

CIMB Islamic Dali Equity Growth Fund

Annual Report

For The Financial Year Ended 31 May 2019

CIMB ISLAMIC DALI EQUITY GROWTH FUND
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

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INVESTORS' LETTER

Dear Valued Investor,

Thank you for your continued support and for the confidence that you have placed in us. Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (“Principal Malaysia”) has achieved RM55.6 billion in Asset under Management (“AUM”) as of May 2019.

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

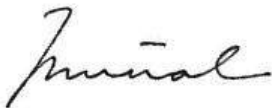
We were also bestowed the ‘Best Wealth Manager’ in Malaysia at The Asset Triple A Private Banking, Wealth Management, Investment and Exchange-Traded Fund (“ETF”) Awards 2018. Latest, we were named the ‘Best Asset Management Company’ in Malaysia at the International Finance Awards 2018.

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

Effective 1 April 2019, we have appointed Amanie Advisors Sdn Bhd (“Amanie”) as our new Shariah advisor. Amanie is a Shariah advisory, consultancy, training and research and development boutique for institutional and corporate clientele focusing on Islamic financial services. It is a registered Shariah advisory company for Islamic unit trust with the Securities Commission Malaysia (“SC”). Amanie was established with the aim of addressing the global needs for experts' and Shariah scholars' pro-active input. This will ultimately allow the players in the industry to manage and achieve their business and financial goals in accordance with the Shariah Principles.

Thank you.

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT**FUND OBJECTIVE AND POLICY****What is the investment objective of the Fund?**

The Fund aims to achieve consistent capital growth over the medium to long-term.

Has the Fund achieved its objective?

For the financial year under review, the Fund has achieved its stated objective.

What are the Fund investment policy and principal investment strategy?

The Fund may invest a minimum of 70% and up to a maximum of 98% of its Net Asset Value ("NAV") principally in Shariah-compliant equities aimed to provide growth and up to 28% of its NAV in other permissible investments, such as Sukuk with a minimum credit rating of "A3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country of issuance; or "BBB-" by Standard & Poor's ("S&P") or equivalent rating by Moody's or Fitch. The Fund may also opt to seek investment exposure via Shariah-compliant Collective Investment Scheme ("CIS") that is in line with the Fund's objective, subject to the requirements of the SC Guidelines. In line with its objective, the investment strategy and policy of the Fund is to rebalance the portfolio to suit market conditions in order to reduce short-term volatility and provide consistency in capital growth.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund's NAV will be invested in Shariah-compliant equities;
- up to 28% of the Fund's NAV in other permissible investments; and
- at least 2% of the Fund's NAV will be invested in Shariah-compliant liquid assets.

Fund category/type

Equity (Shariah-compliant)/Growth

How long should you invest for?

Recommended three (3) years or more

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

High

When was the Fund launched?

7 May 1998

What was the size of the Fund as at 31 May 2019?

RM3,340.12 million (3,101.09 million units)

What is the Fund's benchmark?

Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index.

Note: The Fund's benchmark is for performance comparison purpose only. You are cautioned that the risk profile of the Fund is higher than the benchmark. Information on the benchmark can be obtained from <http://www.bursamalaysia.com>.

What is the Fund distribution policy?

The Manager has the discretion to distribute a part or all of the Fund's distributable income. The distribution (if any) may vary from period to period depending on the investment objective and the performance of the Fund.

What was the net income distribution for the financial year ended 31 May 2019?

The Fund distributed a total net income of RM201.80 million to unit holders for the financial year ended 31 May 2019. As a result, the NAV per unit dropped from RM1.1891 to RM1.1241 on 12 July 2018.

PERFORMANCE DATA

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

| | 31.05.2019 | 31.05.2018 | 31.05.2017 |
|--|-------------------|-------------------|-------------------|
| | % | % | % |
| Shariah-compliant quoted securities | | | |
| - Construction | 5.41 | 4.95 | 9.95 |
| - Consumer Products | - | 5.96 | 0.25 |
| - Consumer Products & Services | 11.52 | - | - |
| - Energy | 8.47 | - | - |
| - Finance | - | 1.74 | 2.77 |
| - Financial Services | 2.40 | - | - |
| - Health Care | 5.49 | - | - |
| - Industrials | - | 16.40 | 12.02 |
| - Industrials Product & Services | 12.17 | - | - |
| - Infrastructure Project Company ("IPC") | - | 0.78 | 5.92 |
| - Plantation | 10.06 | 9.32 | 9.73 |
| - Properties | 4.57 | 6.29 | 5.37 |
| - Real Estate Investment Trust ("REITs") | 2.08 | 0.40 | 0.78 |
| - Technology | 3.32 | 2.86 | 0.80 |
| - Telecommunications & Media | 10.54 | - | - |
| - Transportation & Logistics | 4.35 | - | - |
| - Trading/Services | - | 36.75 | 48.18 |
| - Utilities | 13.95 | - | - |
| Unquoted Sukuk | 0.03 | 0.03 | 0.02 |
| Cash and other net assets | 5.64 | 14.52 | 4.21 |
| | <u>100.00</u> | <u>100.00</u> | <u>100.00</u> |

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

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

| | 31.05.2019 | 31.05.2018 | 31.05.2017 |
|--|-------------------|-------------------|-------------------|
| NAV (RM Million) | 3,340.12 | 3,660.58 | 4,951.30 |
| Units in circulation (Million) | 3,101.09 | 3,097.24 | 3,735.17 |
| NAV per unit (RM) | 1.0770 | 1.1818 | 1.3255 |
| Highest NAV per unit (RM) | 1.2199 | 1.3474 | 1.3639 |
| Lowest NAV per unit (RM) | 1.0178 | 1.1739 | 1.2434 |
| Total return (%) | (3.58) | (6.19) | 5.73 |
| - Capital growth (%) | (8.83) | (10.82) | 0.67 |
| - Income distribution (%) | 5.78 | 5.20 | 5.01 |
| Management Expense Ratio ("MER") (%) | 1.57 | 1.66 | 1.66 |
| Portfolio Turnover Ratio ("PTR") (times) # | 0.38 | 0.50 | 0.39 |

^ The Fund's MER decreased from 1.66% to 1.57% due to decrease in other expenses during the financial year under review.

The Fund's PTR decreased from 0.50 times to 0.38 times in the financial year under review due to more rebalancing activities. There has been no change to the style of management of the Fund.

| | | | |
|-----------------------------------|------------|------------|------------|
| Date of distribution | 12.07.2018 | 13.07.2017 | 18.08.2016 |
| Gross distribution per unit (sen) | 6.50 | 6.50 | 6.50 |
| Net distribution per unit (sen) | 6.50 | 6.49 | 6.49 |

PERFORMANCE DATA (CONTINUED)

| | 31.05.2019 | 31.05.2018 | 31.05.2017 | 31.05.2016 | 31.05.2015 |
|---------------------|------------|------------|------------|------------|------------|
| | % | % | % | % | % |
| Annual total return | (3.58) | (6.19) | 5.73 | (3.93) | (0.18) |

(Launch date: 7 May 1998)

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 JUNE 2018 TO 31 MAY 2019)

The FBMS Index declined by 424.44 points or 3.47% to 11,795.77 points during the financial year under review.

In June 2018, the FBMS Index fell due to heavy foreign selling, falling by 0.68%. Foreigners net sold RM4.9 billion, bringing the total net foreign flows outflow of RM6.8 billion versus net inflow of RM10.8 billion in June 2017. During the month, the Ringgit Malaysia (“RM”) depreciated further by 1.47% to RM4.04 per US Dollar (“USD”), the 10-year Malaysian Government Securities (“MGS”) rose by 2 basis points (“bps”) to 4.20%, while Brent crude oil gained by 2.4% to USD79.44 per barrel.

After two consecutive months of sold off post 14th General Election (“GE14”), the FBMS Index bucked the downtrend in July 2018 and ended higher by 5.9% as local investors started to bargain-hunt. Nevertheless, foreigners remained net sellers 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 2017. During the month, the RM weakened by 0.64% to close at RM4.06 per USD, the 10-year Government Investment Issues (“GII”) dropped by 11 bps to 4.20% and Brent crude oil weakened by 6.1% to USD74.25 per barrel.

The FBMS Index ended the month of August 2018 marginally lower by 0.02%. Foreigners continued to be selling in the market albeit smaller amount as compared to the previous months. Total outflow amounted to RM8.6 billion versus net inflow of RM10.8 billion in August 2017. During the month, the RM weakened by 1% to close at RM4.11 per USD, the 10-year GII dropped by 7 bps to 4.14% and Brent crude oil strengthen by 4.2% to USD77.42 per barrel.

In September 2018, the FBMS Index ended lower by 1.0%. September 2018 saw net buying from the foreign investors primarily due to 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 amounted to RM8.5 billion versus net inflow of RM10.8 billion in September 2017. During the month, the RM weakened by 0.7% to close at RM4.14 per 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 FBMS Index ended October 2018 lower by 7.15%. The release of the mid-term review of the austere 11th Malaysia Plan (“11MP”) offered no reprieve as investors further locked in gains made due to rising economic risk and uncertainties. Local investors were concerned 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 RM 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.

MARKET REVIEW (1 JUNE 2018 TO 31 MAY 2019) (CONTINUED)

In November 2018, the FBMS Index continued to decline by 1.17%. During the month, the RM was flat at MYR4.18 per USD while the 10-year GII unchanged at 4.24%. Brent crude oil tumbled to USD58.71 per barrel, down by 22.20% m-o-m. November 2018 saw Khazanah Nasional Bhd (“Khazanah”) selling 16% of its stake in IHH Healthcare Bhd to Mitsui Group. This could be part of the rationalization programs by Khazanah to increase its contribution to the federal Government. In third quarter of 2018 (“3Q18”) Gross Domestic Product (“GDP”) came in lower than consensus forecast at 4.4% year-on-year (“y-o-y”), driven by domestic demand. Moody’s affirmed the A1 domestic issuer and foreign currency senior unsecured ratings of Petroliaam National Bhd (“PETRONAS”) but changed its outlook to negative from stable.

The FBMS Index ended the year lower by 1.11% m-o-m and closed 13.52% lower for whole of 2018 versus 2017. During the month, the RM strengthened to MYR4.133 against USD from MYR4.184 in the previous month. Brent crude oil slumped to USD53.80 per barrel, down by 8.36% m-o-m. December 2018 saw foreign institutional investors sold RM1.0 billion versus RM0.7 billion in the previous month. Total outflow for 2018 amounted to RM11.6 billion versus net inflow of RM10.8 billion in 2017.

The FBMS Index started off January 2019 marginally higher by 0.40% to close at 11,552 points driven by plantations stocks. RM strengthened to MYR4.09 against USD from MYR4.13 in the previous month. Brent crude oil rose to USD61.89 per barrel, up by 15.03% m-o-m. On the external front, investors will continue to follow closely the latest developments on the ongoing US-China trade tensions, ongoing development of Brexit and negotiations on the US Federal Reserve (the “Fed”) Government budget as the temporary bill to fund US Government spending will expire on 15 February 2019. Policy uncertainty continues to be the order of the day as the East Coast Rail Link (“ECRL”) on-again, off-again saga plays out. As of now, there is still no conclusive decision on the said mega project and a gag order has been issued to avoid any further confusion and escalation of rift with the Chinese Government. But the damage seems to have been done already. Conversation with business leaders revealed that the Government relationship with China is at all-time low. Business and consumer sentiment continued slipping for the second consecutive quarter in fourth quarter of 2018 (“4Q18”). According to a survey done by Malaysian Institute of Economy Research (“MIER”), the 4Q18 Consumer Sentiments Index (“CSI”) dipped below the threshold of 100 points for the first time after two quarters, recording 96.8 points, while the Business Conditions Index (“BCI”) slipped to 95.3 points.

The FBMS Index ended February 2019 higher by 1.55% to close at 11,732 points driven by higher Brent crude oil, which traded up +6.7% m-o-m to USD66.82 per barrel on supply constraints. Sentiment in the local bourse was further lifted by announcement made the Communications and Multimedia Minister, which indicated there will not be further reductions in high speed broadband prices in 2019 and Fitch re-affirmed Malaysia’s sovereign rating. Investors will be watching out for new developments (policies) from the upcoming Parliament sitting which will take place from 11 March 2019 to 11 April 2019, the release of the Federal Land Development Authority (“FELDA”) White Paper as well as Bank Negara Malaysia (“BNM”) Annual report (slated for 27 March 2019).

The FBMS Index dipped by 0.38% in March 2019 on receding concerns over moderation in global economic growth following the yield curve inversion in the US. March 2019 saw FBMS Index outperforming the Kuala Lumpur Composite Index (“KLCI”) and FBMS Index driven by construction and plantation sectors. Domestically, the downgrade in BNM’s growth forecast also weighed on sentiments, stoking expectation of a policy rate cut as early as May 2019. Growth trajectory remains lackluster in Malaysia as flagged by BNM during the release of its annual report in March 2019.

In April 2019, the FBMS Index rose by 1.27%. which were largely driven by rebound in construction, technology and energy sectors. Positive news flow continues to buoy the construction sector as the revival of Bandar Malaysia project has lifted sentiment and expectation that the shelved High-Speed Rail (“HSR”) and MRT3 projects may be revived soon. Sustained rebound in crude oil prices have also seen the revival of job flows to oil & gas service providers.

MARKET REVIEW (1 JUNE 2018 TO 31 MAY 2019) (CONTINUED)

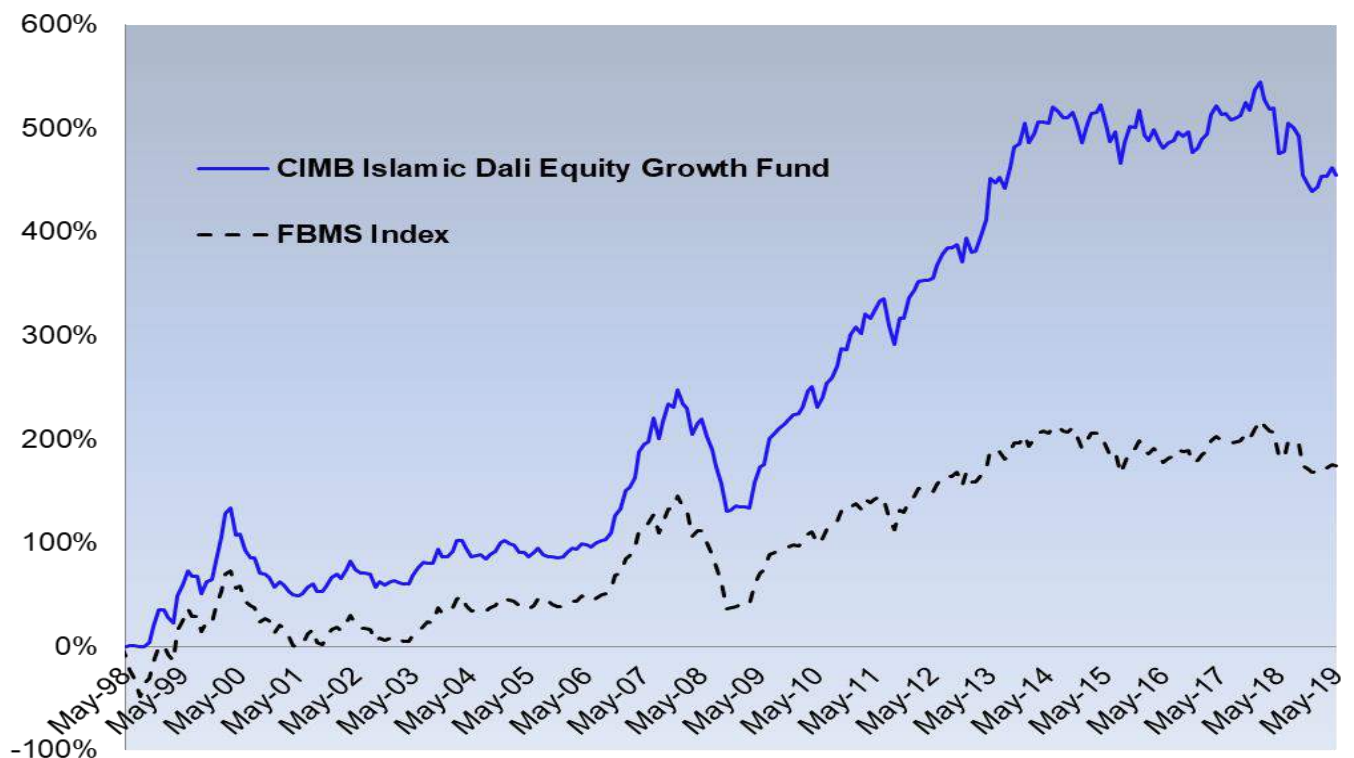
Additionally, news that China had also recently agreed to purchase a minimum of 1.9 million tons of crude palm oil (“CPO”) over 5 years’ worth RM4.5 billion in addition to the earlier purchase contracts signed for 1.62 million tons for RM3.64 billion provide support to plantation names such as Felda Global Ventures Holdings Bhd (“FGV”) and Sime Darby Plantation Bhd which closed higher by 5.93% and 2.79% respectively.

The FBMS Index ended May 2019 marginally lower by 0.35%. The broader market’s sentiment was buoyed by two merger and acquisition announcements involving Axiata Group Bhd and Telenor Group, and YTL Cement Bhd and Lafarge Malaysia Bhd and partly driven by foreign buying in the last three days of May 2019. The first quarter of 2019 (“1Q19”) earnings season ended with another disappointment as there were still more misses than beats. Plantation, technology, aviation and basic materials were the major disappointments while positive results came from automotive, construction, telecommunication and utilities.

FUND PERFORMANCE

| | 1 year to 31.05.2019 | 3 years to 31.05.2019 | 5 years to 31.05.2019 | Since inception to 31.05.2019 |
|----------------------|---------------------------------|----------------------------------|----------------------------------|--|
| | % | % | % | % |
| Income | 5.78 | 16.86 | 28.31 | 117.90 |
| Capital | (8.83) | (18.15) | (28.50) | 154.95 |
| Total Return | (3.58) | (4.37) | (8.29) | 455.35 |
| Benchmark | (3.12) | (1.06) | (10.20) | 174.84 |
| Average Total Return | (3.58) | (1.48) | (1.72) | 8.47 |

During the financial year under review, the Fund underperformed the Benchmark by 0.46%. The underperformance was main attributable to the decline in NAV, arising from stock market. During the financial year under review, equity market was volatile driven by external and domestic factors. Income generated from dividends of 5.78% managed to cushion the impact from the volatile equity market, which was down by 8.83%.



FUND PERFORMANCE (CONTINUED)

Changes in NAV

| | 31.05.2019 | 31.05.2018 | Changes % |
|------------------|-------------------|-------------------|----------------------|
| NAV (RM Million) | 3,340.12 | 3,660.58 | (8.75) |
| NAV/Unit (RM) | 1.0770 | 1.1818 | (8.87) |

During the financial year under review, the NAV per unit declined by 8.75% arising from volatile external and domestic factors.

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) | 31.05.2019 | 31.05.2018 |
|-------------------------------------|-------------------|-------------------|
| Shariah-compliant quoted securities | 94.33 | 85.45 |
| Unquoted Sukuk | 0.03 | 0.03 |
| Cash and other net assets | 5.64 | 14.52 |
| TOTAL | 100.00 | 100.00 |

We are fully invested as we upgraded Malaysia from underweight (post GE14) to neutral (since March 2019).

MARKET OUTLOOK*

While the moderation in 1Q19 GDP growth of 4.5% was shallower than street expectation, growth drivers going forward are weak given the escalating trade tension between the US and its major trading partners and slowing private investments due to dampened sentiment. Freshly out May 2019 Purchasing Managers' Index ("PMI") numbers (48.8 versus 49.4 in April 2019) for Malaysia showed further weakening in external demand. While still maintaining its 4.3% to 4.8% GDP forecast for 2019, BNM has flagged that a full-blown US-China trade war could shave 1.3% to 1.5% off Malaysia's GDP growth. This suggests that risk to growth is clearly on the downside. On the bright side, recent resumption of mega infrastructure projects such as ECRL and Light Rail Transit ("LRT") 3 will provide some boost to growth from the second half of 2019 ("2H19") onwards.

* This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal Malaysia or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

Overall, we remain neutral on Malaysia given lack of earnings growth (consensus penciled in negative earnings growth for 2019) which is balanced by undemanding valuation now. Having said that, we are of the opinion that value is emerging in Malaysian equities having shed 2.7% year-to-date (“YTD”) and Malaysia tend to be more defensive when volatility in global equity markets rises. While we will continue with the high equity weighting with low beta investment strategy, we will continuously accumulate some alphas for the portfolios. We look to add selected blue chips in the banking, telecommunication and glove sectors. At the same time, we are reducing exposure on some of the Technology-related names on the back of rising trade conflicts.

UNIT HOLDINGS STATISTICS

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

| Size of unit holdings (units) | No. of unit holders | No. of units held (million) | % of units held |
|-------------------------------|---------------------|-----------------------------|-----------------|
| 5,000 and below | 238,339 | 131.50 | 4.24 |
| 5,001-10,000 | 29,853 | 217.99 | 7.03 |
| 10,001-50,000 | 53,901 | 1,198.10 | 38.63 |
| 50,001-500,000 | 12,788 | 1,242.86 | 40.08 |
| 500,001 and above | 84 | 310.64 | 10.02 |
| Total | 334,965 | 3,101.09 | 100.00 |

SOFT COMMISSIONS & REBATES

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

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

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

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 17 to 54 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 May 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
16 July 2019

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB ISLAMIC DALI EQUITY GROWTH FUND**

We, MTrustee Berhad, being the Trustee of CIMB Islamic DALI Equity Growth Fund (the "Fund"), are of the opinion that Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager"), has managed the Fund for the financial year ended 31 May 2019 in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on the Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing for the Fund has been carried out in accordance with the Deeds and applicable regulatory requirements; and
- (c) creation and cancellation of units is carried out in accordance with the Deeds and applicable regulatory requirements.
- (d) during the financial year, a total distribution of 6.50 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distribution of income by the Fund is appropriate and reflects the investment objective of the Fund.

For and on behalf of the Trustee
MTrustee Berhad

NURIZAN JALIL
Chief Executive Officer

Selangor
16 July 2019

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

For the Financial Period from 1 June 2018 to 31 March 2019

We have acted as the Shariah Adviser of CIMB Islamic DALI Equity Growth Fund (the "Fund") for the financial period from 1 June 2018 to 31 March 2019. Our responsibility is to ensure that the procedures and processes employed by Principal Asset Management Berhad (*formerly known as 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 period from 1 June 2018 to 31 March 2019.

In addition, we also 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 ("SACSC") and where applicable, Shariah Advisory Council of Bank Negara Malaysia.

For investments other than the abovementioned, we have reviewed the same and are of the opinion that these investments were in accordance with 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

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

Kuala Lumpur
31 March 2019

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

For the Financial Period from 1 April 2019 to 31 May 2019

We have acted as the Shariah Adviser of CIMB Islamic DALI Equity Growth Fund ("the Fund"). Our responsibility is to ensure that the procedures and processes employed by Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager") are in accordance with Shariah principles.

In our opinion, the Manager has managed and administered the Fund in accordance with Shariah principles and complied with applicable guidelines, rulings or decisions issued by the Securities Commission (SC) pertaining to Shariah matters.

In addition, we confirm that the investment portfolio of the Fund comprises securities and/or instruments which have been classified as Shariah compliant by the Shariah Advisory Council (SAC) of the SC and/or Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM), where applicable. For securities and/or instruments which are not classified as Shariah-compliant by the SAC of the SC and/or SAC of BNM, we have determined that such securities and/or instruments are in accordance with Shariah principles and have complied with the applicable Shariah Guidelines.

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 **Amanie Advisors Sdn Bhd**,

DATUK DR MOHD DAUD BAKAR
Executive Chairman

16 July 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 54.

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 DALI EQUITY 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 auditor's report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

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

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

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
16 July 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019**

| | Note | 2019 RM | 2018 RM |
|---|----------|----------------------|----------------------|
| LOSS | | | |
| Dividend income | | 90,202,287 | 120,745,090 |
| Profit income from Shariah-compliant deposits with licensed Islamic financial institutions | | 14,814,284 | 7,873,116 |
| Profit income from unquoted Sukuk | | 102,554 | 95,482 |
| Net loss on financial assets at fair value through profit or loss | 8 | <u>(172,363,390)</u> | <u>(282,195,189)</u> |
| | | <u>(67,244,265)</u> | <u>(153,481,501)</u> |
| EXPENSES | | | |
| Management fee | 4 | 52,807,832 | 65,893,951 |
| Trustee's fee | 5 | 2,112,313 | 2,635,759 |
| Transaction costs | | 5,337,099 | 8,669,571 |
| Audit fee | | 13,600 | 9,600 |
| Tax agent's fee | | 4,100 | 1,643 |
| Other expenses | | <u>474,250</u> | <u>4,872,314</u> |
| | | <u>60,749,194</u> | <u>82,082,838</u> |
| LOSS BEFORE TAXATION | | (127,993,459) | (235,564,339) |
| TAXATION | 7 | <u>(119,086)</u> | <u>(96,619)</u> |
| LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR | | <u>(128,112,545)</u> | <u>(235,660,958)</u> |
| Loss after taxation is made up as follows: | | | |
| Realised amount | | (11,078,564) | 228,588,074 |
| Unrealised amount | | <u>(117,033,981)</u> | <u>(464,249,032)</u> |
| | | <u>(128,112,545)</u> | <u>(235,660,958)</u> |

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019**

| | Note | 2019 RM | 2018 RM |
|---|------|----------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents (Shariah-compliant) | 9 | 191,178,665 | 523,872,646 |
| Financial assets at fair value through profit or loss (Shariah-compliant) | 8 | 3,151,770,750 | 3,129,412,316 |
| Amount due from stockbrokers | | 7,082,126 | 13,418,052 |
| Amount due from Manager | | 5,282,334 | 3,231,411 |
| Dividends receivable | | 2,019,917 | 4,029,196 |
| Tax recoverable | | 1,421,498 | 1,421,498 |
| TOTAL ASSETS | | <u>3,358,755,290</u> | <u>3,675,385,119</u> |
| LIABILITIES | | | |
| Amount due to stockbrokers | | 7,313,424 | - |
| Amount due to Manager | | 6,915,912 | 9,373,975 |
| Accrued management fee | | 4,205,299 | 4,906,641 |
| Amount due to Trustee | | 168,212 | 196,266 |
| Other payables and accruals | | 28,521 | 322,676 |
| TOTAL LIABILITIES | | <u>18,631,368</u> | <u>14,799,558</u> |
| NET ASSET VALUE OF THE FUND | | <u>3,340,123,922</u> | <u>3,660,585,561</u> |
| EQUITY | | | |
| Unit holders' capital | | 3,487,914,465 | 3,478,466,643 |
| (Accumulated losses)/Retained earnings | | (147,790,543) | 182,118,918 |
| NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS | | <u>3,340,123,922</u> | <u>3,660,585,561</u> |
| NUMBER OF UNITS IN CIRCULATION (UNITS) | 10 | <u>3,101,085,727</u> | <u>3,097,243,881</u> |
| NET ASSET VALUE PER UNIT (RM) | | <u>1.0770</u> | <u>1.1818</u> |

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 MAY 2019**

| | Note | Unit holders' capital RM | (Accumulated losses)/ Retained earnings RM | Total RM |
|---|------|--------------------------------|--|----------------------|
| Balance as at 1 June 2018 | | 3,478,466,643 | 182,118,918 | 3,660,585,561 |
| Movement in unit holders' contributions: | | | | |
| - Creation of units from applications | | 261,194,005 | - | 261,194,005 |
| - Creation of units from distribution | | 201,001,274 | - | 201,001,274 |
| - Cancellation of units | | (452,747,457) | - | (452,747,457) |
| Total comprehensive loss for the financial year | | - | (128,112,545) | (128,112,545) |
| Distribution | 6 | - | (201,796,916) | (201,796,916) |
| Balance as at 31 May 2019 | | <u>3,487,914,465</u> | <u>(147,790,543)</u> | <u>3,340,123,922</u> |
| Balance as at 1 June 2017 | | 4,292,087,739 | 659,209,482 | 4,951,297,221 |
| Movement in unit holders' contributions: | | | | |
| - Creation of units from applications | | 290,728,683 | - | 290,728,683 |
| - Creation of units from distribution | | 240,266,051 | - | 240,266,051 |
| - Cancellation of units | | (1,344,615,830) | - | (1,344,615,830) |
| Total comprehensive loss for the financial year | | - | (235,660,958) | (235,660,958) |
| Distribution | 6 | - | (241,429,606) | (241,429,606) |
| Balance as at 31 May 2018 | | <u>3,478,466,643</u> | <u>182,118,918</u> | <u>3,660,585,561</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 MAY 2019**

| | 2019 RM | 2018 RM |
|---|----------------------|------------------------|
| | Note | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds from disposal of Shariah-compliant quoted securities | 1,227,460,798 | 2,839,425,148 |
| Proceeds from redemption of unquoted Sukuk | 155,926 | - |
| Purchase of Shariah-compliant quoted securities | (1,414,030,746) | (1,529,264,681) |
| Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions | 14,814,284 | 7,873,116 |
| Profit income received from unquoted Sukuk | 107,003 | 88,120 |
| Dividend income received | 92,092,480 | 127,411,102 |
| Management fee paid | (53,509,174) | (67,403,542) |
| Trustee's fee paid | (2,140,367) | (2,696,142) |
| Payments for other fees and expenses | (786,105) | (5,214,880) |
| Net cash (used in)/generated from operating activities | (135,835,901) | 1,370,218,241 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash proceeds from units created | 259,143,082 | 295,363,179 |
| Payments for cancellation of units | (455,205,520) | (1,348,287,993) |
| Distribution paid | (795,642) | (1,163,555) |
| Net cash used in financing activities | (196,858,080) | (1,054,088,369) |
| Net (decrease)/increase in cash and cash equivalents | (332,693,981) | 316,129,872 |
| Cash and cash equivalents at the beginning of the financial year | 523,872,646 | 207,742,774 |
| Cash and cash equivalents at the end of the financial year | 9 191,178,665 | 523,872,646 |
| <u>Cash and cash equivalents comprised of :</u> | | |
| Shariah-complaint deposits with licensed Islamic financial institutions | 189,094,238 | 523,849,250 |
| Bank balance | 2,084,427 | 23,396 |
| Cash and cash equivalents at the end of the financial year | 9 191,178,665 | 523,872,646 |

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 MAY 2019

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB Islamic DALI Equity Growth Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a Fourth Supplemental Master Deed dated 25 June 2008, a Sixth Supplemental Master Deed dated 14 July 2008, a Seventh Supplemental Master Deed dated 19 November 2008, a Fifteenth Supplemental Master Deed dated 21 September 2012 and a Seventeenth Supplemental Master Deed dated 25 March 2015 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and MTrustee Berhad (the “Trustee”).

The Fund may invest a minimum of 70% and up to a maximum of 98% of its NAV principally in Shariah-compliant equities aimed to provide growth and up to 28% of its NAV in other permissible investments, such as Sukuk with a minimum credit rating of “A3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance; or “BBB-” by S&P or equivalent rating by Moody’s or Fitch. The Fund may also opt to seek investment exposure via Shariah-compliant CIS that is in line with the Fund’s objective, subject to the requirements of the SC Guidelines. In line with its objective, the investment strategy and policy of the Fund is to rebalance the portfolio to suit market conditions in order to reduce short-term volatility and provide consistency in capital growth.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund’s NAV will be invested in Shariah-compliant equities;
- up to 28% of the Fund’s NAV in other permissible investments; and
- at least 2% of the Fund’s NAV will be invested 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, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia’s leading universal banking groups. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by financial assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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).

Standard that is effective:

The Fund has applied the following standard for the first time for the financial year beginning on 1 June 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 assets¹ 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 interest² ("SPPI"). A debt instrument¹ is measured at fair value through other comprehensive income ("OCI") if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments¹ 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. Derivative³ and equity instruments³ are measured at fair value through profit or loss unless, for equity instruments³ not held for trading, an irrevocable option is taken to measure at fair value through OCI. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

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

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact 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 June 2018 that have a material effect on the financial statements of the Fund.

¹ For the purposes of the investments made by the Fund, debt instruments refers to Sukuk and Shariah-compliant collective investment scheme.

² For the purposes of this Fund, interest refers to profits earned from Shariah-compliant investments.

³ 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)

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

Financial year beginning on/after 1 June 2019

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

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

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

(b) Financial assets and financial liabilities

Classification

Up to 31 May 2018, the Fund designates its investments in Shariah-compliant 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 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 and other payables and accruals as other financial liabilities.

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

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

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

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

The Fund has not taken the option to irrevocably designate any equity securities at fair value through OCI.

The contractual cash flows of the Fund's investments in unquoted Sukuk 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, the investments in unquoted Sukuk are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, 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 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. Transaction costs are expensed in the statement of comprehensive income. Shariah-compliant deposits with licensed Islamic financial institutions are initially recognised at fair value.

Financial liabilities, within the scope of MFRS 139 up to 31 May 2018 and MFRS 9 from 1 June 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.

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

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

Shariah-compliant quoted securities in Malaysia are valued at the last traded 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 bases approved by the Trustee after appropriate technical consultation.

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

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective 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. If, in a subsequent financial period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Impairment for assets carried at amortised costs (continued)

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 June 2018 onwards, the Fund measures credit risk and ECL using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any ECL. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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) 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 Ringgit Malaysia ("RM"), which is the Fund's functional and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) 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 May 2018, when a financing and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective profit rate of the instrument, and continue unwinding the discount as profit income. Profit income on impaired financing and receivables are recognised using the original effective profit rate.

From 1 June 2018, 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 profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gain or loss on disposal of 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.

(e) Cash and cash equivalents (Shariah-compliant)

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

(f) Taxation

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

(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, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Unit holders' capital

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

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

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

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

(j) Amount due from/to stockbrokers

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

These amounts are recognised initially at fair value and, up to 31 May 2018, subsequently measured at amortised cost using the effective profit method, less provision for impairment for amount due from stockbrokers. A provision for impairment of amount due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amount 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 June 2018, these amounts are subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amount due from brokers at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Funds' 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 |
|---|---|--|----------------------|
| 2019 | | | |
| Cash and cash equivalents (Shariah-compliant) (Note 9) | - | 191,178,665 | 191,178,665 |
| Shariah-compliant quoted securities (Note 8) | 3,150,636,599 | - | 3,150,636,599 |
| Unquoted Sukuk (Note 8) | 1,134,151 | - | 1,134,151 |
| Amount due from stockbrokers | - | 7,082,126 | 7,082,126 |
| Amount due from Manager | - | 5,282,334 | 5,282,334 |
| Dividends receivable | - | 2,019,917 | 2,019,917 |
| | <u>3,151,770,750</u> | <u>205,563,042</u> | <u>3,357,333,792</u> |

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

| 2018 | Financial assets at fair value through profit or loss RM | Financing and receivables RM | Total RM |
|--|---|---|----------------------|
| Cash and cash equivalents (Shariah-compliant) (Note 9) | - | 523,872,646 | 523,872,646 |
| Shariah-compliant quoted securities (Note 8) | 3,128,151,576 | - | 3,128,151,576 |
| Unquoted Sukuk (Note 8) | 1,260,740 | - | 1,260,740 |
| Amount due from stockbrokers | - | 13,418,052 | 13,418,052 |
| Amount due from Manager | - | 3,231,411 | 3,231,411 |
| Dividends receivable | - | 4,029,196 | 4,029,196 |
| | <u>3,129,412,316</u> | <u>544,551,305</u> | <u>3,673,963,621</u> |

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

The investment objective of the Fund is to achieve consistent capital growth over the medium to long-term.

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

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

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of Shariah-compliant investments in 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:

| | 2019 RM | 2018 RM |
|--|----------------------|----------------------|
| Financial assets at fair value through profit or loss: | | |
| - Shariah-compliant quoted securities | 3,150,636,599 | 3,128,151,576 |
| - Unquoted Sukuk* | 1,134,151 | 1,260,740 |
| | <u>3,151,770,750</u> | <u>3,129,412,316</u> |

* Includes profit receivables of RM37,572 (2018: RM42,884).

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

(a) Market risk (continued)

(i) Price risk (continued)

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 reporting year. The analysis is based on the assumptions that the price of the Shariah-compliant quoted securities fluctuate 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 prices of Shariah-compliant quoted securities | Market value RM | Impact on profit or loss/NAV RM |
|---|--------------------|---------------------------------------|
| 2019 | | |
| -5% | 2,993,104,769 | (157,531,830) |
| 0% | 3,150,636,599 | - |
| 5% | 3,308,168,429 | 157,531,830 |
| 2018 | | |
| -5% | 2,971,743,997 | (156,407,579) |
| 0% | 3,128,151,576 | - |
| 5% | 3,284,559,155 | 156,407,579 |

The Fund is exposed to price risk arising from profit rate fluctuation in relation to its investments of RM1,134,151 (2018: RM1,260,740) in unquoted Sukuk. The Fund's exposure to price risk arising from profit rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk".

(ii) Interest rate risk

In general, when profit rates rise, unquoted Sukuk prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when profit 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 profit 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 profit rate trend of the Manager, which is based on its continuous fundamental research and analysis.

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

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

Such investments may be subject to unanticipated rise in profit rates which may impair the ability of the issuers to meet the obligation under the instrument, especially if the issuers are highly leveraged. An increase in profit 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 profit rate. The analysis is based on the assumptions that the profit rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the profit rate, having regard to the historical volatility of the profit rate.

| Change in profit rate | Impact on profit or loss/NAV | |
|-----------------------|------------------------------|------------|
| | 2019 RM | 2018 RM |
| +1% | (1,336) | (1,370) |
| -1% | 1,338 | 1,372 |

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

(b) Credit risk

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

Investment in unquoted 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 defaulted unquoted Sukuk 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 "A3" 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.

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

(b) Credit risk (continued)

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

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

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

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

| | Financial assets at fair value through profit or loss | Cash and cash equivalents | Amount due from stock-brokers | Amount due from Manager | Dividends receivable | Total |
|-------------------------------------|--|----------------------------------|--------------------------------------|--------------------------------|-----------------------------|--------------------|
| | RM | RM | RM | RM | RM | RM |
| 2019 | | | | | | |
| Consumer Products & Services | | | | | | |
| - Not Rated | - | - | - | - | 184,329 | 184,329 |
| Energy | | | | | | |
| - Not Rated | - | - | - | - | 128,815 | 128,815 |
| Financial Services | | | | | | |
| - Hong Leong Islamic Bank Bhd (AAA) | - | 78,304,347 | - | - | - | 78,304,347 |
| - Maybank Islamic Bhd (AAA) | - | 2,084,427 | - | - | - | 2,084,427 |
| - Public Islamic Bank Bhd (AAA) | - | 52,262,317 | - | - | - | 52,262,317 |
| - RHB Islamic Bank Bhd (AA2) | - | 58,527,574 | - | - | - | 58,527,574 |
| - Not Rated | - | - | 7,082,126 | - | - | 7,082,126 |
| Industrial Products | | | | | | |
| - Not Rated | - | - | - | - | 230,379 | 230,379 |
| Property | | | | | | |
| - BB3 | 1,134,151 | - | - | - | - | 1,134,151 |
| REITs | | | | | | |
| - Not Rated | - | - | - | - | 531,972 | 531,972 |
| Telecommunications & Media | | | | | | |
| - Not Rated | - | - | - | - | 944,422 | 944,422 |
| Others | | | | | | |
| - Not Rated | - | - | - | 5,282,334 | - | 5,282,334 |
| | <u>1,134,151</u> | <u>191,178,665</u> | <u>7,082,126</u> | <u>5,282,334</u> | <u>2,019,917</u> | <u>206,697,193</u> |

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

(b) Credit risk (continued)

| | Financial assets at fair value through profit or loss RM | Cash and cash equivalents RM | Amount due from stock-brokers RM | Amount due from Manager RM | Dividends receivable RM | Total RM |
|-------------------------------------|---|---------------------------------|-------------------------------------|-------------------------------|----------------------------|--------------------|
| 2018 | | | | | | |
| Construction | | | | | | |
| - Not Rated | - | - | - | - | 365,259 | 365,259 |
| Consumer Products | | | | | | |
| - Not Rated | - | - | - | - | 819,585 | 819,585 |
| Finance | | | | | | |
| - CIMB Islamic Bank Bank Bhd (AAA) | - | 111,034,118 | - | - | - | 111,034,118 |
| - Hong Leong Islamic Bank Bhd (AAA) | - | 30,254,387 | - | - | - | 30,254,387 |
| - Maybank Islamic Bhd (AAA) | - | 55,045,752 | - | - | - | 55,045,752 |
| - Public Islamic Bank Bhd (AAA) | - | 103,014,067 | - | - | - | 103,014,067 |
| - RHB Islamic Bank Bhd (AA2) | - | 195,265,135 | - | - | - | 195,265,135 |
| - Bank Muamalat Malaysia Bhd (A2) | - | 29,259,187 | - | - | - | 29,259,187 |
| - Not Rated | - | - | 13,418,052 | - | - | 13,418,052 |
| Industrial Products | | | | | | |
| - Not Rated | - | - | - | - | 1,038,512 | 1,038,512 |
| Properties | | | | | | |
| - BB3 | 1,260,740 | - | - | - | - | 1,260,740 |
| REITs | | | | | | |
| - Not Rated | - | - | - | - | 154,619 | 154,619 |
| Trading/Services | | | | | | |
| - Not Rated | - | - | - | - | 1,651,221 | 1,651,221 |
| Others | | | | | | |
| - Not Rated | - | - | - | 3,231,411 | - | 3,231,411 |
| | <u>1,260,740</u> | <u>523,872,646</u> | <u>13,418,052</u> | <u>3,231,411</u> | <u>4,029,196</u> | <u>545,812,045</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 and Shariah-compliant deposits with licensed Islamic financial institutions which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summaries 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 |
|--|-------------------------------------|---|---------------------|
| 2019 | | | |
| Amount due to stockbrokers | 7,313,424 | - | 7,313,424 |
| Amount due to Manager | 6,915,912 | - | 6,915,912 |
| Accrued management fee | 4,205,299 | - | 4,205,299 |
| Amount due to Trustee | 168,212 | - | 168,212 |
| Other payables and accruals | - | 28,521 | 28,521 |
| Contractual undiscounted cash flows | 18,602,847 | 28,521 | 18,631,368 |
| 2018 | | | |
| Amount due to Manager | 9,373,975 | - | 9,373,975 |
| Accrued management fee | 4,906,641 | - | 4,906,641 |
| Amount due to Trustee | 196,266 | - | 196,266 |
| Other payables and accruals | 306,174 | 16,502 | 322,676 |
| Contractual undiscounted cash flows | 14,783,056 | 16,502 | 14,799,558 |

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 holders' capital of RM3,487,914,465 (2018: RM3,478,466,643) and accumulated losses of RM147,790,543 (2018: retained earnings of RM182,118,918). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial 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 |
|--|----------------------|------------------|---------------|----------------------|
| 2019 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Shariah-compliant quoted securities | 3,150,636,599 | - | - | 3,150,636,599 |
| - Unquoted Sukuk | - | 1,134,151 | - | 1,134,151 |
| | <u>3,150,636,599</u> | <u>1,134,151</u> | <u>-</u> | <u>3,151,770,750</u> |
| 2018 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Shariah-compliant quoted securities | 3,128,151,576 | - | - | 3,128,151,576 |
| - Unquoted Sukuk | - | 1,260,740 | - | 1,260,740 |
| | <u>3,128,151,576</u> | <u>1,260,740</u> | <u>-</u> | <u>3,129,412,316</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 2.25% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 May 2019, the management fee is recognised at a rate of 1.50% per annum (2018: 1.50% per annum).

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.06% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 May 2019, the Trustee's fee is recognised at a rate of 0.06% per annum (2018: 0.06% per annum).

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

6. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

| | 2019 | 2018 |
|--|---------------------------|---------------------------|
| | RM | RM |
| Dividend income | 11,114,649 | 96,696,286 |
| Profit income from Shariah-compliant deposits with licensed Islamic financial institutions | 2,897,322 | 7,968,598 |
| Net realised gain on disposal of Shariah-compliant investments | 15,863,273 | 152,427,030 |
| Prior financial years' realised income | <u>178,385,933</u> | <u>55,419,089</u> |
| | 208,261,177 | 312,511,003 |
| Less: | | |
| Expenses | (6,349,170) | (71,014,028) |
| Taxation | <u>(115,091)</u> | <u>(67,369)</u> |
| Net distribution amount | <u><u>201,796,916</u></u> | <u><u>241,429,606</u></u> |

Distribution on 12 July 2018

| | | |
|-----------------------------------|-------------|----------|
| Gross distribution per unit (sen) | 6.50 | - |
| Net distribution per unit (sen) | <u>6.50</u> | <u>-</u> |

Distribution on 13 July 2017

| | | |
|-----------------------------------|----------|-------------|
| Gross distribution per unit (sen) | - | 6.50 |
| Net distribution per unit (sen) | <u>-</u> | <u>6.49</u> |

Gross distribution is derived using total income less total expenses. Net distribution above is mainly 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.

During the financial year ended 31 May 2019, the Fund incurred unrealised loss of RM117,033,981 (2018: RM464,249,032).

As at the date of the financial position, there are accumulated unrealised loss of RM228,798,894 (2018: RM111,764,913).

7. TAXATION

| | 2019 RM | 2018 RM |
|-------------------------------------|--------------------|--------------------|
| Tax charged for the financial year: | | |
| - Withholding tax | <u>119,086</u> | <u>96,619</u> |

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

| | 2019 RM | 2018 RM |
|--|----------------------|----------------------|
| Loss before taxation | <u>(127,993,459)</u> | <u>(235,564,339)</u> |
| Taxation at Malaysian statutory rate of 24% (2018: 24%) | (30,718,430) | (56,535,441) |
| Tax effects of: | | |
| - Loss not deductible to tax purposes | 16,138,624 | 36,835,560 |
| - Expenses not deductible for tax purposes | 1,859,952 | 2,876,802 |
| - Restriction on tax deductible expenses for Unit Trust Funds | 12,719,854 | 16,823,079 |
| Income subject to withholding tax | <u>119,086</u> | <u>96,619</u> |
| Taxation | <u>119,086</u> | <u>96,619</u> |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2019 RM | 2018 RM |
|---|-----------------------------|-----------------------------|
| At fair value through profit or loss: | | |
| - Shariah-compliant quoted securities | 3,150,636,599 | 3,128,151,576 |
| - Unquoted Sukuk | <u>1,134,151</u> | <u>1,260,740</u> |
| | <u><u>3,151,770,750</u></u> | <u><u>3,129,412,316</u></u> |
| Net loss on financial assets at fair value through profit or loss: | | |
| - Realised (loss)/gain on disposals | (55,328,547) | 182,053,843 |
| - Unrealised fair value loss | <u>(117,034,843)</u> | <u>(464,249,032)</u> |
| | <u><u>(172,363,390)</u></u> | <u><u>(282,195,189)</u></u> |

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

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--|--------------------|-------------------------|--------------------|---------------------------|
| 2019 | | | | |
| SHARIAH-COMPLIANT QUOTED SECURITIES | | | | |
| Construction | | | | |
| Econpile Holdings Bhd | 16,647,900 | 15,635,639 | 11,070,853 | 0.33 |
| Gabungan AQRS Bhd | 16,197,090 | 23,887,050 | 21,218,188 | 0.63 |
| Gamuda Bhd | 9,928,200 | 29,026,217 | 34,649,418 | 1.04 |
| IJM Corporation Bhd | 21,961,500 | 70,607,262 | 48,754,530 | 1.46 |
| Kerjaya Prospek Group Bhd | 7,779,340 | 12,864,197 | 9,568,588 | 0.29 |
| MGB Bhd | 9,222,900 | 12,014,576 | 6,594,373 | 0.20 |
| Muhibbah Engineering (M) Bhd | 11,540,100 | 31,165,652 | 31,735,275 | 0.95 |
| Sunway Construction Group Bhd | 4,223,000 | 9,669,764 | 8,277,080 | 0.25 |
| WCT Holdings Bhd | 9,223,884 | 20,451,787 | 8,762,690 | 0.26 |
| | <u>106,723,914</u> | <u>225,322,144</u> | <u>180,630,995</u> | <u>5.41</u> |
| Consumer Products & Services | | | | |
| Aeon Co. (M) Bhd | (2,621,300) | 7,998,535 | 3,958,163 | 0.12 |
| Bermaz Auto Bhd | 9,977,500 | 21,831,111 | 22,948,250 | 0.68 |
| DRB-Hicom Bhd | 15,055,500 | 32,935,766 | 31,315,440 | 0.94 |
| Fraser & Neave Holdings Bhd | 682,700 | 18,644,865 | 23,348,340 | 0.70 |
| Nestle Malaysia Bhd | 468,300 | 60,817,267 | 68,840,100 | 2.06 |
| Padini Holdings Bhd | 5,197,400 | 20,350,941 | 19,334,328 | 0.58 |
| Petronas Dagangan Bhd | 2,982,700 | 76,472,559 | 76,834,352 | 2.30 |
| Sime Darby Bhd | 36,038,203 | 80,567,366 | 83,608,631 | 2.50 |
| UMW Holdings Bhd | 10,753,700 | 66,590,557 | 54,736,333 | 1.64 |
| | <u>83,777,303</u> | <u>386,208,967</u> | <u>384,923,937</u> | <u>11.52</u> |

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

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--|--------------------|-------------------------|--------------------|---------------------------|
| 2019 (CONTINUED) | | | | |
| SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED) | | | | |
| Energy | | | | |
| Dialog Group Bhd | 39,785,052 | 84,923,558 | 132,086,373 | 3.95 |
| Hibiscus Petroleum Bhd | 9,278,200 | 10,085,745 | 9,649,328 | 0.29 |
| Sapura Energy Bhd | 25,763,000 | 48,592,235 | 7,600,085 | 0.23 |
| Serba Dinamik Holdings Bhd | 21,814,100 | 81,171,609 | 89,437,810 | 2.68 |
| Yinson Holdings Bhd | 8,973,200 | 32,502,347 | 44,237,876 | 1.32 |
| | <u>105,613,552</u> | <u>257,275,494</u> | <u>283,011,472</u> | <u>8.47</u> |
| Financial Services | | | | |
| BIMB Holdings Bhd | 12,997,660 | 44,152,369 | 59,919,213 | 1.80 |
| BIMB Holdings Bhd - Warrant | 3,056,860 | - | 1,008,764 | 0.03 |
| Syarikat Takaful Malaysia Keluarga Bhd | 3,031,600 | 4,109,586 | 19,068,764 | 0.57 |
| | <u>19,086,120</u> | <u>48,261,955</u> | <u>79,996,741</u> | <u>2.40</u> |
| Health Care | | | | |
| Hartalega Holdings Bhd | 6,667,900 | 36,095,767 | 34,673,080 | 1.04 |
| IHH Healthcare Bhd | 10,706,200 | 61,653,578 | 58,884,100 | 1.76 |
| Kossan Rubber Industries Bhd | 4,780,200 | 16,550,460 | 18,929,592 | 0.57 |
| KPJ Healthcare Bhd | 16,549,400 | 18,011,767 | 15,390,942 | 0.46 |
| Top Glove Corporation Bhd | 11,004,300 | 51,295,928 | 55,571,715 | 1.66 |
| | <u>49,708,000</u> | <u>183,607,500</u> | <u>183,449,429</u> | <u>5.49</u> |
| Industrial Products & Services | | | | |
| Cahaya Mata Sarawak Bhd | 7,646,700 | 29,592,497 | 23,628,303 | 0.71 |
| Cypark Resources Bhd | 5,907,150 | 10,107,334 | 9,215,154 | 0.27 |
| Petronas Chemicals Group Bhd | 31,425,800 | 251,552,601 | 261,462,656 | 7.83 |
| SKP Resources Bhd | 23,589,600 | 30,436,241 | 30,666,480 | 0.92 |
| Sunway Bhd | 16,676,211 | 26,987,042 | 28,182,797 | 0.84 |
| Uchi Technologies Bhd | 5,674,700 | 16,942,905 | 16,286,389 | 0.49 |
| UEM Edgenta Bhd | 9,898,700 | 30,209,999 | 26,528,516 | 0.79 |
| V.S. Industry Bhd | 10,668,150 | 18,891,671 | 10,561,468 | 0.32 |
| | <u>111,487,011</u> | <u>414,720,290</u> | <u>406,531,763</u> | <u>12.17</u> |

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

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--|--------------------|-------------------------|--------------------|---------------------------|
| 2019 (CONTINUED) | | | | |
| SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED) | | | | |
| Plantation | | | | |
| FGV Holdings Bhd | 38,433,900 | 48,476,325 | 43,814,646 | 1.31 |
| Genting Plantations Bhd | 3,196,400 | 30,497,595 | 33,114,704 | 0.99 |
| IOI Corporation Bhd | 24,865,817 | 116,373,181 | 107,171,671 | 3.21 |
| Kuala Lumpur Kepong Bhd | 2,063,200 | 49,205,706 | 51,167,360 | 1.53 |
| Sime Darby Plantation Bhd | 21,608,303 | 119,960,009 | 100,694,692 | 3.02 |
| | <u>90,167,620</u> | <u>364,512,816</u> | <u>335,963,073</u> | <u>10.06</u> |
| Properties | | | | |
| Eastern and Oriental Bhd | 18,512,993 | 37,221,716 | 15,365,784 | 0.46 |
| LBS Bina Group Bhd | 54,245,530 | 45,933,695 | 28,207,676 | 0.85 |
| Malaysian Resources Corporation Bhd | 46,267,600 | 43,557,296 | 43,028,868 | 1.29 |
| Sime Darby Property Bhd | 23,658,403 | 35,487,604 | 25,077,907 | 0.75 |
| S P Setia Bhd | 17,099,854 | 60,160,541 | 37,448,680 | 1.12 |
| UOA Development Bhd | 1,466,700 | 3,354,279 | 3,432,078 | 0.10 |
| | <u>161,251,080</u> | <u>225,715,131</u> | <u>152,560,993</u> | <u>4.57</u> |
| REITs | | | | |
| Axis REIT | 11,303,400 | 19,819,000 | 19,328,814 | 0.58 |
| KLCCP Stapled Group | 6,509,700 | 49,598,251 | 50,189,787 | 1.50 |
| | <u>17,813,100</u> | <u>69,417,251</u> | <u>69,518,601</u> | <u>2.08</u> |
| Technology | | | | |
| Frontken Corporation Bhd | 27,427,000 | 27,041,344 | 34,558,020 | 1.04 |
| Globetronics Technology Bhd | 13,835,033 | 28,509,387 | 21,859,352 | 0.65 |
| Inari Amertron Bhd | 17,029,800 | 32,572,206 | 26,225,892 | 0.79 |
| JHM Consolidation Bhd | 903,400 | 1,029,605 | 1,020,842 | 0.03 |
| Pentamaster Corporation Bhd | 4,289,704 | 10,352,569 | 17,802,272 | 0.53 |
| Vitrox Corporation Bhd | 1,349,300 | 8,107,725 | 9,431,607 | 0.28 |
| | <u>64,834,237</u> | <u>107,612,836</u> | <u>110,897,985</u> | <u>3.32</u> |
| Telecommunications & Media | | | | |
| Axiata Group Bhd | 31,713,655 | 172,917,276 | 148,737,042 | 4.45 |
| Digi.com Bhd | 21,963,300 | 98,825,923 | 109,157,601 | 3.27 |
| Telekom Malaysia Bhd | 15,031,803 | 93,728,764 | 54,264,809 | 1.62 |
| Time Dotcom Bhd | 4,498,820 | 26,159,656 | 39,949,522 | 1.20 |
| | <u>73,207,578</u> | <u>391,631,619</u> | <u>352,108,974</u> | <u>10.54</u> |

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

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--|-----------------------------|-----------------------------|-----------------------------|---------------------------|
| 2019 (CONTINUED) | | | | |
| SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED) | | | | |
| Transportation & Logistics | | | | |
| MISC Bhd | 13,267,800 | 95,568,418 | 92,211,210 | 2.76 |
| Pos Malaysia Bhd | 26,716,400 | 113,744,420 | 35,799,976 | 1.07 |
| Westports Holdings Bhd | 4,416,600 | 14,606,141 | 17,136,408 | 0.52 |
| | <u>44,400,800</u> | <u>223,918,979</u> | <u>145,147,594</u> | <u>4.35</u> |
| Utilities | | | | |
| Malakoff Corporation Bhd | 33,171,800 | 28,349,208 | 27,532,594 | 0.83 |
| Petronas Gas Bhd | 6,055,300 | 115,034,427 | 106,936,598 | 3.20 |
| Ranhill Holdings Bhd | 21,690,120 | 20,936,078 | 25,377,440 | 0.76 |
| Tenaga Nasional Bhd | 24,098,300 | 317,684,441 | 306,048,410 | 9.16 |
| | <u>85,015,520</u> | <u>482,004,154</u> | <u>465,895,042</u> | <u>13.95</u> |
| TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES | <u>1,013,085,835</u> | <u>3,380,209,136</u> | <u>3,150,636,599</u> | <u>94.33</u> |
| ACCUMULATED UNREALISED LOSS ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>(229,572,537)</u> | | |
| TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>3,150,636,599</u> | | |

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

| Name of issuer | Nominal value RM | Aggregate cost RM | Market value RM | Percentage of NAV % |
|---|-------------------------|-------------------------|-------------------------|---------------------------|
| 2019 (CONTINUED) UNQUOTED SUKUK | | | | |
| Talam Transform Bhd 0.00% 28/12/2020 (C)* | <u>1,102,931</u> | <u>349,928</u> | <u>1,134,151</u> | <u>0.03</u> |
| TOTAL UNQUOTED SUKUK | <u>1,102,931</u> | <u>349,928</u> | <u>1,134,151</u> | <u>0.03</u> |
| ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | |
| | | <u>784,223</u> | | |
| TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | |
| | | <u><u>1,134,151</u></u> | | |

* The maturity date of Talam Transform Bhd has been extended from 28 June 2019 to 28 December 2020. The rating was downgraded to C since September 2018. The Fund continues to hold the said security as there is no liquidity in view of its below investment grade rating.

8. 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 | | | | |
| Econpile Holdings Bhd | 11,880,400 | 13,156,955 | 6,712,426 | 0.18 |
| Gabungan AQRS Bhd | 12,175,300 | 19,005,584 | 7,792,192 | 0.21 |
| IJM Corporation Bhd | 38,833,100 | 128,602,246 | 65,627,939 | 1.79 |
| Kerjaya Prospek Group Bhd | 11,635,140 | 19,240,287 | 17,103,655 | 0.47 |
| Kerjaya Prospek Group Bhd -Warrant | 1,586,610 | - | 452,184 | 0.01 |
| Kimlun Corporation Bhd | 1,301,100 | 3,093,276 | 2,042,727 | 0.07 |
| MGB Bhd | 9,222,900 | 12,014,576 | 9,591,816 | 0.26 |
| Muhibbah Engineering (M) Bhd | 14,104,800 | 38,091,983 | 41,609,160 | 1.14 |
| Sunway Construction Group Bhd | 11,439,200 | 26,193,315 | 19,904,208 | 0.54 |
| WCT Holdings Bhd | 13,262,484 | 29,406,429 | 10,411,050 | 0.28 |
| | <u>125,441,034</u> | <u>288,804,651</u> | <u>181,247,357</u> | <u>4.95</u> |
| Consumer Products | | | | |
| Fraser & Neave Holdings Bhd | 860,000 | 22,825,191 | 32,525,200 | 0.89 |
| Nestle Malaysia Bhd | 435,100 | 55,205,816 | 64,394,800 | 1.76 |
| Padini Holdings Bhd | 8,473,200 | 31,379,962 | 48,636,168 | 1.33 |
| UMW Holdings Bhd | 11,339,800 | 70,906,088 | 72,574,720 | 1.98 |
| | <u>21,108,100</u> | <u>180,317,057</u> | <u>218,130,888</u> | <u>5.96</u> |
| Finance | | | | |
| BIMB Holdings Bhd | 13,017,660 | 44,220,308 | 51,159,404 | 1.40 |
| BIMB Holdings Bhd - Warrant | 3,056,860 | - | 641,941 | 0.02 |
| Syarikat Takaful Malaysia Keluarga Bhd | 3,031,600 | 4,109,586 | 11,701,976 | 0.32 |
| | <u>19,106,120</u> | <u>48,329,894</u> | <u>63,503,321</u> | <u>1.74</u> |
| Industrials | | | | |
| Cahaya Mata Sarawak Bhd | 13,409,800 | 51,895,519 | 31,110,736 | 0.85 |
| DRB-Hicom Bhd | 6,340,000 | 16,646,311 | 11,095,000 | 0.30 |
| Hartalega Holdings Bhd | 7,225,200 | 41,401,552 | 44,073,719 | 1.20 |
| Kossan Rubber Industries Bhd | 2,765,100 | 16,802,780 | 21,153,015 | 0.58 |
| Petronas Chemicals Group Bhd | 29,540,300 | 211,693,020 | 237,799,415 | 6.50 |
| Petronas Gas Bhd | 6,490,700 | 123,305,857 | 114,106,506 | 3.11 |
| SKP Resources Bhd | 23,138,400 | 29,626,284 | 34,707,600 | 0.95 |
| Thong Guan Industries Bhd | 2,354,400 | 10,297,806 | 5,956,632 | 0.16 |
| Top Glove Corporation Bhd | 6,702,900 | 50,006,360 | 68,771,754 | 1.88 |

8. 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) | | | | |
| Industrials (Continued) | | | | |
| Uchi Technologies Bhd | 2,143,600 | 6,028,814 | 6,087,824 | 0.17 |
| V.S. Industry Bhd | 13,928,750 | 25,742,260 | 25,489,612 | 0.70 |
| | <u>114,039,150</u> | <u>583,446,563</u> | <u>600,351,813</u> | <u>16.40</u> |
| IPC | | | | |
| Time Dotcom Bhd | <u>3,783,720</u> | <u>16,690,167</u> | <u>28,377,900</u> | <u>0.78</u> |
| Plantation | | | | |
| Felda Global Ventures Holdings Bhd | 8,162,800 | 16,184,502 | 12,815,596 | 0.35 |
| Genting Plantations Bhd | 3,045,600 | 29,252,246 | 28,933,200 | 0.79 |
| IOI Corporation Bhd | 21,522,817 | 101,398,663 | 99,650,643 | 2.72 |
| Kuala Lumpur Kepong Bhd | 3,086,500 | 73,103,429 | 76,853,850 | 2.11 |
| Sime Darby Plantation Bhd | <u>22,165,403</u> | <u>123,882,809</u> | <u>122,796,333</u> | <u>3.35</u> |
| | <u>57,983,120</u> | <u>343,821,649</u> | <u>341,049,622</u> | <u>9.32</u> |
| Properties | | | | |
| Eastern and Oriental Bhd | 22,531,856 | 45,577,078 | 32,896,510 | 0.90 |
| LBS Bina Group Bhd | 50,733,830 | 43,591,197 | 43,377,425 | 1.19 |
| Malaysian Resources Corporation Bhd | 25,940,800 | 27,390,084 | 15,305,072 | 0.42 |
| Malton Bhd | 9,912,000 | 12,440,121 | 5,600,280 | 0.15 |
| Sime Darby Property Bhd | 32,824,903 | 49,237,355 | 37,748,639 | 1.03 |
| S P Setia Bhd | 25,594,254 | 90,045,457 | 78,830,303 | 2.15 |
| UOA Development Bhd | <u>6,424,700</u> | <u>14,693,008</u> | <u>16,575,726</u> | <u>0.45</u> |
| | <u>173,962,343</u> | <u>282,974,300</u> | <u>230,333,955</u> | <u>6.29</u> |
| REITs | | | | |
| KLCCP Stapled Group | <u>1,902,300</u> | <u>13,811,130</u> | <u>14,780,871</u> | <u>0.40</u> |
| Technology | | | | |
| Globetronics Technology Bhd | 13,332,233 | 27,211,203 | 31,997,359 | 0.87 |
| Inari Amertron Bhd | 25,579,100 | 44,397,855 | 58,576,139 | 1.60 |
| Pentamaster Corporation Bhd | 3,839,504 | 8,407,135 | 8,946,044 | 0.24 |
| Vitrox Corporation Bhd | <u>943,000</u> | <u>5,874,335</u> | <u>5,469,400</u> | <u>0.15</u> |
| | <u>43,693,837</u> | <u>85,890,528</u> | <u>104,988,942</u> | <u>2.86</u> |

8. 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) | | | | |
| Trading/Services | | | | |
| Aeon Co. (M) Bhd | 17,504,500 | 53,412,564 | 40,085,305 | 1.10 |
| Axiata Group Bhd | 41,002,855 | 225,808,844 | 178,772,448 | 4.89 |
| Bermaz Auto Bhd | 19,761,800 | 43,239,495 | 43,475,960 | 1.19 |
| Cypark Resources Bhd | 1,638,100 | 4,398,514 | 3,931,440 | 0.11 |
| Dialog Group Bhd | 40,132,352 | 65,897,046 | 130,430,144 | 3.56 |
| IHH Healthcare Bhd | 25,701,300 | 148,005,557 | 154,207,800 | 4.21 |
| MISC Bhd | 13,276,100 | 97,372,281 | 77,930,707 | 2.13 |
| Petronas Dagangan Bhd | 984,800 | 24,715,464 | 24,659,392 | 0.67 |
| Pos Malaysia Bhd | 27,249,000 | 117,953,450 | 97,278,930 | 2.66 |
| Sapura Energy Bhd | 27,509,100 | 51,885,598 | 15,130,005 | 0.41 |
| Serba Dinamik Holdings Bhd | 7,312,900 | 24,218,623 | 24,132,570 | 0.66 |
| Sime Darby Bhd | 46,575,503 | 99,149,094 | 113,644,227 | 3.10 |
| Sunway Bhd | 12,740,400 | 21,245,889 | 18,600,984 | 0.51 |
| Telekom Malaysia Bhd | 18,692,603 | 119,486,400 | 68,601,853 | 1.87 |
| Tenaga Nasional Bhd | 17,725,400 | 203,802,346 | 255,245,760 | 6.97 |
| UEM Edgenta Bhd | 10,123,800 | 30,896,985 | 21,158,742 | 0.58 |
| Westports Holdings Bhd | 2,682,800 | 8,128,190 | 9,255,660 | 0.25 |
| Yinson Holdings Bhd | 15,754,000 | 57,063,476 | 68,844,980 | 1.88 |
| | <u>346,367,313</u> | <u>1,396,679,816</u> | <u>1,345,386,907</u> | <u>36.75</u> |
| TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES | <u>907,387,037</u> | <u>3,240,765,755</u> | <u>3,128,151,576</u> | <u>85.45</u> |
| ACCUMULATED UNREALISED LOSS ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>(112,614,179)</u> | | |
| TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>3,128,151,576</u> | | |

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

| Name of issuer | Nominal value RM | Aggregate cost RM | Market value RM | Percentage of NAV % |
|---|-------------------------|-------------------------|-------------------------|------------------------|
| 2018 (CONTINUED) UNQUOTED SUKUK | | | | |
| Talam Transform Bhd 0.00% 28/06/2019 (B3)*** | <u>1,258,857</u> | <u>400,032</u> | <u>1,260,740</u> | <u>0.03</u> |
| TOTAL UNQUOTED SUKUK | <u>1,258,857</u> | <u>400,032</u> | <u>1,260,740</u> | <u>0.03</u> |
| ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>860,708</u> | | |
| TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>1,260,740</u> | | |

*** Talam Transform Bhd was downgraded to B- since 1 August 2014. The Fund continues to hold the said security as there is no liquidity in view of its below investment grade rating.

9. CASH AND CASH EQUIVALENTS (SHARIAH-COMPLIANT)

| | 2019 RM | 2018 RM |
|---|--------------------|--------------------|
| Shariah-compliant deposits with licensed Islamic financial institutions | 189,094,238 | 523,849,250 |
| Bank balance | <u>2,084,427</u> | <u>23,396</u> |
| | <u>191,178,665</u> | <u>523,872,646</u> |

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

| | 2019 % | 2018 % |
|---|-------------|-------------|
| Shariah-compliant deposits with licensed Islamic financial institutions | <u>3.14</u> | <u>3.43</u> |

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 10 days (2018: 13 days).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

| | 2019 | 2018 |
|--|----------------------|------------------------|
| | No. of units | No. of units |
| At the beginning of the financial year | 3,097,243,881 | 3,735,169,143 |
| Add: Creation of units from applications | 234,217,978 | 227,168,449 |
| Add: Creation of units from distribution | 178,810,848 | 192,490,026 |
| Less: Cancellation of units | <u>(409,186,980)</u> | <u>(1,057,583,737)</u> |
| At the end of the financial year | <u>3,101,085,727</u> | <u>3,097,243,881</u> |

11. MANAGEMENT EXPENSE RATIO (“MER”)

| | 2019 | 2018 |
|-----|-------------|-------------|
| | % | % |
| MER | <u>1.57</u> | <u>1.66</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 & 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 RM3,522,002,472 (2018: RM4,390,731,953).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

| | 2019 | 2018 |
|-------------|-------------|-------------|
| PTR (times) | <u>0.38</u> | <u>0.50</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 | = | RM1,418,578,820 (2018: RM1,522,422,832) |
| total disposal for the financial year | = | RM1,223,852,547 (2018: RM2,853,705,998) |

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

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

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

Units held by the Manager and parties related to the Manager

| Manager | 2019 | | 2018 | |
|--|---------------------|-----------|---------------------|-----------|
| | No. of units | RM | No. of units | RM |
| Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i> | 764,827 | 823,719 | 257,723 | 304,577 |

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

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

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

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

| | 2019 RM | 2018 RM |
|---|----------------------|----------------------|
| <u>Significant related party transactions</u> | | |
| Profit income from Shariah-compliant deposits with licensed Islamic financial institutions: | | |
| - CIMB Islamic Bank Bhd | <u>3,380,235</u> | <u>1,261,006</u> |
| Shariah-compliant deposits with licensed Islamic financial institutions | | |
| - CIMB Islamic Bank Bhd | <u>2,747,641,500</u> | <u>1,331,055,000</u> |
| <u>Significant related party balances</u> | | |
| Shariah-compliant deposits with licensed Islamic financial institutions: | | |
| - CIMB Islamic Bank Bhd | <u>-</u> | <u>110,972,500</u> |

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 May 2019 are as follows:

| Brokers/Dealers | Value of trades RM | Percentage of total trades % | Brokerage fees RM | Percentage of total brokerage fees % |
|---|--------------------------|---------------------------------------|-------------------------|--|
| Macquarie Capital Securities (M) Sdn Bhd | 399,993,064 | 15.21 | 814,214 | 17.54 |
| KAF Seagroats & Campbell Securities Sdn Bhd | 318,481,211 | 12.11 | 597,170 | 12.86 |
| RHB Investment Bank Bhd | 284,084,886 | 10.81 | 569,627 | 12.27 |
| UBS Securities Malaysia Sdn Bhd | 248,620,142 | 9.46 | 302,182 | 6.51 |
| Maybank Investment Bank Bhd | 236,912,110 | 9.01 | 461,201 | 9.93 |
| CLSA Securities (M) Sdn Bhd | 223,321,180 | 8.49 | 348,541 | 7.51 |
| JP Morgan Securities (M) Sdn Bhd | 211,758,457 | 8.06 | 345,573 | 7.44 |
| Citigroup Global Markets (M) Sdn Bhd | 186,484,254 | 7.09 | 375,701 | 8.09 |
| Credit Suisse Securites (M) Sdn Bhd | 162,159,371 | 6.17 | 258,076 | 5.56 |
| CIMB Investment Bank Bhd # | 143,853,054 | 5.47 | 258,429 | 5.57 |
| Others | <u>213,451,342</u> | <u>8.12</u> | <u>312,269</u> | <u>6.72</u> |
| | <u>2,629,119,071</u> | <u>100.00</u> | <u>4,642,983</u> | <u>100.00</u> |

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

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

| Brokers/Dealers | Value of trades RM | Percentage of total trades % | Brokerage fees RM | Percentage of total brokerage fees % |
|---|-------------------------------|---|----------------------------------|---|
| Macquarie Malaysia Sdn Bhd | 640,768,762 | 17.05 | 1,302,746 | 16.86 |
| CIMB Investment Bank Bhd # | 635,835,556 | 16.92 | 1,262,823 | 16.35 |
| Maybank Investment Bank Bhd | 633,048,870 | 16.85 | 1,284,240 | 16.63 |
| RHB Investment Bank Bhd | 402,505,172 | 10.71 | 951,249 | 12.31 |
| Credit Suisse (M) Sdn Bhd | 332,860,089 | 8.86 | 681,013 | 8.82 |
| KAF Seagroats & Campbell Securities Sdn Bhd | 240,945,165 | 6.41 | 491,068 | 6.36 |
| Hong Leong Investment Bank Bhd | 201,637,772 | 5.37 | 402,186 | 5.21 |
| JP Morgan Securities (M) Sdn Bhd | 186,312,258 | 4.96 | 384,755 | 4.98 |
| CLSA Securities (M) Sdn Bhd | 157,375,421 | 4.19 | 324,808 | 4.20 |
| Affin Hwang Investment Bank Bhd | 129,928,702 | 3.46 | 251,938 | 3.26 |
| Others | 195,908,832 | 5.22 | 387,760 | 5.02 |
| | <u>3,757,126,599</u> | <u>100.00</u> | <u>7,724,586</u> | <u>100.00</u> |

Included in the transactions are trades conducted with CIMB Investment Bank Bhd, related party to the Manager amounting to RM143,853,054 (2018: RM635,835,556). The Manager is of the opinion that all transactions with the related party have been entered into in the normal course of business at agreed terms between the related party.

15. SEGMENT INFORMATION

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

The investment objective of the Fund is to achieve consistent capital growth over the medium to long-term. The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate 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.

16. MFRS 9 FINANCIAL INSTRUMENTS

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

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

| | Measurement category | | Carrying amount | | | |
|-------------------------------------|---------------------------|-----------------|------------------------|-------------------------|----------------------|-----------------|
| | Original (MFRS 139) | New (MFRS 9) | Original (MFRS 139) | Reclassifi- -cations | Remeasu- -rements | New (MFRS 9) |
| | | | RM | RM | RM | RM |
| Assets | | | | | | |
| Cash and cash equivalents | Financing and receivables | Amortised cost | 523,872,646 | - | - | 523,872,646 |
| Shariah-compliant quoted securities | FVTPL | FVTPL | 3,128,151,576 | - | - | 3,128,151,576 |
| Unquoted Sukuk | FVTPL | FVTPL | 1,260,740 | - | - | 1,260,740 |
| Amount due from stockbrokers | Financing and receivables | Amortised cost | 13,418,052 | - | - | 13,418,052 |
| Amount due from Manager | Financing and receivables | Amortised cost | 3,231,411 | - | - | 3,231,411 |
| Dividends receivable | Financing and receivables | Amortised cost | 4,029,196 | - | - | 4,029,196 |
| Liabilities | | | | | | |
| Amount due to Manager | Amortised cost | Amortised cost | 9,373,975 | - | - | 9,373,975 |
| Accrued management fee | Amortised cost | Amortised cost | 4,906,641 | - | - | 4,906,641 |
| Amount due to Trustee | Amortised cost | Amortised cost | 196,266 | - | - | 196,266 |
| Other payables and accruals | Amortised cost | Amortised cost | 322,676 | - | - | 322,676 |

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 July 2019.

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