

# CIMB Islamic Money Market Fund

Annual Report

For The Financial Year Ended 30 November 2019

**CIMB ISLAMIC MONEY MARKET FUND**

**ANNUAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2019**

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**INVESTORS' LETTER**

Dear Valued Investors,

As we begin 2020, allow me to wish you a Happy New Year! Selamat Tahun Baru!

2019 was a year of heightened risk velocity in markets, due to external factors - both globally and domestically, such as the US-China trade tensions, uncertainties in US monetary policy, China economic growth slowdown and weak earnings in Malaysia markets.

Going into 2020, we continue to see pockets of opportunities in the equity market. This is on the back of supportive central banks policies, stabilising earnings estimate and some progressive outcome coming from US and China trade tension.

We believe you should remain fully invested, focus on long-terms returns and look to diversify your investments across a full spectrum of asset classes depending on your risk appetite. We believe that fixed income returns will be more moderate and thus, we encourage diversifying allocations to assets like Asia Pacific equities, Global equities or Global REITs. Equity markets like ASEAN and Malaysia which have underperformed in 2019 may now set to improve in 2020.

Lastly, we wish to thank you for the trust you've put in us. We achieved much this year because of the trust you placed in us:



Serve over 1 million customers in Malaysia, Indonesia, Singapore and Thailand.



Manage over RM88.1 billion in assets.



Numerous awards -

- Five outstanding funds (based on performance and consistency of returns) Fundsupermart.com
- Two outstanding funds - Lipper Fund Awards from Refinitiv 2019
- Best Asset Management House in ASEAN and Fund Launch of the Year - Asia Asset Management, 2019.



Offer our Unit Trust Funds on EPF's i-Invest online platform with 0.0% sales fee. The online facility enables EPF i-Akaun members to invest in unit trust funds using their EPF savings - anytime, anywhere.



Rolled out several core funds, including Principal Global Sukuk Fund, Principal Global Real Estate Fund and Principal Greater Bay Fund. These Funds provided investors an opportunity to increase their investment potential with a diversified global portfolio.

As you consider your ongoing investment needs, we hope you continue to turn to us for guidance and solutions. Please check-out [www.principal.com.my](http://www.principal.com.my) for information and consider following us on Facebook! @PrincipalAssetMY

**INVESTORS' LETTER (CONTINUED)**

In our effort to serve you better, we would like to encourage you to update us with your latest contact information. Please call our customer care hotline at 03-7718 3000 to speak to our representative.

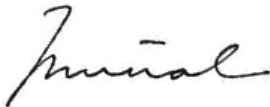
Please be informed that effective 31 December 2019, the Fund has changed its name from CIMB Islamic Money Market Fund to Principal Islamic Money Market Fund following the issuance of the Replacement Master Prospectus (Islamic Funds) dated 31 December 2019.

Thank you once again for your continuous support and allowing us to help you achieve your financial goals and live your best life.

May 2020 be a good year for you!

Thank you.

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



**Munirah Khairuddin**  
Chief Executive Officer

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

The Fund aims to provide investors with liquidity and regular income, whilst maintaining capital stability by investing primarily in money market instruments that conform with Shariah principles.

**Has the Fund achieved its objective?**

For the financial year under review, the Fund is in line with its stated objective.

**What are the Fund investment policy and principal investment strategy?**

The Fund will place at least 90% of its Net Asset Value ("NAV") in Shariah-compliant money market instruments such as Islamic Accepted Bills, Islamic Negotiable Instruments of Deposits and Islamic Repurchase Agreements ("Repo-I") as well as in any other Shariah-compliant fixed income instruments and placements of Deposits, all of which are highly liquid and have a remaining maturity period of less than 365 days. Up to 10% of the Fund's NAV may be invested in Shariah-compliant fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days. The Fund will be actively managed. The strategy is to invest in liquid and low risk short-term investments for capital preservation\*. The investment strategy adheres to the SC Guidelines pertaining to investments for a money market fund.

Note:

\*The Fund is neither a capital guaranteed fund nor a capital protected fund.

**Fund category/type**

Money Market (Shariah-compliant)/Income

**How long should you invest for?**

Recommended one (1) year or more

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

Low

**When was the Fund launched?**

17 March 2008

**What was the size of the Fund as at 30 November 2019?**

RM1,003.63 million (926.97 million units)

**What is the Fund's benchmark?**

CIMB Islamic 1-Month Fixed Return Income Account-i ("FRIA-i")

**Note:** The benchmark is customised as such to align it closer to the structure of the portfolio and the objective of the Fund. The 1-Month FRIA-i Rate is reflective of the objective of the Fund. Thus, investors are cautioned that the risk profile of the Fund is higher than investing in Shariah-compliant deposits.

**What is the Fund distribution policy?**

Monthly, depending on the level of income (if any) the Fund generates.

**What was the net income distribution for the financial year ended 30 November 2019?**

The Fund distributed a total net income of RM30.41 million to unit holders for the financial year ended 30 November 2019.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution)	NAV per unit (after distribution)
	RM	RM
31.12.2018	1.2778	1.0794
31.01.2019	1.4134	1.0794
28.02.2019	1.4310	1.0790
29.03.2019	1.4717	1.0782
30.04.2019	1.3535	1.0790
31.05.2019	1.3887	1.0793
28.06.2019	1.3955	1.0790
31.07.2019	1.3053	1.0803
30.08.2019	1.2643	1.0812
30.09.2019	1.2008	1.0830
31.10.2019	1.3130	1.0834
29.11.2019	1.4208	1.0825

**PERFORMANCE DATA**

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

	30.11.2019	30.11.2018	30.11.2017
	%	%	%
Unquoted Sukuk and Islamic commercial papers	50.77	69.32	81.23
Shariah-compliant deposits with licensed Islamic financial institutions	47.04	5.19	-
Cash and other net assets	2.19	25.49	18.77
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.11.2019	30.11.2018	30.11.2017
NAV (RM Million)*	1,003.63	578.25	250.60
Units in circulation (Million)	926.97	536.26	231.83
NAV per unit (RM)*	1.0826	1.0782	1.0809

\*Ex-distribution

Highest NAV per unit (RM)	1.0859	1.0835	1.0873
Lowest NAV per unit (RM)	1.0782	1.0764	1.0795
Total return (%)	3.48	3.73	3.85
- Capital growth (%)	0.41	(0.24)	0.09
- Income distribution (%)	3.07	3.99	3.75
Management Expense Ratio ("MER") (%)	0.53	0.55	0.58
Portfolio Turnover Ratio ("PTR") (times) #	0.71	1.16	0.93

^ The Fund's MER decreased from 0.55% to 0.53% due to lower expenses during the financial year under review.

# The Fund's PTR decreased from 1.16 times to 0.71 times on the back of a higher average NAV for the Fund for the financial year under review.

**PERFORMANCE DATA (CONTINUED)**

<b>Date of distribution</b>	<b>30.11.2019</b>	<b>30.11.2018</b>	<b>30.11.2017</b>
<b>Gross/Net distribution per unit (sen)</b>			
Distribution on 31 December 2018	0.20	-	-
Distribution on 31 January 2019	0.33	-	-
Distribution on 28 February 2019	0.35	-	-
Distribution on 29 March 2019	0.39	-	-
Distribution on 30 April 2019	0.27	-	-
Distribution on 31 May 2019	0.31	-	-
Distribution on 28 June 2019	0.32	-	-
Distribution on 31 July 2019	0.22	-	-
Distribution on 30 August 2019	0.18	-	-
Distribution on 30 September 2019	0.12	-	-
Distribution on 31 October 2019	0.23	-	-
Distribution on 29 November 2019	0.34	-	-
Distribution on 29 December 2017	-	0.38	-
Distribution on 30 January 2018	-	0.49	-
Distribution on 28 February 2018	-	0.36	-
Distribution on 30 March 2018	-	0.38	-
Distribution on 30 April 2018	-	0.36	-
Distribution on 31 May 2018	-	0.31	-
Distribution on 29 June 2018	-	0.37	-
Distribution on 31 July 2018	-	0.37	-
Distribution on 30 August 2018	-	0.35	-
Distribution on 28 September 2018	-	0.34	-
Distribution on 31 October 2018	-	0.34	-
Distribution on 30 November 2018	-	0.19	-
Distribution on 30 December 2016	-	-	0.29
Distribution on 31 January 2017	-	-	0.30
Distribution on 28 February 2017	-	-	0.29
Distribution on 31 March 2017	-	-	0.29
Distribution on 28 April 2017	-	-	0.26
Distribution on 31 May 2017	-	-	0.30
Distribution on 30 June 2017	-	-	0.37
Distribution on 31 July 2017	-	-	0.36
Distribution on 30 August 2017	-	-	0.38
Distribution on 29 September 2017	-	-	0.36
Distribution on 31 October 2017	-	-	0.38
Distribution on 30 November 2017	-	-	0.43
<b>Total distribution</b>	<b>3.26</b>	<b>4.24</b>	<b>4.01</b>

	<b>30.11.2019</b>	<b>30.11.2018</b>	<b>30.11.2017</b>	<b>30.11.2016</b>	<b>30.11.2015</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Annual total return	3.48	3.73	3.85	3.26	3.38

(Launch date: 17 March 2008)

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 DECEMBER 2018 TO 30 NOVEMBER 2019)**

On 7 May 2019, Bank Negara Malaysia’s (“BNM”) Monetary Policy Committee (“MPC”) cut the Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) to 3.00% as widely anticipated by the market. The MPC statement highlighted that while domestic monetary and financial conditions remain supportive of economic growth, there were some signs of tightening of financial conditions. The adjustment to the OPR was a pre-emptive move by the central bank to preserve the degree of monetary accommodativeness in the country. Following the OPR cut in May 2019, there were no further changes made to the OPR at the remaining MPC meetings held throughout the year.

The Consumer Price Index (“CPI”) growth in December 2018 was at 0.2% year-on-year (“y-o-y”) due to higher price for housing, water, electricity, gas and other fuels, restaurants and hotels, alcoholic beverages and tobacco, education and food and non-alcoholic beverages. However, in the first two months of 2019, CPI declined by -0.7% and -0.4% yoy respectively for the months of January 2019 and February 2019. It continued to rise at a slow pace of 0.2% y-o-y in the following months of March, April and May 2019. In the following three months of June, July and August 2019, it inched higher by rising 1.50%, 1.40% and 1.50% respectively, on the back of the low base seen in the prior year due to the zerorisation of Goods and Services Tax (“GST”) then. In September and October 2019, it eased slightly to 1.1% y-o-y for two consecutive months. Inflation in October 2019 grew in all but two sectors, which were the clothing and transport sectors.

The local bond market saw some volatility following the announcement made by Financial Times Stock Exchange (“FTSE”) Russell to place Malaysia in their Watch list in the month of April 2019. In the month of September 2019, the index provider announced that Malaysia would continue to be on the Watch list up until the next review in March 2020. As for now, Malaysia continues to be in the index provider’s World Government Bond Index (“WGBI”). In the month of May 2019, the central bank announced measures to boost bond market accessibility, likely in response to the action taken by the index provider. The measures include boosting repo market liquidity and flexibility and enhancing the delivery mechanism for settlement of Government securities futures contracts. The local bond market also saw a mild boost following the central bank’s recent announcement in early November 2019 whereby they cut the Statutory Reserve Requirement (“SRR”) ratio to 3% from 3.5%, to ensure sufficient liquidity in the domestic financial system.

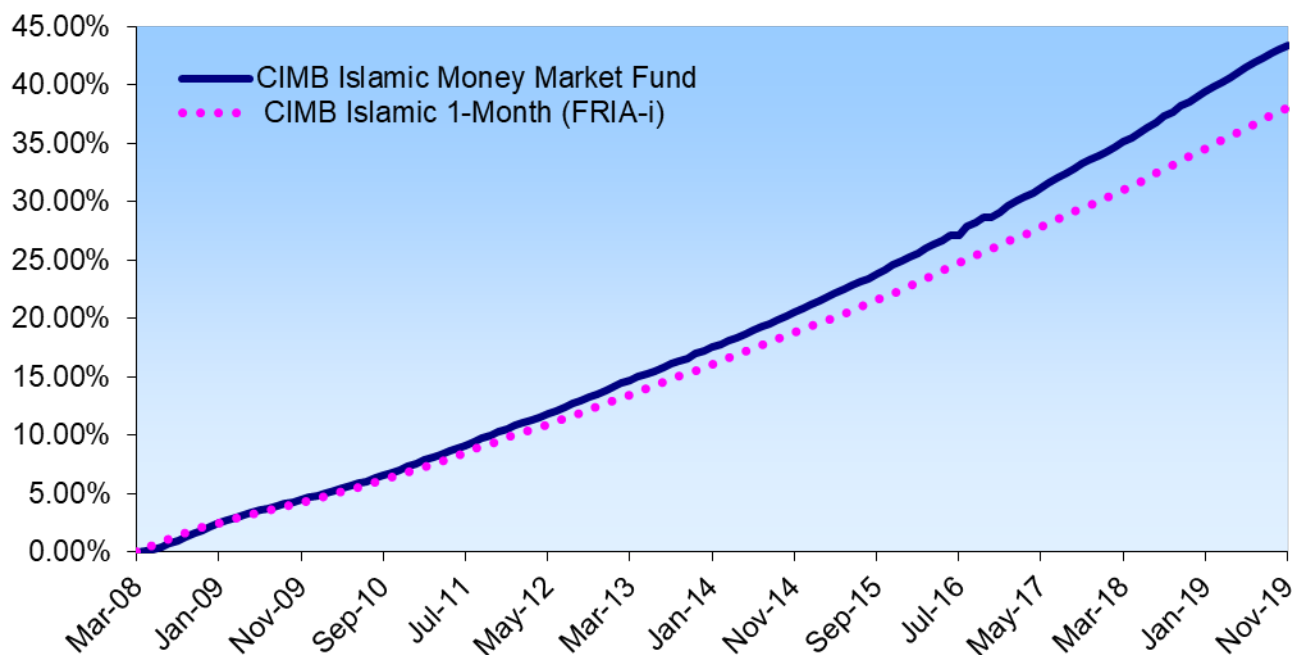
Meanwhile, the country’s economy expanded by 4.4% in the third quarter of 2019, slower than the 4.9% growth recorded in the second quarter of 2019 and the 4.5% growth seen in the first quarter of 2019. The slower growth in the third quarter of 2019 was primarily due to lower growth in key sectors and a decline in mining and construction activities.

**FUND PERFORMANCE**

	<b>1 year to 30.11.2019</b>	<b>3 years to 30.11.2019</b>	<b>5 years to 30.11.2019</b>	<b>Since inception to 30.11.2019</b>
	%	%	%	%
Income	3.07	11.20	17.24	32.45
Capital	0.41	0.25	1.51	8.27
Total Return	3.48	11.47	18.99	43.39
Benchmark	3.11	9.55	16.20	38.01
Average Total Return	3.48	3.69	3.54	3.12

As at 30 November 2019, the total return for 1 year, 3 years, and 5 years stood at 3.48%, 11.47% and 18.99% respectively, which outperformed the benchmark for the respective periods. Since inception, the Fund achieved a total return of 43.39%.

**FUND PERFORMANCE (CONTINUED)**



**Changes in NAV**

	<b>30.11.2019</b>	<b>30.11.2018</b>	<b>Changes</b> %
NAV (RM Million)*	1,003.63	578.25	73.56
NAV/Unit (RM)*	1.0826	1.0782	0.41

\*Ex-distribution

The Fund's NAV increased by 73.56% from RM578.25 million as at 30 November 2018 to RM1,003.63 million as at 30 November 2019. Meanwhile, the NAV per unit increased by 0.41% from RM1.0782 to per unit to RM1.0826 per unit.

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**

<b>(% of NAV)</b>	<b>30.11.2019</b>	<b>30.11.2018</b>
Unquoted Sukuk and Islamic commercial papers	50.77	69.32
Shariah-compliant deposits with licensed Islamic financial institutions	47.04	5.19
Cash and other net assets	2.19	25.49
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

As at 30 November 2019, the Fund was 50.77% invested in unquoted Sukuk and Islamic commercial papers with the remaining 49.23% in cash and other net assets.

## MARKET OUTLOOK\*

Budget 2020 was released on 11 October 2019 with fiscal deficit narrowing further from a previous level of -3.7% in 2018 to -3.4% in 2019. The deficit target of -3.2% for 2020 is slightly higher than the -3.0% originally announced in Budget 2019. Overall, Budget 2020 is deemed mild expansionary in nature with additional RM2.3 billion allocated to development expenditure to support strategic infrastructure projects. Growth is expected to improve from 4.7% in 2019 to 4.8% in 2020, which is still within BNM's forecast of 4.3% to 4.8%.

Barring any unexpected downside risks from the looming trade tensions and Gross Domestic Product ("GDP") growth, we continue to opine that the OPR of 3.00% commensurate with the potential growth and inflation outlook in 2020.

\* 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

We continue to overweight on quality short term Sukuk papers as well as Islamic commercial papers issued by corporates with strong fundamentals.

## UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 November 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	15,236	0.04	0.00
5,001-10,000	131	1.11	0.12
10,001-50,000	1,332	33.01	3.56
50,001-500,000	576	72.34	7.81
500,001 and above	37	820.47	88.51
<b>Total</b>	<b>17,312</b>	<b>926.97</b>	<b>100.00</b>

## SOFT COMMISSIONS AND REBATES

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

During the financial year under review, the Manager and the Trustee did not receive any rebates from the brokers or 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 MONEY MARKET 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 47 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 November 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 January 2020

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF  
CIMB ISLAMIC MONEY MARKET FUND**

We, MTrustee Berhad, being the Trustee of CIMB Islamic Money Market 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 30 November 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 Malaysia's Guidelines on the Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and relevant regulatory requirements;
- (c) creation and cancellation of units is carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) during the financial year, a total distribution of 3.26 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distribution is consistent with the objective of the Fund.

For and on behalf of the Trustee  
**MTrustee Berhad**

**NURIZAN JALIL**  
Chief Executive Officer

Selangor  
14 January 2020

**SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF  
CIMB ISLAMIC MONEY MARKET FUND**

**For the Financial Period from 1 December 2018 to 31 March 2019**

We have acted as the Shariah Adviser of CIMB Islamic Money Market Fund (the "Fund") for the financial period from 1 December 2018 to 31 March 2019. Our responsibility is to ensure that the procedures and processes employed by CIMB-Principal Asset Management Berhad (the "Manager") are in accordance with Shariah and Shariah Investment Guidelines.

In our opinion, the Manager has managed and administered the Fund in accordance with the Shariah Investment Guidelines of the Fund and complied with applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial period from 1 December 2018 to 31 March 2019.

In addition, we confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia ("SACSC") and where applicable the 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**

Director/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 MONEY MARKET FUND**

**For the Financial Period from 1 April 2019 to 30 November 2019**

We have acted as the Shariah Adviser of CIMB Islamic Money Market 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 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

14 January 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
CIMB ISLAMIC MONEY MARKET FUND**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Our opinion

In our opinion, the financial statements of CIMB Islamic Money Market Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 30 November 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 November 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 47.

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 MONEY MARKET FUND (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia. 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 MONEY MARKET FUND (CONTINUED)****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Auditor's responsibility 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 MONEY MARKET FUND (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Auditor's responsibility 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 January 2020

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2019**

	Note	2019 RM	2018 RM
<b>INCOME</b>			
Profit income from unquoted Sukuk at fair value through profit or loss		26,130,298	12,741,962
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost and Hibah earned		12,092,515	1,181,207
Net gain/(loss) on financial assets at fair value through profit or loss	<b>8</b>	<u>954,261</u>	<u>(70,699)</u>
		<u>39,177,074</u>	<u>13,852,470</u>
<b>EXPENSES</b>			
Management fee	<b>4</b>	4,967,217	1,635,990
Trustee's fee	<b>5</b>	298,033	98,159
Audit fee		7,700	7,440
Tax agent's fee		4,000	9,800
Other expenses		<u>22,902</u>	<u>49,712</u>
		<u>5,299,852</u>	<u>1,801,101</u>
<b>PROFIT BEFORE TAXATION</b>		33,877,222	12,051,369
Taxation	<b>7</b>	<u>-</u>	<u>-</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<u>33,877,222</u>	<u>12,051,369</u>
Profit after taxation is made up as follows:			
Realised amount		32,581,754	11,715,517
Unrealised amount		<u>1,295,468</u>	<u>335,852</u>
		<u>33,877,222</u>	<u>12,051,369</u>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2019**

	Note	2019 RM	2018 RM
<b>ASSETS</b>			
Cash and cash equivalents	9	137,805,007	198,384,273
Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost		472,103,688	30,006,575
Financial assets at fair value through profit or loss (Shariah-compliant)	8	509,524,110	400,836,273
Amount due from Manager		1,161,669	189,057
<b>TOTAL ASSETS</b>		<u>1,120,594,474</u>	<u>629,416,178</u>
<b>LIABILITIES</b>			
Amount due to dealers		-	50,886,255
Amount due to Manager		116,356,478	57,361
Accrued management fee		461,459	153,389
Amount due to Trustee		27,688	9,203
Distribution payable		105,842	46,610
Other payables and accruals		14,700	11,999
<b>TOTAL LIABILITIES</b>		<u>116,966,167</u>	<u>51,164,817</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>1,003,628,307</u>	<u>578,251,361</u>
<b>EQUITY</b>			
Unit holders' capital		975,287,420	553,374,270
Retained earnings		28,340,887	24,877,091
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>1,003,628,307</u>	<u>578,251,361</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	10	<u>926,973,900</u>	<u>536,262,161</u>
<b>NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)</b>		<u>1.0826</u>	<u>1.0782</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 30 NOVEMBER 2019**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
<b>Balance as at 1 December 2018</b>		553,374,270	24,877,091	578,251,361
Movement in unit holders' contributions:				
- Creation of units from applications		922,465,966	-	922,465,966
- Creation of units from distributions		29,541,442	-	29,541,442
- Cancellation of units		(530,094,258)	-	(530,094,258)
Total comprehensive income for the financial year		-	33,877,222	33,877,222
Distributions	6	-	(30,413,426)	(30,413,426)
<b>Balance as at 30 November 2019</b>		<u>975,287,420</u>	<u>28,340,887</u>	<u>1,003,628,307</u>
<b>Balance as at 1 December 2017</b>		224,826,768	25,768,879	250,595,647
Movement in unit holders' contributions:				
- Creation of units from applications		696,380,957	-	696,380,957
- Creation of units from distributions		12,194,232	-	12,194,232
- Cancellation of units		(380,027,687)	-	(380,027,687)
Total comprehensive income for the financial year		-	12,051,369	12,051,369
Distributions	6	-	(12,943,157)	(12,943,157)
<b>Balance as at 30 November 2018</b>		<u>553,374,270</u>	<u>24,877,091</u>	<u>578,251,361</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 30 NOVEMBER 2019**

	Note	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of unquoted Sukuk and Islamic commercial papers		208,926,923	155,910,330
Purchase of unquoted Sukuk and Islamic commercial papers		(1,262,886,002)	(563,658,758)
Proceeds from redemption of unquoted Sukuk and Islamic commercial papers		882,300,000	259,000,000
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah received		8,532,402	1,181,207
Profit income received from unquoted Sukuk and Islamic commercial papers		39,169,546	15,020,321
Proceeds from maturity of Shariah-compliant deposits with licensed Islamic financial institutions		250,973,000	-
Placement of Shariah-compliant deposits with licensed Islamic financial institutions		(689,510,000)	(30,006,575)
Management fee paid		(4,659,147)	(1,584,367)
Trustee's fee paid		(279,548)	(95,062)
Payments for other fees and expenses		(31,901)	(80,796)
<b>Net cash used in operating activities</b>		<u>(567,464,727)</u>	<u>(164,313,700)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		921,493,354	696,433,670
Payments for cancellation of units		(413,795,141)	(380,694,411)
Distributions paid		(812,752)	(749,357)
<b>Net cash generated from financing activities</b>		<u>506,885,461</u>	<u>314,989,902</u>
Net (decrease)/increase in cash and cash equivalents		(60,579,266)	150,676,202
Cash and cash equivalents at the beginning of the financial year		<u>198,384,273</u>	<u>47,708,071</u>
Cash and cash equivalents at the end of the financial year	<b>9</b>	<u><u>137,805,007</u></u>	<u><u>198,384,273</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Shariah-compliant deposits with licensed Islamic financial institutions		137,793,772	198,373,141
Bank balances		11,235	11,132
Cash and cash equivalents at the end of the financial year	<b>9</b>	<u><u>137,805,007</u></u>	<u><u>198,384,273</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2019****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB Islamic Money Market Fund (the “Fund”) is governed by a Master Deed dated 15 May 2008, a Third 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 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 will place at least 90% of its NAV in Shariah-compliant money market instruments such as Islamic Accepted Bills, Islamic Negotiable Instruments of Deposits and Repo-i as well as in any other Shariah-compliant fixed income instruments and placements of Deposits, all of which are highly liquid and have a remaining maturity period of less than 365 days. Up to 10% of the Fund’s NAV may be invested in Shariah-compliant fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days. The Fund will be actively managed. The strategy is to invest in liquid and low risk short-term investments for capital preservation. The investment strategy adheres to the SC Guidelines pertaining to investments for a money market fund.

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.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

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

Standard that is effective and relevant:

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

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

Classification and measurement of debt assets<sup>1</sup> is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument<sup>1</sup> 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 represents solely payments of principal and interest<sup>2</sup> ("SPPI"). A debt instrument<sup>1</sup> is measured at fair value through other comprehensive income ("OCI") if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments<sup>1</sup> must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative<sup>3</sup> and equity instruments<sup>3</sup> are measured at fair value through profit or loss unless, for equity instruments<sup>3</sup> not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

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).

In accordance with the transitional provisions provided in MFRS 9, comparative information was not restated and continued to be reported under previous accounting policies governed under MFRS 139.

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 December 2018 that have a material effect on the financial statements of the Fund.

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

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

<sup>3</sup> 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:

#### (i) Financial year beginning on/after 1 December 2019

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

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

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

### (b) Financial assets and financial liabilities

#### Classification

Up to 30 November 2018, the Fund designates its Shariah-compliant investments in 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, Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost and amount due from Manager.

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

The Fund classifies amount due to dealers, amount due to Manager, accrued management fee, amount due to Trustee, distribution payable and other payables and accruals as other financial liabilities.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Financial assets and financial liabilities (continued)

#### Classification (continued)

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest<sup>2</sup>. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost and amount due from Manager as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to dealers, amount due to Manager, accrued management fee, amount due to Trustee, distribution payable 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. Shariah-compliant investments are initially recognised at fair value.

Financial liabilities, within the scope of MFRS 139 up to 30 November 2018 and MFRS 9 from 1 December 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.

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

Islamic commercial papers are revalued at least weekly by reference to bid and offer prices quoted by three (3) independent and reputable financial institutions of similar standing at the close of trading.

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

Shariah-compliant deposits with licensed Islamic financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the financial year 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 on assets carried at amortised costs

Up to 30 November 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 year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

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

From 1 December 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Financial assets and financial liabilities (continued)

#### 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) Income recognition

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

Up to 30 November 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 December 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 unquoted Sukuk and Islamic commercial papers are accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted Sukuk and Islamic commercial papers, determined on cost adjusted for accretion of discount or amortisation of premium.

### (d) Functional and presentation currency

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and 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) Unit holders' contribution

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.

### (i) Critical accounting estimates and judgements in applying accounting policies

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

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

In undertaking any of the Fund's 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Critical accounting estimates and judgements in applying accounting policies (continued)

Estimate of fair value of unquoted Sukuk and Islamic commercial papers

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 basis points (“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.

Islamic commercial papers are revalued at least weekly by reference to bid and offer prices quoted by three (3) independent and reputable financial institutions of similar standing at the close of trading.

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
<b>2019</b>			
Cash and cash equivalents (Note 9)	-	137,805,007	137,805,007
Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost	-	472,103,688	472,103,688
Unquoted Sukuk and Islamic commercial papers (Note 8)	509,524,110	-	509,524,110
Amount due from Manager	-	1,161,669	1,161,669
	509,524,110	611,070,364	1,120,594,474
	Financial assets at fair value through profit or loss RM	Financing and receivables RM	Total RM
<b>2018</b>			
Cash and cash equivalents (Note 9)	-	198,384,273	198,384,273
Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost	-	30,006,575	30,006,575
Unquoted Sukuk and Islamic commercial papers (Note 8)	400,836,273	-	400,836,273
Amount due from Manager	-	189,057	189,057
	400,836,273	228,579,905	629,416,178

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

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

The investment objective of the Fund is to provide investors with liquidity and regular income, whilst maintaining capital stability by investing primarily in money market instruments that conform with Shariah principles.

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

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

**(a) Market risk**

**(i) Price risk**

This is the risk that the fair value of a Shariah-compliant investment in unquoted Sukuk and Islamic commercial papers will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of unquoted Sukuk and Islamic commercial papers 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 Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM509,524,110 (2018: RM400,836,273) in unquoted Sukuk and Islamic commercial papers. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

**(ii) Interest rate risk**

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

Although unquoted Sukuk is a non-interest bearing instruments, investors should note that the movement in prices of unquoted Sukuk are correlated to the movement in interest rates. As such, the investments in unquoted Sukuk are exposed to the movement of interest rates. Even though the Fund does not invest in interest bearing instruments, the interest rates referred herein is to the general interest rate of the country, which may affect the value if investment of the Fund. However, it does not in any way suggest that the Fund will invest in conventional financial instruments. All investments carried out for the Fund, including placements 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 and Islamic commercial papers portfolio management depends on forecasting interest rate movements. Prices of unquoted Sukuk and Islamic commercial papers move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted Sukuk and Islamic commercial papers decrease and vice versa. Furthermore, unquoted Sukuk and Islamic commercial papers with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

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

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

% Change in interest rate	Impact on profit or loss/NAV	
	2019 RM	2018 RM
+1%	(75,572)	(77,938)
-1%	<u>75,606</u>	<u>77,978</u>

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

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

	2019 %	2018 %
All Shariah-compliant deposits with licensed Islamic financial institutions	<u>3.39</u>	<u>3.46</u>

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

(b) Credit risk

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

Investment in unquoted Sukuk and Islamic commercial papers 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 Islamic commercial papers 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 and Islamic commercial papers investments must satisfy a minimum rating requirement of at least "BBB3" or "P2" rating by RAM Rating Services Berhad ("RAM Ratings") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country; "BBB-" by Stand & Poor's ("S&P") or equivalent rating by Moody's or Fitch.

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

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

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

	Cash and cash equivalents RM	Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
<b>2019</b>					
A1	-	-	23,234,283	-	23,234,283
A2	-	75,533,151	-	-	75,533,151
AA1	-	-	36,665,408	-	36,665,408
AA2	371	176,450,296	61,207,298	-	237,657,965
AA3	-	-	239,139,363	-	239,139,363
AAA	137,804,636	220,120,241	62,357,098	-	420,281,975
MA-1S	-	-	9,988,640	-	9,988,640
P1	-	-	76,932,020	-	76,932,020
NR	-	-	-	1,161,669	1,161,669
	<u>137,805,007</u>	<u>472,103,688</u>	<u>509,524,110</u>	<u>1,161,669</u>	<u>1,120,594,474</u>

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
<b>2018</b>					
A1	-	10,002,192	15,312,590	-	25,314,782
A3	236,133	10,002,191	-	-	10,238,324
AA-	-	-	115,070,305	-	115,070,305
AA+	-	-	10,073,975	-	10,073,975
AA1	-	-	61,500,286	-	61,500,286
AA2	-	-	47,220,110	-	47,220,110
AA3	-	-	116,413,405	-	116,413,405
AAA	190,323,940	-	25,416,762	-	215,740,702
BBB+	7,824,200	10,002,192	-	-	17,826,392
MA-1S	-	-	9,828,840	-	9,828,840
NR	-	-	-	189,057	189,057
	<u>198,384,273</u>	<u>30,006,575</u>	<u>400,836,273</u>	<u>189,057</u>	<u>629,416,178</u>

All Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 87 days (2018: 30 days).

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

(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.

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

(c) Liquidity risk (continued)

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining year 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
<b>2019</b>			
Amount due to Manager	116,356,478	-	116,356,478
Accrued management fee	461,459	-	461,459
Amount due to Trustee	27,688	-	27,688
Distribution payable	105,842	-	105,842
Other payables and accruals	-	14,700	14,700
<b>Contractual undiscounted cash flows</b>	<u>116,951,467</u>	<u>14,700</u>	<u>116,966,167</u>
<b>2018</b>			
Amount due to dealer	50,886,255	-	50,886,255
Amount due to Manager	57,361	-	57,361
Accrued management fee	153,389	-	153,389
Amount due to Trustee	9,203	-	9,203
Distribution payable	46,610	-	46,610
Other payables and accruals	-	11,999	11,999
<b>Contractual undiscounted cash flows</b>	<u>51,152,818</u>	<u>11,999</u>	<u>51,164,817</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM975,287,420 (2018: RM553,374,270) and retained earnings of RM28,340,887 (2018: RM24,877,091). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

#### (e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) 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.

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2019</b>				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk and Islamic commercial papers	-	509,524,110	-	509,524,110
<b>2018</b>				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk and Islamic commercial papers	-	400,836,273	-	400,836,273

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 and Islamic commercial papers. 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, Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost, amount due from Manager, 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 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 November 2019, the management fee is recognised at a rate of 0.50% per annum (2018: 0.50% per annum).

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

**5. TRUSTEE'S FEE**

In accordance with the Deeds, the Trustee is entitled to a maximum Trustee's fee of 0.03% per annum calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fees (if any).

For the financial year ended 30 November 2019, the Trustee's fee is recognised at a rate of 0.03% per annum (2018: 0.03% per annum).

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

**6. DISTRIBUTIONS**

Distributions to unit holders are derived from the following sources:

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Profit income	35,063,163	13,298,563
Net realised gain/(loss) on disposal of unquoted Sukuk and Islamic commercial papers	111,003	(117,516)
	35,174,166	13,181,047
Less:		
Expenses	(4,760,740)	(237,890)
Net distribution amount	30,413,426	12,943,157
<b>Gross/Net distribution per unit (sen)</b>		
Distribution on 31 December 2018	0.20	-
Distribution on 31 January 2019	0.33	-
Distribution on 28 February 2019	0.35	-
Distribution on 29 March 2019	0.39	-
Distribution on 30 April 2019	0.27	-
Distribution on 31 May 2019	0.31	-
Distribution on 28 June 2019	0.32	-
Distribution on 31 July 2019	0.22	-
Distribution on 30 August 2019	0.18	-
Distribution on 30 September 2019	0.12	-
Distribution on 31 October 2019	0.23	-
Distribution on 29 November 2019	0.34	-
Distribution on 29 December 2017	-	0.38
Distribution on 30 January 2018	-	0.49
Distribution on 28 February 2018	-	0.36
Distribution on 30 March 2018	-	0.38
Distribution on 30 April 2018	-	0.36
Distribution on 31 May 2018	-	0.31
Distribution on 29 June 2018	-	0.37
Distribution on 31 July 2018	-	0.37
Distribution on 30 August 2018	-	0.35
Distribution on 28 September 2018	-	0.34
Distribution on 31 October 2018	-	0.34
Distribution on 30 November 2018	-	0.19
	3.26	4.24

**6. DISTRIBUTIONS (CONTINUED)**

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

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

**7. TAXATION**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>-</u>

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

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Profit before taxation	<u>33,877,222</u>	<u>12,051,369</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	8,130,533	2,892,329
Tax effects of:		
- Investment income not subject to tax	(9,402,498)	(3,324,593)
- Expenses not deductible for tax purposes	4,884	27,165
- Restriction on tax deductible expenses for Unit Trust Funds	<u>1,267,081</u>	<u>405,099</u>
Taxation	<u>-</u>	<u>-</u>

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
At fair value through profit or loss:		
- Unquoted Sukuk	422,603,450	400,836,273
- Islamic commercial papers	<u>86,920,660</u>	<u>-</u>
	<u>509,524,110</u>	<u>400,836,273</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	111,003	(6,182)
- Unrealised fair value gain/(loss)	<u>843,258</u>	<u>(64,517)</u>
	<u>954,261</u>	<u>(70,699)</u>



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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019</b>				
<b>UNQUOTED SUKUK</b>				
Al Dzahab Assets Bhd 4.75% 27/03/2020 (AAA)	20,000,000	20,203,500	20,233,570	2.02
AmBank Islamic Bhd 4.45% 06/03/2020 (AA2)	5,000,000	5,057,831	5,067,325	0.50
BGSM Management Sdn Bhd 6.60% 27/12/2019 (AA3)	19,000,000	19,572,273	19,575,856	1.95
Binariang GSM Sdn Bhd 5.25% 24/12/2020 (AA3)	10,000,000	10,326,241	10,400,684	1.04
DRB-Hicom Bhd 5.35% 08/07/2020 (A1)	12,700,000	13,026,950	13,094,843	1.30
First Resources Ltd 4.35% 05/06/2020 (AA2)	25,000,000	25,565,933	25,634,113	2.55
Gamuda Bhd 4.55% 13/3/2020 (AA3)	5,000,000	5,052,375	5,063,190	0.50
Gamuda Bhd 4.62% 23/04/2021 (AA3)	10,000,000	10,136,898	10,179,432	1.01
Gulf Investment Corporation 5.10% 16/03/2021 (AAA)	8,250,000	8,442,882	8,441,066	0.84
HSBC Amanah Malaysia Bhd 4.24% 27/03/2020 (AAA)	5,000,000	5,050,153	5,052,353	0.50
IJM Corporation Bhd 4.73% 10/04/2020 (AA3)	5,000,000	5,054,340	5,055,043	0.50
Imtiaz Sukuk II Bhd 4.46% 29/05/2020 (AA2)	10,000,000	10,056,393	10,055,844	1.00
Jimah Energy Ventures Sdn Bhd 9.15% 12/05/2020 (AA3)	9,000,000	9,257,037	9,270,235	0.92
Jimah Energy Ventures Sdn Bhd 9.30% 12/05/2020 (AA3)	3,500,000	3,597,416	3,607,640	0.36
Jimah Energy Ventures Sdn Bhd 9.35% 12/05/2020 (AA3)	5,000,000	5,154,519	5,155,003	0.51
Konsortium KAJV Sdn Bhd 5.15% 12/05/2021 (AA3)	350,000	354,555	354,774	0.04
Malakoff Power Bhd 5.05% 17/12/2019 (AA3)	107,000,000	109,518,475	109,548,256	10.92
MMC Corporation Bhd 5.20% 12/11/2020 (AA3)	30,000,000	30,361,464	30,464,306	3.04
Mydin 4.80% 7/5/2020 (AAA)	3,000,000	3,060,344	3,069,570	0.31
National Bank Of Abu Dhabi 4.90% 28/12/2020 (AAA)	10,000,000	10,332,535	10,369,225	1.03

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (CONTINUED)</b>				
<b>UNQUOTED SUKUK (CONTINUED)</b>				
Perbadanan Kemajuan Negeri Selangor 4.85% 29/05/2020 (AA3)	5,000,000	5,033,089	5,034,133	0.50
Projek Lebuhraya Usahasama Bhd 4.22% 10/01/2020 (AAA)	5,000,000	5,085,017	5,086,687	0.51
Quantum Solar Park Green Sri Sukuk 4.91% 6/4/2020 (A1)	5,000,000	5,050,383	5,051,593	0.50
Quantum Solar Park Green Sri Sukuk 5.01% 06/04/2021 (A1)	5,000,000	5,080,668	5,087,847	0.51
Sabah Credit Corporation 4.70% 08/05/2020 (AA1)	13,000,000	13,081,059	13,103,891	1.31
Sabah Credit Corporation 4.41% 18/12/2020 (AA1)	15,000,000	15,305,740	15,425,772	1.54
Tanjung Bin Power Sdn Bhd 4.66% 14/08/2020 (AA2)	20,000,000	20,380,198	20,450,016	2.04
Teknologi Tenaga Perlis Consortium Sdn Bhd 4.51% 31/01/2020 (AA1)	8,000,000	8,126,307	8,135,745	0.81
UEM Sunrise Bhd 4.58% 10/04/2020 (AA3)	20,000,000	20,160,469	20,214,899	2.01
UEM Sunrise Bhd 4.90% 30/06/2021 (AA3)	5,000,000	5,200,697	5,215,912	0.52
Zamarad Assets Bhd 4.55% 27.03.2020 (AAA)	10,000,000	10,081,027	10,104,627	1.01
<b>TOTAL UNQUOTED SUKUK</b>	<b>413,800,000</b>	<b>421,766,768</b>	<b>422,603,450</b>	<b>42.10</b>

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (CONTINUED)</b>				
<b>ISLAMIC COMMERCIAL PAPERS</b>				
Sunway Treasury Sukuk Sdn Bhd 12/12/2019 (MA-1s)	10,000,000	9,990,188	9,988,640	1.00
Aeon Co. M Bhd 31/12/2019 (P1)	25,000,000	24,930,124	24,927,900	2.48
Sabah Credit Corporation 30/04/2020 (P1)	20,000,000	19,711,031	19,711,600	1.96
Sabah Credit Corporation 21/02/2020 (P1)	10,000,000	9,921,262	9,921,520	0.99
Sabah Credit Corporation 24/12/2019 (P1)	10,000,000	9,975,907	9,976,100	0.99
Sabah Credit Corporation 27/02/2020 (P1)	12,500,000	12,394,261	12,394,900	1.25
<b>TOTAL ISLAMIC COMMERCIAL PAPERS</b>	<b>87,500,000</b>	<b>86,922,773</b>	<b>86,920,660</b>	<b>8.67</b>
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>501,300,000</b>	<b>508,689,541</b>	<b>509,524,110</b>	<b>50.77</b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>834,569</b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>509,524,110</b>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2018</b>				
<b>UNQUOTED SUKUK</b>				
AmBank Islamic Bhd 5.05% 25/3/2024 (AA3)	10,000,000	10,121,209	10,120,667	1.75
Bandar Serai Development Sdn Bhd 4.62% 20/11/2019 (AA3)	10,000,000	10,045,735	10,044,858	1.74
Bumitama Agri Ltd 5.25% 18/03/2019 (AA3)	64,500,000	65,348,910	65,379,331	11.31
Celcom Networks Sdn Bhd 3.75% 29/08/2019 (AA+)	10,000,000	10,073,977	10,073,975	1.74
Encorp Systembilt Sdn Bhd 4.62% 18/11/2019 (AA1)	5,000,000	5,029,648	5,030,445	0.87
First Resources Ltd 4.35% 05/06/2020 (AA2)	10,000,000	10,210,521	10,210,421	1.77
Golden Assets International Finance Ltd 5.35% 05/08/2019 (A1)	15,000,000	15,282,257	15,312,590	2.65
Hong Leong Islamic Bank Bhd 4.80% 17/06/2024 (AA1)	5,000,000	5,118,179	5,125,758	0.89
Intiaz Sukuk II Bhd 4.60% 22/03/2019 (AA2)	10,000,000	10,107,619	10,107,619	1.75
Jimah Energy Ventures Sdn Bhd 9.05% 11/12/2019 (AA3)	5,000,000	5,245,926	5,246,620	0.91
Jimah Energy Ventures Sdn Bhd 9.25% 12/11/2019 (AA3)	5,000,000	5,259,280	5,259,280	0.91
Malakoff Power Bhd 4.90% 17/12/2018 (AA-)	33,500,000	34,255,509	34,257,600	5.92
Malakoff Power Bhd 5.05% 17/12/2019 (AA-)	15,000,000	15,444,245	15,473,057	2.68
Maybank Islamic Bhd 4.75% 5/4/2019 (AA1)	10,000,000	10,088,559	10,094,974	1.75
MMC Corporation Bhd 5.20% 12/11/2020 (AA-)	3,000,000	3,021,778	3,021,051	0.52
Nur Power Sdn Bhd 4.20% 26/06/2019 (AAA)	5,000,000	5,094,083	5,095,304	0.88
Perbadanan Kemajuan Negeri Selangor 4.50% 03/12/2018 (AA3)	10,000,000	10,445,165	10,300,000	1.78
Projek Lebuhraya Usahasama Bhd 4.08% 11/01/2019 (AAA)	20,000,000	20,317,333	20,321,458	3.51
Public Islamic Bank Bhd 4.75% 07/06/2024 (AA1)	35,000,000	35,896,682	35,894,378	6.21

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2018 (CONTINUED)</b>				
<b>UNQUOTED SUKUK (CONTINUED)</b>				
RHB Islamic Bank Bhd 4.95% 15/05/2024 (AA3)	5,000,000	5,032,205	5,032,205	0.87
Tanjung Bin Power Sdn Bhd 4.54% 16/08/2019 (AA2)	20,000,000	20,303,023	20,319,981	3.51
Teknologi Tenaga Perlis Consortium Sdn Bhd 4.46% 31/07/2019 (AA1)	5,000,000	5,079,305	5,086,248	0.88
Teknologi Tenaga Perlis 4.51% 31/01/2020 (AA1)	5,000,000	5,091,540	5,093,190	0.88
UEM Edgenta Bhd 26/4/2019 (AA-)	10,000,000	9,823,445	9,828,840	1.70
UEM Sunrise Bhd 4.60% 13/12/2018 (AA-)	30,000,000	30,648,419	30,650,721	5.30
UEM Sunrise Bhd 4.72% 28/06/2019 (AA-)	25,000,000	25,549,540	25,543,596	4.42
UMW Holding Bhd 4.82% 04/10/2019 (AA2)	6,500,000	6,581,587	6,582,090	1.14
UniTapah Sdn Bhd 5.01% 12/06/2019 (AA1)	200,000	205,661	205,736	0.04
WCT Holding Bhd 4.80% 28/12/2018 (AA-)	6,000,000	6,123,622	6,124,280	1.04
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>393,700,000</b>	<b>400,844,962</b>	<b>400,836,273</b>	<b>69.32</b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>(8,689)</b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>400,836,273</b>		

**9. CASH AND CASH EQUIVALENTS**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Short term Shariah-compliant deposits with licensed Islamic financial institutions	137,793,772	198,373,141
Bank balances	<u>11,235</u>	<u>11,132</u>
	<u><u>137,805,007</u></u>	<u><u>198,384,273</u></u>

**10. NUMBER OF UNITS IN CIRCULATION (UNITS)**

	<b>2019</b>	<b>2018</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	536,262,161	231,828,930
Add : Creation of units from applications	853,376,871	645,120,973
Add : Creation of units from distributions	27,351,199	11,319,408
Less : Cancellation of units	<u>(490,016,331)</u>	<u>(352,007,150)</u>
At the end of the financial year	<u><u>926,973,900</u></u>	<u><u>536,262,161</u></u>

**11. MANAGEMENT EXPENSE RATIO (“MER”)**

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
MER	<u><u>0.53</u></u>	<u><u>0.55</u></u>

MER is derived based on 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
- 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 RM994,387,667 (2018: RM328,015,190).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	<u>0.71</u>	<u>1.16</u>

PTR is derived from 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 = RM1,200,834,602 (2018: RM608,258,790)  
 total disposal for the financial year = RM205,268,701 (2018: RM154,061,019)

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 shareholder of the Manager
CIMB Islamic Bank Bhd	Fellow related party to the Manager
CIMB Bank Bhd	Fellow related party to the Manager

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

Units held by the Manager and parties related to the Manager

	<u>No. of units</u>	<u>2019 RM</u>	<u>No. of units</u>	<u>2018 RM</u>
<b>Manager</b>				
Principal Asset Management Berhad ( <i>formerly known as CIMB-Principal Asset Management Berhad</i> )	109,351	118,383	73,896	79,675

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.

	<u>2019 RM</u>	<u>2018 RM</u>
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	978,553	228,053
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	2,008,115,000	821,135,800
<u>Significant related party balances</u>		
Bank balances:		
- CIMB Islamic Bank Bhd	10,863	10,693



14. TRANSACTIONS WITH DEALERS

Details of transactions with the top 10 dealers for the financial year ended 30 November 2019 are as follows:

Dealers	Value of trades RM	Percentage of total trades %
Hong Leong Bank Bhd	241,023,125	17.17
Standard Chartered Bank Bhd	191,125,750	13.61
RHB Bank Bhd	175,497,493	12.50
RHB Investment Bank Bhd	143,300,588	10.21
Alliance Bank Malaysia Bhd	140,842,880	10.03
Kenanga Investment Bank Bhd	86,824,072	6.18
Malayan Banking Bhd	81,516,367	5.81
Hong Leong Investment Bank Bhd	69,040,545	4.92
Affin Hwang Investment Bank Bhd	65,361,700	4.66
Others #	209,553,583	14.91
	<u>1,404,086,103</u>	<u>100.00</u>

Details of transactions with the top 10 dealers for the financial year ended 30 November 2018 are as follows:

Dealers	Value of trades RM	Percentage of total trades %
RHB Investment Bank Bhd	213,264,459	27.98
RHB Bank Bhd	179,391,317	23.53
Hong Leong Bank Bhd	150,369,750	19.73
Hong Leong Investment Bank Bhd	73,291,340	9.61
Alliance Bank Malaysia Bhd	61,473,340	8.06
Standard Chartered Bank Bhd	40,117,500	5.27
Affin Hwang Investment Bank Bhd	15,046,500	1.97
KAF Investment Bank Bhd	10,015,000	1.31
Amlslamic Bank Bhd	9,780,603	1.28
Malayan Banking Bhd	9,570,000	1.26
	<u>762,319,809</u>	<u>100.00</u>

# Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd, fellow related parties to the Manager amounting to RM 50,683,884 (2018: Nil) and RM9,999,000 (2018: Nil). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

**15. MFRS 9 FINANCIAL INSTRUMENTS**

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

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

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclas- sification s	Remeas- u- rements	New (MFRS 9)
			RM	RM	RM	RM
<b>Financial assets</b>						
Cash and cash equivalents	Loans and receivables	Amortised cost	198,384,273	-	-	198,384,273
Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost	Loans and receivables	Amortised cost	30,006,575	-	-	30,006,575
Financial assets at fair value through profit or loss (Shariah-compliant)	FVTPL	FVTPL	400,836,273	-	-	400,836,273
Amount due from Manager	Loans and receivables	Amortised cost	189,057	-	-	189,057
<b>Financial liabilities</b>						
Amount due to dealers	Amortised cost	Amortised cost	50,886,255	-	-	50,886,255
Amount due to Manager	Amortised cost	Amortised cost	57,361	-	-	57,361
Accrued management fee	Amortised cost	Amortised cost	153,389	-	-	153,389
Amount due to Trustee	Amortised cost	Amortised cost	9,203	-	-	9,203
Distribution payable	Amortised cost	Amortised cost	46,610	-	-	46,610
Other payables and accruals	Amortised cost	Amortised cost	11,999	-	-	11,999

**16. SUBSEQUENT EVENTS**

The Fund has changed its name from CIMB Islamic Money Market Fund to Principal Islamic Money Market Fund following the issuance of the Replacement Master Prospectus (Islamic Funds) dated 31 December 2019.

The Manager proposed for the payment of a gross distribution of 0.30 sen per unit in respect of the month of December 2019, which has been approved by the Trustee. The distribution will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 30 November 2019.

**17. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 16 January 2020.

**DIRECTORY**

**Head Office of the Manager**

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**Customer Care Centre**

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**Trustee for the CIMB Islamic Money Market Fund**

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**Shariah Adviser of the CIMB Islamic Money Market Fund**

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**Auditors of the Fund and of the Manager**

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