

CIMB ISLAMIC BALANCED GROWTH FUND
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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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** as follows:

- 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:

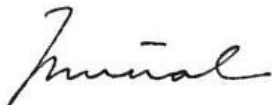
- CIMB-Principal Global Titans Fund
- CIMB-Principal Asia Pacific Dynamic Income Fund
- CIMB Islamic Asia Pacific Equity Fund
- CIMB-Principal Greater China Equity Fund
- CIMB-Principal PRS Plus Conservative
- CIMB-Principal PRS Plus Growth

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 REPORTS

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to grow the value of the Unit holders' investments over the long-term in a diversified mix of Malaysian assets in approved Shariah instruments while providing consistent income.

Has the Fund achieved its objective?

The Fund has achieved its long-term objective by providing growth and income to unit holders through investing in a pool of diversified Malaysian assets comprising Shariah equities and Sukuk.

What are the Fund investment policy and principal investment strategy?

The Fund aims to invest in a diversified portfolio of Malaysian assets comprising Shariah-compliant equities and Shariah-compliant fixed income investments. In line with its objective, the investment policy and strategy of the Fund is to maintain a balanced portfolio between Shariah-compliant equities and Shariah-compliant fixed income investments in the ratio of 60:40. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investment by the Fund in Shariah-compliant equities shall not be less than 40% of the Net Asset Value ("NAV") of the Fund and investments in Shariah-compliant fixed income securities and Shariah-compliant liquid assets shall not exceed 60% of the NAV of the Fund with a minimum credit rating of "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country issuance; "BBB-" by S&P or equivalent rating by Moody's or Fitch. The Fund may invest up to 40% of its NAV in Unrated Shariah-compliant fixed income securities*. The Fund may also opt to seek investment exposure via Shariah-compliant Collective Investment Schemes that is in line with the Fund's objective, subject to the requirements of the Securities Commission Malaysia ("SC") guidelines.

The asset allocation strategy for this Fund is as follows:

- at least 40% of the Fund's NAV in Shariah-compliant equities, subject to a maximum of 60%;
- up to a maximum of 60% of the Fund's NAV in Shariah-compliant fixed income investments and Shariah-compliant liquid assets, subject to a minimum of 40%;
- up to 40% of the Fund's NAV in Unrated Shariah-compliant fixed income securities*; and
- at least 2% of the Fund's NAV in Shariah-compliant liquid assets

* With effective 1 October 2017, the investment limit in Unrated Shariah-compliant fixed income securities will be changed from 25% to 40%.

Fund category/type

Balanced (Shariah-compliant)/Growth & Income

How long should you invest for?

Recommended five (5) years or more

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

Moderate to High

When was the Fund launched?

26 May 2003

What was the size of the Fund as at 31 December 2018?

RM305.90 million (494.62 million units)

What is the Fund's benchmark?

60% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index + 40% CIMB Islamic 1-Month Fixed Return Income Account-I ("FRIA-I")

Note: The benchmark is customised as such to align it closer to the structure of the portfolio and the objective of the Fund. Investors are cautioned that the risk profile of the Fund is higher than the risk profile of the benchmark.

FUND OBJECTIVE AND POLICY (CONTINUED)

What is the Fund distribution policy?

Distribution (if any) is expected to be distributed every January at the Manager's discretion*.

* Note: Pursuant to the Master Deed, the Manager has the right to make provisions for reserves in respect of distribution of the Fund. If the distribution available is too small or insignificant, any distribution may not be of benefit to the Unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to the Unit holders.

What was the net income distribution for the financial year ended 31 December 2018?

The Fund distributed a total net income of RM13.48 million to unit holders for the financial year ended 31 December 2018. As a result, the NAV per unit dropped from RM0.6858 to RM0.6593 on 18 January 2018.

PERFORMANCE DATA

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

	31.12.2018	31.12.2017	31.12.2016
	%	%	%
Quoted Shariah-compliant Investments			
- Construction	0.87	7.00	5.45
- Consumer products	-	2.22	1.84
- Consumer Products & Services	9.27	-	-
- Energy	4.14	-	-
- Finance	-	1.45	-
- Financial Services	1.47	-	-
- Health Care	1.72	-	-
- Industrials	-	5.60	8.54
- Industrial Products & Services	7.31	-	-
- Infrastructure Project Companies ("IPC")	-	4.05	4.10
- Plantation	2.30	7.14	4.13
- Properties	-	2.56	0.02
- Property	0.57	-	-
- Technology	0.92	2.46	0.17
- Telecommunications & Media	3.92	-	-
- Trading/Services	-	23.81	26.24
- Transportation & Logistics	2.14	-	-
- Utilities	11.06	-	-
Unquoted Sukuk	46.62	40.55	37.51
Cash and other net assets	7.69	3.16	12.00
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.12.2018	31.12.2017	31.12.2016
NAV (RM Million)	305.90	346.10	365.39
Units in circulation (Million)	494.62	508.55	563.12
NAV per unit (RM)	0.6184	0.6805	0.6488
Highest NAV per unit (RM)	0.6941	0.6805	0.6983
Lowest NAV per unit (RM)	0.6080	0.6284	0.6401
Total return (%)	(5.49)	(9.05)	(3.36)
- Capital growth (%)	(9.13)	4.88	(7.08)
- Income distribution (%)	(4.01)	3.97	4.01
Management Expense Ratio ("MER") (%) ^	1.62	1.70	1.69
Portfolio Turnover Ratio ("PTR") (times) #	1.05	0.94	3.46

PERFORMANCE DATA (CONTINUED)

^ The Fund's MER decreased from 1.70% to 1.62% mainly due to the increase in average NAV during the financial year.

The Fund's PTR increased moderately to 1.05 times from 0.94 times mainly due to rebalancing of asset allocation between Shariah Equities and Sukuk.

	31.12.2017	31.12.2017	31.12.2016
Date of distribution	18.01.2018	18.01.2017	18.01.2016
Gross/Net distribution per unit (sen)	2.65	2.50	2.65

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
	%	%	%	%	%
Annual total return	(5.49)	9.05	(3.36)	4.96	0.68

(Launch date: 26 May 2003)

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

MARKET REVIEW (1 JANUARY 2018 TO 31 DECEMBER 2018)

Shariah Equity

For the financial year under review, the FBMS Index (the "Index") is lower by 6.99%. The Index had a strong start in January 2018, jumping 355 points or 2.7% to 13,658 points, on the back of a stronger Malaysian Ringgit ("MYR"), higher oil prices, net foreign inflows, hike in Overnight Policy Rate ("OPR") and overall stronger global economies. In January 2018, foreign investors were net buyers of RM3.4 billion versus RM10.3 billion in the whole of 2017. Brent crude oil price closed at USD69.05 per barrel, while the MYR appreciated 3.8% to close at RM3.8985 against US Dollar ("USD").

In March 2018, the Index closed down 197 points or 1.5% to 13,230 points amid US-China trade frictions. Large caps continued to outperform the broader market and small caps. For the first quarter of 2018 ("1Q2018"), the Index was flattish, shedding 0.5%, despite net foreign inflows of RM2.2 billion. The MYR strengthened 4.5% in 1Q2018. Bank Negara Malaysia ("BNM") kept OPR unchanged at 3.25%. Meanwhile, the February 2018 Nikkei Purchasing Managers Index ("PMI") fell to 49.9 versus 50.5 in January 2018.

In April 2018, the Index shed 62 points or 0.5% to close at 13,169 points. Year-to-date ("YTD"), the Index has lost 1.0%, underperforming the FBM Kuala Lumpur Composite Index ("FBMKLCI") which has gained 4.1%. Foreigners turned net buyers of RM1.5 billion in April 2018 after being net sellers of RM0.1 billion in March 2018, bringing YTD net foreign inflows to RM3.5 billion. In April 2018, the MYR depreciated 1.5%, while the 10-year Malaysian Government Securities ("MGS") rose 19 basis points ("bps") to 4.13%. Brent crude oil rose 7% to USD75 per barrel. Construction outperformed, while technology, consumer staples and telecommunications underperformed.

In May 2018, heavy foreign selling dragged the Index down 993 points or 7.5% to close at 12,175 points as investors repriced policy risk. The bulk of the selling came after the 14th General Elections ("GE14") which saw the Index falling 6.9%. YTD, the Index has lost 8.5%. In May 2018, foreigners net sold RM5.6 billion, reversing YTD net foreign flows to -RM1.9 billion. During the month, the MYR depreciated 1.4%, the 10-year MGS rose 5 bps to 4.18%, while Brent crude oil gained 3% to USD77 per barrel.

MARKET REVIEW (1 JANUARY 2018 TO 31 DECEMBER 2018) (CONTINUED)**Shariah Equity (Continued)**

In June 2018, the Index continue to succumb to heavy foreign selling, falling 0.68% or 83 points to close at 12,092 points, as investors to reprice policy risk. Post the GE14, The Index has fallen by 7.5% and on YTD basis the Index has lost 9.1%. In June 2018, foreigners net sold RM4.9 billion, bringing June 2018 total net foreign flows outflow of RM6.8 billion versus net inflow of RM10.8 billion in 2017. During the month, the MYR depreciated further by 1.47% to RM4.04 against the USD, the 10-year MGS rose 2 bps to 4.20%, while Brent crude oil gained 2.4% to USD79.44 per barrel.

After two consecutive months of sold off post GE14, the FBMS Index bucked the downtrend in July 2018 and ended higher by 5.9% or 718 points to close at 12,810 points, as local investors started to bargain-hunt. On YTD basis, the Index is still lower by 3.7%. Foreigners remained net seller for third consecutive months with cumulative net outflows of RM1.7 billion. However, this is much lower as compared to RM4.9 billion outflows in June 2018. YTD, net outflows stood at RM8.5 billion while net outflows since GE14 amounted to RM11 billion. During the month, the MYR weakened by 0.64% to close at RM4.06 against the USD, the 10-year Government Investment Issues ("GII") dropped 11 bps to 4.20% and Brent crude oil weakened 6.1% to USD4.58 per barrel.

The Index ended the month of August 2018 marginally lower 0.02% or 4 points to close at 12,807 points, which 2% lower than the last trading day prior to GE14. On YTD basis, the Index is still in negative zone with a loss of 3.7%. Foreigners continue to be selling in the market albeit smaller amount as compared to the previous months. Total outflow for August 2018 amounted to RM8.6 billion versus net inflow of RM10.8 billion in 2017. During the month, the MYR weakened by 1% to close at RM4.11 against the USD, the 10-year GII dropped 7 bps to 4.14% and Brent crude oil strengthen by 4.2% to USD77.42 per barrel.

The Index ended September 2018 lower by 1.0% or 128 points to close at 12,678 points. On YTD basis, the Index is lower by 4.70%. September 2018 saw net buying from the foreign investors primarily due FTSE rebalancing exercise with cumulative foreign in flow amounted to RM66 million, the first time since April 2018. Despite net foreign inflow for the month, total outflow for September 2018 amounted to RM8.5 billion versus net inflow of RM10.8 billion in 2017. During the month, the MYR weakened by 0.7% to close at RM4.14 against USD, the 10-year GII higher by 2 bps to 4.15% and Brent crude oil skyrocketed to USD82.72 per barrel, higher by 6.8% month-on-month ("m-o-m").

In-line with regional weakness on global growth concerns, the Index ended October 2018 lower by 7.15% or 906 points to close at 11,771 points. On YTD basis, the Index is lower by 11.51%. The release of the mid-term review of the austere 11th Malaysia Plan offered no reprieve as investors further locked in gains made due to rising economic risk and uncertainties. Local investors were concerns that the Government will unveil new taxes and announce higher fiscal deficits during the 2019 Budget. Telecommunication companies were the largest loser on the back of regulatory risk, while construction sector underperformed on Mass Rapid Transit ("MRT") Line 2 project cost cut. During the month, the MYR weakened by 1.1% while the 10-year GII rose by 10 bps to 4.25%. Brent crude oil fell to USD75 per barrel, down by 9% m-o-m.

The Index ended December 2018 lower by 1.11% to close at 11,504 points. For 2018, the Index is lower by 13.52%. During the month, the MYR strengthened to MYR4.133 against USD from RM4.184 in the previous month. Brent crude oil slumped to USD53.80 per barrel, down by 8.36% m-o-m. We expect Malaysia's Gross Domestic Product ("GDP") growth to moderate in 2019 on softening external demand and government's austerity measure. The Street expects the budget deficit to narrow from 3.7% in 2018 to 3.4% in 2019 as the Government draws on Petroliaam Nasional Bhd ("Petronas")'s financial resources with a RM30 billion special dividend. However, recent oil price weakness has dampened the Government's finances as Budget 2019 was prepared based on average Brent crude oil price assumption of USD70 per barrel versus less than USD60 per barrel now. Should the current oil price weakness persist, the Government will need to re-calibrate its budget to avoid further widening its budget deficit. If this materialises, GDP growth will face downside risk as Government's further cost rationalisation will be a dampener on the economy.

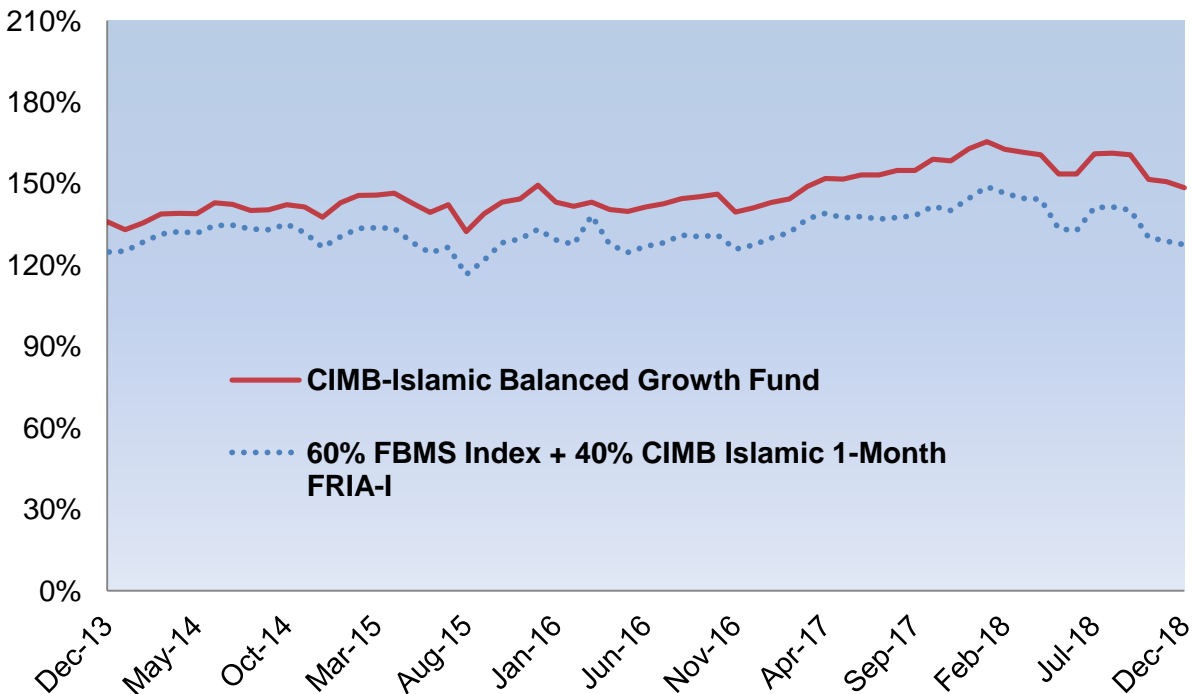
MARKET REVIEW (1 JANUARY 2018 TO 31 DECEMBER 2018) (CONTINUED)**Sukuk**

During the financial year under review, the MYR Sukuk market was generally pricing in a potential interest rate hike in either late 2017 or early 2018 as the local economy did not really see deterioration after BREXIT which took place in 2016. Recall the 2016 OPR cut was mainly premised on the Governor's pre-emptive measure to mitigate local economy softness arising from the referendum. Come January 2018, BNM finally delivered the 25 bps of OPR hike to 3.25% and market did not react negatively on the announcement. In fact, USD against the MYR rallied in 1Q2018 as the interest rate differential between USD and MYR still favoured by carry investors. However, local yield quickly turned in the second quarter of 2018 ("2Q2018") as 10-year US Treasuries ("UST") breached 3.0% for the first time since the US Federal Reserve (the "Fed") started to hike rate in Dec 2015. Coupled with the change in Government in GE14, foreigner net sold MYR Government Sukuk which pushed the local yield curve by circa 30 bps higher YTD. Finally come June 2018 and July 2018, local investors finally stepped in and supported the local Sukuk market. For the next 3 months to September 2018, the supply of Government guaranteed Sukuk shrunk substantially (on the back of cancelled infrastructure projects) which caused an imbalance in the local Sukuk market. High grade corporate Sukuk and long-term yields tightened moderately throughout most of the third quarter of 2018 ("3Q2018"). Lastly in the fourth quarter of 2018 ("4Q2018"), the local Sukuk market faces some profit taking activities which drove the yield curve steeper, especially on the belly of the yield curve. The re-pricing of the yield curve mainly came from Government Sukuk auctions which saw the issuance size at the top end of the estimates. Combining with talks of higher fiscal deficits in 2018 and the risk of sovereign rating downgrade by international rating agencies, the 3-year, 5-year, 10-year, 15-year, 20-year and 30-year Malaysian GII ("MGII") was traded at 3.62% (Dec 2017: 3.34%), 3.84% (3.56%), 4.10% (3.91%), 4.47% (4.40%), 4.66% (4.59%) and 4.87% (4.85%) respectively.

FUND PERFORMANCE

	1 year to 31.12.2018 %	3 years to 31.12.2018 %	5 years to 31.12.2018 %	Since inception to 31.12.2018 %
Income	4.01	12.49	23.17	87.59
Capital	(9.13)	(11.44)	(14.54)	30.20
Total Return	(5.49)	(0.39)	5.25	148.44
Benchmark	(6.99)	(2.40)	(1.12)	127.54
Average Total Return	(5.49)	(0.13)	1.03	6.00

During the financial year under review, the Fund value dropped by 5.49%, outperforming benchmark by 150 bps. Shariah Equities delivered negative returns while Sukuk delivered positive returns.



Changes in NAV

	31.12.2018	31.12.2017	Changes %
NAV (RM million)	305.90	346.10	(11.62)
NAV/Unit (RM)	0.6184	0.6805	(9.13)

During the financial year under review, the Fund's NAV reduced to RM305.9 million mainly due to units redemption and underperformance of Shariah Equities. The Fund's NAV per unit reduced to RM0.6184 which is in line with the Fund's total return.

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)	31.12.2018	31.12.2017
Unquoted Sukuk	46.62	40.55
Shariah-compliant quoted securities	45.69	56.29
Cash and other net assets	7.69	3.16
TOTAL	100.00	100.00

The Fund held 46.62% in Sukuk, 45.69% in Shariah Equities and 7.69% in cash and other assets as at December 2018. The change in asset allocation from 2017 was in line with the Fund's strategy to neutral weight on both Shariah Equities and Sukuk.

MARKET OUTLOOK*

Shariah Equity

We expect Malaysia's GDP growth to moderate in 2019 on softening external demand and Government's austerity measure. The Street expects the budget deficit to narrow from 3.7% in 2018 to 3.4% in 2019 as the Government draws on Petronas's financial resources with a RM30 billion special dividend. However, recent oil price weakness has dampened the Government's finances as Budget 2019 was prepared based on average Brent crude oil price assumption of USD70 per barrel versus less than USD60 per barrel now. Should the current oil price weakness persist, the Federal Government will need to re-calibrate its budget to avoid further widening its budget deficit. If this materialises, GDP growth will face downside risk as Government's further cost rationalisation will be a dampener on the economy.

Sukuk

On the local economy front, Malaysia's exports rose a strong 17.7% y-o-y in October 2018 (September 2018: 6.5%) and above consensus estimate of 5.8%. Meanwhile, imports rebounded to grow 11.4% y-o-y after it declined 2.8% prior month. Consequently, trade surplus widened to RM16.3 billion. However, supply chain spill overs cause by trade war and lower commodity prices will pose downside risks to export growth. Malaysia's November 2018 Consumer Price Index ("CPI") rose 0.2% y-o-y missed expectation of 0.4% increase and lower than 0.6% recorded in October 2018. The lower increase in November 2018 inflation was mainly driven by gains in food and beverages (+1.1%) and housing costs (+2.0%) but offset by contraction in transport and communication which fell 2.3% and 1.3% respectively. Malaysia's growth has been decelerating since the fourth quarter of 2017 ("4Q2017"), reflecting supply side disruptions and weaker public spending exacerbated by policy shifts since the change in Government. BNM forecast growth of 4.9% in 2019 was projected taking into consideration the initial US-China tariffs announced. However, BNM has also estimated that a full-scale trade war could result in real GDP growth falling below 4.0%. A slower growth will risk Government missing the fiscal deficit target of 3.4% of GDP for 2019, if it decided on expansionary mode to support growth

*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

We continue to reiterate our cautious stance on the domestic equity market for 2019 given moderating GDP growth, tepid corporate earnings growth and regulatory uncertainty. We deemed the trade war truce between US and China following the Group-of-Twenty (“G20”) meeting as a short-term reprieve for the market while additional time is sought to resolve the trade dispute between the two nations. Risk of further escalation cannot be ruled out which will exacerbate the risk to moderating global economic growth amid tightening monetary conditions. On the back of all these uncertainties, we reiterate our capital preservation investment strategy with preference on big cap Government-Linked Companies (“GLCs”) and companies with strong fundamentals and solid cash flow and dividends in sectors such as Utilities & Renewable Energy, REITs, Consumer Staples and Industrials.

On Sukuk strategy, total gross Government funding in 2019 is expected to be around RM120.0 billion (based on deficit amount of RM52.1 billion and maturity amount of RM69.0 billion). There are 18 private placements identified for the 2019 MGS/MGII Auction (target mid to longer duration), which will keep yield curve supported. Consistent crude oil weakness below USD60 per barrel throughout 2019 will result in additional funding requirement. The Government yield curve bull flattened in December 2018 causing the long-end curve to tighten versus the 3-year curve, in particular the 20-year curve. Based on current levels, the long-dated Government yields appear relatively rich as the longer-dated benchmark securities are all dealing below the long-term average spreads. However, in 2018, long duration Sukuk have been well supported despite the OPR hike in January 2018, which has pushed the short duration yields higher – especially the 3-year MGII, resulting in tighter spreads. The credit spreads have widened in December 2018 after Government yields fell. Overall the spreads are trading below the long-term averages. We are looking to take profit on long-end Government Sukuk as yields are relatively rich and switch to AA-rated corporate Sukuk with strong fundamentals. We will still long credit at fair spread, particularly at the belly of the yield curve. No change in our OPR forecast for now which is on hold at 3.25%.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 December 2018 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	4,067	12.17	2.46
5,001-10,000	3,211	23.51	4.75
10,001-50,000	5,404	117.50	23.75
50,001-500,000	1,380	143.77	29.07
500,001 and above	13	197.67	39.97
Total	14,075	494.62	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 the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Fund.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB ISLAMIC BALANCED GROWTH FUND**

We, being the Director 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 17 to 56 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2018 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

ALEJANDRO ECHEGORRI
Executive Director

Kuala Lumpur
14 February 2019

**TRUSTEE'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

We have acted as Trustee for CIMB Islamic Balanced Growth Fund ("the Fund") for the financial year ended 31 December 2018. To the best of our knowledge, CIMB-Principal Asset Management Berhad ("the Manager") has managed the Fund in the financial year under review in accordance with the following:

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

An income distribution of 2.65 sen per unit (gross) declared to the unit holders of the Fund for the financial year under review.

We are of the view that the income distribution is consistent with the objective and distribution policy of the Fund.

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

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
14 February 2019

**SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF
CIMB ISLAMIC BALANCED GROWTH FUND**

We have acted as the Shariah Adviser of CIMB Islamic Balanced Growth Fund (the "Fund") for the financial year ended 31 December 2018. Our responsibility is to ensure that the procedures and processes employed by CIMB-Principal Asset Management Berhad (the "Manager") are in accordance with Shariah and Shariah Investment Guidelines.

In our opinion, the Manager has managed and administered the Fund in accordance with the Shariah Investment Guidelines of the Fund and complied with applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial year ended 31 December 2018.

In addition, we confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia and, where applicable the Shariah Advisory Council of Bank Negara Malaysia with the exception of Tiong Nam Logistics Holdings Bhd and Digi.Com Bhd. However, the securities have been disposed on 6 June 2018 and 12 December 2018 respectively at loss. For investments other than the abovementioned, we have reviewed the same and of the opinion that these investments were in accordance with the rulings of the Shariah Adviser and the Shariah Investment Guidelines of the Fund.

This report is made solely to the unit holders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report and we shall not be liable for any errors or non-disclosure on the part of the Manager.

For and on behalf of Shariah Adviser
CIMB Islamic Bank Berhad

ASHRAF GOMMA ALI

Director/Regional Head, Shariah & Governance/Designated Person Responsible for Shariah Advisory

Kuala Lumpur
14 February 2019

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB ISLAMIC BALANCED GROWTH FUND**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB Islamic Balanced Growth Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 56.

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 ISLAMIC BALANCED GROWTH 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 has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB ISLAMIC BALANCED GROWTH 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 ISLAMIC BALANCED GROWTH 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 holder of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
14 February 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RM	2017 RM
(LOSS)/INCOME			
Dividend income		4,791,727	5,736,331
Profit income from Shariah-compliant deposits with licensed Islamic financial Institutions at amortised cost and Hibah earned from bank balance at amortised cost		1,153,042	1,277,053
Profit income from unquoted Sukuk at fair value through profit or loss		5,793,910	5,886,317
Net (loss)/gain on financial assets at fair value through profit or loss	9	<u>(23,424,697)</u> <u>(11,686,018)</u>	<u>25,507,626</u> <u>38,407,327</u>
EXPENSES			
Management fee	4	4,870,755	5,420,909
Trustee's fee	5	227,302	252,976
Audit fee		15,200	13,290
Tax agent's fee		4,000	8,843
Transaction costs		1,005,360	881,072
Other expenses		<u>165,081</u>	<u>480,348</u>
		<u>6,287,698</u>	<u>7,057,438</u>
(LOSS)/PROFIT BEFORE TAXATION		(17,973,716)	31,349,889
Taxation	8	<u>-</u>	<u>-</u>
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		<u>(17,973,716)</u>	<u>31,349,889</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		4,021,146	13,743,803
Unrealised amount		<u>(21,994,862)</u>	<u>17,606,086</u>
		<u>(17,973,716)</u>	<u>31,349,889</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	2018 RM	2017 RM
ASSETS			
Cash and cash equivalents (Shariah-compliant)	10	22,839,971	10,681,746
Financial assets at fair value through profit or loss (Shariah-compliant)	9	282,388,642	335,164,090
Amount due from stockbrokers		1,516,683	1,216,785
Amount due from Manager		57,941	59,378
Dividends receivable		364,793	91,120
Tax recoverable		91,205	91,205
TOTAL ASSETS		307,259,235	347,304,324
LIABILITIES			
Amount due to stockbrokers		727,798	168,412
Amount due to Manager		204,682	495,079
Accrued management fee		389,589	435,431
Amount due to Trustee		18,181	20,320
Provision for donation to charitable bodies	6	-	2,494
Other payables and accruals		18,700	81,526
TOTAL LIABILITIES		1,358,950	1,203,262
NET ASSET VALUE OF THE FUND		305,900,285	346,101,062
EQUITY			
Unit holders' capital		286,517,747	295,265,901
Retained earnings		19,382,538	50,835,161
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		305,900,285	346,101,062
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	494,623,012	508,554,097
NET ASSET VALUE PER UNIT (RM)		0.6184	0.6805

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2018				
Movement in unit holders' contributions:		295,265,901	50,835,161	346,101,062
- Creation of units from applications		27,997,905	-	27,997,905
- Creation of units from distribution		13,431,544	-	13,431,544
- Cancellation of units		(50,177,603)	-	(50,177,603)
Total comprehensive loss for the financial year		-	(17,973,716)	(17,973,716)
Distribution	7	-	(13,478,907)	(13,478,907)
Balance as at 31 December 2018		<u>286,517,747</u>	<u>19,382,538</u>	<u>305,900,285</u>
 Balance as at 1 January 2017				
Movement in unit holders' contributions:		331,374,058	34,012,229	365,386,287
- Creation of units from applications		37,214,513	-	37,214,513
- Creation of units from distribution		14,463,810	-	14,463,810
- Cancellation of units		(87,786,480)	-	(87,786,480)
Total comprehensive income for the financial year		-	31,349,889	31,349,889
Distribution	7	-	(14,526,957)	(14,526,957)
Balance as at 31 December 2017		<u>295,265,901</u>	<u>50,835,161</u>	<u>346,101,062</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of Shariah-compliant quoted securities		204,789,680	171,638,952
Proceeds from disposal of unquoted Sukuk		151,073,715	175,423,433
Proceeds from redemption of unquoted Sukuk		1,000,000	2,000,000
Purchases of Shariah-compliant quoted securities		(174,524,384)	(157,718,773)
Purchases of unquoted Sukuk		(153,612,271)	(178,473,516)
Profit income received from unquoted Sukuk		5,631,710	6,419,313
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah		1,153,042	1,277,053
Dividend income received		4,533,194	5,710,104
Management fee paid		(4,916,597)	(5,450,424)
Trustee's fee paid		(229,441)	(254,353)
Donation to charitable bodies		(2,494)	
Payments for other fees and expenses		(221,909)	(496,065)
Net cash generated from operating activities		<u>34,674,245</u>	<u>20,075,724</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		27,999,343	37,253,362
Payments for cancellation of units		(50,468,001)	(88,409,242)
Distribution paid		(47,362)	(63,147)
Net cash used in financing activities		<u>(22,516,020)</u>	<u>(51,219,027)</u>
Net increase/(decrease) in cash and cash equivalents		12,158,225	(31,143,303)
Cash and cash equivalents at the beginning of the financial year		10,681,746	41,825,049
Cash and cash equivalents at the end of the financial year	10	<u>22,839,971</u>	<u>10,681,746</u>
<u>Cash and cash equivalents comprised of:</u>			
Deposits with licensed financial institutions		22,656,263	9,559,382
Bank balance		183,708	1,122,364
Cash and cash equivalents at the end of the financial year	10	<u>22,839,971</u>	<u>10,681,746</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB Islamic Balanced Growth Fund (the “Fund”) is governed by a Principal Master Deed dated 15th May 2008, a Third Supplemental Master Deed dated 25th June 2008, a Sixth Supplemental Master Deed dated 14th July 2008, a Seventh Supplemental Master Deed dated 19th November 2008, a Fourteenth Supplemental Master Deed dated 26 June 2012 and a Seventeenth Supplemental Master Deed dated 25 March 2015 (collectively referred to as the “Deeds”) between CIMB-Principal Asset Management Bhd (the “Manager”) and Maybank Trustees Bhd (the “Trustee”).

The Fund aims to invest in a diversified portfolio of Malaysian assets comprising Shariah-compliant equities and Shariah-compliant fixed income investments. In line with its objective, the investment policy and strategy of the Fund is to maintain a balanced portfolio between Shariah-compliant equities and Shariah-compliant fixed income investments in the ratio of 60:40. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investment by the Fund in Shariah-compliant equities shall not be less than 40% of the NAV of the Fund and investments in Shariah-compliant fixed income securities and Shariah-compliant liquid assets shall not exceed 60% of the NAV of the Fund with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country issuance; “BBB-” by S&P or equivalent rating by Moody’s or Fitch. The Fund may invest up to 40% of its NAV in unrated Shariah-compliant fixed income securities. The Fund may also opt to seek investment exposure via Shariah-compliant Collective Investment Schemes that is in line with the Fund’s objective, subject to the requirements of the SC guidelines.

The asset allocation strategy for this Fund is as follows:

- at least 40% of the Fund’s NAV in Shariah-compliant equities, subject to a maximum of 60%;
- up to a maximum of 60% of the Fund’s NAV in Shariah-compliant fixed income investments and Shariah-compliant liquid assets, subject to a minimum of 40%;
- up to 40% of the Fund’s NAV in Unrated Shariah-compliant fixed income securities; and
- at least 2% of the Fund’s NAV in Shariah-compliant liquid assets

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

The Manager, a company incorporated in Malaysia, is 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 at fair value through profit or loss.

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

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

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

Standards, amendments to published standards and interpretations to existing standards that are effective:

The Fund has applied the following standard for the first time for the financial year beginning 1 January 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 instrument¹ 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 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 instruments² 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 other comprehensive income. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

¹ For the purposes of the investments made by the Fund, debt instruments refers to Sukuk.

² For the purposes of the investments made by the Fund, equity instruments and derivatives refers to Shariah-compliant equity instruments and Shariah-compliant derivatives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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.

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

The standards, amendments to published standards and interpretations to existing 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 January 2019

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

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

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

(b) Financial assets and financial liabilities

Classification

Up to 31 December 2017, the Fund designates its investments in Shariah-compliant quoted securities and unquoted Sukuk 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.

Financing 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 financing and receivables comprise cash and cash equivalents, amount due from stockbrokers, amount due from Manager and dividends 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 stockbrokers, amount due to Manager, accrued management fee, amount due to Trustee, provision for donation to charitable bodies, and other payables and accruals as other financial liabilities.

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

From 1 January 2018, the Fund classifies its financial assets in the following measurement categories:

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designated any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents (Shariah-compliant), amount due from stockbrokers, amount due from Manager and dividends 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 stockbrokers, amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as other financial liabilities measured at amortised cost.

Recognition and measurement

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

Financial liabilities, within the scope of MFRS 139 up to 31 December 2017 and MFRS 9 from 1 January 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 Shariah-compliant investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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

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

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

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.

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

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

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

Shariah-compliant deposits with licensed Islamic financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period from the date of placement to the date of maturity of the respective deposits.

Financial assets at amortised cost (2017: loans and receivables) and other financial liabilities are subsequently carried at amortised cost using the effective profit method.

Impairment for assets carried at amortised costs

Up to 31 December 2017, for assets carried at amortised cost, the Fund assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Impairment for assets carried at amortised costs (continued)

If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

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

From 1 January 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.

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.

Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and unquoted Sukuk are recognised on a time proportionate basis using the effective profit method on an accrual basis.

Up to 31 December 2017, profit income is calculated by applying the effective profit 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Income recognition (continued)**

From 1 January 2018, when a loan and receivable is impaired, the Fund reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective profit rate of the instrument, and continue unwinding the discount as interest income. Profit income on impaired loan and receivables are recognised using the original effective profit rate.

Realised gain or loss on disposal of Shariah-compliant quoted securities is accounted for as the difference between the net disposal proceeds and the carrying amount of Shariah-compliant quoted securities, determined on a weighted average cost basis.

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

(d) Functional and presentation currency

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

(e) Cash and cash equivalents

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

(f) Taxation

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

(g) Distribution

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

(h) Transactions costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Amount due from/to stockbrokers**

Amount due from/to stockbrokers represent receivables for Shariah-compliant investments sold and payables for Shariah-compliant investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from brokers balance is held for collection.

These amounts are recognised initially at fair value and, up to 31 December 2017, subsequently measured at amortised cost using the effective profit method, less provision for impairment for amounts due from stockbrokers. A provision for impairment of amounts due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbroker. Significant financial difficulties of the stockbroker, probability that the stockbroker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, profit income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss. From 1 January 2018, these amounts are subsequently measured at amortised cost. At each reporting date, the Fund measures the loss allowance on amounts due from broker 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.

(j) Unit holders' capital

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(k) Segment information**

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

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

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

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

Estimate of fair value of unquoted Sukuk

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2018			
Cash and cash equivalents (Shariah-compliant) (Note 10)	-	22,839,971	22,839,971
Shariah-compliant quoted securities (Shariah-compliant) (Note 9)	139,759,114	-	139,759,114
Unquoted Sukuk (Note 9)	142,629,528	-	142,629,528
Amount due from stockbrokers	-	1,516,683	1,516,683
Amount due from Manager	-	57,941	57,941
Dividends receivable	-	364,793	364,793
	<u>282,388,642</u>	<u>24,779,388</u>	<u>307,168,030</u>
	Financial assets at fair value through profit or loss RM	Financing and receivables RM	Total RM
2017			
Cash and cash equivalents (Shariah-compliant) (Note 10)	-	10,681,746	10,681,746
Shariah-compliant quoted securities (Shariah-compliant) (Note 9)	194,811,054	-	194,811,054
Unquoted Sukuk (Note 9)	140,353,036	-	140,353,036
Amount due from stockbrokers	-	1,216,785	1,216,785
Amount due from Manager	-	59,378	59,378
Dividends receivable	-	91,120	91,120
	<u>335,164,090</u>	<u>12,049,029</u>	<u>347,213,119</u>

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

The investment objective of the Fund is to grow the value of the Unit holders' investments over the long-term in a diversified mix of Malaysian assets in approved Shariah instruments while providing consistent income.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deeds and SC Guidelines on Unit Trust Funds.

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

(a) Market risk

(i) Price risk

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

The price risk is managed through diversification and selection of Shariah-compliant quoted securities, unquoted Sukuk and other financial instruments within specified limits according to the Deeds.

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

	2018	2017
	RM	RM
Financial assets at fair value through profit or loss:		
- Shariah-compliant quoted securities	139,759,114	194,811,054
- Unquoted Sukuk*	<u>142,629,528</u>	<u>140,353,036</u>
	<u>282,388,642</u>	<u>335,164,090</u>

* Includes profit receivables of RM1,690,503 (2017: RM982,201).

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

% Change in price of Shariah-compliant quoted securities	Market value	Impact on profit or loss/NAV
	RM	RM
2017		
-5%	132,771,158	(6,987,956)
0%	139,759,114	-
+5%	<u>146,747,070</u>	<u>6,987,956</u>
2017		
-5%	185,070,501	(9,740,553)
0%	194,811,054	-
+5%	<u>204,551,607</u>	<u>9,740,553</u>

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

(a) Market risk (continued)

(i) Price risk (continued)

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM23,950,266 (2017: RM21,543,025) in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

(ii) Interest rate risk

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

Investors should note that movement in prices of unquoted Sukuk and Shariah-compliant money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates. It does not in any way suggest that this Fund will invest in conventional financial instruments. All investments carried out for the Fund including placements and deposits are in accordance with Shariah.

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

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

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

% Change in interest rate	Impact on profit or loss/NAV	
	2018	2017
	RM	RM
+1%	(370,533)	(202,804)
-1%	372,124	203,304

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

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

(b) Credit risk

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

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

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

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

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial asset at fair value through profit or loss RM	Amount due from stock- brokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2018						
Public Finance						
- Not Rated	-	3,504,663	-	-	-	3,504,663
Construction and Engineering						
- AA	-	6,133,262	-	-	-	6,133,262
Consumer Products & Services						
- Not Rated	-	-	-	-	66,758	66,758
Financial Services						
- CIMB Islamic Bank Bhd (AAA)	2,287,446	-	-	-	-	2,287,446
- Hong Leong Islamic Bank Bhd (AAA)	4,001,534	-	-	-	-	4,001,534
- Public Islamic Bank Bhd (AAA)	16,550,991	-	-	-	-	16,550,991
- RHB Investment Bank Bhd (AAA)	-	-	724,782	-	-	724,782
- Affin Hwang Investment Bank Bhd (AAA)	-	-	76,808	-	-	76,808
- AAA	-	5,026,934	-	-	-	5,026,934
- AA3	-	1,532,110	-	-	195,347	1,727,457
- A1	-	10,715,148	-	-	-	10,715,148
- Not Rated	-	2,600,884	715,093	-	-	3,315,977
Industrial Products & Services						
- Not Rated	-	-	-	-	87,759	87,759
Infrastructure and Utilities						
- AAA	-	31,139,922	-	-	-	31,139,922
- AA	-	5,846,527	-	-	-	5,846,527
- AA1	-	18,839,289	-	-	-	18,839,289
- AA2	-	5,117,493	-	-	-	5,117,493
- AA3	-	16,023,109	-	-	-	16,023,109
Property and Real Estate						
- AA	-	8,097,262	-	-	-	8,097,262
- AA3	-	5,055,279	-	-	-	5,055,279

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial asset at fair value through profit or loss RM	Amount due from stock- brokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2018 (Continued)						
Diversified Holdings						
- AAA	-	10,684,837	-	-	-	10,684,837
- AA2	-	7,604,236	-	-	-	7,604,236
- A1	-	3,691,380	-	-	-	3,691,380
Plantation and agriculture						
- AA3	-	1,017,193	-	-	-	1,017,193
Technology						
- Not Rated	-	-	-	-	14,929	14,929
Others						
- Not Rated	-	-	-	57,941	-	57,941
	22,839,971	142,629,528	1,516,683	57,941	364,793	167,408,916

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial asset at fair value through profit or loss RM	Amount due from stock- brokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2017						
Construction						
- AA3	-	4,049,049	-	-	-	4,049,049
Diversified Holdings						
- AA2	-	21,840,291	-	-	-	21,840,291
Finance						
- CIMB Islamic Bank Bhd (AAA)	4,821,580	-	-	-	-	4,821,580
- Maybank Islamic Bank Bhd (AAA)	2,858,728	-	-	-	-	2,858,728
- Public Islamic Bank Bhd (AAA)	3,001,438	-	-	-	-	3,001,438
- AAA	-	17,687,678	-	-	-	17,687,678
- AA2	-	3,049,772	600,422	-	-	3,650,194
- A1	-	11,822,479	-	-	-	11,822,479
- Government Guaranteed	-	5,586,567	-	-	-	5,586,567
- Not Rated	-	-	616,363	-	216	616,579
Industrial Products						
- Not Rated	-	-	-	-	9,957	9,957
Infrastructure and Utilities						
- AAA	-	7,573,322	-	-	-	7,573,322
- AA1	-	9,715,480	-	-	-	9,715,480
- AA2	-	7,676,255	-	-	-	7,676,255
- AA3	-	16,582,730	-	-	-	16,582,730
Plantation						
- AA3	-	5,119,414	-	-	-	5,119,414
Real Estate						
- AAA	-	5,015,389	-	-	-	5,015,389
- AA1	-	1,007,115	-	-	-	1,007,115
- AA3	-	20,111,849	-	-	-	20,111,849
Sovereign						
- Government Guaranteed	-	3,515,646	-	-	-	3,515,646
Technology						
- Not Rated	-	-	-	-	40,145	40,145
Trading/Services						
- Not Rated	-	-	-	-	40,802	40,802
Others						
- Not Rated	-	-	-	59,378	-	59,378
	<u>10,681,746</u>	<u>140,353,036</u>	<u>1,216,785</u>	<u>59,378</u>	<u>91,120</u>	<u>152,402,065</u>

All financial assets of the Fund as at the end of each financial year 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, Shariah-compliant deposits with licensed Islamic financial institutions and other instruments, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the fund Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2018			
Amount due to stockbrokers	727,798	-	727,798
Amount due to Manager	204,682	-	204,682
Accrued management fee	389,589	-	389,589
Amount due to Trustee	18,181	-	18,181
Other payables and accruals	-	18,700	18,700
Contractual undiscounted cash flows	<u>1,340,250</u>	<u>18,700</u>	<u>1,358,950</u>
2017			
Amount due to stockbrokers	168,412	-	168,412
Amount due to Manager	495,079	-	495,079
Accrued management fee	435,431	-	435,431
Amount due to Trustee	20,320	-	20,320
Amount payable to charitable bodies	-	2,494	2,494
Other payables and accruals	27,345	54,181	81,526
Contractual undiscounted cash flows	<u>1,146,587</u>	<u>56,675</u>	<u>1,203,262</u>

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

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holder's capital of RM286,517,747 (2017: RM295,265,901) and retained earnings of RM19,382,538 (2017: RM50,835,161). 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 holder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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

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

(i) Fair value hierarchy

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

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

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

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

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 RM	Level 2 RM	Level 3 RM	Total RM
2018				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	139,759,114	-	-	139,759,114
- Unquoted Sukuk	-	142,629,528	-	142,629,528
	<u>139,759,114</u>	<u>142,629,528</u>	<u>-</u>	<u>282,388,642</u>
2017				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	194,811,054	-	-	194,811,054
- Unquoted Sukuk	-	140,353,036	-	140,353,036
	<u>194,811,054</u>	<u>140,353,036</u>	<u>-</u>	<u>335,164,090</u>

Shariah-compliant investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. 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 not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes unquoted Sukuk. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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

4. MANAGEMENT FEE

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

For the financial year ended 31 December 2018, the management fee is recognised at a rate of 1.50% per annum (2017: 1.50% per annum).

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.07% per annum calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the financial year ended 31 December 2018, the Trustee's fee is recognised at a rate of 0.07% per annum (2017: 0.07% per annum).

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

6. PROVISION FOR DONATION TO CHARITABLE BODIES

This is a provision on donation derived from net realised gain on the disposal of non Shariah-compliant securities of Sunway Construction Group Bhd, which were delisted from the List of Shariah-Compliant Securities by the SACSC as at 27 May 2016. The securities of Sunway Construction Group Bhd have been disposed on 04 July 2016, 15 July 2016 and 18 July 2016. The excess gains amounting to RM2,494 arising from the disposal of the said security has donated to charitable bodies as approved by Shariah Adviser. There is no further liability to charitable bodies in respect of excess gains other than amount recognised above.

7. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	2018	2017
	RM	RM
Dividend income	1,827,393	1,788,559
Profit income	2,543,931	2,233,502
Net realised gain on disposal of Shariah-compliant investments	3,125,556	7,921,449
Prior financial year's realised income	6,471,904	2,696,205
	13,968,784	14,639,715
Less:		
Expenses	(489,877)	(112,758)
Net distribution amount	13,478,907	14,526,957
 Distribution on 18 January 2018		
Gross/Net distribution per unit (sen)	2.65	-
 Distribution on 18 January 2017		
Gross/Net distribution per unit (sen)	-	2.50

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

Gross distribution per unit is derived from gross realised income less 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 Fund incurred unrealised losses of RM21,994,862 during the financial year.

8. TAXATION

	2018	2017
	RM	RM
Tax charged for the financial year		
- Current taxation	<u>-</u>	<u>-</u>

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:

	2018	2017
	RM	RM
(Loss)/Profit before taxation	<u>(17,973,716)</u>	<u>31,349,889</u>
Taxation at Malaysian statutory rate of 24% (2017: 24%)	(4,313,692)	7,523,973
Tax effects of:		
Investment loss not deductible for tax purposes/(Investment income not subject to tax)	2,804,644	(9,217,758)
Expenses not deductible for tax purposes	306,774	290,848
Restriction on tax deductible expenses for Unit Trust Funds	<u>1,202,274</u>	<u>1,402,937</u>
Taxation	<u>-</u>	<u>-</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RM	RM
Designated at fair value through profit or loss at inception:		
- Shariah-compliant quoted securities	139,759,114	194,811,054
- Unquoted Sukuk	<u>142,629,528</u>	<u>140,353,036</u>
	<u>282,388,642</u>	<u>335,164,090</u>
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(1,001,571)	7,921,448
- Unrealised fair value (loss)/gain	<u>(22,423,126)</u>	<u>17,586,178</u>
	<u>(23,424,697)</u>	<u>25,507,626</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Gabungan AQRS Bhd - Warrants 26/09/2023	297,375	-	57,988	0.02
Gamuda Bhd	310,700	725,637	727,038	0.24
IJM Corp Bhd	484,400	1,587,465	784,728	0.26
Muhibbah Engineering M Bhd	379,700	1,099,692	1,059,363	0.35
	<u>1,472,175</u>	<u>3,412,794</u>	<u>2,629,117</u>	<u>0.87</u>
Consumer Products & Services				
Bermaz Auto Bhd	1,780,200	3,858,911	3,827,430	1.25
Fraser & Neave Holdings Bhd	107,500	3,422,123	3,601,250	1.18
Nestle Malaysia Bhd	28,200	2,599,514	4,156,680	1.36
Petronas Dagangan Bhd	130,100	3,278,049	3,447,650	1.13
QL Resources Bhd	534,000	3,729,509	3,636,540	1.19
Sime Darby Bhd	2,337,929	5,038,440	5,611,030	1.83
UMW Holdings Bhd	741,000	4,173,002	4,053,270	1.33
	<u>5,658,929</u>	<u>26,099,548</u>	<u>28,333,850</u>	<u>9.27</u>
Energy				
Dialog Group Bhd	2,585,730	6,907,311	8,041,620	2.63
Hibiscus Petroleum Bhd	505,300	533,772	424,452	0.14
Yinson Holdings Bhd	1,000,300	3,535,646	4,201,260	1.37
	<u>4,091,330</u>	<u>10,976,729</u>	<u>12,667,332</u>	<u>4.14</u>
Financial Services				
BIMB Holdings Bhd	1,260,300	5,436,413	4,486,668	1.47
	<u>1,260,300</u>	<u>5,436,413</u>	<u>4,486,668</u>	<u>1.47</u>
Health Care				
Hartalega Holdings Bhd	268,400	1,574,401	1,647,976	0.54
IHH Healthcare Bhd	355,000	2,113,047	1,913,450	0.63
Top Glove Corporation Bhd	302,400	1,329,980	1,693,440	0.55
	<u>925,800</u>	<u>5,017,428</u>	<u>5,254,866</u>	<u>1.72</u>
Industrial Products & Services				
Petronas Chemicals Group Bhd	1,826,300	14,413,277	16,966,327	5.55
Sunway Bhd	1,485,800	2,490,527	2,184,126	0.71
Uchi Technologies Bhd	1,253,700	3,821,176	3,184,398	1.04
V.S. Industry Bhd	44,725	94,473	32,649	0.01
	<u>4,610,525</u>	<u>20,819,453</u>	<u>22,367,500</u>	<u>7.31</u>
Plantation				
IOI Corporation Bhd	1,582,700	7,183,984	7,043,015	2.30
	<u>1,582,700</u>	<u>7,183,984</u>	<u>7,043,015</u>	<u>2.30</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (Continued)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Property				
LBS Bina Group Bhd	1,505,040	1,379,430	963,226	0.31
Malaysian Resources Corporation Bhd	1,241,800	947,098	763,707	0.25
SP Setia Bhd	19,076	64,480	44,447	0.01
	<u>2,765,916</u>	<u>2,391,008</u>	<u>1,771,380</u>	<u>0.57</u>
Technology				
Globetronics Technology Bhd	1,039,933	2,561,516	1,819,883	0.59
Inari Amertron Bhd	447,050	886,890	670,575	0.22
Pentamaster Corporation Bhd	127,548	311,526	350,757	0.11
	<u>1,614,531</u>	<u>3,759,932</u>	<u>2,841,215</u>	<u>0.92</u>
Telecommunications & Media				
Axiata Group Bhd	914,757	4,793,058	3,594,995	1.18
Digi.com Bhd	1,861,100	8,132,112	8,374,950	2.74
	<u>2,775,857</u>	<u>12,925,170</u>	<u>11,969,945</u>	<u>3.92</u>
Transportation & Logistics				
MISC Bhd	468,400	3,479,430	3,138,280	1.03
Westports Holdings Bhd	935,300	3,392,053	3,385,786	1.11
	<u>1,403,700</u>	<u>6,871,483</u>	<u>6,524,066</u>	<u>2.14</u>
Utilities				
Petronas Gas Bhd	404,000	7,710,441	7,756,800	2.54
Tenaga Nasional Bhd	1,920,100	27,521,760	26,113,360	8.52
	<u>2,324,100</u>	<u>35,232,201</u>	<u>33,870,160</u>	<u>11.06</u>
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>30,485,863</u>	<u>140,126,143</u>	<u>139,759,114</u>	<u>45.69</u>
ACCUMULATED UNREALISED LOSS ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(367,029)</u>		
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>139,759,114</u>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED) UNQUOTED SUKUK				
Al Dzahab Assets Bhd 5.00% 21.06.2019 (AAA)	5,000,000	5,007,534	5,026,934	1.64
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	10,500,000	10,698,644	10,715,148	3.50
Bumitama Agri Ltd 5.25% 18/03/2019 (AA3)	1,000,000	1,016,387	1,017,193	0.33
Celcom Networks Sdn Bhd 5.05% 29/08/2024 (AA+)	1,500,000	1,559,990	1,561,042	0.51
Celcom Networks Sdn Bhd 5.20% 27/08/2027 (AA+)	1,500,000	1,576,380	1,577,052	0.52
Edra Energy Sdn Bhd 5.7% 05/07/2023 (AA3)	2,500,000	2,607,203	2,609,174	0.85
Edra Energy Sdn Bhd 5.73% 05/01/2024 (AA3)	2,500,000	2,609,867	2,612,194	0.85
Edra Energy Sdn Bhd 5.76% 05/07/2024 (AA3)	2,500,000	2,613,508	2,615,639	0.86
EKVE Sdn Bhd 5.45% 28/1/2028 (AAA)	5,000,000	5,360,821	5,433,819	1.78
Fortune Premiere Sdn Bhd 4.85% 07/09/2023 (AA)	3,000,000	3,046,241	3,065,891	1.00
GII Murabahah 4.070% 30/09/2026 (GB)	3,500,000	3,505,280	3,504,663	1.15
Jimah East Power Sdn Bhd 5.74% 04/06/2029 (AA-)	2,500,000	2,706,332	2,708,433	0.89
Jimah Energy Ventures 9.25% 12/05/2021 (AA3)	3,000,000	3,213,487	3,366,267	1.10
Nur Power Sdn Bhd 4.43% 25/06/2021 (AAA)	5,000,000	5,033,707	5,018,591	1.64
Perbadanan Kemajuan Negeri Selangor 5.01% 31.10.2023 (AA3)	5,000,000	5,045,490	5,055,279	1.65
Projek Lebuhraya Usahasama Bhd 4.64% 10/01/2025 (AAA)	2,500,000	2,586,951	2,579,131	0.84
Projek Lebuhraya Usahasama Bhd 5.27% 12/01/2033 (AAA)	5,000,000	5,353,233	5,357,442	1.75
PTPTN 4.86% 12/3/2032 (GG)	2,500,000	2,536,284	2,600,884	0.85
Rantau Abang Capital Bhd 5.2% 26/03/2029 (AAA)	10,000,000	10,647,501	10,684,837	3.49
RHB Islamic Bank Bhd 4.88% 27/4/2027 (AA3)	1,500,000	1,521,438	1,532,110	0.50

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED) UNQUOTED SUKUK (CONTINUED)				
Sarawak Energy Bhd 5.50% 04/07/2029 (AA1)	3,000,000	3,280,451	3,280,482	1.07
Sarawak Energy Bhd 4.70% 24/11/2028 (AA1)	3,000,000	3,013,907	3,021,077	0.99
Sarawak Energy Bhd 5.32% 03/12/2032 (AA1)	10,000,000	10,463,830	10,492,053	3.43
Sarawak Hidro Sdn Bhd 4.29% 11/8/2023 (AAA)	5,000,000	5,076,900	5,076,862	1.66
Sarawak Hidro Sdn Bhd 4.67% 11.08.2031 (AAA)	7,500,000	7,679,720	7,674,077	2.51
Tadau Energy Sdn Bhd Sri Sukuk 5.8% 27/7/2029 (AA3)	2,000,000	2,129,080	2,131,554	0.70
Tadau Energy Sdn Bhd Sri Sukuk 6.0% 28/7/2031 (AA3)	2,500,000	2,683,999	2,688,282	0.88
Tanjung Bin Power Sdn Bhd 4.66% 14/08/2020 (AA2)	5,000,000	5,112,547	5,117,493	1.67
Teknologi Tenaga Perlis - 4.51% 31/01/2020 (AA1)	2,000,000	2,042,236	2,045,677	0.67
UEM Sunrise Bhd 4.90% 30/06/2021 (AA-)	5,000,000	5,044,833	5,031,371	1.64
UMW Hldg Bhd 4.83% 22/6/2022 (AA2)	1,500,000	1,505,758	1,517,743	0.50
UMW Hldg Bhd 6.35% 20/4/2118 (A1)	3,500,000	3,544,450	3,691,380	1.21
United Growth Bhd 4.73% 21/06/2022 (AA2)	6,000,000	6,053,067	6,086,493	1.99
WCT Holdings Bhd 5.65% 20/4/2026 (AA-)	6,000,000	6,083,253	6,133,261	2.00
TOTAL UNQUOTED SUKUK	137,500,000	141,960,309	142,629,528	46.62
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		669,219		
TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		142,629,528		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2017				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	2,769,250	1,426,424	3,350,793	0.97
Econpile Holdings Bhd – Warrant*	553,850	-	-	-
Gabungan AQRS Bhd	324,900	458,598	627,057	0.18
Gamuda Bhd	503,800	2,496,345	2,498,848	0.72
IJM Corp Bhd	2,263,500	7,417,892	6,903,675	1.99
Kerjaya Prospek Group Bhd	1,199,500	3,251,279	4,869,970	1.41
Muhibbah Engineering (M) Bhd	1,284,200	3,666,079	3,647,128	1.06
WCT Holdings Bhd	1,429,102	3,109,834	2,315,145	0.68
	<u>10,328,102</u>	<u>21,826,451</u>	<u>24,212,616</u>	<u>7.00</u>
Consumer Products				
Fraser & Neave Holdings Bhd	69,900	1,736,388	1,887,300	0.54
Kawan Food Bhd	113,300	343,794	333,102	0.10
Nestle Malaysia Bhd	53,100	4,070,728	5,479,920	1.58
	<u>236,300</u>	<u>6,150,910</u>	<u>7,700,322</u>	<u>2.22</u>
Finance				
BIMB Holdings Bhd	1,143,000	4,945,536	5,029,200	1.45
Industrials				
Cahaya Mata Sarawak Bhd	25,900	108,091	101,010	0.03
Heveaboard Bhd	622,300	1,055,287	740,537	0.21
Petronas Chemicals Group Bhd	1,358,600	9,565,485	10,461,220	3.02
SKP Resources Bhd	1,180,800	1,484,191	2,692,224	0.78
Top Glove Corporation Bhd	455,200	3,233,324	3,637,048	1.05
V.S. Industry Bhd	584,600	1,160,116	1,759,646	0.51
	<u>4,227,400</u>	<u>16,606,494</u>	<u>19,391,685</u>	<u>5.60</u>
IPC				
Digi.Com Bhd	652,800	3,461,189	3,329,280	0.96
Lingkar Trans Kota Holdings Bhd	607,000	3,354,631	3,368,850	0.97
TIME dotCom Bhd	804,300	4,797,594	7,319,130	2.12
	<u>2,064,100</u>	<u>11,613,414</u>	<u>14,017,260</u>	<u>4.05</u>
Plantation				
Genting Plantations Bhd	494,500	5,273,517	5,192,250	1.50
IOI Corporation Bhd	1,410,400	6,589,026	6,403,216	1.85
Kuala Lumpur Kepong Bhd	221,300	5,332,499	5,532,500	1.60
Sime Darby Plantation Bhd	1,261,829	7,053,624	7,570,974	2.19
	<u>3,388,029</u>	<u>24,248,666</u>	<u>24,698,940</u>	<u>7.14</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2017 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Properties				
LBS Bina Group Bhd	272,400	525,628	640,140	0.18
Malaysian Resources Corporation Bhd	1,933,400	1,987,792	2,165,408	0.63
Sime Darby Property Bhd	1,371,329	2,056,994	2,440,966	0.71
SP Setia Bhd	495,870	1,686,476	1,983,480	0.57
SP Setia Bhd - Preference Share	64,480	64,480	70,928	0.02
UOA Development Bhd	652,200	1,684,049	1,558,758	0.45
	<u>4,789,679</u>	<u>8,005,419</u>	<u>8,859,680</u>	<u>2.56</u>
Technology				
Globetronics Technology Bhd	154,800	986,595	1,021,680	0.30
Inari Amertron Bhd	1,304,300	2,936,005	4,434,620	1.28
Pentamaster Corporation Bhd	648,648	1,495,554	1,965,403	0.57
Unisem Bhd	289,900	1,102,661	1,058,135	0.31
	<u>2,397,648</u>	<u>6,520,815</u>	<u>8,479,838</u>	<u>2.46</u>
Trading/Services				
Axiata Group Bhd	1,156,857	5,876,554	6,351,145	1.84
Bermaz Auto Bhd	472,500	1,025,289	1,039,500	0.30
Dialog Group Bhd	3,294,130	5,694,962	8,268,266	2.39
MISC Bhd	468,400	3,479,430	3,475,528	1.00
My E.G. Services Bhd	503,850	565,802	1,123,586	0.32
Pos Malaysia Bhd	1,973,700	8,149,447	10,361,925	2.99
Sapura Energy Bhd	1,640,800	2,429,742	1,164,968	0.34
Sime Darby Bhd	1,640,529	2,171,928	3,625,569	1.05
Sunway Bhd	406,500	685,263	662,595	0.19
Taliworks Corporation Bhd	1,651,250	2,462,678	1,816,375	0.52
Telekom Malaysia Bhd	865,889	5,887,715	5,455,101	1.58
Tenaga Nasional Bhd	2,058,900	26,061,986	31,418,814	9.08
Tiong Nam Logistics Holdings Bhd	912,594	1,562,462	1,222,876	0.35
UEM Edgenta Bhd	433,600	1,450,990	1,084,000	0.31
Yinson Holdings Bhd	1,321,300	4,658,244	5,351,265	1.55
	<u>18,800,799</u>	<u>72,162,492</u>	<u>82,421,513</u>	<u>23.81</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2017 (CONTINUED) SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>47,375,057</u>	172,080,197	<u>194,811,054</u>	<u>56.29</u>
ACCUMULATED UNREALISED GAIN ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>22,730,857</u>		
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>194,811,054</u>		

* As at 31 December 2017, the Fund holds warrants in Econpile Holdings Bhd from the bonus issue of warrants exercise on 28 December 2017, The warrants have been issued at no cost to the shareholders of Econpile Holdings Bhd and the exercise price of the warrants has not been determined and announced as at financial year end.

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2017 (CONTINUED) UNQUOTED SUKUK				
Al Dzahab Assets Bhd 5.00% 21/06/2019 (AAA)	5,000,000	5,007,534	5,049,284	1.46
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	11,500,000	11,812,634	11,822,479	3.42
Bumitama Agri Ltd 5.25% 18/03/2019 (AA3)	5,000,000	5,114,275	5,119,414	1.48
Celcom Transmission (M) Sdn Bhd 4.85% 29/08/2022 (AA1)	2,500,000	2,543,480	2,554,599	0.74
GII Murabahah 4.07% 30/06/2026 #	3,500,000	3,501,488	3,515,647	1.02
Govt Investment Issues 4.39% 07/07/2023 #	5,000,000	5,138,427	5,001,981	1.45
Gulf Investment Corporation 5.10% 20/06/2022 (AAA)	2,500,000	2,562,671	2,541,828	0.73

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2017 (CONTINUED) UNQUOTED SUKUK (CONTINUED)				
Gulf Investment Corporation 5.10% 16/03/2021 (AAA)	3,000,000	3,043,654	3,049,772	0.88
Imtiaz Sukuk II Bhd 4.60% 22/03/2019 (AA2)	5,000,000	5,484,611	5,497,823	1.59
Jimah Energy Ventures Sdn Bhd 9.20% 12/11/2029 (AA3)	3,000,000	3,280,720	3,490,423	1.00
Jimah Energy Ventures Sdn Bhd 9.25% 12/05/2021 (AA3)	2,500,000	2,518,177	2,520,999	0.73
Malakoff Power Bhd 4.90% 17/12/2018 (AA3)	5,000,000	5,073,560	5,073,485	1.47
Malakoff Power Bhd 5.05% 17/12/2019 (AA3)	5,000,000	5,113,135	5,094,585	1.47
National Bank Of Abu Dhabi 4.90% 28/12/2020 (AAA)	5,000,000	5,044,988	5,001,991	1.45
Nur Power Sdn Bhd 4.43% 25/06/2021 (AAA)	10,000,000	10,062,186	10,046,079	2.90
Projek Lebuhraya Usahasama Bhd 4.64% 10/01/2025 (AAA)	2,500,000	2,591,494	2,571,331	0.74
Perbadanan Tabung Pendidikan Tinggi Nasional 4.45% 12/03/2027 #	3,000,000	3,040,599	3,037,959	0.88
Perbadanan Tabung Pendidikan Tinggi Nasional 4.86% 12/03/2032 #	2,500,000	2,536,284	2,548,609	0.74
Putrajaya Holdings Sdn Bhd 4.40% 24/04/2025 (AAA)	5,000,000	5,117,285	5,015,389	1.45
Sarawak Energy Bhd 5.15% 23/06/2021 (AA1)	2,500,000	2,580,437	2,565,491	0.74
Tanjung Bin Power Sdn Bhd 4.54% 16/08/2019 (AA2)	2,500,000	2,562,287	2,551,312	0.74
Tanjung Bin Power Sdn Bhd 4.66% 14/08/2020 (AA2)	5,000,000	5,126,953	5,124,943	1.48
Teknologi Tenaga Perlis Consortium Sdn Bhd 4.51% 31/01/2020 (AA1)	2,000,000	2,045,990	2,045,257	0.59
Temasek Eksklusif Sdn Bhd 4.62% 20/11/2019 (AA3)	1,500,000	1,514,081	1,511,769	0.43

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2017 (CONTINUED) UNQUOTED SUKUK (CONTINUED)				
UEM Sunrise Bhd 4.90% 30/06/2021 (AA3)	5,000,000	5,062,506	5,023,014	1.45
UEM Sunrise Bhd 5.06% 09/12/2022 (AA3)	5,000,000	5,027,261	5,042,756	1.46
UMW Holdings Bhd 4.82% 04/10/2019 (AA2)	5,000,000	5,090,722	5,094,164	1.47
UMW Holdings Bhd 4.83% 22/06/2022 (AA2)	6,500,000	6,531,332	6,556,246	1.89
UMW Holdings Bhd 5.02% 04/10/2021 (AA2)	5,000,000	5,129,844	5,134,553	1.48
UniTapah Sdn Bhd 4.90% 12/06/2018 (AA2)	1,000,000	1,004,594	1,007,115	0.29
United Growth Bhd 4.73% 21/06/2022 (AA2)	5,000,000	5,053,940	5,055,327	1.46
WCT Holdings Bhd 5.32% 11/05/2022 (AA3)	2,500,000	2,521,020	2,537,280	0.73
YTL Power International Bhd 5.05% 03/05/2027 (AA1)	2,500,000	2,520,407	2,550,132	0.74
TOTAL UNQUOTED SUKUK	137,500,000	140,358,576	140,353,036	40.55
ACCUMULATED UNREALISED LOSS ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		(5,540)		
TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		140,353,036		

The unquoted fixed income securities which are not rated as at the end of each financial year are issued, backed or guaranteed by government or government agencies.

10. CASH AND CASH EQUIVALENTS

	2018	2017
	RM	RM
Shariah-compliant deposits with licensed Islamic financial institutions	22,656,263	9,559,382
Bank balance	183,708	1,122,364
	<u>22,839,971</u>	<u>10,681,746</u>

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

	2018	2017
	%	%
Shariah-compliant deposits with licensed Islamic financial institutions	<u>3.47</u>	<u>3.19</u>

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 5 days (2017: 3 days).

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2018	2017
	No of units	No of units
At the beginning of the financial year	508,554,097	563,124,746
Add : Creation of units from applications	43,467,105	56,966,022
Add : Creation of units from distributions	20,372,432	22,994,929
Less : Cancellation of units	<u>(77,770,622)</u>	<u>(134,531,600)</u>
At the end of the financial year	<u>494,623,012</u>	<u>508,554,097</u>

12. MANAGEMENT EXPENSE RATIO (“MER”)

	2018	2017
	%	%
MER	<u>1.62</u>	<u>1.70</u>

MER is derived from the following calculation:

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

A = Management fee

B = Trustee’s fee

C = Audit fee

D = Tax agent’s fee

E = Other expenses excluding Goods and Services Tax (“GST”) on transaction costs

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 RM324,712,928 (2017: RM361,175,300).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2018	2017
PTR (times)	<u>1.05</u>	<u>0.94</u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year	=	RM326,710,403 (2017: RM333,618,453)
total disposal for the financial year	=	RM355,408,909 (2017: RM342,959,172)

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

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

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

Unit held by the Manager and parties related to the Manager

	<u>2018</u>	<u>2017</u>
	<u>No. of units</u>	<u>RM</u>
Manager	No. of units	RM
CIMB-Principal Asset Management Bhd	<u>82,465</u>	<u>50,996</u>
	<u>69,260</u>	<u>47,131</u>

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

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

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

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

	2018 RM	2017 RM
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>211,445</u>	<u>226,783</u>
Cash placements with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>535,301,000</u>	<u>366,633,000</u>
<u>Significant related party balances</u>		
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>2,103,000</u>	<u>3,698,000</u>
Bank balance:		
- CIMB Islamic Bank Bhd	<u>183,708</u>	<u>1,122,364</u>

15. TRANSACTIONS WITH BROKERS/DEALERS

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

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	129,877,505	19.05	149,245	18.05
Maybank Securities	54,572,883	8.01	43,831	5.30
RHB Bank Bhd	49,143,056	7.21	106,571	12.89
Malayan Banking Bhd	47,365,418	6.95	102,792	12.43
Hong Leong Investment Bank	43,925,756	6.44	93,240	11.28
Credit Suisse (M) Sdn Bhd	43,744,305	6.42	-	-
CIMB Investment Bank Bhd#	41,058,594	6.02	84,708	10.25
JPMorgan Securities (M) Sdn Bhd	37,284,018	5.47	79,916	9.67
Macquarie Malaysia Sdn Bhd	33,549,940	4.92	-	-
Alliance Bank (M) Bhd	26,039,148	3.82	28,405	3.44
Others	175,044,015	25.69	138,111	16.69
	<u>681,604,638</u>	<u>100.00</u>	<u>826,819</u>	<u>100.00</u>

15. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 December 2017 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	160,638,351	23.74	83,848	12.14
Maybank Securities Bhd	53,463,050	7.90	117,467	17.01
RHB Bank Bhd	48,984,100	7.24	-	-
Malayan Banking Bhd	44,742,450	6.61	-	-
Hong Leong Investment Bank Bhd	43,466,060	6.42	27,883	4.04
Credit Suisse (M) Sdn Bhd	40,336,142	5.96	88,619	12.83
CIMB Investment Bank Bhd #	37,120,861	5.49	80,758	11.69
JP Morgan Securities (M) Sdn Bhd	32,348,335	4.78	70,985	10.28
Macquarie Malaysia Sdn Bhd	30,880,945	4.56	67,077	9.71
Alliance Bank (M) Bhd	30,854,500	4.56	-	-
Others	153,742,831	22.74	154,015	22.30
	<u>676,577,625</u>	<u>100.00</u>	<u>690,652</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Investment Bank Bhd, fellow related party to the Manager amounting to RM41,058,594 (2017: RM37,120,861). The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

16. SEGMENT INFORMATION

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

The Fund aims to grow the value of the Unit holders' investments over the long-term in a diversified mix of Malaysian assets in approved Shariah instruments while providing consistent income. 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 profit income and dividend income earned from Shariah compliant investments and gains on the appreciation in the value of Shariah-compliant investments, which are derived from Ringgit-denominated Shariah-compliant deposits with licensed Islamic financial institutions in Malaysia, Shariah-compliant quoted securities listed on the Bursa Securities, Malaysia, and unquoted Sukuk traded in Malaysia.

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

17. SUBSEQUENT EVENTS

The Manager proposed for the payment of a gross final distribution of 1.55 sen per unit in respect of the financial year ended 31 December 2018 (the “Final Distribution”) which will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 31 December 2019. The Final Distribution has been approved by the Trustee on 20 December 2018.

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 January 2018 are compared as follows:

	Measurement category		Original (MFRS 139) RM	Carrying amount		
	Original (MFRS 139)	New (MFRS 9)		Reclassifi- cations RM	Remeasu- rements RM	New (MFRS 9) RM
Assets						
Cash and cash equivalents (Shariah-compliant)	Loans and receivables	Amortised cost	10,681,746	-	-	10,681,746
Investment in debt securities (Shariah-compliant)	FVTPL	FVTPL	140,353,036	-	-	140,353,036
Investment in equity securities (Shariah-compliant)	FVTPL	FVTPL	194,811,054	-	-	194,811,054
Amount due from Stockbrokers	Loans and receivables	Amortised cost	1,216,785	-	-	1,216,785
Amount due from Manager	Loans and receivables	Amortised cost	59,378	-	-	59,378
Dividends receivable	Loans and receivables	Amortised cost	91,120	-	-	91,120
Liabilities						
Amount due to stockbrokers	Amortised cost	Amortised cost	168,412	-	-	168,412
Amount due to Manager	Amortised cost	Amortised cost	495,079	-	-	495,079
Accrued management fee	Amortised cost	Amortised cost	435,431	-	-	435,431
Amount due to Trustee	Amortised cost	Amortised cost	20,320	-	-	20,320
Provision for donation to charitable bodies	Amortised cost	Amortised cost	2,494	-	-	2,494
Other payables and accruals	Amortised cost	Amortised cost	81,526	-	-	81,526

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 14 February 2019.

DIRECTORY

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