CIMB-Principal Total Return Bond Fund 4

Annual Report

For the financial year ended 30 April 2019

In alliance with CIMB

CIMB-PRINCIPAL TOTAL RETURN BOND FUND 4

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

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INVESTORS' LETTER

Dear Valued Investors,

Thank you for your continued support and for the confidence that you have placed in us. Principal Asset Management Berhad *(formerly known as CIMB-Principal Asset Management Berhad)* ("Principal Malaysia") has achieved RM55.7 billion in Asset under Management ("AUM") as of April 2019.

We continue to achieve prestigious recognitions, grabbing six individual awards at The Edge-Thomson Reuters Lipper Fund Awards 2018. In addition, we received recognition from Fundsupermart.com for 'Fund House of the Year' award and Recommended Unit Trust 2018/2019 awards for six funds.

We were also bestowed the 'Best Wealth Manager' in Malaysia at The Asset Triple A Private Banking, Wealth Management, Investment and Exchange-Traded Fund ("ETF") Awards 2018. Latest, we were named the 'Best Asset Management Company' in Malaysia at the International Finance Awards 2018.

These prestigious awards are a celebration of the trust that you have placed in us and testament to our capability in bringing potential value to your financial goals and needs. We look forward to serving you for many years to come and to the best of our ability.

Thank you.

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

Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?
The Fund aims to provide investors with total return through investments in a portfolio of primarily debt instruments.

Has the Fund achieved its objective?
For the financial year under review, the Fund is in line with its stated objectives as stated under the fund performance review.

What are the Fund investment policy and principal investment strategy?
The Fund seeks to achieve its investment objective by investing up to 100% of its Net Asset Value ("NAV") in a diversified portfolio consisting of debt instruments, money market instruments and/or Deposits.

The Fund will invest at least 70% of its NAV in debt instruments issued by governments, government agencies, supranational organisations and corporate issuers, which include but not limited to bonds and other fixed or floating rate debt instruments, certificates of deposit, commercial papers and notes. The Fund will also invest in Liquid Assets for liquidity purposes.

In order to maximise the total return, the Fund may invest up to 99% of its NAV in Locally Rated Securities. Up to 40% of the Fund's NAV may be invested in High Yield Securities and Unrated Securities for yield enhancement of which up to 20% of the Fund's NAV in Unrated Securities. When deemed necessary, we may also utilise derivative instruments such forward contracts, options, futures contracts and/or swap agreements for the purpose of hedging. The use of derivatives is subject to the prevailing Securities Commission Malaysia ("SC") Guidelines.

Investment universe of the Fund will be in countries globally, where the regulatory authority is an ordinary or associate member of the International Organisation of Securities Commissions ("IOSCO"). Where necessary, the Manager will apply for licenses/permits to invest in these countries, and if the licenses/permits are revoked or not renewed (as the case may be) the Manager will seek to invest in other accessible markets.

As this is a close-ended fund, the Manager will buy the debt instruments with the intention of holding through the tenure of the Fund or until the debt instruments mature. However, the Manager reserves the right to deal with the debt instruments in the best interest of the Unit holders, such as (i) in the event of a credit rating downgrade or during market upheavals where the Manager is of the opinion that trading of the debt instruments is required to protect the investment return of the Fund (nevertheless the Manager can continue to hold the downgraded debt instruments if the immediate disposal of the debt instruments would not be in the best interest of the Unit holders), and (ii) where the Manager deems that the trading of debt instruments is necessary to provide the investment return in order to achieve the objective of the Fund.

Further, for debt instruments that mature during the three (3) months period to the Maturity Date, the Manager will seek to reinvest into other debt instruments for the remaining period to the Maturity Date. However, in the event that the Manager is not able to find suitable replacement debt instruments, the Manager will invest in Deposits and/or money market instruments. As such, Unit holders should note that during this period of time, the Fund's investment may deviate from the stipulated investment strategy.

FUND OBJECTIVE AND POLICY (CONTINUED)

Fund category/type
Debenture (close-ended)/Growth

How long should you invest for?
Recommended three (3) years

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

When was the Fund launched?
6 September 2016

What was the size of the Fund as at 30 April 2019?
RM245.57 million (235.43 million units)

What is the Fund's benchmark?
3-year CIMB Bank fixed deposit rate at the Commencement Date

The Fund shall benchmark itself against the fixed deposit rate for performance comparison purpose only. Since the Fund may invests across various debt instruments of different ratings, investors are cautioned that the risk profile of the Fund is higher than investing in fixed deposits; hence, investors should expect the Fund to outperform the benchmark.

What is the Fund distribution policy?
Given the Fund's investment objective, the Fund is not expected to pay any distribution. Distributions, if any, are at the discretion of the Manager and will vary from period to period depending on the availability of realised income for distribution and performance of the Fund.

What was the net income distribution for the financial year ended 30 April 2019?
The Fund distributed a total net income of RM12.29 million to unit holders for the financial year ended 30 April 2019. As a result, the NAV per unit dropped from RM1.0591 to RM1.0077 on 15 October 2018.

PERFORMANCE DATA

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

	30.04.2019 %	30.04.2018 %	30.04.2017 %
Unquoted fixed income securities - local	91.86	89.35	87.61
Unquoted fixed income securities - foreign	4.92	7.29	7.39
Cash and other net assets	3.22	3.36	5.00
	100.00	100.00	100.00

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

	30.04.2019	30.04.2018	30.04.2017
NAV (RM Million)	245.57	255.53	275.05
Units in circulation (Million)	235.43	247.35	267.58
NAV per unit (RM)	1.0430	1.0330	1.0279

	01.05.2018 to 30.04.2019	01.05.2017 to 30.04.2018	06.09.2016 (date of launch) to 30.04.2017
Highest NAV per unit (RM)	1.0589	1.0464	1.0279
Lowest NAV per unit (RM)	1.0077	1.0175	0.9985
Total return (%)	6.12	3.47	2.75
- Capital growth (%)	0.97	0.53	2.75
- Income distribution (%)	5.10	2.89	-
Management Expense Ratio (“MER”) (%)	0.07	0.06	0.04
Portfolio Turnover Ratio (“PTR”) (times) #	0.11	0.07	0.55

^ The Fund’s MER increased from 0.06% to 0.07% due to increase in expenses during the financial year under review.

The Fund’s PTR for the financial year under review increased from 0.07 times to 0.11 times. Rebalancing may be done when there are redemptions or potential credit event.

Date of distribution	15.10.2018	30.10.2017	-
Gross distribution per unit (sen)	5.14	2.95	-
Net distribution per unit (sen)	5.14	2.94	-

	30.04.2019 %	30.04.2018 %	Since inception to 30.04.2017 %
Annual total return	6.12	3.47	2.75

(Launch date: 6 September 2016)

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

MARKET REVIEW (1 MAY 2018 TO 30 APRIL 2019)

Despite the US Federal Reserve (the "Fed") supposedly being on pace for 3 to 4 hikes according to their most recent 'dot plot', the May 2018 Federal Open Market Committee ("FOMC") statement was on the dovish side. As expected, the FOMC maintained the Fed Funds Rate at 1.50% and 1.75% at the 3 May 2018 FOMC meeting with most market participants anticipating the next hike in June 2018. Policymakers did acknowledge that inflation has moved closer to 2.0%; versus the previous FOMC statement in March 2018 indicating inflation was 'continuing to run below 2.0%'. However, the FOMC did not appear alarmed as it said its inflation target is 'symmetric', which may mean policymakers will be comfortable for a period of time for inflation to hover just above 2.0% before tightening further. The FOMC also said that with gradual adjustments in policy, economic activity will grow at a moderate pace in the medium term.

Over in Asia, Bank Indonesia ("BI") increased the policy rate twice in May 2018 by 50 basis points ("bps") total to 4.75%. BI said that the policy was a pre-emptive move; it was front-loaded and ahead of the curve to strengthen stability (especially the exchange rate) against the expected increase in interest rates in the US and rising risks in global financial markets. Following the rate hike, Indonesia bond yields increased by 31 bps on average mainly at the front end of the curve. The two Bank Indonesia rate hikes propped yields, though lower oil prices and dovish statement from the Fed were otherwise supportive of bond prices.

As expected, the Fed raised its benchmark interest rate by 25 bps to a range between 1.75% and 2% in June 2018 marking the second change in monetary policy under Fed Chairman Jerome Powell and the second of 2018. The move was widely expected but the Committee also signalled meaningful changes in the future with the 'dot plot' now showing the median estimate for 2018 was for four rate hikes versus only three increases previously. The second change seen was the removal of the 'forward guidance' that used to be provided indicating a more hawkish stance due to strong growth, 3.8% unemployment and the headline inflation rate forecast this year being increased to 2.1% from 1.9%.

BI resume hiking their seven-day reverse Repo rate by 50 bps to 5.25% on 29 June 2018, following two previous rate hikes in the month of May 2018. This brings the total rate increase to 100 bps. The hikes in the key rate are aimed at supporting the Indonesian Rupiah ("IDR") which has weakened this month despite the two rate hikes as emerging markets struggle with capital outflows.

Meanwhile, Bank Negara Malaysia ("BNM") maintained its Overnight Policy Rate ("OPR") unchanged at 3.25% during its July 2018 Monetary Policy Committee ("MPC") meeting, with the policy statement taking note of possible repercussions of a further intensification in global trade tensions and monetary normalisation led by the Fed. This was the first meeting under the newly appointed Governor Nor Shamsiah following the change in Government, which has resulted in major changes to the fiscal policy.

Treasuries saw a strong rally in the month of August 2018 as President Trump ramped up sanctions against Turkey for its continued detention of an American pastor. These moves appear to have triggered an exodus of capital from emerging markets in general and into safe-haven assets. Despite Turkey following the Russian example and liquidating the bulk of its US Treasury ("UST") holdings in retaliation, they still ended the month on a strong note. At the end of August 2018, the 2-year, 5-year, 10-year and 30-year UST yields stood at 2.63%, 2.74%, 2.86% and 3.02%, respectively. Data from the US continues to suggest accelerated growth in the economy. Second quarter of 2018 Gross Domestic Product ("GDP") was revised upwards from 4.10% to 4.20%, the fastest growth rate since the third quarter of 2014.The pace could slow from here on however, as the tax-cut effects fade, the Fed raises interest rates further and the trade war threatens business demand.

In August 2018, BI again surprised markets when it raised the seven-day reverse Repo rate by 25 bps to 5.50% to ease pressure on the IDR, as the Turkey crisis triggered a sell-off in Emerging Market ("EM") currencies. This marks its fourth interest rate hike since May 2018 and some analysts believe more may be required to defend the IDR.

MARKET REVIEW (1 MAY 2018 TO 30 APRIL 2019) (CONTINUED)

In September 2018, the FOMC raised the Fed funds rate to a target range of 2% to 2.25%, as expected, with the latest dot plot affirming a fourth hike in December 2018, as well as three more hikes in 2019 and one hike in 2020. The Fed also withdraw the usual “accommodative” with reference to its monetary policy suggesting a somewhat hawkish tone, but Fed Chair Jerome Powell managed to clarify that the removal of the wording did not signal any change to rates path and the Fed did not see inflation surprising to the upside, and this pushed the 10-year UST yield down to 3.05%.

In line with market expectations, both BI and the Bangko Sentral ng Pilipinas (“BSP”) delivered rate hikes of 25 bps and 50 bps respectively. BI raised its benchmark interest rate for the fifth time since May 2018 as it intensified efforts to shield the IDR from a global rout in emerging markets. BI increased its seven-day reverse repurchase rate by 25 bps to 5.75%. On the same day, the Philippine Central Bank also hiked interest rate further by 50 bps bringing its overnight reverse Repo rate to 4.50%. For BSP, it said “a further tightening of monetary policy was warranted by persistent signs of sustained and broadening price pressures.”

In Asia, Indonesia’s central bank kept its key interest rate unchanged at 5.75% for the first time in three meetings as more favourable macroeconomic data looks to have slowed the IDR’s slide for now. Prior to this decision, BI had increased the rate in all but one meeting since May 2018 by a combined 150 bps. BI’s Governor indicated that with US interest rates likely to rise further over the coming months and the China-US trade war likely to escalate, they expect the IDR to remain under pressure and thus, foresee further rate hikes before the end of the year. In the same month, China’s central bank announced a steep cut in the level of cash that banks must hold as reserves, in a move to lower financing costs and spur growth amid concerns over the economic drag from an escalating trade dispute with the US. The cut was the fourth this year with economists predicting further cuts ahead. Similar to their cut in April 2018, reserve requirement ratios (“RRRs”) were cut by 100 bps on 15 October 2018.

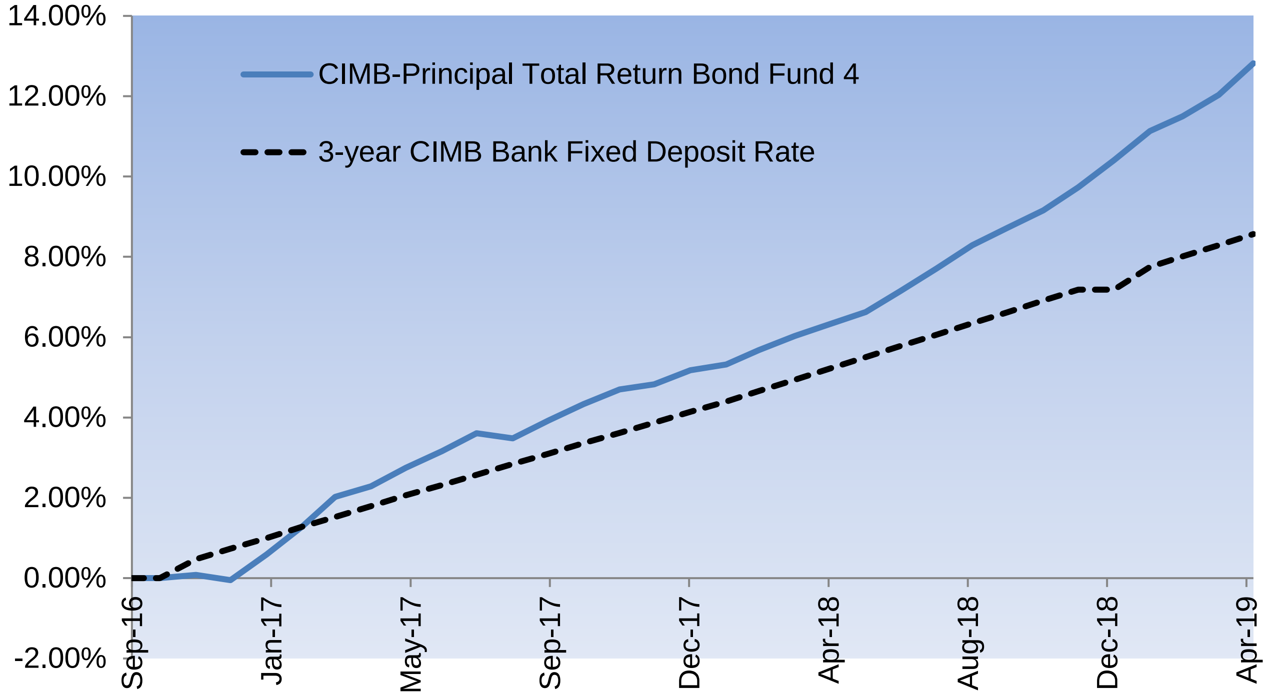
For the first quarter of 2019, sovereign bond yields plunged in most developed markets. Growth fear, a lack of meaningful progress from the US-China trade negotiations and with major central banks showing the willingness to maintain or even expand monetary accommodativeness have emboldened investors to go for yields after a dismal performance in 2018. There were increasingly more talks on recession risks in the US following the inversion of the UST curve. Similarly, the US Dollar (“USD”) Asian bond market has also picked up speed in the first quarter of 2019 after having seen yields spiked up in 2018. Start of the year portfolio positioning as well as inflows into the bond market saw interest returning to the bond market.

Meanwhile, the domestic interest rate market is gradually pricing in a likelihood of interest rate cut by BNM as domestic economic growth and domestic inflation trend weakened. Adding to the odds of interest rate cut is the pause in interest rate hike by the Fed in 2019 as US growth forecast is also revised downward. The result of such expectation is that the Malaysia Government Securities (“MGS”) curve bullish flattened on the long-end of the yield. The flattening trend was also observed in the credit market where most Issuer’s marked-to-market (“MTM”) curve flattened, albeit at a smaller magnitude compared to MGS.

FUND PERFORMANCE

	1 year to 30.04.2019 %	Since inception to 30.04.2019 %
Income	5.10	8.14
Capital	0.97	4.33
Total Return	6.12	12.82
Benchmark	3.35	8.57
Average Total Return	6.12	4.66

For the financial year ended 30 April 2019, the Fund delivered a total return of 6.12% versus the benchmark 3-year CIMB Bank Fixed Deposit Rate return of 3.04%.



Changes in NAV

	30.04.2019	30.04.2018	Changes %
NAV (RM Million)	245.57	255.53	(3.90)
NAV/Unit (RM)	1.0430	1.0330	0.97

The Fund's NAV stood at RM245.57 million as at 30 April 2019 with NAV per unit of RM1.0430. The Fund is ranked 7th out of 26 funds in the second quartile for the one year period ended 30 April 2019.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.04.2019	30.04.2018
Unquoted fixed income securities - local	91.86	89.35
Unquoted fixed income securities - foreign	4.92	7.29
Cash and other net assets	3.22	3.36
TOTAL	**100.00**	**100.00**

The Fund is 96.78% invested with 3.22% cash holding as liquidity for redemption purposes.

MARKET OUTLOOK*

Increasing divergences in growth paths across Developed Markets (“DM”) are leading into a corresponding divergence in policy makers’ monetary stance. Monetary tightening in the US is to ensure macroeconomic stability while a more dovish stance from the European Central Bank (“ECB”) and Bank of Japan (“BoJ”) is largely consistent with poorer growth outlooks and a lower-inflation environment.

In Asia, valuations in the credit market have since stabilised and going forward, we expect improvement in onshore credit creation for Chinese corporates. We do not, however, discount possible pro-long trade tension between US & China that may keep credit spreads wider. Nevertheless, any further escalation will have downside risk to global growth and should keep the central banks side-line on their policy tightening. The expectation of a pause in the Fed raising rates will likely provide a better bond investment outlook.

Domestically, we do not expect any interest rate hike for 2019 as we expect the growth to be slower and inflation to be manageable. Additionally, at this point we do not see huge primary corporate issuance pipelines hence fundamental as well as technically both are positive and supportive of the domestic bond market.

*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

Although we continue to expect volatility going forward, we maintain the Buy & Hold strategy in line with our Fund’s objectives for now and to prioritise capital preservation.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 April 2019 is as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	19	0.07	0.03
5,001 to 10,000	44	0.41	0.17
10,001 to 50,000	278	9.44	4.01
50,001 to 500,000	340	46.85	19.90
500,001 and above	12	178.66	75.89
Total	**693**	**235.43**	**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 commissions 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 TOTAL RETURN BOND FUND 4

We, being the Directors of Principal Asset Management Berhad *(formerly known as CIMB-Principal Asset Management Berhad)* (the "Manager"), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 16 to 52 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 April 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

For and on behalf of the Manager
Principal Asset Management Berhad (Company No.: 304078-K)
(formerly known as CIMB-Principal Asset Management Berhad)

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EUZAGUIRRE BARAONA
Director

Kuala Lumpur
18 June 2019

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL TOTAL RETURN BOND FUND 4

We have acted as Trustee of CIMB-Principal Total Return Bond Fund 4 (the “Fund”) for the financial year ended 30 April 2019. To the best of our knowledge, Principal Asset Management Berhad *(formerly known as CIMB-Principal Asset Management Berhad)* (the “Manager”), has operated and managed the Fund in accordance with the following:-

a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission’s Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;

b) valuation/pricing is carried out in accordance with the Deed and any regulatory requirements; and

c) creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements.

During this financial year, a total distribution of 5.14 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
18 June 2019

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL TOTAL RETURN BOND FUND 4

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB-Principal Total Return Bond Fund 4 (the "Fund") give a true and fair view of the financial position of the Fund as at 30 April 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 April 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 52.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL TOTAL RETURN BOND FUND 4 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL TOTAL RETURN BOND FUND 4 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

(d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL TOTAL RETURN BOND FUND 4 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
18 June 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

	Note	2019 RM	2018 RM
INCOME			
Interest income from unquoted fixed income securities at fair value through profit and loss		12,633,479	13,136,252
Interest income from deposits with licensed financial institutions and current account at amortised cost		281,955	208,217
Net gain/(loss) on financial assets at fair value through profit or loss	**7**	1,854,953	(4,376,689)
Net loss on derivative liability at fair value through profit or loss		(48,187)	(14,273)
Net foreign exchange gain		58,994	53,187
Exit fee income		154,706	267,046
Other income		4,000	-
		14,939,900	9,273,740
EXPENSES			
Trustee's and custodian fees	**4**	129,815	137,944
Audit fee		15,100	10,000
Tax agent's fee		5,200	1,800
Other expenses		23,763	17,204
		173,878	166,948
PROFIT BEFORE TAXATION		14,766,022	9,106,792
Taxation	**6**	(37,504)	(63,671)
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		14,728,518	9,043,121
Profit after taxation is made up as follows:			
Realised amount		11,260,352	12,976,531
Unrealised amount		3,468,166	(3,933,410)
		14,728,518	9,043,121

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2019

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	**8**	8,015,812	19,203,861
Financial assets at fair value through profit or loss	**7**	237,671,432	246,936,904
TOTAL ASSETS		245,687,244	266,140,765
LIABILITIES			
Derivative liability	**10**	14,280	14,273
Amount due to dealers		-	10,343,334
Amount due to Manager		6,066	170,231
Amount due to Trustee		8,064	8,441
Other payables and accruals		21,412	15,346
Tax payable		66,599	63,671
TOTAL LIABILITIES		116,421	10,615,296
NET ASSET VALUE OF THE FUND		245,570,823	255,525,469
EQUITY			
Unit holders' capital		234,428,967	246,823,330
Retained earnings		11,141,856	8,702,139
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		245,570,823	255,525,469
NUMBER OF UNITS IN CIRCULATION (UNITS)	**9**	235,426,563	247,347,334
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		1.0430	1.0330

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

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

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 May 2018		246,823,330	8,702,139	255,525,469
Movement in unit holders' contributions:				
- Creation of units from distribution		29	-	29
- Cancellation of units		(12,394,392)	-	(12,394,392)
Total comprehensive income for the financial year		-	14,728,518	14,728,518
Distribution	**5**	-	(12,288,801)	(12,288,801)
Balance as at 30 April 2019		234,428,967	11,141,856	245,570,823
Balance as at 1 May 2017		267,572,949	7,481,816	275,054,765
Movement in unit holders' contributions:				
- Creation of units from distribution		1,430	-	1,430
- Cancellation of units		(20,751,049)	-	(20,751,049)
Total comprehensive income for the financial year		-	9,043,121	9,043,121
Distribution	**5**	-	(7,822,798)	(7,822,798)
Balance as at 30 April 2018		246,823,330	8,702,139	255,525,469

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of unquoted fixed income securities		(45,577,579)	(10,263,709)
Proceeds from disposal of unquoted fixed income securities		18,178,942	18,539,690
Proceeds from redemption of unquoted fixed income securities		27,159,741	11,000,000
Interest income received from deposits with licensed financial Institutions and current account		281,955	208,217
Interest income received from unquoted fixed income securities		13,654,954	14,201,594
Trustee's and custodian fees paid		(130,192)	(138,534)
Payments for other fees and expenses		(37,997)	(29,072)
Exit fee income		158,706	267,046
Net realised foreign exchange (loss)/gain		(60,833)	32,224
Tax paid		(34,576)	-
Net cash generated from operating activities		13,593,121	33,817,456
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for cancellation of units		(12,558,557)	(20,581,814)
Distribution paid		(12,288,772)	(7,821,368)
Net cash used in financing activities		(24,847,329)	(28,403,182)
Net (decrease)/increase in cash and cash equivalents		(11,254,208)	5,414,274
Effects of foreign exchange differences		66,159	15,464
Cash and cash equivalents at the beginning of the financial year		19,203,861	13,774,123
Cash and cash equivalents at the end of the financial year	**8**	8,015,812	19,203,861
<u>Cash and cash equivalents comprised of:</u>			
Deposits with licensed financial institutions		3,282,389	19,150,231
Bank balances		4,733,423	53,630
Cash and cash equivalents at the end of the financial year	**8**	8,015,812	19,203,861

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal Total Return Bond Fund 4 (the “Fund”) was constituted pursuant to the execution of a Deed dated 8 August 2016 (the “Deed”), made between Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad) (the “Manager”), HSBC (Malaysia) Trustee Berhad (the “Trustee”) and the registered unit holders of the Fund.

The Fund seeks to achieve its investment objective by investing up to 100% of its NAV in a diversified portfolio consisting of debt instruments, money market instruments and deposits.

The Fund will invest at least 70% of its NAV in debt instruments issued by governments, government agencies, supranational organisations and corporate issuers, which include but not limited to bonds and other fixed or floating rate debt instruments, certificates of deposit, commercial papers and notes. The Fund will also invest in Liquid Assets for liquidity purposes.

In order to maximise the total return, the Fund may invest up to 99% of its NAV in Locally Rated Securities. Up to 40% of the Fund’s NAV may be invested in High Yield Securities and Unrated Securities for yield enhancement of which up to 20% of the Fund’s NAV in Unrated Securities. When deemed necessary, we may also utilise derivative instruments such forward contracts, options, futures contracts and/or swap agreements for the purpose of hedging. The use of derivatives is subject to the prevailing SC Guidelines.

Investment universe of the Fund will be in countries globally, where the regulatory authority is an ordinary or associate member of the IOSCO. Where necessary, the Manager will apply for licenses/permits to invest in these countries, and if the licenses/permits are revoked or not renewed (as the case may be) the Manager will seek to invest in other accessible markets.

As this is a close-ended fund, the Manager will buy the debt instruments with the intention of holding through the tenure of the Fund or until the debt instruments mature. However, the Manager reserves the right to deal with the debt instruments in the best interest of the Unit holders, such as (i) in the event of a credit rating downgrade or during market upheavals where the Manager is of the opinion that trading of the debt instruments is required to protect the investment return of the Fund (nevertheless the Manager can continue to hold the downgraded debt instruments if the immediate disposal of the debt instruments would not be in the best interest of the Unit holders), and (ii) where the Manager deems that the trading of debt instruments is necessary to provide the investment return in order to achieve the objective of the Fund.

Further, for debt instruments that mature during the three (3) months period to the maturity date, the Manager will seek to reinvest into other debt instruments for the remaining period to the maturity date. However, in the event that the Manager is not able to find suitable replacement debt instruments, the Manager will invest in Deposits and/or money market instruments. As such, Unit holders should note that during this period of time, the Fund’s investment may deviate from the stipulated investment strategy.

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY (CONTINUED)

All investments are subject to the SC Guidelines on Unit Trust Funds, SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and IFRS.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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

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

Standard that is effective:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The Fund has applied the following standard for the first time for the financial year beginning 1 May 2018 (continued):

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

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

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

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

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

(i) <u>Financial year beginning on/after 1 May 2019</u>

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

(ii) Financial year beginning on/after 1 May 2019

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

(b) Financial assets and financial liabilities

Classification

Up to 30 April 2018, the Fund designates its investments in unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

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

Derivatives are financial assets/liabilities at fair value through profit or loss categorised as held for trading unless they are designated hedges (Note 2(l)).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise cash and cash equivalents.

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

The Fund classifies amount due to dealers, amount due to Manager, amount due to Trustee, and other payables and accruals as other financial liabilities.

From 1 May 2018, 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 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.

Investment in derivatives of the Fund are debt instruments with contractual cash flows that do not represent solely payment of principal and interest, and therefore are classified as fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

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

Recognition and measurement

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

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

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

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

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

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

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by Interactive Data Corporation ("IDC"), a provider of financial market data. However, if such quotations are not available on any business day, or should the gaps of the quotations provided by the financial institutions or IDC differ by more than 20 basis points ("bps"), the valuation shall be determined by reference to the value of such debt securities quoted by Bloomberg.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Impairment for assets carried at amortised costs

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

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

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

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

From 1 May 2018, 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 year.

(c) Income recognition

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using the effective interest method on an accrual basis.

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

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

Realised gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted fixed income securities, determined on cost adjusted for accretion of discount or amortisation of premium.

(d) Foreign currency

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.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, except where deferred in OCI as qualifying cash flow hedges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

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

(f) Taxation

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

Tax on interest income from foreign unquoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

(g) 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 year in which it is approved by the Trustee.

(h) Amount due from/to dealers

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

These amounts are recognised initially at fair value and, up to 30 April 2018, subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from dealers. A provision for impairment of amounts due from dealers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant dealer. Significant financial difficulties of the dealer, probability that the dealers will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from dealers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

From 1 May 2018, these amounts are subsequently measured at amortised cost. At each reporting date, the Fund measures the loss allowance on amounts due from dealers at an amount equal to the lifetime expected credit losses 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 expected credit losses. Significant financial difficulties of the dealers, probability that the dealers 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Amount due from/to dealers (continued)

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

(i) Exit fee income

Exit fee income is derived from charges levied upon the redemption of units by unit holders prior to the maturity date of the Fund as stipulated in the Deed.

It is recognised on an accruals basis based on the value of the units redeemed.

(j) Unit holders' capital

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

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

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

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

(k) 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.

(l) Derivative financial instruments

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Derivative financial instruments (continued)

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position, with the resulting value discounted back to present value.

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

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

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

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

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.

<u>Estimate of fair value of unquoted fixed income securities</u>

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.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by IDC, a provider of financial market data. However, if such quotations are not available on any business day, or should the gaps of the quotations provided by the financial institutions or IDC differ by more than 20 bps, the valuation shall be determined by reference to the value of such debt securities quoted by Bloomberg.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2019			
Cash and cash equivalents (Note 8)	-	8,015,812	8,015,812
Unquoted fixed income securities (Note 7)	237,671,432	-	237,671,432
	237,671,432	8,015,812	245,687,244

	Financial assets at fair value through profit or loss RM	Loans and receivables RM	Total RM
2018			
Cash and cash equivalents (Note 8)	-	19,203,861	19,203,861
Unquoted fixed income securities (Note 7)	246,936,904	-	246,936,904
	246,936,904	19,203,861	266,140,765

All financial liabilities, except derivative liability, are financial liabilities which are carried at amortised cost. Derivative liability is measured at fair value through profit or loss.

The Fund aims to provide investors with total return through investments in a portfolio of primarily debt instruments.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk, interest rate risk and currency 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 Deed 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 Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM237,671,432 (2018: RM246,936,904) 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”.

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

(a) Market risk (continued)

(ii) Interest rate risk

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

Investors should note that the 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 make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

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

% Change in interest rate	**Impact on profit or loss/NAV**	
	2019	**2018**
	RM	**RM**
+1%	(175,741)	(282,052)
-1%	175,988	282,573

The Fund's exposure to interest rates associated with deposits with licensed financial institutions is not material as the deposits are held on short-term basis.

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

(a) Market risk (continued)

(iii) Currency risk

Currency risk of the Fund is associated with investments that are quoted and/or priced in foreign currency denomination. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus RM based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

The following table sets out the foreign currency risk concentrations arising from the denomination of the Fund's financial instruments in foreign currencies:

Financial assets	**Cash and cash equivalents RM**	**Financial assets at fair value through profit or loss RM**	**Total RM**
2019			
IDR	219	5,946,973	5,947,192
USD	4,712,221	6,142,762	10,854,983
	4,712,440	12,089,735	16,802,175
2018			
IDR	-	8,791,011	8,791,011
USD	32,450	9,847,569	9,880,019
	32,450	18,638,580	18,671,030

Financial liabilities	**Derivative liability RM**
2019	
USD	14,280
2018	
USD	14,273

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

(a) Market risk (continued)

(iii) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange movements at the end of each reporting period. The analysis is based on the assumption that the foreign exchange rate fluctuates by 5%, with all other variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	Impact on profit or loss/NAV	
		2019	2018
	%	RM	RM
IDR	+/- 5	+/- 297,360	+/- 439,551
USD	+/- 5	+/- 542,035	+/- 493,287
		+/- 839,395	+/- 932,838

(b) Credit risk

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

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers.

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

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating duration of the investment in accordance with the objective of the Fund.

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

(b) Credit risk (continued)

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.

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Total RM
2019			
Construction			
- AA1	-	5,196,621	5,196,621
- AA-	-	25,295,473	25,295,473
- NR		5,946,973	5,946,973
Diversified Holdings			
- AAA	-	13,171,584	13,171,584
- AA2		5,037,077	5,037,077
Financial Services			
- Hong Leong Bank Bhd (AAA)	1,016,818	-	1,016,818
- HSBC Bank Bhd (AAA)	4,733,423	-	4,733,423
- Public Bank Bhd (AAA)	1,730,523	-	1,730,523
- Public Islamic Bank Bhd (AAA)	535,048	-	535,048
- AAA	-	10,148,879	10,148,879
- AA1	-	5,141,073	5,141,073
- AA2	-	13,816,558	13,816,558
- AA3	-	31,644,941	31,644,941
- A1	-	20,649,934	20,649,934
- A2	-	15,241,876	15,241,876
- B1	-	4,933,940	4,933,940
Industrial Products			
- A1	-	23,356,084	23,356,084
- Ba3		1,208,822	1,208,822
Infrastructures and Utilities			
- AA3	-	10,335,253	10,335,253
- A1		6,818,299	6,818,299
Plantation and Agriculture			
- AA3	-	5,053,026	5,053,026
- A1s		2,029,612	2,029,612
Property and Real Estate			
- AAA	-	15,379,364	15,379,364
- AA-	-	10,112,511	10,112,511
- NR	-	7,153,532	7,153,532
	8,015,812	237,671,432	245,687,244

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Total RM
2018			
Construction			
- BBB-	-	2,892,773	2,892,773
- Not Rated	-	14,919,481	14,919,481
Finance			
- Hong Leong bank Bhd (AAA)	6,502,062	-	6,502,062
- HSBC Bank Bhd (AAA)	53,630	-	53,630
- Malayan Banking Bhd (AAA)	4,632,412	-	4,632,412
- Public Bank Bhd (AAA)	8,015,757	-	8,015,757
- AA1	-	5,032,415	5,032,415
- AA2	-	17,462,553	17,462,553
- AA3	-	15,402,906	15,402,906
- A1	-	25,720,031	25,720,031
- A2	-	15,310,352	15,310,352
- NR	-	5,898,238	5,898,238
Industrial Products			
- AA2	-	5,046,528	5,046,528
- A1	-	27,569,551	27,569,551
- Ba3	-	1,069,786	1,069,786
Plantation			
- AA3	-	5,062,546	5,062,546
- A1	-	8,083,613	8,083,613
Properties			
- B1	-	4,530,840	4,530,840
Real Estate			
- AAA	-	30,134,052	30,134,052
- AA-	-	10,097,555	10,097,555
- Not Rated	-	10,062,932	10,062,932
- Ba3		4,246,943	4,246,943
Technology			
- A1	-	5,169,809	5,169,809
Trading/Services			
- AA1	-	5,043,483	5,043,483
Utilities			
- AA3	-	10,343,434	10,343,434
- AA-	-	10,295,867	10,295,867
- Not Rated		7,541,216	7,541,216
	19,203,861	246,936,904	266,140,765

All financial assets of the Fund as at the end of the financial year/period are neither past due not impaired.

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

(c) Liquidity risk

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

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

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

	Less than 1 month	Between 1 month to 1 year	Total
	RM	RM	RM
2019			
Derivative liability	14,280	-	14,280
Amount due to Manager	6,066	-	6,066
Amount due to Trustee	8,064	-	8,064
Other payables and accruals	-	21,412	21,412
Contractual undiscounted cash flows	28,410	21,412	49,822
2018			
Derivative liability	-	14,385	14,385
Amount due to dealers	10,343,334	-	10,343,334
Amount due to Manager	170,231	-	170,231
Amount due to Trustee	8,441	-	8,441
Other payables and accruals	1,346	14,000	15,346
Contractual undiscounted cash flows	10,523,352	28,385	10,551,737

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM234,428,967 (2018: RM246,823,330) and retained earnings of RM11,141,856 (2018: RM8,702,139). 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.

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

(e) Fair value estimation

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

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

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

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

(i) Fair value hierarchy

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

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	237,671,432	-	237,671,432
Financial liability at fair value through profit or loss:				
- Derivative liability at fair value through	-	(14,280)	-	(14,280)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	246,936,904	-	246,936,904
Financial liability at fair value through profit or loss:				
- Derivative liability at fair value through	-	(14,273)	-	(14,273)

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

Financial instruments that trade in markets that are 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 includes 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 cash and cash equivalents and all current financial liabilities are a reasonable approximation of their fair values due to their short term nature.

4. MANAGEMENT, TRUSTEE’S AND CUSTODIAN FEES

In accordance with the Deed, the Manager is entitled to a maximum management fee of up to 3.00% per annum, calculated daily based on the NAV of the Fund.

Nonetheless, no management fee is charged to the Fund for the financial year ended 30 April 2019 (2018: nil).

In accordance with the Deed, the Trustee is entitled to a maximum fee up to 0.20% per annum calculated daily based on the NAV of the Fund. The Trustee’s fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

For the financial year ended 30 April 2019, the Trustee’s fee is recognised at a rate of 0.04% per annum (2018: 0.04%) while the foreign custodian fee is recognised at RM29,908 (2018: RM29,949).

There is no further liability to the Trustee and custodian in respect of Trustee’s and custodian fees other than the amount recognised above.

5. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	2019 RM	2018 RM
Interest income	3,184,151	7,885,328
Exit fee income	51	102,621
Prior financial years' realised income	9,142,420	-
	12,326,622	7,987,949
Less:		
Expenses	(37,821)	140,522
Taxation	-	(24,629)
Net distribution amount	12,288,801	7,822,798
Distribution on 15 October 2018		
Gross/Net distribution per unit (sen)	5.14	-
Distribution on 30 October 2017		
Gross distribution per unit (sen)	-	2.95
Net distribution per unit (sen)	-	2.94

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

Gross distribution per unit is derived from gross realised income less expense, 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.

There were unrealised losses of RM3,933,410 during the financial year ended 30 April 2018.

As at 30 April 2018, there were accumulated unrealised losses of RM2,215,872.

6. TAXATION

	2019 RM	2018 RM
Tax charged for the financial year:		
- Current taxation	37,445	63,671
- Overprovision of tax in prior year	(21)	-
- Withholding tax	80	-
	37,504	63,671

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

	2019 RM	2018 RM
Profit before taxation	14,766,022	9,106,792
Taxation at Malaysian statutory rate of 24% (2018: 24%)	3,543,845	2,185,630
Tax effects of:		
Investment income not subject to tax	(3,547,487)	(2,161,607)
Expenses not deductible for tax purposes	35,282	35,869
Restriction on tax deductible expenses for Unit Trust Funds	5,805	3,779
Overprovision of tax in prior year	(21)	-
Investment income subject to withholding tax	80	-
Taxation	37,504	63,671

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM	2018 RM
At fair value through profit or loss:		
- Unquoted fixed income securities - local	225,581,698	228,298,324
- Unquoted fixed income securities - foreign	12,089,734	18,638,580
	237,671,432	246,936,904

	2019 RM	2018 RM
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(881,716)	17,892
- Unrealised fair value gain/(loss)	2,736,669	(4,394,581)
	1,854,953	(4,376,689)

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
UNQUOTED FIXED INCOME SECURITIES - LOCAL				
Affin Bank Bhd 5.45% 05/02/2027 (A1)	10,000,000	10,123,932	10,359,132	4.22
Alliance Bank M Bhd 5.75% 27/10/2020 (A2)	15,000,000	15,122,090	15,241,876	6.21
AmBank Bhd 5.20% 15/03/2027 (AA3)	8,000,000	8,123,757	8,211,327	3.34
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	5,000,000	5,148,191	5,203,763	2.12
Bank Islam Malaysia Bhd 5.75% 22/04/2025 (A1)	5,000,000	5,060,084	5,087,039	2.07
Bumitama Agri Ltd 5.00% 02/09/2019 (AA3)	5,000,000	5,042,541	5,053,026	2.06
CIMB Thai Bank PCL 5.20% 29/03/2028 (AA3)	5,000,000	5,059,988	5,070,007	2.06
CIMB Thai Bank PCL 5.60% 5/7/2024 (AA3)	18,000,000	18,342,940	18,363,607	7.48
Edra Energy Sdn Bhd 5.64% 05/07/2022 (AA3)	10,000,000	10,301,717	10,335,254	4.21
Encorp Systembilt Sdn Bhd 4.84% 18/11/2021 (AA1)	5,000,000	5,137,138	5,196,621	2.12
Golden Assets International Finance Ltd 5.35% 05/08/2019 (A1s)	2,000,000	2,027,352	2,029,612	0.83
Great Realty Sdn Bhd 4.85% 26/5/2023 (AAA)	13,000,000	13,221,524	13,171,584	5.36
Gulf Investment Corp 5.10% 16/03/2021 (AAA)	10,000,000	10,123,866	10,148,879	4.13
Impian Ekspresi Sdn Bhd 4.75% 27/11/2020 (AAA)	15,000,000	15,405,089	15,379,364	6.26
Krung Thai Bank PCL 5.10% 04/07/2025 (AA2)	13,500,000	13,780,351	13,816,558	5.63
Mah Sing Group Bhd 6.90% 04/04/2022 (NR)	7,000,000	7,037,052	7,153,532	2.91
MMC Corporation Bhd 5.20% 12/11/2020 (AA-)	10,000,000	10,300,010	10,292,892	4.19
Sabah Development Bank 5.05% 27/12/2021 (AA1)	5,000,000	5,118,842	5,141,073	2.09
Special Power Vehicle 22.18% 19/11/2020 (A1)	5,000,000	6,690,416	6,818,299	2.78
Tan Chong Motor Hldg Bhd 4.50% 22/11/2019 (A1)	15,000,000	15,237,447	15,293,143	6.23
Tan Chong Motor Hldg Bhd 4.70% 24/11/2021 (A1)	8,000,000	8,017,768	8,062,941	3.28

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES - LOCAL (CONTINUED)				
UEM Sunrise Bhd 4.58% 10/04/2020 (AA-)	5,000,000	5,011,068	5,029,575	2.05
UEM Sunrise Bhd 4.72% 28/06/2019 (AA-)	5,000,000	5,078,474	5,082,936	2.07
UMW Hldg Bhd 4.82% 4/10/2019 (AA2)	5,000,000	5,018,119	5,037,077	2.05
WCT Hldgs Bhd 4.4% 09/04/2020 (AA-)	15,000,000	14,847,497	15,002,581	6.11
TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL	**219,500,000**	**224,377,253**	**225,581,698**	**91.86**
UNQUOTED FIXED INCOME SECURITIES - FOREIGN				
INDONESIA				
Lembaga Pembiayaan Ekspor Indonesia (Indonesia Eximbank) (NR)	5,796,000	6,665,205	5,946,973	2.42
TOTAL INDONESIA	5,796,000	6,665,205	5,946,973	2.42
UNITED STATES				
Global Prime Capital 5.5% 18/10/2023 (Ba3)	1,239,900	1,320,058	1,208,822	0.49
Yuzhou Properties Co 6.00% 25/01/2022 (B1)	4,959,600	5,404,261	4,933,939	2.01
TOTAL UNITED STATES	6,199,500	6,724,319	6,142,761	2.50
TOTAL UNQUOTED FIXED INCOME SECURITIES - FOREIGN	**11,995,500**	**13,389,524**	**12,089,734**	**4.92**

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
TOTAL UNQUOTED FIXED INCOME SECURITIES	**231,495,500**	**237,766,777**	**237,671,432**	**96.78**
ACCUMULATED LOSS ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		**(95,345)**		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		**237,671,432**		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2018				
UNQUOTED FIXED INCOME SECURITIES - LOCAL				
Affin Bank Bhd 5.45% 05/02/2027 (A1)	10,000,000	10,123,932	10,312,732	4.04
Alliance Bank (M) Bhd 5.75% 27/10/2020 (A2)	15,000,000	15,200,447	15,310,352	5.99
AMMB Holding Bhd 5.20% 15/03/2027 (A1)	5,000,000	5,068,687	5,082,629	1.99
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	5,000,000	5,176,665	5,208,919	2.04
Bank Islam Malaysia Bhd 5.75% 22/04/2025 (A1)	5,000,000	5,111,183	5,115,751	2.00
Bumitama Agri Ltd 5.00% 02/09/2019 (AA3)	5,000,000	5,055,020	5,062,546	1.98
CIMB Thai Bank PCL 5.60% 05/07/2024 (AA3)	15,000,000	15,393,126	15,402,906	6.03
Edra Energy Sdn Bhd 5.64% 05/07/2022 (AA3)	10,000,000	10,343,334	10,343,434	4.05
Encorp Systembilt Sdn Bhd 4.84% 18/11/2021 (AA1)	5,000,000	5,147,020	5,169,809	2.02
Golden Assets International Finance Ltd 4.75% 03/08/2018 (A1)	8,000,000	8,070,006	8,083,613	3.16
Great Realty Sdn Bhd 4.85% 26/05/2023 (AAA)	15,000,000	15,241,738	14,849,938	5.81
Impian Ekspresi Sdn Bhd 4.75% 27/11/2020 (AAA)	15,000,000	15,469,234	15,284,114	5.98
Krung Thai Bank PCL 5.10% 04/07/2025 (AA2)	17,000,000	17,406,958	17,462,553	6.83
Mah Sing Group Bhd 6.90% 04/04/2022 (NR)	10,000,000	10,052,932	10,062,932	3.94
Maybank Islamic Bhd - 4.75% 05/04/2019 (AA1)	5,000,000	5,016,732	5,032,415	1.97
Media Chinese International Ltd 4.8% 25/02/2019 (AA2)	5,000,000	5,050,643	5,043,483	1.97
MMC Corporation Bhd 5.20% 12/11/2020 (AA-)	10,000,000	10,334,134	10,295,867	4.03
Special Power Vehicle 22.18% 19/11/2020 (A1)	5,000,000	7,406,114	7,541,216	2.95

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES - LOCAL (CONTINUED)				
Tan Chong Motor Holding Bhd 4.50% 22/11/2019 (A1)	20,000,000	20,206,002	19,848,389	7.77
Tan Chong Motor Holding Bhd 4.70% 24/11/2021 (A1)	8,000,000	7,969,445	7,721,162	3.02
UEM Sunrise Bhd 4.58% 10/04/2020 (AA-)	5,000,000	5,009,078	5,007,526	1.96
UEM Sunrise Bhd 4.72% 28/06/2019 (AA-)	5,000,000	5,082,923	5,090,029	1.99
UMW Holding Bhd 4.82% 4/10/2019 (AA2)	5,000,000	5,019,195	5,046,528	1.98
WCT Holdings Bhd 4.40% 09/04/2020 (AA-)	15,000,000	14,655,045	14,919,481	5.85
TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL	**223,000,000**	**228,609,593**	**228,298,324**	**89.35**
UNQUOTED FIXED INCOME SECURITIES - FOREIGN				
INDONESIA				
Indonesia Eximbank 7.85% 22/11/2019 (NR)	5,638,000	6,662,828	5,898,238	2.31
Sarana Multi Infrastruktur Persero PT 7.85% 18/11/2019 (NR)	2,819,000	3,289,258	2,892,773	1.13
TOTAL INDONESIA	8,457,000	9,952,086	8,791,011	3.44
SINGAPORE				
Global Prime Capital 5.50% 18/10/2023 (Ba3)	1,176,600	1,322,618	1,069,786	0.42
TOTAL SINGAPORE	1,176,600	1,322,618	1,069,786	0.42
UNITED STATES				
Shimao Property Holding Ltd 8.375% 10/02/2022 (BA3)	3,922,000	4,491,456	4,246,943	1.66
Yuzhou Properties Co 6.00% 25/01/2022 (B1)	4,706,400	5,393,165	4,530,840	1.77
TOTAL UNITED STATES	8,628,400	9,884,621	8,777,783	3.43

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED)				
TOTAL UNQUOTED FIXED INCOME SECURITIES - FOREIGN	**18,262,000**	**21,159,325**	**18,638,580**	**7.29**
TOTAL UNQUOTED FIXED INCOME SECURITIES	**241,262,000**	**249,768,918**	**246,936,904**	**96.64**
ACCUMULATED LOSS ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		**(2,832,014)**		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		**246,936,904**		

8. CASH AND CASH EQUIVALENTS

	2019 RM	2018 RM
Deposits with licensed financial institutions	3,282,389	19,150,231
Bank balances	4,733,423	53,630
	8,015,812	19,203,861

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

	2019 %	2018 %
Deposits with licensed financial institutions	3.47	3.44

Deposits with licensed financial institutions of the Fund have an average maturity of 2 days (2018: 3 days).

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019 No of units	2018 No of units
At the beginning of the financial year	247,347,334	267,580,839
Add : Creation of units from distributions	29	1,406
Less : Cancellation of units	(11,920,800)	(20,234,911)
At the end of the financial year	235,426,563	247,347,334

10. DERIVATIVE LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM	2018 RM
Forward foreign currency contract	(14,280)	(14,273)

	2019 RM	2018 RM
Net loss on derivative liability at fair value through profit or loss		
- Realised loss on forward foreign currency contract	(48,180)	-
- Unrealised loss on forward foreign currency contract	(7)	(14,273)
	(48,187)	(14,273)

As at 30 April 2019, there is one (2018: one) outstanding USD/MYR forward foreign currency contract. The notional principal amount of the outstanding forward foreign currency contract amounted to RM1,227,510 (2018: RM1,164,720).

The USD/MYR forward foreign currency contract is entered into during the financial year to minimise the risk of foreign exchange exposure between the USD and the MYR for the Fund.

As the Fund has not adopted hedge accounting during the financial year, any changes in the fair value of the forward foreign currency contract is recognised immediately in the statement of comprehensive income during the financial year.

11. MANAGEMENT EXPENSE RATIO ("MER")

	2019 %	2018 %
MER	0.07	0.06

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year ended 30 April 2019 calculated on a daily basis is RM248,359,467 (2018: RM269,880,707).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2019	2018
PTR	0.11	0.07

PTR is derived based on the following calculation:

(Total acquisition for the financial year + total disposal for the financial year) ÷ 2
Average NAV of the Fund for the financial year calculated on a daily basis

Where:
total acquisition for the financial year = RM34,704,905 (2018: RM20,383,905)
total disposal for the financial year = RM17,871,033 (2018: RM18,306,900)

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

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

Related parties	Relationship
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

Units held by the Manager and parties related to the Manager

		2019		2018
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad)*	590	615	561	580

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

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.

	2019 RM	2018 RM
Significant related party transactions		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	2,532	3,111
Cash placements with licensed financial institutions:		
- CIMB Bank Bhd	6,416,000	10,784,000

Other than those mentioned elsewhere in the financial statements, there is no other significant related party balances held as at the end of the financial year ended 30 April 2019 (2018: nil).

14. TRANSACTIONS WITH DEALERS

Details of transactions with the top 10 dealers for the financial year ended 30 April 2019.

Dealers	Value of trades RM	Percentage of total trade %	Value of brokerage fee RM	Percentage of brokerage fee %
Alliance Bank Malaysia Bhd	17,078,100	32.48	-	-
RHB Investment Bank Bhd	12,948,833	24.63	-	-
RHB Bank Bhd	12,596,505	23.96	-	-
Hong Leong Investment Bank Bhd	9,952,500	18.93	-	-
	52,575,938	100.00	-	-

14. TRANSACTIONS WITH DEALERS (CONTINUED)

Details of transactions with the top 10 dealers for the financial year ended 30 April 2018.

Dealers	Value of trades RM	Percentage of total trade %	Value of brokerage fee RM	Percentage of brokerage fee %
RHB Bank Bhd	18,323,300	47.36	-	-
RHB Investment Bank Bhd	9,997,500	25.84	-	-
AmBank Bhd	5,134,500	13.27	-	-
Hong Leong Investment Bank Bhd	2,896,800	7.49	-	-
HSBC Bank Malaysia Bhd	1,322,705	3.41	-	-
Hong Leong Bank Bhd	1,016,000	2.63	-	-
	38,690,805	100.00	-	-

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 party.

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 investors with total return through investments in a portfolio of primarily debt instruments. 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 gains on the appreciation in the value of investments, which are derived from Ringgit denominated deposits with licensed financial institutions and unquoted fixed income securities traded in Malaysia and foreign markets.
There were no changes in reportable operating segment during the financial year.

16. MFRS 9 FINANCIAL INSTRUMENTS

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

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

	Measurement category		Carrying amount			
	Original (MFRS 139)	**New (MFRS 9)**	**Original (MFRS 139)**	**Reclassifications**	**Remeasu-rements**	**New (MFRS 9)**
			RM	**RM**	**RM**	**RM**
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	19,203,861	-	-	19,203,861
Investment in unquoted fixed income securities	FVTPL	FVTPL	246,936,904	-	-	246,936,904
Liabilities						
Derivative liability	FVTPL	FVTPL	14,273	-	-	14,273
Amount due to dealers	Amortised cost	Amortised cost	10,343,334	-	-	10,343,334
Amount due to Manager	Amortised cost	Amortised cost	170,231	-	-	170,231
Amount due to Trustee	Amortised cost	Amortised cost	8,441	-	-	8,441
Other payables and accruals	Amortised cost	Amortised cost	15,346	-	-	15,346

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 18 June 2019.

DIRECTORY

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