CIMB-PRINCIPAL US MORTGAGE FUND

FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

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INVESTORS' LETTER

Dear Valued Investor,

Thank you for your continued support and for the confidence that you have placed in us. CIMB-Principal Asset Management Berhad ("CIMB-Principal") Malaysia has achieved RM60.58 billion in Asset under Management ("AUM") as of December 2018.

We continue to achieve prestigious recognitions from **The Edge | Thomson Reuters Lipper Fund Awards 2018 for the following funds:**

- Best Fund Over 5 Years, Equity Global - Malaysia : CIMB-Principal Global Titans Fund
- Best Fund Over 5 Years, Equity Asia Pacific ex Japan - Malaysia :
  CIMB-Principal Asian Equity Fund
- Best Fund Over 5 Years, Equity Asia Pacific ex Japan - Malaysia :
  CIMB Islamic Asia Pacific Equity Fund
- Best Fund Over 5 Years, Equity Malaysia Diversified - Malaysia :
  CIMB-Principal Equity Growth & Income Fund
- Best Fund Over 5 Years, Mixed Asset MYR Bal - Malaysia :
  CIMB-Principal Income Plus Balanced Fund
- Best Fund Over 3 Years, Equity Global - Malaysia : CIMB-Principal Global Titans Fund

In addition, we received recognition from Fundsupermart.com for 'Fund House of the Year' award and Recommended Unit Trust 2018/2019 awards for the funds below:

- CIMB-Principal Global Titans Fund
- CIMB-Principal Asia Pacific Dynamic Income Fund
- CIMB Islamic Asia Pacific Equity Fund
- CIMB-Principal Greater China Equity Fund
- CIMB-Principal PRS Plus Conservative
- CIMB-Principal PRS Plus Growth

Our latest win is for **The Asset Triple A Private Banking, Wealth Management, Investment and Exchange-Traded Fund ("ETF") Awards 2018,** where we have been recognized as the 'Best Wealth Manager' in Malaysia.

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.

Thank you.

Yours faithfully,
for **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 maximize total return through investments in one collective investment scheme, which invests primarily in mortgage related securities in the United States ("US").

Has the Fund achieved its objective?
For the financial year under review, the Fund has performed in line with its objective as stated under the Fund Performance section.

What are the Fund investment policy and principal investment strategy?
The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. BNP Paribas Flexi I US Mortgage Fund. The Fund may also invest in Liquid Asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in the BNP Paribas Flexi I US Mortgage Fund ("Target Fund"); an Undertaking for Collective Investment in Transferable Securities ("UCITS") domiciled in Luxembourg and established on 25 September 2015 [Note 1]. The Fund will also maintain up to 5% of its NAV in Liquid Assets for liquidity purposes.

<u>Information on the Target Fund:</u>

Company	:	BNP Paribas Flexi I, an open-ended investment company with variable capital (société d'investissement à capital variable) incorporated on 4 July 2006 under the name "FORTIS SOLUTIONS" for an indefinite period in accordance with the provisions of Part I of the Luxembourg law of 20 December 2002 governing undertakings for collective investment. It was renamed "BNP Paribas Flexi I" on 13 September 2010.
Investment Manager of the Target Fund	:	Fischer Francis Trees & Watts Inc
Management Company of the Target Fund	:	BNP Paribas Investment Partners Luxembourg
Regulatory authority	:	Commission de Surveillance du Secteur Financier

Note 1: On 25 September 2015, the Target Fund was established and merged with the Irish Fund Parselect US Mortgage that was launched on 1 December 2007.

Base Currency
US Dollar ("USD")

Fund category/type
Feeder Fund/Income & Growth

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

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

FUND OBJECTIVE AND POLICY (CONTINUED)

When was the Fund launched?
Class USD
8 March 2017

Class MYR-Hedged ("MYR-H")
8 March 2017

Class AUD-Hedged ("AUD-H")
8 March 2017

Class SGD-Hedged ("SGD-H")
8 March 2017

What was the size of the Fund as at 31 January 2019?
USD17.22 million (32.15 million units)

What is the Fund's benchmark?
The Fund adheres to the benchmark of the Target Fund for performance comparison. The benchmark of the Target Fund is Barclays Mortgage-Backed Securities ("MBS") Index for performance measurement.

What is the Fund distribution policy?
Quarterly, depending on the availability of realised income and/or realised gains and at the Manager's discretion.

What was the net income distribution for the financial year ended to 31 January 2019?
The Fund distributed a total net income of USD1.23 million to unit holders for the financial year ended 31 January 2019.

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution) USD	NAV per unit (after distribution) USD
24.04.2018		
Class AUD-H	0.7469	0.7103
Class MYR-H	0.2537	0.2244
Class SGD-H	0.7353	0.7059
13.08.2018		
Class USD	0.9904	0.9890
19.11.2018		
Class USD	0.9724	0.9714

PERFORMANCE DATA

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

	31.01.2019 %	31.01.2018 %
Collective investment scheme	98.27	99.79
Cash and other net assets	1.73	0.21
	100.00	100.00

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last two financial years are as follows (continued):

	31.01.2019	**31.01.2018**
NAV (USD Million)		
- Class AUD-H	4.66	8.25
- Class MYR-H	2.44	5.21
- Class SGD-H	9.59	16.56
- Class USD	0.54	5.07
Units in circulation (Million)		
- Class AUD-H	6.75	10.22
- Class MYR-H	11.17	20.27
- Class SGD-H	13.68	21.94
- Class USD	0.54	5.10
NAV per unit (USD)		
- Class AUD-H	0.6897	0.8079
- Class MYR-H	0.2181	0.2569
- Class SGD-H	0.7008	0.7548
- Class USD	0.9944	0.9948

	31.01.2019	**08.03.2017 (date of launch) to 31.01.2018**
Highest NAV per unit (USD)		
- Class AUD-H	0.7898	0.8217
- Class MYR-H	0.2585	0.2593
- Class SGD-H	0.7508	0.7621
- Class USD	0.9945	1.0165
Lowest NAV per unit (USD)		
- Class AUD-H	0.6511	0.7382
- Class MYR-H	0.2067	0.2251
- Class SGD-H	0.6640	0.7090
- Class USD	0.9589	0.9948
Total return (%)		
- Class AUD-H	(11.93)	7.09
- Class MYR-H	(4.06)	14.43
- Class SGD-H	(3.29)	5.38
- Class USD	0.21	0.71
Capital growth (%)		
- Class AUD-H	(15.65)	7.09
- Class MYR-H	(8.73)	14.43
- Class SGD-H	(8.61)	5.38
- Class USD	0.07	0.71
Income distribution (%)		
- Class AUD-H	3.72	-
- Class MYR-H	4.67	-
- Class SGD-H	5.32	-
- Class USD	0.14	-

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last two financial years are as follows (continued):

	31.01.2019	08.03.2017 (date of launch) to 31.01.2018
Management Expense Ratio ("MER") (%)	1.05	0.99
Portfolio Turnover Ratio ("PTR") (times) #	0.47	0.81

^ The Fund's MER increase from 0.99% to 1.05% due to a decrease in average NAV during the financial year under review.

For the financial year under review, the PTR for the Fund stood at 0.47 times, lower than the previous reporting data at 0.81 times, mainly due to lesser trading activities within the reporting period.

	1 year to 31.01.2019 %	Since inception to 31.01.2018 %
Annual total return		
- Class AUD-H	(11.93)	7.09
- Class MYR-H	(4.06)	14.43
- Class SGD-H	(3.29)	5.38
- Class USD	0.21	0.71

(Launch date: 8 March 2017)

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 FEBRUARY 2018 TO 31 JANUARY 2019)

For the financial year under review, the MBS Index gained 3.00% in USD terms.

In February 2018, US interest rates moved higher as Congress passed a 2018 budget deal which raised the debt ceiling and included USD300 billion in additional spending over 2 years. The minutes of the Federal Open Market Committee's ("FOMC") January meeting reflected the Federal Reserve's (the "Fed") thinking that US inflation was on track to reach their targets. The Fed had been encouraged on the inflation front by stronger economic growth, strength in labor markets and a weaker US dollar. The US 10-year yields were up 15 basis points ("bps") on the month to 2.87%.

The US Treasury ("UST") 10-year yields then moved lower in March 2018, driven by increasing equity market volatility and concerns over Trump administration tariffs and trade policy. The 10-year UST yields traded down 13 bps on the month to 2.74%. The yield traded as high as 2.91% following the 21 March 2018 meeting of the FOMC where they raised the Fed Funds target rate by 25 bps before UST rallied near month end. 2-year UST yields were higher by 2 bps in March 2018 and the 2s/10s yield curve flattened by 15 bps. Fixed income risk assets were under pressure during the month.

In April 2018, the 10-year UST yields moved higher by 21 bps, moving above 3.00% for the first time since 2014. The 10-year UST yields finished the month at 2.95% and the yield curve moved a little flatter with the spread between 2-year and 10-year yields moving from 47 bps to 46 bps. The Standard & Poor's ("S&P") 500 finished the month marginally positive, following a weaker-than-anticipated jobs report early in the month and generally friendlier news on trade wars and tariffs later in the month. Fixed income risk assets performed well during the month.

MARKET REVIEW (1 FEBRUARY 2018 TO 31 JANUARY 2019) (CONTINUED)

Moving into the second half of the year, the FOMC left the Fed Funds rate unchanged in August 2018. The Fed's statement highlighted a labor market that continued to strengthen and economic activity which has been rising at a strong rate. 10-year UST yields moved higher after the Fed meeting briefly touching 3.00% before moving back into the trading range. The yield curve flattened with the spread between 2-year and 10-year compressing to 23 bps. The S&P 500 hit an all-time high on 29 August 2018 at 2,914 points. Fixed income risk assets performance was mixed with excess returns slightly positive for Commercial mortgage-backed securities ("CMBS"), +18 bps, and US high yield, +14 bps, but negative for US Corporate, -43 bps, and sharply negative for Emerging Markets ("EM") USD at -216 bps. Excess returns for the Mortgage-Backed Security ("MBS") sector were -14 bps on the month. The year to date excess return for MBS is -18 bps. Absolute returns for the MBS sector were +61 bps for the month and are now -46 bps for the year.

The FOMC hiked the Fed Funds target rate by 25 bps at its 26 September 2018 meeting continuing on its path to gradually normalize policy. 10-year UST yields moved higher in September 2018 finishing the month above 3.00%. However, yields did fall late in the month after the rate hike reflecting the market's comfort with the Fed's outlook and projections. Mortgage origination rates also moved higher during the month with the 30-year fixed rate now at 4.75%. The S&P 500 hit another all-time high on 20 September 2018 at 2,930 points. Fixed income risk assets performance was strong with positive excess returns for CMBS, +28 bps, US high yield, +104 bps, US Corporate, +78 bps, and strongly positive for Emerging Markets ("EM") at +222 bps as the EM sector regained what it had lost in August 2018. Excess returns for the MBS sector were +11 bps on the month. The year-to-date ("YTD") excess return for MBS is -7 bps. Absolute returns for the MBS sector were -61 bps for the month and are now -107 bps for the year.

In October 2018, rates continued to move higher. This was despite a major sell in US equities with the S&P 500 down almost 7% on the month and spreads for fixed income risk assets moving sharply wider. 10-year UST yields finished the month at 3.16% up 10 bps on the month. The yield curve steepened with the 2-year to 10-year spread moving higher by 5 bps to 28 bps. After making an all-time high in September 2018 at 2,930 points the S&P 500 index moved into an official correction selling off over 10% intraday on 29 October 2018 to near 2,600 points. The Index bounced to 2,711 points at month end. Performance was volatile for fixed income risk assets with sharply negative excess returns for CMBS, -43 bps, US high yield, -159 bps, US investment grade credit, -82 bps, and for EM USD -106 bps. The MBS sector had its worst month of 2018 with excess returns of -37 bps. The year to date excess return for MBS is -43 bps. Absolute returns for the MBS sector were -63 bps for the month and are now -170 bps for the year.

Financial markets however were very volatile in November 2018 with a big sell off in equity markets mid-month. Concerns over slowing global growth, weaker US economic data and trade wars had markets on edge all month. Late in the month comments from Fed Chairman Powell to the Economic Club of New York were interpreted by markets as dovish. Powell commented that rates "remain just below the broad range of estimates of the level that would be neutral for the economy." Risk assets responded very well to the comments with equity and bond markets rallying sharply. 10-year UST yields fell to 3.00% for the first time since September 2018. The yield curve flattened with the spread between 2-year and 10-year moving in to 20 bps. Performance was volatile for fixed income risk assets with negative excess returns for CMBS, -26 bps, US high yield, -155 bps, US investment grade credit, -120 bps, and for EM USD -110 bps. The MBS sector excess return for the month was flat. The YTD excess return for MBS is -43 bps. Absolute returns for the MBS sector were +90 bps for the month and are now -81 bps for the year.

MARKET REVIEW (1 FEBRUARY 2018 TO 31 JANUARY 2019) (CONTINUED)

The FOMC hiked the Fed Funds rate by 25 bps in December 2018 citing a strengthening labor market and economic activity that has been rising at a strong rate. Both the equity and bond markets took issue with the Fed's assessment of the current economic outlook. The S&P 500 was down -9% for the month and 10-year UST yields fell by 33 bps. to 2.68%. Markets are now priced for no additional Fed Funds rates hikes in 2019. It was a relatively parallel shift down in yields with the spread from 2-year to 10-year remaining at 20 bps. The volatile performance in fixed income risk assets continued with sharply negative excess returns for US high yield -3.66%, US investment grade credit -1.06% and EM USD -0.72%. Structured products fared better with the excess return for US Agency MBS at -.15% and CMBS at -0.40%. The 2018 YTD total return for MBS is 0.99% and the excess return is -0.59%.

At the start of the year, a number of dovish speeches from FOMC officials helped boost investor appetites for risk assets in January 2019. The FOMC meeting on 29 January 2019 confirmed the Fed's dovish turn and demonstrated that in fact that the Fed has adopted the bond market view that economic growth was moderating and further rate hikes were not necessary at this time. Patient was the key word from the Fed's statement as they removed any bias to raise rates in the near term. Additionally, the balance sheet run-off is no longer on auto-pilot and will be adjusted if warranted by economic conditions. UST yields fell during the month with the 10-year yield closing at 2.63%.The yield curve flattened with 2-year to 10-year spread moving in to 17 bps. Risk asset performance was strongly positive reversing the underperformance seen in December 2018. After falling 9% last month, the S&P 500 was up 8% in January 2019. Excess returns for fixed income asset classes were strongly positive for US high yield +4.08%, US investment grade credit +1.83% and EM USD +2.68%. Structured products also faredwell with total returns for MBS +0.79% for the month and excess returns for MBS +0.32% and for CMBS +0.48%.

FUND PERFORMANCE

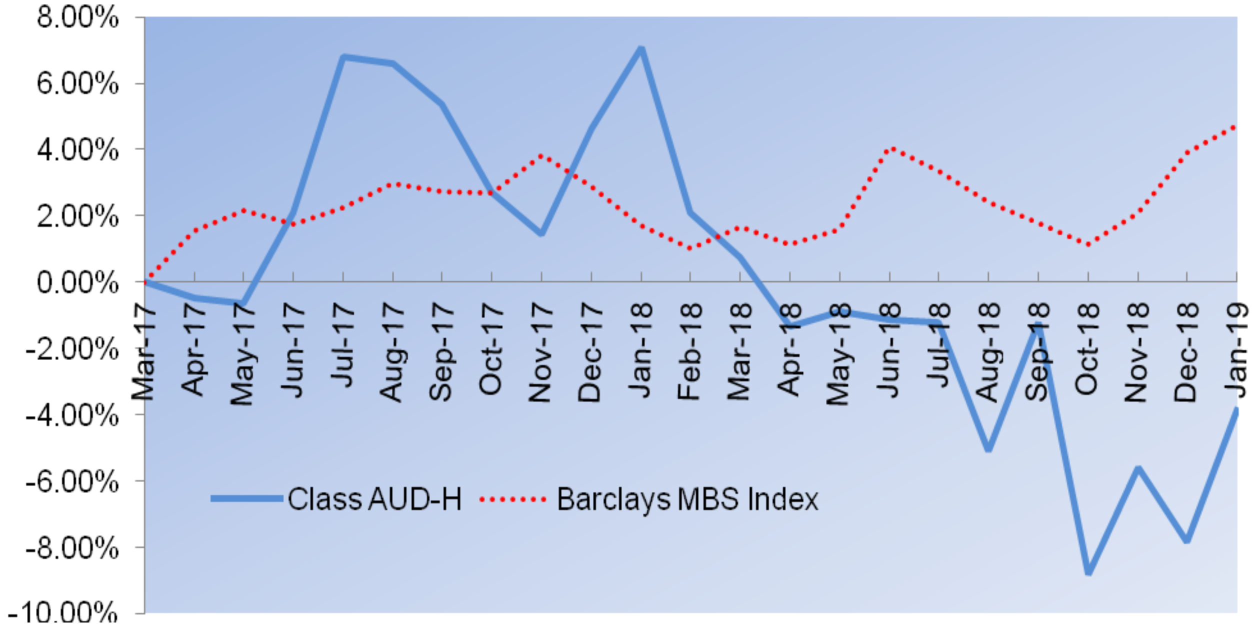
	1 year to 31.01.2019			
	Class AUD-H	**Class MYR-H**	**Class SGD-H**	**Class USD**
	%	**%**	**%**	**%**
Income	3.72	4.67	4.16	0.14
Capital	(15.65)	(8.73)	(7.14)	0.07
Total Return	(11.93)	(4.06)	(3.29)	0.21
Benchmark	3.00	3.00	3.00	3.00
Average Total Return	(11.93)	(4.06)	(3.29)	0.21

	Since inception to 31.01.2019			
	Class AUD-H	**Class MYR-H**	**Class SGD-H**	**Class USD**
	%	**%**	**%**	**%**
Income	3.72	4.67	4.16	0.24
Capital	(11.57)	5.12	(1.87)	(0.55)
Total Return	(7.85)	9.79	3.45	(0.31)
Benchmark	3.91	4.73	4.73	1.15
Average Total Return	(3.90)	4.64	1.66	(0.15)

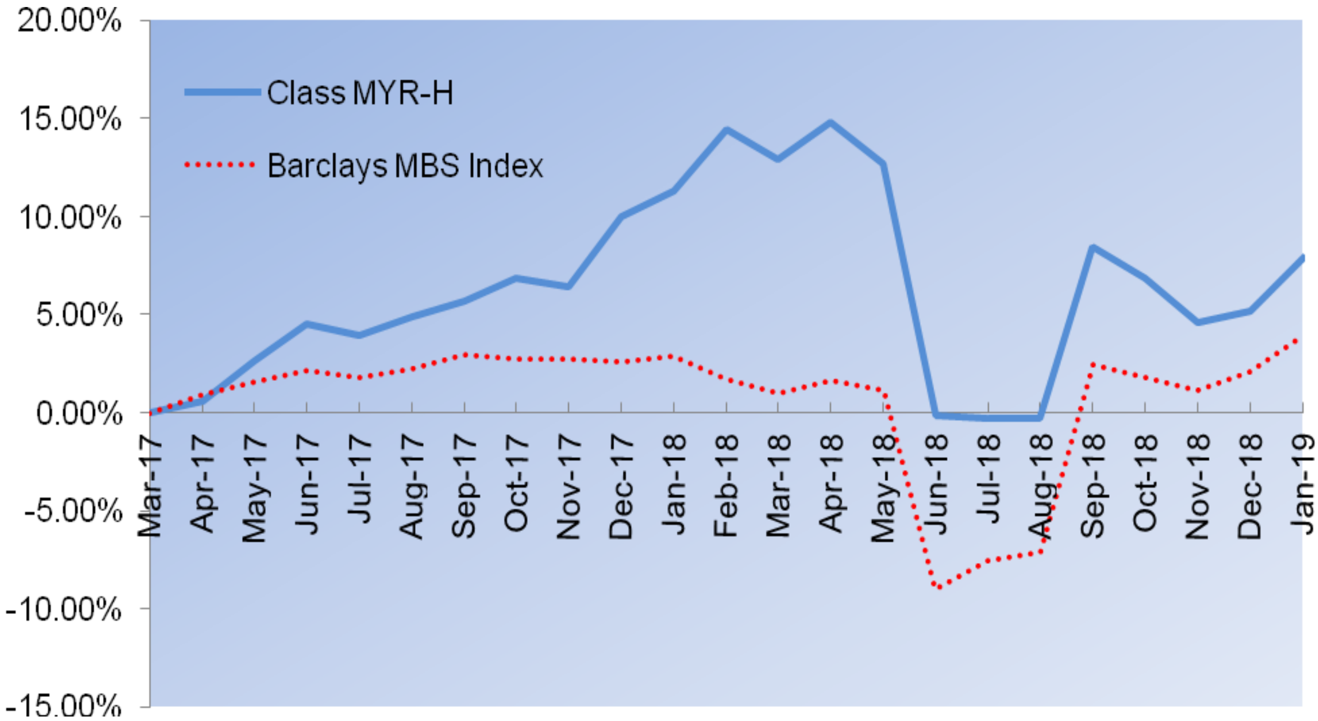
For the 1-year period, the Fund posted negative returns for Class AUD-H, Class MYR-H, Class SGD-H declined by 11.93%, 4.06% and 3.29% respectively with the exception of Class USD managed to increase by 0.21%. Meanwhile, the benchmark for each of the classes gained by 3.00%.

FUND PERFORMANCE (CONTINUED)

CLASS AUD-H

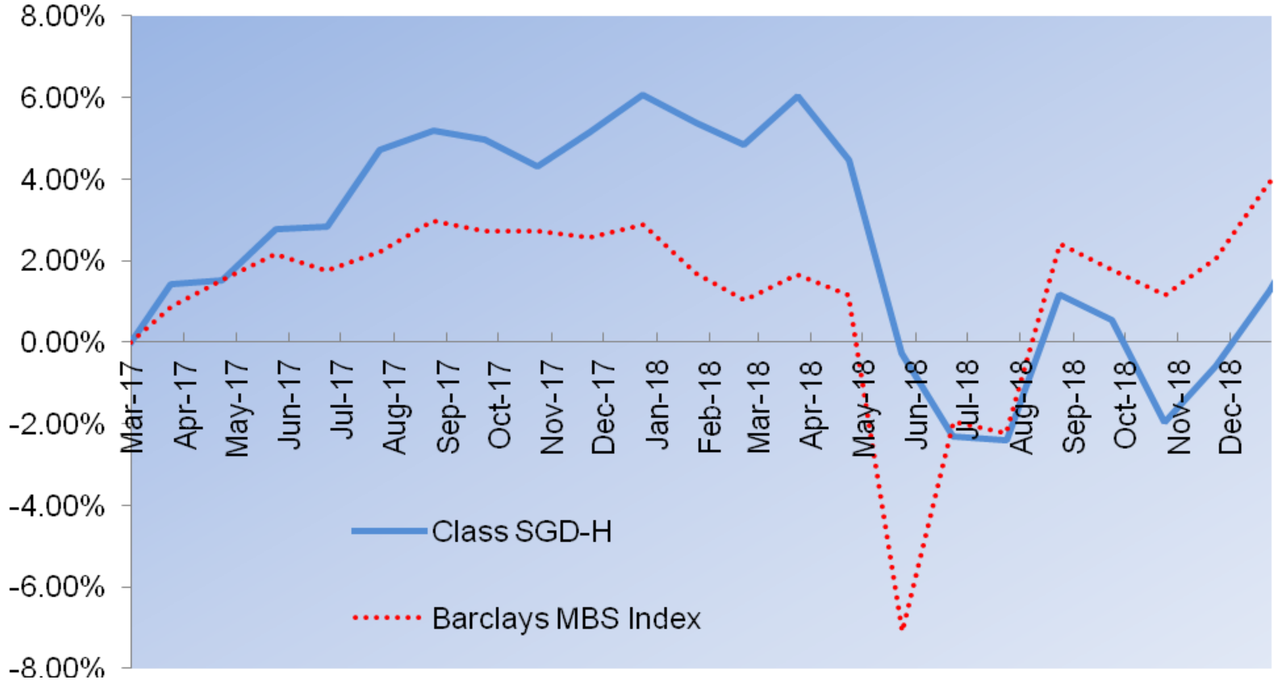


CLASS MYR-H

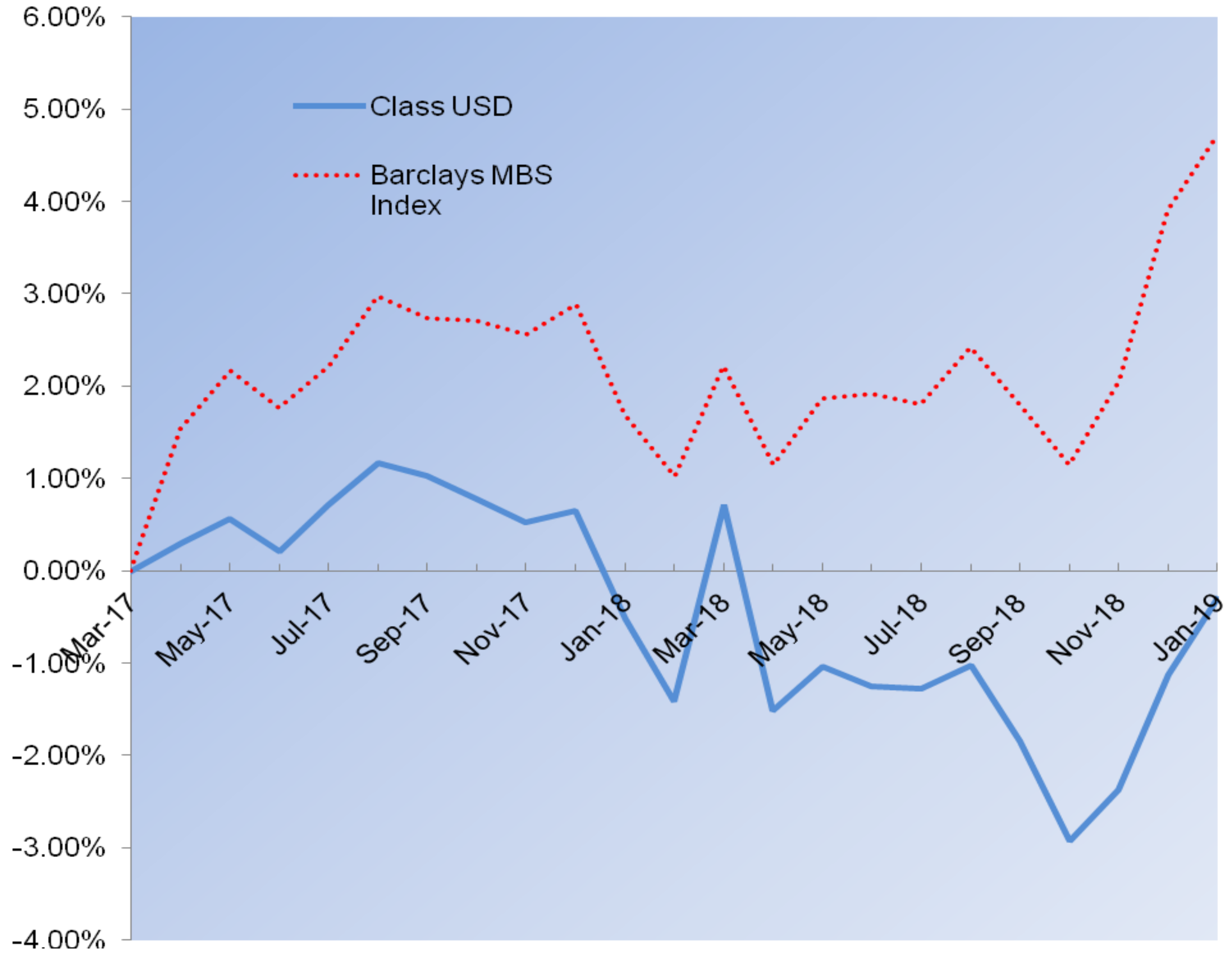


FUND PERFORMANCE (CONTINUED)

CLASS SGD-H



CLASS USD



FUND PERFORMANCE (CONTINUED)

Changes in NAV

CLASS AUD-H

	31.01.2019	31.01.2018	Changes %
NAV (USD Million)	4.66	8.25	(43.52)
NAV/Unit (USD)	0.6897	0.8079	(14.63)

CLASS MYR-H

	31.01.2019	31.01.2018	Changes %
NAV (USD Million)	2.44	5.21	(53.17)
NAV/Unit (USD)	0.2181	0.2569	(15.10)

CLASS SGD-H

	31.01.2019	31.01.2018	Changes %
NAV (USD Million)	9.59	16.56	(42.09)
NAV/Unit (USD)	0.7008	0.7548	(7.15)

CLASS USD

	31.01.2019	31.01.2018	Changes %
NAV (USD Million)	0.54	5.07	(89.35)
NAV/Unit (USD)	0.9944	0.9948	(0.04)

For the financial year under review, the Fund's NAV for Class AUD-H, Class MYR-H, Class SGD-H and Class USD fell 43.52%, 53.17%, 42.09% and 89.35% respectively. The Fund's NAV per unit for Class AUD-H, Class MYR-H, Class SGD-H and Class USD also fell by 14.63%, 15.10%, 7.15% and 0.04% respectively. The lower NAV was mainly due to units redemption while the decrease in NAV per unit was due to negative investment performance as partly described in the Market Review section. At the time of reporting, Class SGD-H has the largest total NAV at USD9.59 million. The total size for the Fund inclusive of all asset classes stood at USD17.22 million.

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)	31.01.2019	31.01.2018
Collective investment scheme	98.27	99.79
Cash and other net assets	1.73	0.21
TOTAL	**100.00**	**100.00**

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

MARKET OUTLOOK*

The Fed's dovish turn has been well received by the financial markets. The Fed has at least for now adopted the bond market's view that both US and global growth have been moderating, US inflation is and will remain slightly below target and there is therefore no need for additional rate hikes. With the Fed on hold and patient, we may very well have seen the peak in 10-year UST yields last October 2018 at 3.25%. The Fed's balance sheet policy is no longer on "auto-pilot" with an indication that adjustments to the pace of run-off could be made if downside risks play out. Risk asset performance recovered most if not all of late 2018 underperformance. Spreads on investment grade corporate are back to levels we saw in mid-November 2018.

* 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 CIMB-Principal or based on data obtained from sources believed to be reliable by CIMB-Principal. Whilst every care has been taken in preparing this, CIMB-Principal makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

The Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes.

UNIT HOLDINGS STATISTICS

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

CLASS AUD-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	-	-	-
500,001 and above	2	6.75	100.00
Total	**3**	**6.75**	**100.00**

CLASS MYR-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	-	-	-
500,001 and above	2	11.17	100.00
Total	**3**	**11.17**	**100.00**

UNIT HOLDINGS STATISTICS (CONTINUED)

CLASS SGD-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	-	-	-
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.21	1.54
500,001 and above	1	13.47	98.46
Total	**2**	**13.68**	**100.00**

CLASS USD

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	2	0.54	100.00
500,001 and above	-	-	-
Total	**3**	**0.54**	**100.00**

SOFT COMMISSIONS AND REBATES

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

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

STATEMENT BY MANAGER TO THE UNIT HOLDERS OF CIMB-PRINCIPAL US MORTGAGE FUND

We, being the Directors of 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 19 to 50 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 January 2019 and of its financial performance, changes in net assets attributable to unit holders 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
CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD
(Company No.: 304078-K)

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

PEDRO ESTEBAN BORDA
Director

Kuala Lumpur
18 March 2019

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL US MORTGAGE FUND

We have acted as Trustee of CIMB-Principal US Mortgage Fund ("the Fund") for the financial year ended 31 January 2019. To the best of our knowledge, 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 Unlisted Capital Market Products under the Lodge and Launch Framework, 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 3.66 cent per unit (gross) for Class AUD-Hedged, 2.93 cent per unit (gross) for Class MYR-Hedged, 2.94 cent per unit (gross) for Class SGD-Hedged and 0.24 cent per unit (gross) for Class USD have been distributed to the unit holders of the Fund respectively. We are of the view that the distributions are not inconsistent with the objective of the Fund.

For **HSBC (Malaysia) Trustee Berhad**

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
18 March 2019

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL US MORTGAGE FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 January 2019, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders 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 19 to 50.

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 US MORTGAGE FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL US MORTGAGE FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF CIMB-PRINCIPAL US MORTGAGE FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
18 March 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

	Note	2019 USD	08.03.2017 (date of launch) to 31.01.2018 USD
(LOSS)/INCOME			
Dividend income		653,952	719,242
Interest income from deposit with licensed financial institution at amortised cost		-	2,264
Net loss on financial assets at fair value through profit or loss	**9**	(551,744)	(820,351)
Net (loss)/gain on derivatives at fair value through profit or loss	**11**	(1,265,070)	1,954,691
Net gain on foreign exchange		4,137	3,852
Other income	**4**	62,842	69,209
		(1,095,883)	1,928,907
EXPENSES			
Management fee	**5**	259,766	295,794
Trustee's fee	**6**	8,312	9,843
Audit fee		3,013	2,179
Tax agent's fee		1,195	1,343
Other expenses		8,524	18,551
		280,810	327,710
(LOSS)/PROFIT BEFORE FINANCE COST AND TAXATION		(1,376,693)	1,601,197
Finance costs (excluding (decrease)/increase in net assets attributable to unit holders):			
- Class AUD-H		(271,408)	-
- Class MYR-H		(487,023)	-
- Class SGD-H		(467,966)	-
- Class USD		(2,268)	-
	7	(1,228,665)	-
(LOSS)/PROFIT BEFORE TAXATION		(2,605,358)	1,601,197
Taxation	**8**	-	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		(2,605,358)	1,601,197
(Decrease)/Increase in net assets attributable to unit holders is made up as follows:			
Realised amount		(3,016,732)	2,388,598
Unrealised amount		411,374	(787,401)
		(2,605,358)	1,601,197

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2019

	Note	2019 USD	2018 USD
ASSETS			
Cash and cash equivalents	**10**	188,525	1,369,622
Financial assets at fair value through profit or loss	**9**	16,923,905	35,021,649
Amount due from Manager of collective investment scheme			
- Management fee rebate		6,041	12,769
Derivative assets at fair value through profit of loss	**11**	225,328	-
Other receivable		-	1,554
TOTAL ASSETS		17,343,799	36,405,594
LIABILITIES			
Amount due to Manager of collective investment scheme			
- Purchase of collective investment scheme		100,000	650,000
Amount due to Manager		-	607,610
Accrued management fee		18,090	37,736
Amount due to Trustee		579	1,208
Derivative liabilities at fair value through profit of loss	**11**	-	9,638
Other payables and accruals		2,760	5,570
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		121,429	1,311,762
NET ASSET VALUE OF THE FUND		17,222,370	35,093,832
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		17,222,370	35,093,832
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS (USD)			
- Class AUD-H		4,658,863	8,254,260
- Class MYR-H		2,436,953	5,208,893
- Class SGD-H		9,588,444	16,562,002
- Class USD		538,110	5,068,677
		17,222,370	35,093,832
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class AUD-H		6,754,876	10,216,108
- Class MYR-H		11,173,422	20,270,323
- Class SGD-H		13,681,109	21,941,262
- Class USD		541,100	5,095,170
	12	32,150,507	57,522,863
NET ASSET VALUE PER UNIT (USD)			
- Class AUD-H		0.6897	0.8079
- Class MYR-H		0.2181	0.2569
- Class SGD-H		0.7008	0.7548
- Class USD		0.9944	0.9948

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2019 (CONTINUED)

	2019 USD	2018 USD
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- Class AUD-H	AUD0.9461	AUD0.9977
- Class MYR-H	RM0.8929	RM1.0023
- Class SGD-H	SGD0.9421	SGD0.9877
- Class USD	USD0.9944	USD0.9948

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

	2019 USD	08.03.2017 (date of launch) to 31.01.2018 USD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD	35,093,832	-
Movement due to units created and cancelled during the financial year/period:		
Creation of units from applications		
- Class AUD-H	5,267	8,445,552
- Class MYR-H	-	5,230,189
- Class SGD-H	-	16,172,648
- Class USD	-	5,956,703
	5,267	35,805,092
Creation of units from distributions		
- Class AUD-H	208,506	-
- Class MYR-H	291,251	-
- Class SGD-H	27,213	-
- Class USD	835	-
	527,805	-
Cancellation of units		
- Class AUD-H	(2,846,140)	(698,718)
- Class MYR-H	(2,398,091)	(613,329)
- Class SGD-H	(6,061,870)	(151,884)
- Class USD	(4,493,075)	(848,526)
	(15,799,176)	(2,312,457)
(Decrease)/Increase in net assets attributable to unit holders during the financial year/period	(2,605,358)	1,601,197
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR/PERIOD	17,222,370	35,093,832

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

	Note	2019 USD	08.03.2017 (date of launch) to 31.01.2018 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of collective investment scheme		18,510,000	3,116,000
Purchase of collective investment scheme		(1,514,000)	(38,308,000)
Dividend income received		653,952	719,242
Interest received from deposits with licensed financial institutions		-	2,264
Other income received		1,554	(1,554)
Management fee rebate received		69,570	56,440
Management fee paid		(279,412)	(258,058)
Trustee's fees paid		(8,941)	(8,635)
Payments for other fees and expenses		(15,542)	(16,502)
Net realised foreign exchange loss		(61,356)	(17,442)
Net realised (loss)/gain on forward foreign currency contracts		(1,500,036)	1,964,328
Net cash generated from/(used in) operating activities		15,855,789	(32,751,917)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		5,267	35,805,092
Payments for cancellation of units		(16,406,786)	(1,704,847)
Distributions		(700,860)	-
Net cash (used in)/generated from financing activities		(17,102,379)	34,100,245
Net (decrease)/increase in cash and cash equivalents		(1,246,590)	1,348,328
Effect of foreign exchange differences		65,493	21,294
Cash and cash equivalents at the beginning of the financial year/period		1,369,622	-
Cash and cash equivalents at the end of the financial year/period	**10**	188,525	1,369,622
Cash and cash equivalents comprised of:			
Bank balances		188,525	1,369,622
Cash and cash equivalents at the end of the financial year/period	**10**	188,525	1,369,622

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal US Mortgage Fund (the “Fund”) is governed by Principal Deed dated 6 March 2017 (the “Deed”), between CIMB-Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. BNP Paribas Flexi I US Mortgage Fund. The Fund may also invest in Liquid Asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the BNP Paribas Flexi I US Mortgage Fund (“Target Fund”); a UCITS domiciled in Luxembourg and established on 25 September 2015. The Fund will also maintain up to 5% of its NAV in Liquid Assets for liquidity purposes.

Company	:	BNP Paribas Flexi I, an open-ended investment company with variable capital (société d'investissement à capital variable) incorporated on 4 July 2006 under the name “FORTIS SOLUTIONS” for an indefinite period in accordance with the provisions of Part I of the Luxembourg law of 20 December 2002 governing undertakings for collective investment. It was renamed “BNP Paribas Flexi I” on 13 September 2010.
Investment Manager of the Target Fund	:	Fischer Francis Trees & Watts Inc
Management Company of the Target Fund	:	BNP Paribas Investment Partners Luxembourg
Regulatory authority	:	Commission de Surveillance du Secteur Financier

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Manager, a company incorporated in Malaysia, is a jointly owned by CIMB Group Sdn Bhd and Principal International (Asia) Limited. 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 (including derivative instruments) and financial liabilities at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 estimates and assumptions are significant to the financial statements are disclosed in Note 2(n).

Standard that is effective:

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

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

  Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt 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 a 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 on adoption from the application of the new impairment model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

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

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

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

(b) Financial assets and financial liabilities

Classification

Up to 31 January 2018, the Fund designates its investment in collective investment scheme 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, amount due from Manager of collective investment scheme and other receivable.

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

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

From 1 February 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Investments in collective investment scheme and 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.

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

The Fund classifies amount due to Manager of collective investment scheme, amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as other financial liabilities subsequently 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 31 January 2018 and MFRS 9 from 1 February 2018, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

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

Collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, the last published price of such unit or share (excluding any sales charge included in such selling price).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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

Impairment for assets carried at amortised costs

Up to 31 January 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent financial period, 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 February 2018 onwards, the Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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

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

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using effective interest rate method on an accrual basis.

Up to 31 January 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 February 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 collective investment scheme is accounted for as the difference between the net disposal proceeds and the carrying amount of collective investment scheme, determined on a weighted average cost basis.

(d) Functional and presentation currency

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

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in USD primarily due to the following factors:

i) Significant portion of the NAV is invested in the form of collective investment scheme denominated in USD.
ii) Significant portion of the Fund's expenses are denominated in USD.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Functional and presentation currency (continued)

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

(e) Management fee rebate

Management fee rebate is deemed from the collective investment scheme held by the Fund on an accrual basis to ensure no double charging of management fee. It is accrued daily based on the fair value of collective investment scheme held.

(f) 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.

(g) Creation and cancellation of units

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 “Financial Instruments: Presentation”.

The Fund issues cancellable units, in four classes of units, known respectively as the Class AUD-H, Class MYR-H, SGD-H and Class USD, which are cancelled at the unit holder's option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unit holders' option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to members of respective classes with the total number of outstanding units of respective classes.

(h) Distribution

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

(i) 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 income from foreign collective investment scheme is based on the tax regime of the respective countries that the Fund invests in.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders.

(k) Amount due from/to Manager of collective investment scheme

Amounts due from and to Manager collective investment scheme represent receivables for collective investment scheme sold and payables for collective investments scheme purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from stockbrokers balance is held for collection.

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These amounts are recognised initially at fair value and, up to 31 January 2018, subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from Manager of collective investment scheme. A provision for impairment of amount due from Manager of collective investment scheme is established when there is objective evidence that the Fund will not be able to collect all amounts due from the Manager of collective investment scheme. Significant financial difficulties of the stockbroker, probability that the Manager of collective investment scheme will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from Manager of collective investment scheme 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 rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. From 1 February 2018, these amounts are subsequently measured at amortised cost. At each reporting date, the Fund measures the loss allowance on amounts due from Manager of collective investment scheme 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 broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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) 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.

(n) 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 Unlisted Capital Market Products under the Lodge and Launch Framework.

However, the Manager is of the opinion that in applying these accounting policies, no significant judgement was required.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

2019	**Financial assets at fair value through profit or loss** **USD**	**Financial assets at amortised costs** **USD**	**Total** **USD**
Cash and cash equivalents (Note 10)	-	188,525	188,525
Collective investment scheme (Note 9)	16,923,905	-	16,923,905
Derivative assets at fair value through profit of loss	-	225,328	225,328
Amount due from Manager of collective investment scheme	-	6,041	6,041
	16,923,905	419,894	17,343,799

2018	**Financial assets at fair value through profit or loss** **USD**	**Loans and receivables** **USD**	**Total** **USD**
Cash and cash equivalents (Note 10)	-	1,369,622	1,369,622
Collective investment scheme (Note 9)	35,021,649	-	35,021,649
Amount due from Manager of collective investment scheme	-	12,769	12,769
Other receivable	-	1,554	1,554
	35,021,649	1,383,945	36,405,594

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

The Fund aims to maximise total return through investments in one collective investment scheme, which invests primarily in mortgage related securities in the US.

The Fund is exposed to a variety of risks which include market risk (inclusive of price 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 Unlisted Capital Market Products under the Lodge and Launch Framework.

(a) Market risk

(i) Price risk

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

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

(a) Market risk (continued)

(i) Price risk (continued)

The price risk is managed through diversification and selection of collective investment scheme and other financial instruments within specified limits according to the Deed.

The Fund's overall exposure to price risk was as follows:

	2019 USD	2018 USD
Financial assets at fair value through profit or loss:		
- Collective investment scheme	16,923,905	35,021,649

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in price of collective investment scheme at the end of the reporting year. The analysis is based on the assumptions that the price of the collective investment scheme fluctuated by 5% with all the other variables held constant. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

% Change in price of collective investment scheme	Market value USD	Impact on profit or loss/NAV USD
2019		
-5%	16,077,710	(846,195)
0%	16,923,905	-
+5%	17,770,100	846,195
2018		
-5%	33,270,567	(1,751,082)
0%	35,021,649	-
+5%	36,772,731	1,751,082

(ii) Interest rate risk

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

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

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

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

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

(iii) Currency risk

Currency risk 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 USD 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:

	Cash & cash equivalents USD	Derivative assets at fair value through profit or loss USD	Total USD
Financial assets			
2019			
MYR	1,920	26,131	28,051
AUD	1,506	96,869	98,375
SGD	306	102,328	102,634
	3,732	225,328	229,060

	Cash & cash equivalents USD	Total USD
Financial assets		
2018		
MYR	208	208
AUD	1,673	1,673
	1,881	1,881

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

(a) Market risk (continued)

(iii) Currency risk (continued)

	Amount due to Manager USD	Derivative liabilities at fair value through profit or loss USD	Total USD
Financial liabilities			
2018			
MYR	67,999	1,057	69,056
AUD	319,818	22,568	342,386
SGD	151,800	(33,263)	118,537
	539,617	(9,638)	529,979

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 the 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 USD
2019		
MYR	+/-5	+/-1,403
AUD	+/-5	+/-4,919
SGD	+/-5	+/-5,132
		11,454

	Change in foreign exchange rate %	Impact on profit or loss/NAV USD
2018		
MYR	+/-5	+/- 3,442
AUD	+/-5	+/- 17,036
SGD	+/-5	+/- 5,927
		(26,405)

(b) Credit risk

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

In derivative activities, credit risk arises when counterparties to derivative contracts, are unable or unwilling to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

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

(b) Credit risk (continued)

For amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

For amount due from Manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by the relevant regulatory authority in its home jurisdiction.

The following table sets out the credit risk concentration of the Fund at the end of the reporting year/period:

	Cash and cash equivalents USD	Derivatives asset at fair value through profit or loss USD	Amount due from manager of collective investment scheme USD	Total USD
2019				
Financials				
-HSBC Bank Bhd (AAA)	188,525	225,328	-	413,853
Others				
-Not Rated	-	-	6,041	6,041
	188,525	225,328	6,041	419,894

	Cash and cash equivalents USD	Amount due from Manager of collective investment scheme USD	Other receivable USD	Total USD
2018				
Financials				
-HSBC Bank Bhd (AAA)	1,369,622	-	-	1,369,622
Others				
-Not Rated	-	12,769	1,554	14,323
	1,369,622	12,769	1,554	1,383,945

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

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

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period on 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 USD	Between 1 month to 1 year USD	Total USD
2019			
Amount due to Manager of collective investment scheme	100,000	-	100,000
Amount due to Manager	-	-	-
Accrued management fees	18,090	-	18,090
Amount due to Trustee	579	-	579
Other payables and accruals	-	2,760	2,760
Net asset attributable to members*	17,222,370	-	17,222,370
Contractual undiscounted cash flows	17,341,039	2,760	17,343,799
2018			
Amount due to Manager of collective investment scheme	650,000	-	650,000
Amount due to Manager	607,610	-	607,610
Accrued management fees	37,736	-	37,736
Amount due to Trustee	1,208	-	1,208
Other payables and accruals	2,337	3,233	5,570
Derivatives liabilities	9,638	-	9,638
Net asset attributable to members*	35,093,832	-	35,093,832
Contractual undiscounted cash flows	36,402,361	3,233	36,405,594

* Outstanding units are redeemed on demand at the member's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of USD17,222,370 (2018: USD35,093,832). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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

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

(i) <u>Fair value hierarchy</u>

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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

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

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2019				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	16,923,905	-	-	16,923,905
- Derivative assets				
- forward foreign currency contracts	-	225,328	-	225,328
	16,923,905	225,328	-	17,149,233

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2018				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	35,021,649	-	-	35,021,649
Financial liabilities at fair value through profit or loss:				
- Derivative liabilities - forward foreign currency contracts	-	(9,638)	-	(9,638)

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities, forward foreign currency contracts and interest rate swaps. 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.

(ii) The carrying values of cash and cash equivalents, amount due from Manager of collective investment scheme, other receivable and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

4. OTHER INCOME

Other income represents the Fund’s entitlement to management fee rebate from the Manager of collective investment scheme the Fund invests in.

For the financial year ended 31 January 2019, the rebate is recognised at a rate of 0.30% per annum (2018: 0.30% per annum) calculated and accrued daily based on the NAV of the collective investment scheme.

5. MANAGEMENT FEE

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

For the financial year ended 31 January 2019, the management fee is recognised at a rate of 1.25% per annum (2018: 1.25% per annum) for each classes.

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

6. TRUSTEE’S FEE

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.08% 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 31 January 2019, the Trustee’s fee is recognised at a rate of 0.04% per annum (2018: 0.04% per annum) for each classes.

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

7. FINANCE COST

Distributions to unit holders are derived from the following sources:

	2019 USD	08.03.2017 (date of launch) to 31.01.2018 USD
Dividend income	395,371	-
Prior financial period's realised income	842,858	-
	1,238,229	-
Less:		
Expenses	(9,564)	-
Net distribution amount	1,228,665	-
Distribution on 24 April 2018		
Gross/Net distribution per unit (cent)		
- Class AUD-H	3.66	-
- Class MYR-H	2.93	-
- Class SGD-H	2.94	-
Distribution on 13 August 2018		
Gross/Net distribution per unit (cent)		
- Class USD	0.14	-
Distribution on 19 November 2018		
Gross/Net distribution per unit (cent)		
- Class USD	0.10	-

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

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

The distribution for the financial year is made from previous financial period's realised income of USD842,858.

As at the date of financial position, there are accumulated unrealised losses of USD462,815 (2018: USD808,696)

8. TAXATION

	2019 USD	08.03.2017 (date of launch) to 31.01.2018 USD
Tax charged for the financial year:		
- Current taxation	-	-

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

	2019 USD	08.03.2017 (date of launch) to 31.01.2018 USD
(Loss)/Profit before taxation	(2,605,358)	1,601,197
Taxation at Malaysian statutory rate of 24% (2018: 24%)	(625,286)	384,287
Tax effects of:		
- Loss not deductible for tax purposes/(Income not subject to tax)	263,012	(462,938)
- Expenses not deductible for tax purposes	297,962	2,853
- Restriction on tax deductible expenses for Wholesale Funds	64,312	75,798
Taxation	-	-

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 USD	2018 USD
Financial assets at fair value through profit or loss:		
- Collective investment scheme	16,923,905	35,021,649

	2019 USD	06.01.2017 (date of launch) to 31.01.2018 USD
Net loss on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(662,659)	(21,293)
- Unrealised fair value gain/(loss)	110,915	(799,058)
	(551,744)	(820,351)

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

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
2019				
COLLECTIVE INVESTMENT SCHEME				
BNP Paribas Investment Partners Luxembourg SA - BNP Paribas Flexi I - US Mortgage	180,695	17,612,048	16,923,905	98.27
TOTAL COLLECTIVE INVESTMENT SCHEME	**180,695**	**17,612,048**	**16,923,905**	**98.27**
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**(688,143)**		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**16,923,905**		
2018				
COLLECTIVE INVESTMENT SCHEME				
BNP Paribas Investment Partners Luxembourg SA - BNP Paribas Flexi I - US Mortgage	366,680	35,820,707	35,021,649	99.79
TOTAL COLLECTIVE INVESTMENT SCHEME	**366,680**	**35,820,707**	**35,021,649**	**99.79**
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**(799,058)**		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**35,021,649**		

10. CASH AND CASH EQUIVALENTS

	2019 USD	2018 USD
Bank balances	188,525	1,369,622

11. DERIVATIVE ASSETS /LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 January 2019, there is 1 outstanding USD/Malaysian Ringgit ("MYR"), USD/Singapore Dollar ("SGD") and USD/Australian Dollar ("AUD") forward foreign currency contracts respectively (2018: there was 1 outstanding USD/MYR, USD/SGD and USD/AUD forward foreign currency contracts respectively). The notional principal amount of the outstanding forward foreign currency contracts amounted to USD16,432,070 (2018: USD30,306,627).

The forward foreign currency contracts are entered into during the financial year/period to minimise the risk of foreign currency exposure between the USD and the MYR, AUD and SGD for the Fund.

As the Fund has not adopted hedged accounting during the financial year/period, any changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income during the period in which it was incurred.

Net fair value (loss)/gain on derivative assets/liabilities at fair value through profit or loss:

	2019 USD	**2018 USD**
Net realised (loss)/gain on forward foreign currency contracts	(1,500,036)	1,964,329
Net unrealised gain/(loss) on forward foreign currency contracts	234,966	(9,638)
	(1,265,070)	1,954,691

12. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	**08.03.2017 (date of launch) to 31.01.2018**
	No. of units	**No. of units**
- Class AUD-H (i)	6,754,876	10,216,108
- Class MYR-H (ii)	11,173,422	20,270,323
- Class SGD-H (iii)	13,681,109	21,941,262
- Class USD (iv)	541,100	5,095,170
	32,150,507	57,522,863

(i) Class AUD-H

	2019	**08.03.2017 (date of launch) to 31.01.2018**
	No. of units	**No. of units**
At the beginning of the financial year/period	10,216,108	-
Add: Creation of units from applications	7,447	11,100,559
Add: Creation of units from distributions	293,513	-
Less: Cancellation of units	(3,762,192)	(884,451)
At the end of the financial year/period	6,754,876	10,216,108

12. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)

(ii) Class MYR-H

	2019	08.03.2017 (date of launch) to 31.01.2018
	No. of units	No. of units
At the beginning of the financial year/period	20,270,323	-
Add: Creation of units from applications	-	22,760,493
Add: Creation of units from distributions	1,297,963	-
Less: Cancellation of units	(10,394,864)	(2,490,170)
At the end of the financial year/period	11,173,422	20,270,323

(iii) Class SGD-H

	2019	08.03.2017 (date of launch) to 31.01.2018
	No. of units	No. of units
At the beginning of the financial year/period	21,941,262	-
Add: Creation of units from applications	-	22,141,663
Add: Creation of units from distributions	38,551	-
Less: Cancellation of units	(8,298,704)	(200,401)
At the end of the financial year/period	13,681,109	21,941,262

(iv) Class USD

	2019	08.03.2017 (date of launch) to 31.01.2018
	No. of units	No. of units
At the beginning of the financial year/period	5,095,170	-
Add: Creation of units from applications	-	5,937,967
Add: Creation of units from distributions	851	-
Less: Cancellation of units	(4,554,921)	(842,797)
At the end of the financial year/period	541,100	5,095,170

13. MANAGEMENT EXPENSE RATIO ("MER")

	2019 %	08.03.2017 (date of launch) to 31.01.2018 %
MER	1.05	0.99

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is USD20,776,653 (2018: USD26,132,032)

14. PORTFOLIO TURNOVER RATIO ("PTR")

	2019	08.03.2017 (date of launch) to 31.01.2018
PTR (times)	0.47	0.81

PTR is derived based on the following calculation:

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

where:
total acquisition for the financial year/period = USD964,000 (2018:USD38,958,000)
total disposal for the financial year/period = USD18,510,000 (2018: USD3,116,000)

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

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

Related parties	Relationship
CIMB-Principal Asset Management Berhad	The Manager
Principal Financial Group, Incorporation.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Limited	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 Berhad	Ultimate holding company of shareholder of the Manager
CIMB Group Sendirian Berhad	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Berhad, 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 Berhad	Fellow related party to the Manager
CIMB Investment Bank Berhad	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

	2019		2018	
	No. of units	**USD**	**No. of units**	**USD**
Manager				
CIMB-Principal Asset Management Berhad				
- Class AUD-H	58	40	56	45
- Class MYR-H	233	51	206	53
- Class SGD-H	-	-	-	-
- Class USD	87	87	86	86

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.

There are no significant related party transactions and balances for the financial year/period.

16. TRANSACTIONS WITH BROKER

Details of transactions with the broker for the financial year ended 31 January 2019 are as follows:

Broker	Value of trades	Percentage of total trades
	USD	%
BNP Paribas Investment Partners Luxembourg	19,474,000	100.00

Details of transactions with the broker for the financial period from 8 March 2017 (date of launch) to 31 January 2018 are as follows:

Broker	Value of trades	Percentage of total trades
	USD	%
BNP Paribas Investment Partners Luxembourg	42,074,000	100.00

17. SEGMENT INFORMATION

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

The investment objective of the Fund is to maximise total return through investments in one collective investment scheme, which invests primarily in mortgage related securities in the US. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest income and dividend income earned from investments and gains on the appreciation in the value of investments, which are derived from which are derived from Ringgit denominated deposits in licensed financial institutions in Malaysia and single collective investment scheme of companies domiciled in, listed in and/or have significant operations in countries in Luxembourg.

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

18. MFRS 9 FINANCIAL INSTRUMENTS

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

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

	Measurement category		**Carrying amount**			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) **USD**	Reclassifi-cations **USD**	Remeasu-rements **USD**	New (MFRS 9) **USD**
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	1,369,622	-	-	1,369,622
Investment in collective investment scheme	FVTPL	FVTPL	35,021,649	-	-	35,021,649
Amount due from Manager of Collective Investment Scheme	Loans and receivables	Amortised cost	12,769	-	-	12,769
Other receivable	Loans and receivables	Amortised cost	1,554	-	-	1,544
Liabilities						
Amount due to Manager of collective investment scheme	Amortised cost	Amortised cost	650,000	-	-	650,000
Amount due to Manager	Amortised cost	Amortised cost	607,610	-	-	607,610
Accrued management fees	Amortised cost	Amortised cost	37,736	-	-	37,736
Amount due to Trustee	Amortised cost	Amortised cost	1,208	-	-	1,208
Derivative liabilities at fair value thorugh profit or loss	FVTPL	FVTPL	9,638	-	-	9,638
Other payables and accruals	Amortised cost	Amortised cost	5,570	-	-	5,570

19. APPROVAL OF FINANCIAL STATEMENTS

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

DIRECTORY

Head office of the Manager
CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
8th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights,
50490 Kuala Lumpur, MALAYSIA.
Tel: (03) 2084 8888

Internet site
www.cimb-principal.com.my

E-mail address
service@cimb-principal.com.my

General investment enquiries
(03) 7718 3100

Trustee for the CIMB-Principal US Mortgage Fund
HSBC (Malaysia) Trustee Berhad (Company No.: 001281-T)
13th Floor, Bangunan HSBC, South Tower,
No. 2, Leboh Ampang,
50100 Kuala Lumpur,
MALAYSIA.
Tel: (03) 2075 7800
Fax: (03) 2179 6511

Auditors of the Fund and of the Manager
PricewaterhouseCoopers PLT (Company No.: LLP0014401-LCA & AF 1146)
Level 10, 1 Sentral,
Jalan Rakyat, Kuala Lumpur Sentral,
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA.
Tel: (03) 2173 1188
Fax: (03) 2173 1288