recognition

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

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using 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 quoted securities is accounted for as the difference between net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Functional and presentation currency**

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

(e) Cash and cash equivalents

For the purpose 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) Amount due from/to stockbrokers

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

These amounts are measured at amortised cost. At each reporting date, the Fund measure the loss allowance on amounts due from broker at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

(g) 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.

(h) Transaction costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Unit holders' capital**

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

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

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

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

(j) 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.

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

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

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

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide growth to the value of Unit holders' investments over the long-term in an equity fund by investing in undiscovered smaller companies listed on Bursa Malaysia.

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

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

(ii) Interest rate risk

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

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

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk

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

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

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

For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by respective stock exchange. The credit risk is minimal as all transactions in quoted securities are settled or paid upon delivery using approved stockbrokers.

(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.

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM22,993,791 (31.12.2018: RM26,232,626) and retained earnings of RM95,732,353 (31.12.2018: RM73,940,176). 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

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

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

(i) Fair value hierarchy

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

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

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires 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.

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.06.2019				
Financial assets at fair value through profit or loss:				
- Quoted securities	102,641,190	-	-	102,641,190

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(e) Fair value estimation (continued)****(ii) Fair value hierarchy (continued)**

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
31.12.2018				
Audited				
Financial				
assets at				
fair value				
through				
profit or				
loss:				
- Quoted				
securities	<u>82,165,129</u>	<u>-</u>	<u>-</u>	<u>82,165,129</u>

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

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

4. MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 2.00% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 30 June 2019, the management fee is recognised at a rate of 1.50% per annum (30.06.2018: 1.50% per annum).

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

5. TRUSTEE'S FEE

In accordance with Deeds, the Trustee is entitled to a maximum fee of 0.07% 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 six months financial period ended 30 June 2019, the Trustee's fee is recognised at a rate of 0.07% per annum (30.06.2018: 0.07% per annum).

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

6. TAXATION

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
Tax charged for the financial period:		
- Current taxation	<u> </u>	<u> </u> -

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

	01.01.2019 to 30.06.2019 RM	01.01.2018 to 30.06.2018 RM
Profit/(Loss) before taxation	<u>21,792,177</u>	<u>(26,286,058)</u>
Taxation at Malaysian statutory rate of 24% (30.06.2018:24%)	5,230,122	(6,308,654)
Tax effects of:		
(Investment income not subject to tax)/Investment loss not deductible for tax purposes	(5,525,875)	5,953,349
Expenses not deductible for tax purposes	81,844	109,459
Restriction on tax deductible expenses for Unit Trust Funds	<u>213,909</u>	<u>245,846</u>
Taxation	<u> </u> -	<u> </u> -

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2019 RM	31.12.2018 Audited RM
Designated at fair value through profit or loss at inception:		
- Quoted securities	<u>102,641,190</u>	<u>82,165,129</u>
	01.01.2018 to 30.06.2018 RM	01.01.2017 to 30.06.2017 RM
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	946,575	(4,840,897)
- Unrealised fair value gain/(loss)	<u>20,760,184</u>	<u>(21,318,204)</u>
	<u>21,706,759</u>	<u>(26,159,101)</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2019				
QUOTED SECURITIES				
Construction				
Gabungan AQRS Bhd	1,257,180	1,608,637	1,709,765	1.44
Kerjaya Prospek Group Bhd	449,220	498,549	619,924	0.52
Muhibbah Engineering M Bhd	414,100	1,166,875	1,142,916	0.96
Sunway Construction Group Bhd	1,021,600	1,791,754	2,053,416	1.73
TRC Synergy Bhd	1,608,300	970,598	1,029,312	0.87
Vizione Holdings Bhd	366,257	320,074	366,257	0.31
	<u>5,116,657</u>	<u>6,356,486</u>	<u>6,921,589</u>	<u>5.83</u>
Consumer Product & Services				
Aeon Co. M Bhd	2,191,900	3,787,017	3,704,311	3.12
Berjaya Food Bhd	2,142,800	3,370,544	3,557,048	3.00
Bermaz Auto Bhd	982,900	2,179,833	2,614,514	2.20
Bioalpha Holdings Bhd	6,989,300	1,652,177	1,397,860	1.18
DRB-Hicom Bhd	866,700	1,788,756	1,906,740	1.61
Magni-Tech Industries Bhd	16,800	102,712	81,816	0.07
Mynews Holdings Bhd	2,723,000	3,612,031	3,676,050	3.10
	<u>15,913,400</u>	<u>16,493,069</u>	<u>16,938,339</u>	<u>14.27</u>
Energy				
Dayang Enterprise Holding Bhd	2,863,600	2,815,750	3,379,048	2.85
Sapura Energy Bhd	11,246,000	3,440,624	3,373,800	2.84
Serba Dinamik Hldgs Bhd	273,600	760,898	1,102,608	0.93
Uzma Bhd	327,700	373,061	227,751	0.19
Yinson Holdings Bhd	444,900	1,902,281	2,709,441	2.28
	<u>15,155,800</u>	<u>9,292,615</u>	<u>10,792,648</u>	<u>9.09</u>
Financial Services				
Aeon Credit Service M Bhd	71,200	1,104,149	1,196,160	1.01
RCE Capital Bhd	413,500	613,622	669,870	0.57
Syarikat Takaful Malaysia Keluarga Bhd	303,600	1,713,420	2,079,660	1.75
	<u>788,300</u>	<u>3,431,191</u>	<u>3,945,690</u>	<u>3.33</u>
Health Care				
Duopharma Biotech Bhd	2,391,629	2,696,122	3,276,532	2.76
Kossan Rubber Industries Bhd	490,000	1,830,531	1,955,100	1.65
	<u>2,881,629</u>	<u>4,526,653</u>	<u>5,231,632</u>	<u>4.41</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
ATA IMS Bhd	714,400	1,082,226	1,128,752	0.95
Chemical Co. Malaysia Bhd	2,112,466	3,774,031	4,415,054	3.72
EG Industries Bhd	193,300	141,530	76,353	0.06
EG Industries Bhd -PA	507,859	247,358	208,222	0.18
HSS Engineers Bhd	1,218,100	1,180,241	1,412,996	1.19
Pecca Group Bhd	1,493,500	1,316,099	1,732,460	1.46
Rohas Tecnic Bhd	3,360,800	3,215,332	1,781,224	1.50
Success Transformer Corporation Bhd	4,241,800	4,847,897	4,050,919	3.41
Uchi Technologies Bhd	637,400	1,824,680	1,835,712	1.55
V.S. Industry Bhd	2,088,600	3,836,454	2,297,460	1.93
	<u>16,568,225</u>	<u>21,465,849</u>	<u>18,939,153</u>	<u>15.95</u>
Plantation				
FGV Holdings Bhd	<u>3,484,800</u>	<u>4,163,448</u>	<u>3,902,976</u>	<u>3.29</u>
Property				
Malaysian Resources Corp Bhd	<u>3,205,900</u>	<u>2,836,711</u>	<u>3,045,605</u>	<u>2.56</u>
REIT				
Axis REIT	<u>2,103,800</u>	<u>3,733,413</u>	<u>3,681,650</u>	<u>3.10</u>
Technology				
Frontken Corp Bhd	880,200	304,722	1,179,468	0.99
Globetronics Technology Bhd	1,558,700	3,145,587	2,603,029	2.19
Inari Amertron Bhd	752,100	1,304,211	1,203,360	1.01
JHM Consolidation Bhd	4,117,100	4,733,169	5,187,546	4.37
Pentamaster Corp Bhd	2,579,160	3,289,523	7,427,981	6.26
Revenue Group Bhd	1,477,800	1,355,417	2,098,476	1.77
	<u>11,365,060</u>	<u>14,132,630</u>	<u>19,699,860</u>	<u>16.59</u>
Telecommunications & Media				
Binasat Communications Bhd	5,305,300	2,614,077	1,671,169	1.41
Time Dotcom Bhd	<u>228,000</u>	<u>1,900,533</u>	<u>2,045,160</u>	<u>1.72</u>
	<u>5,533,300</u>	<u>4,514,610</u>	<u>3,716,329</u>	<u>3.13</u>
Transportation & Logistics				
E.A. Technique Bhd	4,346,900	2,986,262	1,890,901	1.59
Pos Malaysia Bhd	<u>262,200</u>	<u>563,631</u>	<u>395,922</u>	<u>0.33</u>
	<u>4,609,100</u>	<u>3,549,893</u>	<u>2,286,823</u>	<u>1.93</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Utilities				
Ranhill Holdings Bhd	285,960	297,913	357,450	0.30
Malakoff Corporation Bhd	609,500	504,849	521,123	0.44
Taliworks Corporation Bhd	2,939,583	2,413,964	2,660,323	2.23
	<u>3,835,043</u>	<u>3,216,726</u>	<u>3,538,895</u>	<u>2.97</u>
TOTAL QUOTED SECURITIES	<u>90,561,014</u>	<u>97,713,293</u>	<u>102,641,190</u>	<u>86.45</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,927,897</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>102,641,190</u>		
31.12.2018				
Audited				
QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	2,456,200	1,622,966	945,637	0.95
Gabungan AQRS Bhd	986,400	1,344,056	843,372	0.84
GDB Holdings Bhd	1,161,100	457,261	267,053	0.27
Kerjaya Prospek Group Bhd	466,220	517,416	536,153	0.54
Muhibbah Engineering (M) Bhd	414,100	1,166,875	1,155,339	1.15
Sunway Construction Group Bhd	484,400	923,280	644,252	0.64
Vizione Holdings Bhd	413,757	361,584	353,762	0.35
	<u>6,382,177</u>	<u>6,393,438</u>	<u>4,745,568</u>	<u>4.74</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2018 (CONTINUED)				
Audited (Continued)				
QUOTED SECURITIES				
(CONTINUED)				
Consumer Products				
Aeon Co. M Bhd	998,200	1,912,783	1,467,354	1.46
Berjaya Food Bhd	915,000	1,391,312	1,281,000	1.28
Bermaz Auto Bhd	595,400	1,302,885	1,280,110	1.28
Bioalpha Holdings Bhd	6,989,300	1,652,177	1,467,753	1.47
DRB-Hicom Bhd	469,600	957,483	798,320	0.79
Kawan Food Bhd	538,632	1,403,194	1,028,787	1.03
Magni-Tech Industries Bhd	464,600	2,840,470	1,858,400	1.86
Mynews Holdings Bhd	975,200	1,165,197	1,462,800	1.46
Padini Holdings Bhd	357,900	1,370,229	1,256,229	1.25
Power Root Bhd	834,480	1,034,317	1,151,582	1.16
Salutica Bhd	620,200	354,236	254,282	0.25
	<u>13,758,512</u>	<u>15,384,283</u>	<u>13,306,617</u>	<u>13.28</u>
Energy				
Hibiscus Petroleum Bhd	2,883,400	2,868,604	2,422,056	2.42
Serba Dinamik Holdings Bhd	273,600	760,898	1,034,208	1.03
Uzma Bhd	1,968,200	2,484,822	1,131,715	1.13
Yinson Holdings Bhd	255,200	1,032,156	1,071,840	1.07
	<u>5,380,400</u>	<u>7,146,480</u>	<u>5,659,819</u>	<u>5.65</u>
Financial Services				
Aeon Credit Service (M) Bhd	19,800	297,004	302,940	0.30
RCE Capital Bhd	634,100	920,863	932,127	0.93
	<u>653,900</u>	<u>1,217,867</u>	<u>1,235,067</u>	<u>1.23</u>
Health Care				
CCM Duopharma Biotech Bhd	2,259,729	2,537,842	2,146,743	2.14
KPJ Healthcare Bhd	2,001,900	2,136,842	2,081,976	2.08
	<u>4,261,629</u>	<u>4,674,684</u>	<u>4,228,719</u>	<u>4.22</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2018 (CONTINUED)				
Audited (Continued)				
QUOTED SECURITIES				
(CONTINUED)				
Industrial Products & Service				
ATA IMS Bhd	774,700	1,173,573	1,278,255	1.28
Chemical Company of Malaysia Bhd	1,763,666	3,074,970	3,156,962	3.15
EG Industries Bhd	3,420,600	2,504,482	1,676,094	1.67
EG Industries Bhd - Preference Shares	877,115	427,208	416,630	0.42
HSS Engineers Bhd	181,400	163,442	156,004	0.16
Pecca Group Bhd	1,047,800	910,477	770,133	0.77
Rohas Tecnic Bhd	3,360,800	3,215,332	2,285,344	2.28
SKP Resources Bhd	87,800	139,250	92,190	0.09
Success Transformer Corporation Bhd	5,933,000	6,780,747	3,085,160	3.08
Uchi Technologies Bhd	651,500	1,865,044	1,654,810	1.65
VS Industry Bhd	2,129,300	3,911,214	1,554,389	1.55
VS Industry Bhd - Warrant	3,811,025	1,942,999	19,055	0.02
	<u>24,038,706</u>	<u>26,108,738</u>	<u>16,145,026</u>	<u>16.12</u>
Properties				
Malaysian Resources Corporation Bhd	<u>873,000</u>	<u>729,955</u>	<u>536,895</u>	<u>0.54</u>
Technology				
Elsoft Research Bhd	948,420	1,064,736	1,033,778	1.04
Frontken Corporation Bhd	8,868,800	3,070,349	6,252,504	6.24
GHL Systems Bhd	178,500	196,870	282,030	0.28
Globetronics Technology Bhd	1,957,200	4,038,744	3,425,100	3.42
Inari Amertron Bhd	1,308,600	2,287,445	1,962,900	1.96
Inari Amertron Bhd - Warrant	124,500	222,220	120,765	0.12
JHM Consolidation Bhd	2,350,700	2,571,846	1,998,095	1.99
Malaysian Pacific Industries Bhd	15,600	169,053	155,220	0.15
MI Technovation Bhd	1,221,700	1,950,517	2,736,608	2.73
My Eg Services Bhd	770,000	898,176	750,750	0.75
Pentamaster Corporation Bhd	2,233,340	4,268,314	6,141,685	6.13
Revenue Group Bhd	391,900	246,112	536,903	0.54
Unisem Bhd	12,700	39,846	41,656	0.04
VisDynamics Holdings Bhd	3,636,950	2,042,342	1,800,290	1.80
VisDynamics Holdings Bhd - Warrant	560,562	-	120,521	0.12
ViTrox Corporation Bhd	134,800	602,206	847,892	0.85
	<u>24,714,272</u>	<u>23,668,776</u>	<u>28,206,697</u>	<u>28.16</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2018 (CONTINUED)				
Audited (Continued)				
QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Binasat Communications Bhd	5,410,500	2,665,912	2,028,938	2.02
Sasbadi Holdings Bhd	4,139,850	2,273,577	910,767	0.91
Sedania Innovator Bhd	1,976,200	758,992	197,620	0.20
	<u>11,526,550</u>	<u>5,698,481</u>	<u>3,137,325</u>	<u>3.13</u>
Transportation & Logistics				
E.A. Technique Bhd	6,446,800	4,428,865	2,514,252	2.51
Utilities				
Taliworks Corporation Bhd	3,100,183	2,545,848	2,449,144	2.44
TOTAL QUOTED SECURITIES	<u>101,136,129</u>	<u>97,997,416</u>	<u>82,165,129</u>	<u>82.02</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(15,832,287)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>82,165,129</u>		

8. CASH AND CASH EQUIVALENTS

	30.06.2019	31.12.2018
	RM	Audited RM
Deposits with licensed financial institutions	16,239,753	13,799,534
Bank balances	41,308	39,364
	<u>16,281,061</u>	<u>13,838,898</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>3.14</u>	<u>3.72</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 2 days (31.12.2018: 4 days).

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.01.2019 to 30.06.2019	01.01.2018 to 31.12.2018
	No. of units	Audited No. of units
At the beginning of the financial period/year	150,772,701	155,570,969
Add : Creation of units from applications	61,699,250	67,357,306
Less: Cancellation of units	(64,655,902)	(72,155,574)
At the end of the financial period/year	<u>147,816,049</u>	<u>150,772,701</u>

10. MANAGEMENT EXPENSE RATIO ("MER")

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
	%	%
MER	<u>0.80</u>	<u>0.84</u>

MER is derived from the following calculation:

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

A = Management fee

B = Trustee's fee

C = Audit fee

D = Tax agent's fee

E = Other expenses excluding Goods and Services Tax ("GST") on transaction costs and withholding tax

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM117,337,793 (30.06.2018: RM128,554,621).

11. PORTFOLIO TURNOVER RATIO ("PTR")

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
PTR (times)	<u>0.44</u>	<u>0.48</u>

PTR is derived from the following calculation:

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

where:

total acquisition for the financial period = RM51,339,144 (30.06.2018: RM62,690,946)

total disposal for the financial period = RM52,569,842 (30.06.2018: RM61,271,378)

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

12. 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

Manager	30.06.2019		31.12.2018	
	No. of units	RM	No. of units	Audited RM
Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad)	31,211	25,069	11,812	7,847

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	28,836	1,325
Cash placements with licensed financial institutions:		
- CIMB Bank Bhd	69,301,000	16,548,000
	30.06.2019 RM	31.12.2018 Audited RM
<u>Significant related party balances</u>		
Deposits with licensed financial institution:		
- CIMB Bank Bhd	5,753,000	-
Bank balances:		
- CIMB Bank Bhd	41,308	39,364

13. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 broker/dealers for the six months financial period ended 30 June 2018 are as follows:

Brokers/Dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
Affin Hwang Investment Bank Bhd	12,562,868	10.14	55,491	18.49
RHB Investment Bank Bhd	17,598,094	14.20	44,858	14.95
CIMB Investment Bank Bhd #	11,845,627	9.56	32,029	10.67
Credit Suisse M Sdn Bhd	13,965,617	11.27	31,488	10.49
Maybank Investment Bank Bhd	14,324,331	11.56	31,382	10.46
CLSA Securities M Sdn Bhd	9,909,200	8.00	21,686	7.23
Hong Leong Investment Bank bhd	9,527,587	7.69	21,558	7.18
JPMorgan Securities (Malaysia) Sdn Bhd	8,160,459	6.59	18,417	6.14
Macquarie Malaysia Sdn Bhd	7,020,489	5.67	15,820	5.27
KAF Seagroats & Campbell Securities Sdn Bhd	5,285,313	4.27	11,905	3.97
Others	13,702,634	11.05	15,450	5.15
	123,902,219	100.00	300,084	100.00

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Others	13,702,634	11.05	15,450	5.15
	123,902,219	100.00	300,084	100.00

Included in the transactions are trades conducted with CIMB Investment Bank Bhd, fellow related party to the Manager amounting to Nil (30.06.2018: RM11,845,627) respectively. 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.

14. 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 investment objective of the Fund is to provide growth to the value of Unit holders' investments over the long-term in an equity fund by investing in undiscovered smaller companies listed on Bursa Malaysia. 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 and dividend 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 quoted securities listed on Bursa Securities, Malaysia.

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

DIRECTORY

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