

# CIMB Islamic Money Market Fund

Unaudited Interim Report

For The Six Months Financial Period Ended 31 May 2019

**CIMB ISLAMIC MONEY MARKET FUND**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MAY 2019**

<b>CONTENTS</b>	<b>PAGE(S)</b>
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 7
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	8
TRUSTEE'S REPORT	9
SHARIAH ADVISER'S REPORT	10 - 11
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	12
UNAUDITED STATEMENT OF FINANCIAL POSITION	13
UNAUDITED STATEMENT OF CHANGES IN EQUITY	14
UNAUDITED STATEMENT OF CASH FLOWS	15
NOTES TO THE FINANCIAL STATEMENTS	16 - 41
DIRECTORY	42

## INVESTORS' LETTER

Dear Valued Investor,

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

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

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

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

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

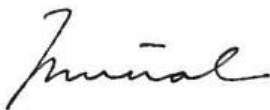
Thank you.

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 period under review, the Fund is in line with its 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 Securities Commission Malaysia ("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 31 May 2019?**

RM1,065.88 million (987.48 million units)

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

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

**Note:** The Fund's benchmark is for performance comparison only. 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 for the Shariah-compliant fixed income portion. Thus, investors are cautioned that the risk profile of the Fund is higher than the benchmark.

**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 six months financial period ended 31 May 2019?**

The Fund distributed a total net income of RM16.37 million to unit holders for the six months financial period ended 31 May 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	1.0814	1.0794
31.01.2019	1.0827	1.0794
28.02.2019	1.0825	1.0790
29.03.2019	1.0821	1.0782
30.04.2019	1.0817	1.0790
31.05.2019	1.0824	1.0793

**PERFORMANCE DATA**

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

	31.05.2019 %	31.05.2018 %	31.05.2017 %
Unquoted Sukuk and Islamic commercial papers	71.34	83.76	76.34
Cash and other net assets	28.66	16.24	23.66
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.05.2019	31.05.2018	31.05.2017
NAV (RM Million)*	1,065.88	399.26	190.62
Units in circulation (Million)	987.48	370.86	175.79
NAV per unit (RM)*	1.0793	1.0765	1.0843

\*Ex-distribution

	01.06.2018 to 31.05.2019	01.06.2017 to 31.05.2018	01.06.2016 to 31.05.2017
Highest NAV per unit (RM)	1.0827	1.0835	1.0872
Lowest NAV per unit (RM)	1.0782	1.0765	1.0795
Total return (%)	1.84	1.71	2.02
- Capital growth (%)	0.10	(0.40)	0.41
- Income distribution (%)	1.74	2.12	1.60
Management Expense Ratio ("MER") (%) ^	0.27	0.28	0.29
Portfolio Turnover Ratio ("PTR") (times) #	0.52	0.75	0.62

^ The Fund's MER decreased from 0.28% to 0.27% due to increase in average NAV during the financial period under review.

# The Fund's PTR decreased from 0.75 times to 0.52 times due to increase in average NAV during the financial period under review.

**PERFORMANCE DATA (CONTINUED)**

	<b>01.06.2018 to 31.05.2019</b>	<b>01.06.2017 to 31.05.2018</b>	<b>01.06.2016 to 31.05.2017</b>		
<b>Date of distribution</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 2018	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 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 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	
	<b>31.05.2019</b>	<b>31.05.2018</b>	<b>31.05.2017</b>	<b>31.05.2016</b>	<b>31.05.2015</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Annual total return	3.87	3.53	3.58	3.43	3.24

(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 period have been extracted from Lipper.

**MARKET REVIEW (1 DECEMBER 2018 TO 31 MAY 2019)**

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% y-o-y respectively for the months of January 2019 and February 2019. The decline was mainly due to the the drop in the CPI's transport component due to cheaper fuel. In the month of April 2019, inflation inched up by 0.2% y-o-y matching the same pace in March 2019. Generally, apart from the cost of transport which declined by 2.6% in April 2019, the other segments registered stable inflation or saw moderation during the month.

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 are some signs of tightening of financial conditions. The adjustment to the OPR is therefore intended to preserve the degree of monetary accommodativeness. BNM also announced that it was taking several development initiatives to improve domestic foreign exchange ("FX") and bond market liquidity, likely in response to Financial Times Stock Exchange ("FTSE") Russell's action last month and in line with the regulator's intention to continuously broaden and deepen the onshore financial markets. The initiatives include measures to enhance bond market liquidity and FX market accessibility and liquidity.

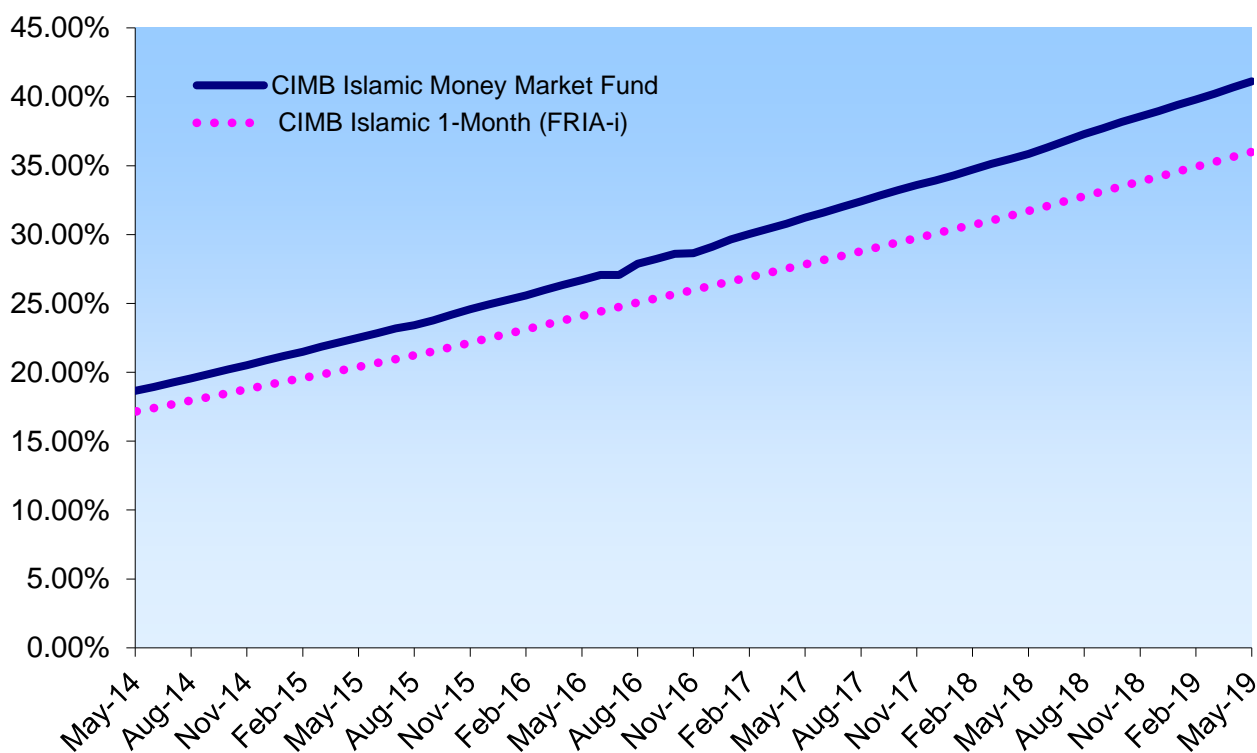
**MARKET REVIEW (1 DECEMBER 2018 TO 31 MAY 2019) (CONTINUED)**

In the 2018 BNM Annual Report, the Central Bank downgraded 2019 growth to between 4.3% to 4.8% (2018: 4.7%), below Ministry of Finance’s (“MoF”) forecast of 4.9% in October 2018. 2019 headline CPI forecast also revised down to between 0.7% to 1.7% (2.5% to 3.5% during Budget 2019 projection) given the lower oil prices and price ceiling mechanism on domestic retail fuel prices.

**FUND PERFORMANCE**

	<b>6 months to 31.05.2019</b>	<b>1 year to 31.05.2019</b>	<b>3 years to 31.05.2019</b>	<b>5 years to 31.05.2019</b>	<b>Since inception to 31.05.2018</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income	1.74	3.60	11.32	16.97	30.73
Capital	0.10	0.26	0.06	1.69	7.94
Total Return	1.84	3.87	11.38	18.93	41.12
Benchmark	1.60	3.25	9.59	16.09	36.00
Average Total Return	N/A	3.87	3.66	3.53	3.12

As at 31 May 2019, the total returns for 6 months, 1 year, 3 years, 5 years and since inception stood at 1.84%, 3.87%, 11.38%, 18.93% and 41.12% respectively, which outperformed the benchmark for the respective periods.





**FUND PERFORMANCE (CONTINUED)**

**Changes in NAV**

	<b>31.05.2019</b>	<b>30.11.2018</b> <b>Audited</b>	<b>Changes</b> <b>%</b>
NAV (RM Million)*	1,065.88	578.25	84.33
NAV/Unit (RM)*	1.0793	1.0782	0.10

\*Ex-distribution

The Fund's NAV increased by 84.33% from RM578.25 million as at 30 November 2018 to RM1,065.88 million as at 31 May 2019. Meanwhile, the NAV per unit increased by 0.10% from RM1.0782 per unit to RM1.0793 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 period have been extracted from Lipper.

**PORTFOLIO STRUCTURE**

**Asset allocation**

<b>(% of NAV)</b>	<b>31.05.2019</b>	<b>30.11.2018</b> <b>Audited</b>
Unquoted Sukuk and Islamic commercial papers	71.34	69.32
Cash and other net assets	28.66	30.68
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

As at 31 May 2019, the Fund was 71.34% invested in unquoted Sukuk with the remaining 28.66% in cash and other net assets.

**MARKET OUTLOOK\***

On 7 May 2019, the MPC cut the OPR by 0.25% to 3.00% as widely anticipated by the market. Overall, we expect the Central Bank to maintain OPR at 3.00% for the remainder of the year barring any unforeseen major changes in the market or the trade war worsens significantly.

The domestic bond market is expected to stay range bound as no major catalyst is expected for a while following the recent rate cut seen at the MPC meeting held on 7 May 2019 as well as the lack of primary issuances combined with ample domestic liquidity in the market will help to absorb foreign selling. At time of writing however, we are seeing market rallying with mixed buying seen on the back of lower global growth expectations and the possibility of more rate cuts.

We continue to see some volatility arising from the unresolved trade war between the two biggest global economies. We believe risks to the global growth outlook remain tilted on the downside on the back of trade tensions and monetary policy normalisation in advanced economies.

\*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 maintain overweight on selective corporate bonds with strong fundamentals.

**UNIT HOLDINGS STATISTICS**

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

<b>Size of unit holdings (units)</b>	<b>No. of unit holders</b>	<b>No. of units held (million)</b>	<b>% of units held</b>
5,000 and below	15,081	0.03	0.00
5,001-10,000	98	0.79	0.08
10,001-50,000	1,189	29.31	2.97
50,001-500,000	474	54.51	5.52
500,001 and above	33	902.84	91.43
<b>Total</b>	<b>16,875</b>	<b>987.48</b>	<b>100.00</b>

**SOFT COMMISSIONS AND REBATES**

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

During the financial period under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft 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 unaudited financial statements set out on pages 12 to 41 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 May 2019 of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

For and on behalf of the Manager

**Principal Asset Management Berhad (Company No.: 304078-K)**

*(formerly known as CIMB-Principal Asset Management Berhad)*

**MUNIRAH KHAIRUDDIN**

Chief Executive Officer/Executive Director

**JUAN IGNACIO EYZAGUIRRE BARAONA**

Director

Kuala Lumpur

16 July 2019

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF  
CIMB ISLAMIC 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 (the "Manager"), has managed the Fund for the six months financial period ended 31 May 2019 in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager 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 1.85 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  
16 July 2019

**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 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 31 May 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 Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM), where applicable. For securities and/or instruments which are not classified as Shariah-compliant by the SAC of the SC and/or SAC of BNM, we have determined that such securities and/or instruments are in accordance with Shariah principles and have complied with the applicable Shariah Guidelines.

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

For **Amanie Advisors Sdn Bhd**,

**DATUK DR MOHD DAUD BAKAR**  
Executive Chairman

16 July 2019

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MAY 2019**

	<b>Note</b>	<b>01.12.2018 to 31.05.2019 RM</b>	<b>01.12.2017 to 31.05.2018 RM</b>
<b>INCOME</b>			
Profit income from unquoted Sukuk and Islamic commercial papers		19,760,545	5,394,950
Profit income from deposits with licensed financial institutions and Hibah earned		3,891,000	601,068
Net loss on financial assets at fair value through profit or loss	<b>8</b>	<u>(5,188,099)</u>	<u>(214,281)</u>
		<u>18,463,446</u>	<u>5,781,737</u>
<b>EXPENSES</b>			
Management fee	<b>4</b>	2,195,387	726,254
Trustee's fee	<b>5</b>	131,724	43,575
Audit fee		5,650	3,790
Tax agent's fee		2,500	4,600
Other expenses		<u>5,403</u>	<u>47,378</u>
		<u>2,340,664</u>	<u>825,597</u>
<b>PROFIT BEFORE TAXATION</b>		16,122,782	4,956,140
Taxation	<b>7</b>	<u>-</u>	<u>-</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u>16,122,782</u>	<u>4,956,140</u>
Profit after taxation is made up as follows:			
Realised amount		20,828,268	4,974,744
Unrealised amount		<u>(4,706,486)</u>	<u>(18,604)</u>
		<u>16,122,782</u>	<u>4,9656,140</u>

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

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

		<b>31.05.2019</b>	<b>30.11.2018</b>
	<b>Note</b>	<b>RM</b>	<b>Audited RM</b>
<b>ASSETS</b>			
Cash and cash equivalents (Shariah-compliant)	<b>9</b>	336,771,687	228,390,848
Financial assets at fair value through profit or loss (Shariah-compliant)	<b>8</b>	760,344,617	400,836,273
Amount due from Manager		320,048	189,057
<b>TOTAL ASSETS</b>		<u>1,097,436,352</u>	<u>629,416,178</u>
<b>LIABILITIES</b>			
Amount due to dealers		30,693,979	50,886,255
Amount due to Manager		296,269	57,361
Accrued management fee		451,734	153,389
Amount due to Trustee		27,104	9,203
Distribution payable		80,182	46,610
Other payables and accruals		11,820	11,999
<b>TOTAL LIABILITIES</b>		<u>31,561,088</u>	<u>51,164,817</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>1,065,875,264</u>	<u>578,251,361</u>
<b>EQUITY</b>			
Unit holders' capital		1,041,245,202	553,374,270
Retained earnings		24,630,062	24,877,091
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>1,065,875,264</u>	<u>578,251,361</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>10</b>	<u>987,480,051</u>	<u>536,262,161</u>
<b>NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)</b>		<u>1.0793</u>	<u>1.0782</u>

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



**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MAY 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		751,303,962	-	751,303,962
- Creation of units from distribution		15,900,484	-	15,900,484
- Cancellation of units		(279,333,514)	-	(279,333,514)
Total comprehensive income for the financial period		-	16,122,782	16,122,782
Distribution for the financial period	6	-	(16,369,811)	(16,369,811)
<b>Balance as at 31 May 2019</b>		<u>1,041,245,202</u>	<u>24,630,062</u>	<u>1,065,875,264</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		350,066,203	-	350,066,203
- Creation of units from distribution		5,874,209	-	5,874,209
- Cancellation of units		(206,003,715)	-	(206,003,715)
Total comprehensive income for the financial period		-	4,956,140	4,956,140
Distribution for the financial period	6	-	(6,228,381)	(6,228,381)
<b>Balance as at 31 May 2018</b>		<u>374,763,465</u>	<u>24,496,638</u>	<u>399,260,103</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MAY 2019**

	<b>01.12.2018 to 31.05.2019</b>	<b>01.12.2017 to 31.05.2018</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Purchase of unquoted Sukuk and Islamic commercial papers	(795,013,404)	(302,791,071)
Proceeds from disposal of unquoted Sukuk and Islamic commercial papers	160,562,630	106,818,682
Proceeds from redemption of unquoted Sukuk and Islamic commercial papers	252,500,000	93,000,000
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah received	3,891,000	601,068
Profit income received from unquoted Sukuk and Islamic commercial papers	16,822,600	4,678,502
Management fee paid	(1,897,042)	(692,149)
Trustee's fee paid	(113,823)	(41,529)
Payments for other fees and expenses	(13,732)	(64,964)
<b>Net cash used in operating activities</b>	<b>(363,261,771)</b>	<b>(98,491,461)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	751,172,971	350,205,120
Payments for cancellation of units	(279,094,606)	(206,658,808)
Distributions paid	(435,755)	(344,156)
<b>Net cash generated from/(used in) financing activities</b>	<b>471,642,610</b>	<b>(143,202,156)</b>
Net increase in cash and cash equivalents	108,380,839	44,710,695
Cash and cash equivalents at the beginning of the financial period	228,390,848	47,708,071
Cash and cash equivalents at the end of the financial period	<b>336,771,687</b>	<b>92,418,766</b>
<u>Cash and cash equivalents comprised of:</u>		
Shariah-compliant deposits with licensed Islamic financial institutions	336,713,383	92,299,076
Bank balances	58,304	119,690
Cash and cash equivalents at the end of the financial period	<b>336,771,687</b>	<b>92,418,766</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MAY 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”) between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) 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 International Financial Reporting Standards (“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 period.

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(k).

#### Standard that is effective:

The Fund has applied the following standard for the first time for the financial period 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 solely represent 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).

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

### (b) Financial assets and financial liabilities

#### Classification

Up to 30 November 2018, the Fund designates its 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, 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 classify its financial assets in the following measurement categories:

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

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

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

The contractual cash flows of the Fund's debt securities are solely principal and profit. 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, 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 other financial liabilities measured at amortised cost.

Recognition and measurement

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

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 with net gain or loss on financial assets at fair value through profit or loss in the financial period 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(k) for further explanation.

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

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.

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

Financial assets at amortised cost (30.11.2018: 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 period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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 consider both historical analysis and forward looking information in determining any ECL. The Manager consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month 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 period.

**(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 reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective profit rate of the instrument, and continue unwinding the discount as 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 period.

**(g) Distribution**

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

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

Amounts due from/to dealers represent receivables for unquoted Sukuk sold and payables for unquoted Sukuk purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from dealers balance is held for collection.

These amounts are recognised initially at fair value and, up to 31 May 2018, subsequently measured at amortised cost using the effective profit method, less provision for impairment for amounts due from dealers. A provision for impairment of amounts due from dealers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant dealer. Significant financial difficulties of the dealer, probability that the dealer will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from dealers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, profit income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss. From 1 December 2018, these amounts are subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from dealer at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the dealer, probability that the dealer will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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

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

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

### (i) Unit holders' capital

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

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

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

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

### (j) Segment information

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

### (k) 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.

#### Estimate of fair value of unquoted Sukuk and Islamic commercial papers

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

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

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. RISK MANAGEMENT OBJECTIVES AND POLICIES

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 profit rate fluctuation in relation to its investments of RM760,344,617 (30.11.2018: 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 profit 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 profit 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 profit rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future profit rate trend of the Manager, which is based on its continuous fundamental research and analysis.

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

This risk is crucial since unquoted Sukuk and Islamic commercial papers portfolio management depends on forecasting profit rate movements. Prices of unquoted Sukuk and Islamic commercial papers move inversely to profit rate movements, therefore as profit 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 profit rate movements.

**3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(a) Market risk (continued)****(ii) Interest rate risk (continued)**

Such investments may be subject to unanticipated rise in profit 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 profit rates may therefore increase the potential for default by an issuer.

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 profit rate.

**(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 of issuance; "BBB-" by Standard & 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.

**3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(c) Liquidity risk**

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

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

**(d) Capital risk management**

The capital of the Fund is represented by equity consisting of unit holders' capital of RM1,041,245,202 (30.11.2018: RM553,374,270) and retained earnings of RM24,630,062 (30.11.2018: 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.

**(e) Fair value estimation**

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded 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.

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

## (e) Fair value estimation (continued)

(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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>31.05.2019</b>				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk and Islamic Commercial papers	-	760,344,617	-	760,344,617
	<u>-</u>	<u>760,344,617</u>	<u>-</u>	<u>760,344,617</u>
<b>30.11.2018</b>				
<b>Audited</b>				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk and Islamic Commercial papers	-	400,836,273	-	400,836,273
	<u>-</u>	<u>400,836,273</u>	<u>-</u>	<u>400,836,273</u>

**3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(e) Fair value estimation (continued)****(i) Fair value hierarchy (continued)**

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes unquoted Sukuk 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, 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 six months financial period ended 31 May 2019, the management fee is recognised at a rate of 0.50% per annum (31.05.2018: 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 six months financial period ended 31 May 2019, the Trustee's fee is recognised at a rate of 0.03% per annum (31.05.2018 : 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>01.12.2018 to 31.05.2019</b>	<b>01.12.2017 to 31.05.2018</b>
	<b>RM</b>	<b>RM</b>
Profit income	1,980,412	6,270,387
Net realised loss from disposal of financial assets at fair value through profit or loss	2,477	-
Prior financial period's realised income	14,924,008	-
	<u>16,906,897</u>	<u>6,270,387</u>
Less:		
Expenses	<u>(537,086)</u>	<u>(42,006)</u>
Net distribution amount	<u>16,369,811</u>	<u>6,228,381</u>

**Gross/Net distribution per unit (sen)**

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 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

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

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

During the six months financial period ended 31 May 2019, the Fund incurred unrealised losses of RM4,706,486 (31.05.2018: RM18,604).

**7. TAXATION**

	<b>01.12.2018 to 31.05.2019</b>	<b>01.12.2017 to 31.05.2018</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>



**7. TAXATION (CONTINUED)**

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>01.12.2018 to 31.05.2019 RM</b>	<b>01.12.2017 to 31.05.2018 RM</b>
Profit before taxation	<u>16,122,782</u>	<u>4,956,140</u>
Taxation at Malaysian statutory rate of 24% (31.05.2018: 24%)	3,869,468	1,189,474
Tax effects of:		
- Investment income not subject to tax	(4,431,227)	(1,387,617)
- Expenses not deductible for tax purposes	32,544	12,616
- Restriction on tax deductible expenses for Unit Trust Funds	<u>529,215</u>	<u>185,527</u>
Taxation	<u>-</u>	<u>-</u>

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>31.05.2019 RM</b>	<b>30.11.2018 Audited RM</b>
Designated at fair value through profit or loss at inception:		
- Unquoted Sukuk	<u>760,344,617</u>	<u>400,836,273</u>
	<b>01.12.2018 to 31.05.2019 RM</b>	<b>01.12.2017 to 31.05.2018 RM</b>
Net loss on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(6,261,002)	(10,548)
- Unrealised fair value gain/(loss)	<u>1,072,903</u>	<u>(203,733)</u>
	<u>(5,188,099)</u>	<u>(214,281)</u>

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>31.05.2019</b>				
<b>UNQUOTED SUKUK</b>				
Al Dzahab Assets Bhd 4.75% 27/03/2020 (AAA)	17,500,000	17,730,683	17,748,128	1.67
Al Dzahab Assets Bhd 5.00% 21/06/2019 (AAA)	5,000,000	5,113,208	5,113,559	0.48
AmBank Islamic Bank Bhd 4.450% 06/03/2020 (AA2)	5,000,000	5,069,093	5,076,734	0.48
Bandar Serai Development Sdn Bhd 4.62% 20/11/2019 (AA3)	20,000,000	20,061,022	20,093,247	1.89
BGSM Management Sdn Bhd 6.60% 27/12/2019 (AA3)	17,000,000	17,717,820	17,734,696	1.66
Binariang GSM Sdn Bhd 5.25% 24/12/2020 (AA3)	10,000,000	10,371,340	10,404,345	0.98
Bumitama Agri Ltd 5.00% 02/09/2019 (AA3)	60,000,000	60,827,756	60,869,507	5.71
Celcom Networks Sdn Bhd 3.75% 29/08/2019 (AA1)	72,500,000	73,166,462	73,205,652	6.87
Encorp Systembilt Sdn Bhd 4.62% 18/11/2019 (AA1)	5,000,000	5,017,696	5,028,212	0.47
First Resources Ltd 4.35% 05/06/2020 (AA2)	15,000,000	15,312,940	15,366,968	1.44
Gamuda Bhd 4.55% 13/03/2020 (AA3)	5,000,000	5,058,979	5,070,613	0.48
Gas Malaysia Sdn Bhd 4.15% 01/11/2019 (AAA)	5,000,000	5,022,015	5,025,358	0.47
Golden Assets International Finance Ltd 5.35% 05/08/2019 (A1)	30,500,000	31,032,202	31,071,862	2.92
Hong Leong Islamic Bank Bhd 4.80% 17/06/2024 (AA1)	5,000,000	5,110,851	5,111,401	0.48
HSBC Amanah Malaysia Bhd 4.22%. 16/10/2019 (AAA)	5,000,000	5,035,695	5,039,392	0.47
Imtiaz Sukuk Bhd 4.50% 22/11/2019 (AA2)	3,000,000	3,009,518	3,012,799	0.28
Jimah Energy Ventures Sdn Bhd 9.05% 12/11/2019 (AA3)	10,000,000	10,260,258	10,274,681	0.96
Jimah Energy Ventures Sdn Bhd 9.25% 12/11/2019 (AA3)	8,000,000	8,217,956	8,227,455	0.77

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>31.05.2019 (CONTINUED)</b>				
<b>UNQUOTED SUKUK</b>				
<b>(CONTINUED)</b>				
Jimah Energy Ventures Sdn Bhd 9.30% 12/05/2020 (AA3)	3,500,000	3,685,791	3,690,988	0.35
Johor Corp Group 3.68% 14/06/2019 (NR)	5,000,000	5,085,457	5,085,795	0.48
Kesas Sdn Bhd 4.47% 10/10/2019 (AA2)	5,000,000	5,040,104	5,045,041	0.47
Malakoff Power Bhd 5.05% 17/12/2019 (AA3)	92,000,000	94,583,897	94,716,510	8.89
Manjung Island Energy Bhd 4.10% 25/11/2019 (AAA)	5,000,000	5,011,593	5,016,658	0.47
MMC Corporation Bhd 5.20% 12/11/2020 (AA3)	8,000,000	8,055,167	8,083,575	0.76
Mydin Mohamed Holdings Bhd 4.80% 07/05/2020 (AAA)	3,000,000	3,063,004	3,071,365	0.29
National Bank of Abu Dhabi 4.90% 28/12/2020 (AAA)	5,000,000	5,168,508	5,184,641	0.49
Nur Power Sdn Bhd 4.20% 26/06/2019 (AAA)	10,000,000	10,181,476	10,184,158	0.96
Nur Power Sdn Bhd 4.30% 26/06/2020 (AAA)	2,000,000	2,043,125	2,046,332	0.19
Projek Lebuhraya Usahasama Bhd 4.22% 10/01/2020 (AAA)	5,000,000	5,096,702	5,096,575	0.48
Public Islamic Bank Bhd 4.75% 07/06/2024 (AA1)	62,000,000	63,404,995	63,411,349	5.95
Sabah Credit Corp 4.70% 08/05/2020 (AA1)	10,000,000	10,092,700	10,093,504	0.95
Sabah Credit Corp 4.78% 08/10/2019 (AA1)	5,000,000	5,046,794	5,050,209	0.47
Sabah Credit Corp 4.41% 18/12/2020 (AA1)	15,000,000	15,308,005	15,359,759	1.44
Sarawak Energy Bhd 4.50% 04/07/2019 (AA1)	35,000,000	35,654,943	35,665,580	3.35
Tanjung Bin Power Sdn Bhd 4.54% 16/08/2019 (AA2)	35,500,000	35,978,667	36,000,248	3.38
Tanjung Bin Power Sdn Bhd 4.66% 14/08/2020 (AA2)	15,000,000	15,260,332	15,313,052	1.44
Teknologi Tenaga Perlis Consortium Sdn Bhd 4.46% 31/07/2019 (AA1)	15,000,000	15,229,601	15,237,678	1.43

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>31.05.2019 (CONTINUED)</b>				
<b>UNQUOTED SUKUK (CONTINUED)</b>				
Teknologi Tenaga Perlis Consortium Sdn Bhd 4.51% 31/01/2020 (AA1)	8,000,000	8,139,557	8,153,928	0.76
UEM Sunrise Bhd 4.58% 10/04/2020 (AA3)	15,000,000	15,119,996	15,169,124	1.42
UEM Sunrise Bhd 4.72% 28/06/2019 (AA3)	55,000,000	56,098,329	56,112,974	5.26
UMW Holdings Bhd 4.82% 04/10/2019 (AA2)	23,500,000	23,734,146	23,765,531	2.22
UniTapah Sdn Bhd 5.01% 12/06/2019 (AA1)	200,000	204,746	204,760	0.02
Zamarad Assets Bhd 4.55% 27/03/2020 (AAA)	10,000,000	10,082,274	10,110,674	0.94
<b>TOTAL UNQUOTED SUKUK</b>	<b><u>746,200,000</u></b>	<b><u>759,505,403</u></b>	<b><u>760,344,617</u></b>	<b><u>71.34</u></b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>839,214</u></b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>760,344,617</u></b>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.11.2018</b>				
<b>Audited</b>				
<b>UNQUOTED SUKUK</b>				
AmBank Islamic Bhd 5.05% 25/03/2024 (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 (AA1)	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
Imtiaz 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 (AA3)	33,500,000	34,255,509	34,257,600	5.92
Malakoff Power Bhd 5.05% 17/12/2019 (AA3)	15,000,000	15,444,245	15,473,057	2.68
Maybank Islamic Bhd 4.75% 05/04/2019 (AA1)	10,000,000	10,088,559	10,094,974	1.75
MMC Corporation Bhd 5.20% 12/11/2020 (AA3)	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	10,470,165	10,100,000	1.77
Projek Lebuh raya 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 (CONTINUED)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.11.2018 (CONTINUED)</b>				
<b>Audited (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 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 365D 26/04/2019 (AA3)	10,000,000	9,823,445	9,828,840	1.70
UEM Sunrise Bhd 4.60% 13/12/2018 (AA3)	30,000,000	30,648,419	30,650,721	5.30
UEM Sunrise Bhd 4.72% 28/06/2019 (AA3)	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 (AA3)	6,000,000	6,123,622	6,124,280	1.04
<b>TOTAL UNQUOTED SUKUK</b>	<b><u>393,700,000</u></b>	<b><u>400,844,962</u></b>	<b><u>400,836,273</u></b>	<b><u>69.28</u></b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>(233,689)</u></b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>400,836,273</u></b>		

9. CASH AND CASH EQUIVALENTS

	31.05.2019	30.11.2018
	RM	Audited RM
Shariah-compliant deposits with licensed Islamic financial institutions	336,713,383	228,379,716
Bank balances	58,304	11,132
	<u>336,771,687</u>	<u>228,390,848</u>

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

	31.05.2019	30.11.2018
	%	Audited %
Shariah-compliant deposits with licensed Islamic financial institutions	<u>3.41</u>	<u>3.46</u>

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 43 days (30.11.2018: 30 days).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.12.2018 to 31.05.2019	01.12.2017 to 30.11.2018
	No. of units	Audited No. of units
At the beginning of the financial period/year	536,262,161	231,828,930
Add : Creation of units from applications	695,220,487	645,120,973
Add : Creation of units from distributions	14,736,752	11,319,408
Less : Cancellation of units	(258,739,349)	(352,007,150)
At the end of the financial period/year	<u>987,480,051</u>	<u>536,262,161</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.12.2018 to 31.05.2019	01.12.2017 to 31.05.2018
	%	%
MER	<u>0.27</u>	<u>0.28</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 period calculated on a daily basis is RM883,033,043 (31.05.2018: RM292,047,149).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.12.2018 to 31.05.2019	01.12.2017 to 31.05.2018
PTR (times)	<u>0.52</u>	<u>0.75</u>

PTR is derived from the following calculation:

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

where:

total acquisition for the financial period = RM767,328,470 (31.05.2018: RM330,194,823)

total disposal for the financial period = RM157,565,000 (31.05.2018: RM106,818,682)

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

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

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



**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

	31.05.2019		30.11.2018 Audited	
	No. of units	RM	No. of units	RM
<b>Manager</b>				
Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad)	65,693	70,902	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.

	01.12.2018 to 31.05.2019 RM	01.12.2017 to 31.05.2018 RM
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	496,848	120,359
Cash placements with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	838,389,000	471,036,000
	<b>31.05.2019</b>	<b>30.11.2018 Audited</b>
<u>Significant related party balances</u>		
Shariah-compliance deposits with licensed financial institutions:		
- CIMB Islamic Bank Bhd	33,701,938	-
Bank balances:		
- CIMB Islamic Bank Bhd	57,915	236,132

14. TRANSACTIONS WITH DEALERS

Details of transactions with the top 10 dealers for the six months financial period ended 31 May 2019 are as follows:

Brokers/Dealers	Value of trades	Percentage of total trades
	RM	%
Hong Leong Bank Bhd	180,183,625	20.84
RHB Investment Bank Bhd	120,710,360	13.96
Alliance Bank Malaysia Bhd	119,631,820	13.83
RHB Bank Bhd	113,808,840	13.16
Standard Chartered Bank Malaysia Bhd	100,656,250	11.64
Hong Leong Investment Bank Bhd	63,968,695	7.40
Bank Islam Malaysia Bhd	52,439,500	6.06
Affin Hwang Investment Bank Bhd	30,035,500	3.47
Malayan Banking Bhd	30,035,500	3.47
Kenanga Investment Bank Bhd	26,907,880	3.11
Others #	26,412,500	3.06
	<u>864,790,470</u>	<u>100.00</u>

Details of transactions with the top 10 dealers for the six months financial period ended 31 May 2018 are as follows:

Brokers/Dealers	Value of trades	Percentage of total trades
	RM	%
RHB Bank Bhd	125,375,020	28.69
RHB Investment Bank Bhd	124,120,932	28.40
Hong Leong Bank Bhd	70,213,500	16.07
Hong Leong Investment Bank Bhd	37,727,450	8.63
Alliance Bank Malaysia Bhd	30,159,000	6.90
Standard Chartered Bank Malaysia Bhd	20,052,000	4.59
KAF Investment Bank Bhd	10,015,000	2.29
Amlslamic Bank Bhd	9,780,603	2.24
Malayan Banking Bhd	9,570,000	2.19
	<u>437,013,505</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 RM25,008,500 (31.05.2018: Nil) and RM9,999,000 (31.05.2018: Nil) respectively. 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 party.

**15. SEGMENT INFORMATION**

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

The investment objective of the Fund is to provide investors with liquidity and regular income, whilst maintaining capital stability by investing primarily in money market instruments that conform with Shariah principles. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of profit income earned from Shariah-compliant investments and gains on the appreciation in the value of Shariah-compliant investments, which are derived from Ringgit-denominated Shariah-compliant deposits with licensed Islamic financial institutions, unquoted Sukuk and Islamic commercial papers traded in Malaysia.

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

**16. MFRS 9 FINANCIAL INSTRUMENTS**

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

## 16. MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassifi cations	Remeasu -rements	New (MFRS 9)
			RM	RM	RM	RM
<b>Assets</b>						
Cash and cash equivalents	Financing and receivables	Amortised cost	228,390,848	-	-	228,390,848
Unquoted Sukuk	FVTPL	FVTPL	400,836,273	-	-	400,836,273
Amount due from Manager	Financing and receivables	Amortised cost	189,057			189,057
<b>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
Other payables and accruals	Amortised cost	Amortised cost	11,999	-	-	11,999

## DIRECTORY

### Head office of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)  
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