

CIMB Islamic PRS Plus Conservative

Annual Report

For The Financial Year Ended 31 August 2019

CIMB ISLAMIC PRS PLUS CONSERVATIVE
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019

| CONTENTS | PAGE(S) |
|---|----------------|
| MEMBERS' LETTER | 1 |
| SHARIAH ADVISER'S REPORT | 2 - 3 |
| STATEMENT BY THE PRS PROVIDER | 4 |
| TRUSTEE'S REPORT | 5 |
| INDEPENDENT AUDITORS' REPORT | 6 - 9 |
| PRS PROVIDER'S REPORT | 10 - 19 |
| Fund Objective and Policy | |
| Performance Data | |
| Market Review | |
| Fund Performance | |
| Portfolio Structure | |
| Market Outlook | |
| Investment Strategy | |
| Members Statistics | |
| Soft Commissions and Rebates | |
| STATEMENT OF COMPREHENSIVE INCOME | 20 |
| STATEMENT OF FINANCIAL POSITION | 21 |
| STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS | 22 |
| STATEMENT OF CASH FLOWS | 23 |
| NOTES TO THE FINANCIAL STATEMENTS | 24 - 56 |
| DIRECTORY | 57 |

MEMBERS' LETTER

Dear Valued Members,

We have recently announced through the media our collaboration with the Employee Provident Fund ("EPF") that consumers can now invest in our Unit Trust Funds at 0% sales fee*, as part of our offering for the EPF's newly launched i-Invest online platform within the i-Akaun (Member) portal facility.

The online facility enables EPF i-Akaun members to invest in Unit Trust Funds using their EPF savings without needing to complete and submit physical forms and enables them to perform various transactions including purchase, redeem and switch funds - anytime, anywhere.

In today's era of dynamic change, there is a growing need to accommodate the emergence of more tech savvy investors. We're glad to have the opportunity to partner with the EPF and are excited to bring our global experience and expertise to make saving for retirement faster and easier for those who prefer to manage their money, their way. The Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) ("Principal Malaysia") online platform is just one more tool we offer to help you save enough and have enough in retirement and complements our other methods of investing. To find out more on how you can maximise your retirement savings, please visit <https://www.principal.com.my/en/unit-trust-investment-through-epf-i-akaun-investment>.

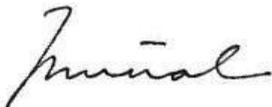
Effective 1 April 2019, we have appointed Amanie Advisors Sdn Bhd ("Amanie") as our new Shariah advisor. Amanie is a Shariah advisory, consultancy, training and research and development boutique for institutional and corporate clientele focusing on Islamic financial services. It is a registered Shariah 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.

As of August 2019, our Assets under Management ("AUM") stood at RM56.5 billion. Going forward we will be launching a new global Fund with a unique combination that will help cushion the impact of any unforeseen eventualities. We look forward to introducing it to you.

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

Thank you.

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



Munirah Khairuddin
Chief Executive Officer

*The 0% sales fee is subject to change

**SHARIAH ADVISER'S REPORT TO THE MEMBERS OF
CIMB ISLAMIC PRS PLUS CONSERVATIVE**

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

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

In our opinion, the PRS Provider 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 September 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 rulings of the Shariah adviser and Shariah Investment Guidelines of the Fund.

This report is made solely to the members 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 PRS Provider.

For and on behalf of Shariah Adviser
CIMB Islamic Bank Berhad (Company No.: 671380-H)

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 MEMBERS OF
CIMB ISLAMIC PRS PLUS CONSERVATIVE**

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

We have acted as the Shariah Adviser of CIMB Islamic PRS Plus Conservative ("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 "PRS Provider") are in accordance with Shariah principles.

In our opinion, the PRS Provider 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 members 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 PRS Provider.

For **Amanie Advisors Sdn Bhd**,

DATUK DR MOHD DAUD BAKAR
Executive Chairman

17 October 2019

**STATEMENT BY THE PRS PROVIDER TO THE MEMBERS OF
CIMB ISLAMIC PRS PLUS CONSERVATIVE**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "PRS Provider"), do hereby state that, in the opinion of the PRS Provider, the accompanying audited financial statements set out on pages 20 to 56 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the statement of financial position of the Fund as at 31 August 2019 and of its financial performance, changes in net assets attributable to members and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

For and on behalf of the PRS Provider
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
17 October 2019

**TRUSTEE'S REPORT TO THE MEMBERS OF
CIMB ISLAMIC PRS PLUS CONSERVATIVE**

We have acted as Trustee for CIMB Islamic PRS Plus Conservative (the "Fund") for the financial year ended 31 August 2019. To the best of our knowledge, for the financial year under review, Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "PRS Provider") has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the PRS Provider under the Deed(s), the Securities Commission's Guidelines on Private Retirement Schemes, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund is carried out in accordance with the Deed(s) of the Fund and any regulatory requirements; and
- (c) creation and cancellation of units for the Fund are carried out in accordance with the Deed(s) of the Fund and any regulatory requirement.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur
17 October 2019

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CIMB ISLAMIC PRS PLUS CONSERVATIVE**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 August 2019, and the statement of comprehensive income, statement of changes in net assets attributable to members 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 20 to 56.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CIMB ISLAMIC PRS PLUS CONSERVATIVE (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the PRS Provider for the financial statements

The PRS Provider of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The PRS Provider is also responsible for such internal control as the PRS Provider 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 PRS Provider 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 PRS Provider either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CIMB ISLAMIC PRS PLUS CONSERVATIVE (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the PRS Provider.
- (d) Conclude on the appropriateness of the PRS Provider'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 MEMBERS OF
CIMB ISLAMIC PRS PLUS CONSERVATIVE (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

We communicate with the PRS Provider 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 members 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
17 October 2019

PRS PROVIDER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund seeks to provide Members with capital preservation* through investment primarily in Sukuk.

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

Has the Fund achieved its objective?

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

What are the Fund investment policy and principal investment strategy?

The Fund aims to invest in a diversified portfolio of primarily Sukuk with some exposure in Shariah-compliant equities.

The fixed income portion will provide capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The Fund may opt to invest in Sukuk, Islamic money market instruments and Shariah-compliant equities either directly or via Shariah-compliant collective investment schemes.

At least 80% of the Fund's Net Asset Value ("NAV") will be invested in Sukuk and Islamic money market instruments, of which a minimum 20% of the Fund's NAV will be invested in Islamic money market instruments, all of which have a minimum credit rating of "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC"). The investments in Shariah-compliant equities shall not exceed 20% of the Fund's NAV.

Fund category/type

Core (Conservative)

When was the Fund launched?

12 November 2012

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

RM26.50 million (42.29 million units)

What is the Fund's benchmark?

60% Quant shop Government Investment Issues ("GII") Short Index + 20% CIMB Islamic 1-Year General Investment Account-i ("GIA") + 20% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index

Note: The risk profile of the Fund is not the same as the risk profile of the benchmark.

What is the Fund distribution policy?

The Fund is not expected to pay any distribution.

PERFORMANCE DATA

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

| | 31.08.2019 | 31.08.2018 | 31.08.2017 |
|---|-------------------|-------------------|-------------------|
| | % | % | % |
| Shariah-compliant collective investment schemes | - | - | 99.42 |
| Shariah-compliant quoted securities | | | |
| - Construction | 0.71 | 0.39 | - |
| - Consumer Products | - | 0.94 | - |
| - Consumer Products & Services | 0.91 | - | - |
| - Energy | 3.59 | - | - |
| - Finance | - | 0.69 | - |
| - Financial Services | 0.53 | - | - |
| - Health Care | 1.50 | - | - |
| - Industrial Products & Services | 1.30 | - | - |
| - Industrials | - | 2.23 | - |
| - Infrastructure Project Companies ("IPC") | - | 0.45 | - |
| - Plantation | 0.74 | 1.61 | - |
| - Property | 0.54 | - | - |
| - Real Estate Investment Trust ("REIT") | 0.45 | - | - |
| - Technology | 2.54 | 3.36 | - |
| - Telecommunications & Media | 1.13 | - | - |
| - Trading/Services | - | 8.86 | - |
| - Transportation & Logistics | 1.17 | - | - |
| - Utilities | 2.24 | - | - |
| Unquoted Sukuk | 73.21 | 80.37 | - |
| Cash and other net assets | 9.44 | 1.10 | 0.58 |
| | <u>100.00</u> | <u>100.00</u> | <u>100.00</u> |

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

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

| | 31.08.2019 | 31.08.2018 | 31.08.2017 |
|--------------------------------|-------------------|-------------------|-------------------|
| NAV (RM Million) | | | |
| - Class A | 14.97 | 10.88 | 8.56 |
| - Class C | 1.33 | 0.79 | 0.42 |
| - Class X | 10.20 | 7.35 | 4.81 |
| Units in circulation (Million) | | | |
| - Class A | 23.89 | 17.95 | 14.61 |
| - Class C | 2.12 | 1.31 | 0.72 |
| - Class X | 16.27 | 12.14 | 8.22 |
| NAV per unit (RM) | | | |
| - Class A | 0.6266 | 0.6057 | 0.5858 |
| - Class C | 0.6256 | 0.6051 | 0.5852 |
| - Class X | 0.6267 | 0.6057 | 0.5858 |

PERFORMANCE DATA (CONTINUED)

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

| | 31.08.2019 | 31.08.2018 | 31.08.2017 |
|--|-------------------|-------------------|-------------------|
| Highest NAV per unit (RM) | | | |
| - Class A | 0.6266 | 0.6070 | 0.5859 |
| - Class C | 0.6256 | 0.6065 | 0.5854 |
| - Class X | 0.6267 | 0.6071 | 0.5860 |
| Lowest NAV per unit (RM) | | | |
| - Class A | 0.5954 | 0.5857 | 0.5573 |
| - Class C | 0.5948 | 0.5852 | 0.5567 |
| - Class X | 0.5955 | 0.5858 | 0.5573 |
| Total return (%) | | | |
| - Class A | 3.45 | 3.38 | 3.96 |
| - Class C | 3.37 | 3.40 | 3.94 |
| - Class X | 3.45 | 3.40 | 3.96 |
| Capital growth (%) | | | |
| - Class A | 3.45 | 3.38 | 3.96 |
| - Class C | 3.37 | 3.40 | 3.94 |
| - Class X | 3.45 | 3.40 | 3.96 |
| Income distribution (%) | | | |
| - Class A | - | - | - |
| - Class C | - | - | - |
| - Class X | - | - | - |
| Management Expense Ratio ("MER") (%) ^ | 1.35 | 0.26 | 0.27 |
| Portfolio Turnover Ratio ("PTR") (times) # | 0.72 | 1.48 | 0.33 |

^ The Fund's MER increased from 0.26% to 1.35% mainly due to the increase in expenses during the financial year under review.

The Fund's PTR decreased from 1.48 times to 0.72 times due to lesser trades during the financial year under review.

| | 31.08.2019 | 31.08.2018 | 31.08.2017 | 31.08.2016 | 31.08.2015 |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | % | % | % | % | % |
| Annual total return | | | | | |
| - Class A | 3.45 | 3.38 | 3.96 | 4.88 | (0.22) |
| - Class C | 3.37 | 3.40 | 3.94 | 4.88 | (0.24) |
| - Class X | 3.45 | 3.40 | 3.96 | 4.86 | (0.24) |

(Launch date: 12 November 2012)

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 SEPTEMBER 2018 TO 31 AUGUST 2019)**Unquoted Sukuk**

Between the months of September 2018 to December 2018, Bank Negara Malaysia's ("BNM") Monetary Policy Committee ("MPC") kept the Overnight Policy Rate ("OPR") unchanged at 3.25%. On 7 May 2019, the MPC cut the OPR by 25 basis points ("bps") to 3.00% as a pre-emptive measure upon signs of tightening financial conditions whilst also highlighting that the domestic monetary and financial conditions remained supportive of economic growth. BNM also announced that it was taking several development initiatives to improve the domestic foreign exchange ("FX") and bond market liquidity, likely in response to FTSE Russell's action whereby Malaysia was placed on the watch list for their World Government Bond Index ("WGBI"). At the most recent MPC meeting held on 9 July 2019, the MPC kept the OPR unchanged but continued to reiterate the downside risks from ongoing uncertainties in the global and domestic environment, worsening trade tensions and extended weakness in commodity related sectors.

The Consumer Price Index ("CPI") in the month of September 2018 grew at a pace of 0.3% year-on-year ("y-o-y") and then moderately increased to 0.6% in the month of October 2018. It continued to grow at a slow pace of 0.2% y-o-y in the months of November 2018 and December 2018. Overall, in 2018, CPI increased by 1.0% compared to the same period in the prior year. A decline in the CPI was seen in the months of January 2019 and February 2019 where it dipped by -0.7% yoy and -0.4% y-o-y mainly due to a decrease in Transport Index caused by lower petrol prices. In the months of March 2019, April 2019 and May 2019, it displayed growth again as it grew by 0.2% y-o-y for each consecutive month. 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. It remained steady at 0.2% for the third straight month in May 2019. However, a sharp pick-up was seen in the month of June 2019 whereby it rose by 1.5% y-o-y, due entirely to the low base in June 2018 following the removal of the Goods and Services Tax ("GST") and the start of the three-month tax holiday. It continued to pick-up further in July 2019 as it registered an increase of 1.4% y-o-y.

The Malaysian economy grew by 4.7% in the last quarter of 2018 which was above consensus estimates, following the moderation seen in the previous two quarters of 2018. The key drivers of growth in the final quarter of the year were resilient private consumption and the improvement in the commodity related sectors, amid temporary supply disruptions. The country's economy then grew at 4.5% in the first quarter of 2019 as it continued to be supported by domestic activities, particularly private consumption. It grew faster by 4.9% in the second quarter of 2019 as a faster expansion in household spending and slightly higher private investment growth was seen during the months of April 2019 to June 2019. Higher net exports were also recorded in the second quarter of 2019.

As for government bond yields, the Malaysian Government bond yield curve bull flattened in December 2018 as well as year-to-date ("YTD") following the OPR hike seen in the beginning of 2018 as well as due to foreign selling. The 10-year MGS ended at 4.10% at the end of December 2018. In the first quarter of 2019, the MGS yield curve shifted lower on the back of dovish MPC minutes and weaker 2019 Gross Domestic Product ("GDP") growth forecast published in BNM's Annual Report. The 10-year MGS ended at 3.71% at the end of March 2019. Following that, the Malaysian Government Securities ("MGS") yield curve continued to move lower in the following months and at the end of August 2019, the 10-year MGS closed at 3.32%.

The US Federal Reserve (the "Fed") hiked its benchmark rate in September 2018 as well as in December 2018. The interest rate was increased by a quarter of a percentage point at both meetings. In 2019, the Fed recently lowered its benchmark rate by a quarter point at its meeting at the end of July 2019. The Fed cited 'implications of global developments for the economic outlook as well as muted inflation pressures' as their reason for the rate cut. The move marked the first reduction in rates seen since 2008.

MARKET REVIEW (1 SEPTEMBER 2018 TO 31 AUGUST 2019) (CONTINUED)**Local Equity**

The FBMS Index fell by 895.02 points or 7.0% to 11,912.05 points over the financial year under review.

September 2018 saw the FBMS Index succumbing to selling pressure on worries that the US\$200 billion trade tariff imposed on China may impact global growth and Emerging Market (“EM”) currencies. The downtrend was exacerbated by the financial crisis in Argentina which led investors to flee the Argentina Peso (“ARS”), causing worry of a contagion effect in EM. Sentiment in the local bourse was further affected by the announcement of the cancellation of 3 China-backed projects (the East Coast Rail Link (“ECRL”) and the 2 gas pipeline projects estimated at USD\$23 billion) and the deferment of High-speed rail (“HSR”) to September 2020, which sent the Construction Index tumbling by 5.4% month-on-month (“m-o-m”).

The FBMS Index ended October 2018 lower by 7.15% or 906.78 points to close at 11,771.78 points. The release of the mid-term review of the austere 11th Malaysia Plan (“11MP”) offered no reprieve as investors continued to reduce their equity exposure due to rising economic risk and uncertainties. Local investors were concerned that the Government would unveil new taxes and announce a higher fiscal deficit for Budget 2019. Telecommunication companies were the biggest losers on the back of regulatory risk, while construction sector underperformed on Mass Rapid Transit (“MRT”) Line 2 project cost cut. The sell-off continued into November 2018 and December 2018 with the FBMS Index falling by 1.2% and 1.1% respectively to close the year at 11,504.43 points. The Index hit a low of 11,068.25 points on 18 December 2018 on lower sales guidance from Apple Inc. and an 8.4% m-o-m decline in Brent crude oil to USD\$53.50 per barrel. For 2018, the FBMS Index was lower by 13.5%.

The FBMS Index ended January 2019 marginally higher by 0.4% to close at 11,552.61 points driven by plantations stocks. The Index continued to scale higher by 1.6% in February 2019 to close at 11,732.11 points, driven by higher Brent crude oil, which traded up +6.7% m-o-m to USD\$66.82 per barrel on supply constraints. Sentiment in the local bourse was further lifted by the announcement from the Communications and Multimedia Minister which indicated that there will not be further reductions in high speed broadband prices in 2019 while Fitch re-affirmed Malaysia’s sovereign rating.

The FBMS Index dipped by 0.38% in March 2019 on receding concerns over moderation in global economic growth following the yield curve inversion in the US. March 2019 saw FBMS Index outperforming the FBM Kuala Lumpur Composite Index (“FBMKLCI”) and FBM EMAS Index driven by construction and plantation sectors. However, the Index rebounded by 1.27% in April 2019 largely driven by rebound in construction, technology and energy sectors. Positive news flow continues to buoy the construction sector as the revival of Bandar Malaysia project has lifted sentiment and expectation that the shelved HSR and MRT3 projects may be revived soon. Sustained rebound in crude oil prices have also seen the revival of job flows to oil and gas service providers.

Heading into May 2019, the FBMS Index ended May 2019 marginally lower by 0.35% on a disappointed first quarter of 2019 earnings season. Plantation, technology, aviation and basic materials were the major disappointments while positive results came from automotive, construction, telecommunications and utilities. While the moderation in first quarter of 2019 Gross Domestic Product (“GDP”) growth of 4.5% was shallower than street expectation, growth drivers going forward are weak given the escalating trade tension between the US and its major trading partners and slowing private investment. The Malaysian equities benefitted from relief rally in June 2019 stemming from expectation of the Fed rate cuts and de-escalation of US-China trade war which saw the FBMS Index gained by 2.86% in June 2019. Tenaga Nasional Bhd (“TNB”) (+9.0%), Axiata Group Bhd (“Axiata”) (+6.2%) and Yinson Holdings Bhd (+30.1%) are some of the notable gainers among the FBMS Index component stocks. The broader market’s sentiment was buoyed by two merger and acquisition announcements involving Axiata-Telenor ASA and YTL Cement Bhd and Lafarge Malaysia Bhd and partly driven by foreign buying in the last three days of May 2019. Domestic factors which also helped to boost the market include dissipating concern over regulatory risk particularly for airport operator Malaysia Airports Holdings Bhd (“MAHB”) following the release of the latest consultation paper on the implementation of Regulatory Asset Base (“RAB”) framework.

MARKET REVIEW (1 SEPTEMBER 2018 TO 31 AUGUST 2019) (CONTINUED)

Local Equity (continued)

In July 2019, the FBMS Index took a turn which shed by 1.07%. This was mainly due to the sell down in Petronas Chemical Group Bhd (-10.83%), SP Setia Bhd (-9.26%), IOI Properties Group (-8.70%) and Sime Darby Plantation Bhd (-6.3%). Weak petrochemical and crude palm oil (“CPO”) prices, and slow loans growth have been a drag on Bursa Malaysia performance. The FBMS Index continued the decline by 0.75% in August 2019 (year-to-date (“YTD”): +3.5%) in tandem with the selloff in global equity markets. Domestically, the underwhelming second quarter of 2019 earnings season and sell-down of Cahya Mata Sarawak Bhd and some other construction and property names like Malaysian Resources Corporation Bhd, TRC Synergy Bhd and SP Setia Bhd also led to the decline in the Benchmark Index. Second quarter of 2019 earnings season was a major disappointment as reflected by further negative earnings revision leading to a much higher earnings contraction of 7.2% in 2019 (versus 4.5% a month ago). Banks (net interest margin (“NIM”) compression following OPR cut and rising nonperforming loans (“NPL”)), plantation (low CPO price), chemical (lower commodity price) and basic materials (lower commodity price) sectors were the main contributors to the earnings cut.

FUND PERFORMANCE

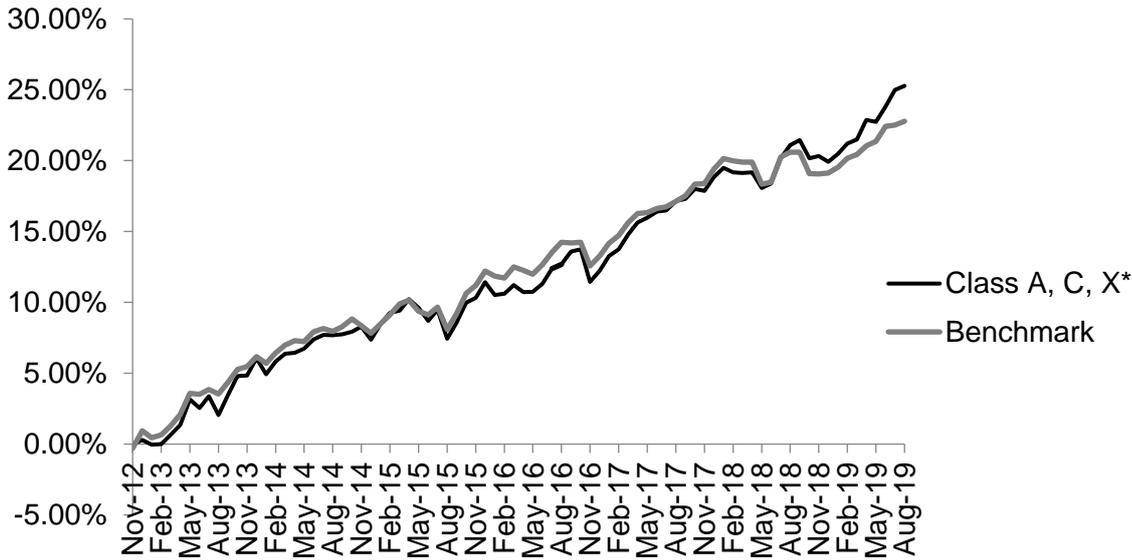
| | 1 year to 31.08.2019 | | | 3 years to 31.08.2019 | | |
|----------------------|-------------------------|---------|---------|--------------------------|---------|---------|
| | Class A | Class C | Class X | Class A | Class C | Class X |
| | % | % | % | % | % | % |
| Income | - | - | - | - | - | - |
| Capital | 3.45 | 3.37 | 3.45 | 11.18 | 11.10 | 11.20 |
| Total Return | 3.45 | 3.37 | 3.45 | 11.18 | 11.10 | 11.20 |
| Benchmark | 1.82 | 1.82 | 1.82 | 7.47 | 7.47 | 7.47 |
| Average Total Return | 3.45 | 3.37 | 3.45 | 3.60 | 3.57 | 3.60 |

| | 5 years to 31.08.2019 | | | Since inception to 31.08.2019 | | |
|----------------------|--------------------------|---------|---------|----------------------------------|---------|---------|
| | Class A | Class C | Class X | Class A | Class C | Class X |
| | % | % | % | % | % | % |
| Income | - | - | - | - | - | - |
| Capital | 16.34 | 16.25 | 16.32 | 25.28 | 25.08 | 25.30 |
| Total Return | 16.34 | 16.25 | 16.32 | 25.28 | 25.08 | 25.30 |
| Benchmark | 13.57 | 13.57 | 13.57 | 22.78 | 22.78 | 22.78 |
| Average Total Return | 3.07 | 3.06 | 3.07 | 3.37 | 3.34 | 3.37 |

For the 1-year period ended 31 August 2019, Class A, Class C and Class X gained 3.45%, 3.37% and 3.45% respectively. Meanwhile, the Benchmark appreciated by 1.82% over the same reporting period.

The slight variation in the performance between Class A, Class C and Class X, if any, was due to different timing of units created for each of the class.

FUND PERFORMANCE (CONTINUED)



* Performance of Class A, Class C and Class X are almost the same. Slight variant was due to different timing of units created for each of the class.

Changes in NAV

CLASS A

| | 31.08.2019 | 31.08.2018 | Changes % |
|------------------|-------------------|-------------------|----------------------|
| NAV (RM Million) | 14.97 | 10.88 | 37.59 |
| NAV/Unit (RM) | 0.6266 | 0.6057 | 3.45 |

CLASS C

| | 31.08.2019 | 31.08.2018 | Changes % |
|------------------|-------------------|-------------------|----------------------|
| NAV (RM Million) | 1.33 | 0.79 | 68.35 |
| NAV/Unit (RM) | 0.6256 | 0.6051 | 3.39 |

CLASS X

| | 31.08.2019 | 31.08.2018 | Changes % |
|------------------|-------------------|-------------------|----------------------|
| NAV (RM Million) | 10.20 | 7.35 | 38.78 |
| NAV/Unit (RM) | 0.6267 | 0.6057 | 3.47 |

The Fund recorded positive net inflow from unit creations over the financial year under review for all the three classes - Class A, Class C and Class X. The Fund's NAV per unit for all Classes increased comparatively, due to positive investment performance as described in the Market Review section.

For the 1-year period, the Fund ranked 5th in Quartile 2 under the Mixed Asset MYR Conservative Islamic category in the Lipper rankings.

FUND PERFORMANCE (CONTINUED)**Changes in NAV (continued)**

Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures for the financial year have been extracted from Lipper.

PORTFOLIO STRUCTURE**Asset allocation**

| (% of NAV) | 31.08.2019 | 31.08.2018 |
|-------------------------------------|-------------------|-------------------|
| Shariah-compliant quoted securities | 17.35 | 18.53 |
| Unquoted Sukuk | 73.21 | 80.37 |
| Cash and other net assets | 9.44 | 1.10 |
| Total | 100.00 | 100.00 |

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

At the reporting date, there was a maturity of a Sukuk resulting in the lower unquoted Sukuk portion and higher cash portion. Following that, the cash was promptly invested into Sukuk.

MARKET OUTLOOK***Unquoted Sukuk**

On 7 May 2019, the MPC cut the OPR by 0.25% to 3.00% as a pre-emptive measure to maintain the degree of monetary accommodativeness. We believe the current monetary policy remains accommodative and are of the view that BNM will maintain its OPR unchanged for the remainder of 2019 unless the trade wars worsen significantly, or domestic growth is significantly lower than expected.

We expect the bond market to remain well supported due to the ample domestic liquidity as well as the lack of primary issuances. Apart from BNM's upcoming MPC meetings in September 2019 and November 2019, another potential event to look out for in the upcoming months would be FTSE Russell's decision on the the potential MGS exclusion from their WGBI Index in September 2019. We are expecting some primary issuances in the second half of 2019, but supply seems to be fairly limited in the near term.

Local Equity

Going into 2020, consensus projects 7.2% earnings rebound driven largely by banks and plantation sectors, which we remain skeptical. While we remain sanguine on infrastructure spending resumption and Regulatory Asset Base ("RAB") framework themes, we believe re-rating will only come once certainty is achieved. In this regard, we will be watching closely to the Budget 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

Unquoted Sukuk

As the yield curve continued to flatten in August 2019, we find the the long-end yields being too rich and the risk/reward of staying long duration is no longer attractive. As such, we continue to prefer credit over sovereign bonds, particularly in the AA-rated space with strong fundamentals for better total return and yield pick-up.

Local Equity

We maintain neutral on Malaysia while await policy clarity post Budget 2020 announcement on 11 October 2019. With expectation of further OPR cuts over the next 18 months, we continue to like the dividend investment theme, favouring high dividend yielders with earnings resilience. We also look to accumulate selective growth stocks on weakness within the REIT, Utilities, Basic Materials, Automotive, Oil and Gas, and Construction sectors. We will also look for opportunistic trade on weakening RM, especially glove manufacturers and equipment makers in the technology sectors.

MEMBERS STATISTICS AS AT 31 AUGUST 2019

CLASS A

| Size of unit holdings (units) | No. of members | No. of units held (million) | % of units held |
|-------------------------------|----------------|-----------------------------|-----------------|
| 5,000 and below | 1,101 | 1.26 | 5.27 |
| 5,001-10,000 | 525 | 3.26 | 13.65 |
| 10,001-50,000 | 517 | 10.18 | 42.62 |
| 50,001-500,000 | 54 | 6.37 | 26.66 |
| Above 500,000 | 3 | 2.82 | 11.80 |
| Total | 2,200 | 23.89 | 100.00 |

CLASS C

| Size of unit holdings (units) | No. of members | No. of units held (million) | % of units held |
|-------------------------------|----------------|-----------------------------|-----------------|
| 5,000 and below | 88 | 0.12 | 5.63 |
| 5,001-10,000 | 33 | 0.20 | 9.39 |
| 10,001-50,000 | 24 | 0.44 | 20.66 |
| 50,001-500,000 | 4 | 0.65 | 30.52 |
| Above 500,000 | 1 | 0.71 | 33.80 |
| Total | 150 | 2.12 | 100.00 |

CLASS X

| Size of unit holdings (units) | No. of members | No. of units held (million) | % of units held |
|-------------------------------|----------------|-----------------------------|-----------------|
| 5,000 and below | 1,239 | 1.49 | 9.15 |
| 5,001-10,000 | 206 | 1.40 | 8.60 |
| 10,001-50,000 | 261 | 6.12 | 37.59 |
| 50,001-500,000 | 91 | 7.26 | 44.66 |
| Above 500,000 | - | - | - |
| Total | 1,797 | 16.27 | 100.00 |

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “PRS Provider”) 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 PRS Provider and the Trustee did not receive any rebates from the brokers or dealers but the PRS Provider has retained soft commissions in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

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

| | Note | 2019 RM | 2018 RM |
|--|------|------------------|----------------|
| INCOME | | | |
| Dividend income | | 106,173 | 93,824 |
| Profit income from Shariah-complaint deposits with licensed Islamic financial institutions at amortised cost | | 9,427 | 4,662 |
| Profit income from unquoted Sukuk at fair value through profit or loss | | 849,607 | 476,011 |
| Net gain on financial assets at fair value through profit or loss | 7 | <u>249,652</u> | <u>65,660</u> |
| | | <u>1,214,859</u> | <u>640,157</u> |
| EXPENSES | | | |
| Management fee | 4 | 269,639 | - |
| Private Pension Administrator's fee | 4 | 9,416 | 6,525 |
| Trustee's fee | 5 | 9,416 | 6,525 |
| Audit fee | | 10,500 | 9,900 |
| Tax agent's fee | | 5,800 | 4,000 |
| Transaction costs | | 35,015 | 31,743 |
| Other expenses | | <u>14,466</u> | <u>16,437</u> |
| | | <u>354,252</u> | <u>75,130</u> |
| PROFIT BEFORE TAXATION | | 860,607 | 565,027 |
| Taxation | 6 | <u>-</u> | <u>-</u> |
| INCREASE IN NET ASSETS ATTRIBUTABLE TO MEMBERS | | <u>860,607</u> | <u>565,027</u> |
| Increase in net assets attributable to members is made up as follows: | | | |
| Realised amount | | 441,570 | 373,272 |
| Unrealised amount | | <u>419,037</u> | <u>191,755</u> |
| | | <u>860,607</u> | <u>565,027</u> |

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

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

| | Note | 2019 RM | 2018 RM |
|--|------|-------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | 8 | 2,561,116 | 1,633 |
| Financial assets at fair value through profit or loss (Shariah-compliant) | 7 | 23,998,781 | 18,810,488 |
| Amount due from stockbrokers | | - | 194,195 |
| Amount due from the PRS Provider | | | |
| - Creation of units | | 105,226 | 90,935 |
| Dividends receivable | | 8,712 | 7,995 |
| Tax recoverable | | 18 | 18 |
| TOTAL ASSETS | | <u>26,673,853</u> | <u>19,105,264</u> |
| LIABILITIES | | | |
| Amount due to stockbrokers | | 106,471 | 65,691 |
| Amount due to the PRS Provider | | | |
| - Cancellation of units | | 16,187 | 2,233 |
| Accrued management fee | | 31,021 | - |
| Amount due to Private Pension Administrator | | 883 | 643 |
| Amount due to Trustee | | 883 | 643 |
| Other payables and accruals | | 18,985 | 17,900 |
| TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO MEMBERS) | | <u>174,430</u> | <u>87,110</u> |
| NET ASSET VALUE OF THE FUND | | <u>26,499,423</u> | <u>19,018,154</u> |
| NET ASSETS ATTRIBUTABLE TO MEMBERS | | <u>26,499,423</u> | <u>19,018,154</u> |
| REPRESENTED BY: | | | |
| FAIR VALUE OF OUTSTANDING UNITS | | | |
| - Class A | | 14,972,207 | 10,874,194 |
| - Class C | | 1,328,099 | 790,254 |
| - Class X | | 10,199,117 | 7,353,706 |
| | | <u>26,499,423</u> | <u>19,018,154</u> |
| NUMBER OF UNITS IN CIRCULATION (UNITS) | | | |
| - Class A | | 23,891,328 | 17,952,253 |
| - Class C | | 2,122,803 | 1,305,876 |
| - Class X | | 16,274,152 | 12,139,994 |
| | 9 | <u>42,288,283</u> | <u>31,398,123</u> |
| NET ASSET VALUE PER UNIT (RM) | | | |
| - Class A | | 0.6266 | 0.6057 |
| - Class C | | 0.6256 | 0.6051 |
| - Class X | | 0.6267 | 0.6057 |

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019**

| | 2019 RM | 2018 RM |
|--|--------------------|--------------------|
| NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR | 19,018,154 | 13,792,870 |
| Movement due to units created and cancelled during the financial year: | | |
| Creation of units from applications | | |
| - Class A | 4,880,948 | 2,801,518 |
| - Class C | 833,864 | 384,261 |
| - Class X | 5,154,012 | 2,697,742 |
| | 10,868,824 | 5,883,521 |
| Cancellation of units | | |
| - Class A | (1,270,063) | (821,114) |
| - Class C | (325,572) | (33,697) |
| - Class X | (2,652,527) | (368,453) |
| | (4,248,162) | (1,223,264) |
| Increase in net assets attributable to members during the financial year | 860,607 | 565,027 |
| NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR | 26,499,423 | 19,018,154 |

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019**

| | Note | 2019 RM | 2018 RM |
|---|----------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Proceeds from disposal of Shariah-compliant collective investment schemes | | - | 16,411,113 |
| Purchase of Shariah-compliant collective investment schemes | | - | (2,683,186) |
| Proceeds from disposal of Shariah-compliant quoted securities | | 5,719,848 | 2,916,320 |
| Purchase of Shariah-compliant quoted securities | | (6,668,944) | (6,623,806) |
| Proceeds from disposal of unquoted Sukuk | | 6,455,171 | 2,281,591 |
| Proceeds from redemption of unquoted Sukuk | | 5,050,000 | - |
| Purchase of unquoted Sukuk | | (15,370,010) | (17,575,255) |
| Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions | | 9,427 | 4,662 |
| Profit income received from unquoted Sukuk | | 924,862 | 479,590 |
| Dividend income received | | 105,081 | 89,309 |
| Management fee paid | | (238,618) | - |
| Private Pension Administrator's fee paid | | (9,176) | (6,347) |
| Trustee's fee paid | | (9,176) | (6,347) |
| Payments for other fees and expenses | | (29,307) | (26,654) |
| Net cash used in operating activities | | <u>(4,060,842)</u> | <u>(4,739,010)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash proceeds from units created | | 10,854,533 | 5,892,985 |
| Payments for cancellation of units | | (4,234,208) | (1,242,396) |
| Net cash generated from financing activities | | <u>6,620,325</u> | <u>4,650,589</u> |
| Net increase/(decrease) in cash and cash equivalents | | 2,559,483 | (88,421) |
| Cash and cash equivalents at the beginning of the financial year | | 1,633 | 90,054 |
| Cash and cash equivalents at the end of the financial year | 8 | <u>2,561,116</u> | <u>1,633</u> |
| <u>Cash and cash equivalents comprised of:</u> | | | |
| Shariah-compliant deposits with licensed Islamic financial institutions | | 2,485,415 | - |
| Bank balance | | 75,701 | 1,633 |
| Cash and cash equivalents at the end of financial year | 8 | <u>2,561,116</u> | <u>1,633</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019****1. THE FUND, THE PRS PROVIDER AND ITS PRINCIPAL ACTIVITIES**

CIMB Islamic PRS Plus Conservative (the “Fund”) is governed by a Deed dated 8 November 2012, a First Supplemental Deed dated 2 January 2014 and a Second Supplemental Deed dated 25 November 2014 (collectively referred to as the “Deeds”) made between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “PRS Provider”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund offers three classes of units known respectively as Class A, Class C and Class X. In accordance with the Disclosure Document, Class A and Class C are for members who have attained 18 years of age as of the date of opening a private pension account. Class A and C have different sales charge and management fee. Class X is for members who participate via respective employers and is subject to a minimum of 200 participating employees per employer or 50 participating employees under payroll deduction per employer.

The Fund aims to invest in a diversified portfolio of primarily Sukuk with some exposure in Shariah-compliant equities.

The fixed income portion will provide capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The Fund may opt to invest in Sukuk, Islamic money market instruments and Shariah-compliant equities either directly or via Shariah-compliant collective investment schemes.

At least 80% of the Fund’s NAV will be invested in Sukuk and Islamic money market instruments, of which a minimum 20% of the Fund’s NAV will be invested in Islamic money market instruments, all of which have a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC. The investments in Shariah-compliant equities shall not exceed 20% of the Fund’s NAV.

All investments are subjected to the SC Guidelines on Private Retirement Schemes (“PRS”), 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 PRS Provider, 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 PRS Provider 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

Standard that is effective and relevant:

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

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

Classification and measurement of debt assets¹ is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest² ("SPPI"). A debt instrument¹ is measured at fair value through other comprehensive income ("OCI") if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments¹ must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative³ and equity instruments³ are measured at fair value through profit or loss unless, for equity instruments³ not held for trading, an irrevocable option is taken to measure at fair value through OCI. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

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

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

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

³ For the purposes of the investments made by the Fund, equity instruments and derivatives refers to Shariah-compliant equity instruments and Shariah-compliant derivatives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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 September 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 31 August 2018, the Fund designates its investments in Shariah-compliant quoted securities and unquoted Sukuk as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's financing and receivables comprise cash and cash equivalents, amount due from stockbrokers, amount due from PRS Provider and dividends receivable.

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

The Fund classifies amount due to stockbrokers, amount due to PRS Provider, accrued management fee, amount due to Private Pension Administrator, amount due to Trustee, and other payables and accruals as other financial liabilities.

The Fund classifies net assets attributable to members (Note 2(g)) as a financial liability at fair value through profit or loss.

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

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through OCI.

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, amount due from stockbrokers, amount due from PRS Provider and dividends receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to stockbrokers, amount due to PRS Provider, accrued management fee, amount due to Private Pension Administrator, amount due to Trustee, and other payables and accruals as financial liabilities measured at amortised cost.

The Fund classifies net assets attributable to members (Note 2(g)) as a financial liability at fair value through profit or loss.

Recognition and measurement

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

Financial liabilities, within the scope of MFRS 139 up to 31 August 2018 and MFRS 9 from 1 September 2018, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

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

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

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

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

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

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

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

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

Impairment for assets carried at amortised costs

Up to 31 August 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.

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

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

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

From 1 September 2018 onwards, the Fund measures credit risk and ECL using probability of default, exposure at default and loss given default. The PRS Provider considers both historical analysis and forward looking information in determining any ECL. The PRS Provider considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

(c) Functional and presentation currency

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

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

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

Up to 31 August 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 September 2018, profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

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

(e) Cash and cash equivalents

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 amount of cash and which are subject to an insignificant risk of changes in value.

(f) Taxation

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

Withholding taxes on investment income from investment are based on tax regime of the respective countries that the Fund invests in. Such withholding taxed are not "income tax" in nature and are recognised and measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Members' contributions

The member's contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in three classes of units, known respectively as the Class A, Class C and Class X, which are cancelled at the member's option and do not have identical features subject to restrictions as stipulated in the Disclosure Document and SC Guidelines on PRS. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

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

(h) Increase/Decrease in net assets attributable to members

Income not distributed is included in net assets attributable to members.

(i) Transactions costs

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

(j) Amount due from/to stockbrokers

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

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

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

From 1 September 2018, these amounts are subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from stockbrokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, 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 PRS Provider 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.

(k) Segment information

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

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

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

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

Estimate of fair value of unquoted Sukuk

In undertaking any of the Fund's Shariah-compliant investment, the PRS Provider 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 PRS.

Ringgit-denominated unquoted Sukuk are valued using fair value prices quoted by a BPA. Where the PRS Provider 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 PRS Provider may use market price, provided that the PRS Provider records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

| | Financial assets at fair value through profit or loss RM | Financial assets at amortised cost RM | Total RM |
|---|---|--|---------------------|
| 2019 | | | |
| Cash and cash equivalents (Note 8) | - | 2,561,116 | 2,561,116 |
| Shariah-compliant quoted securities (Note 7) | 4,597,525 | - | 4,597,525 |
| Unquoted Sukuk (Note 7) | 19,401,256 | - | 19,401,256 |
| Amount due from the PRS Provider | - | 105,226 | 105,226 |
| Dividends receivable | - | 8,712 | 8,712 |
| | <u>23,998,781</u> | <u>2,675,054</u> | <u>26,673,835</u> |
| | Financial assets at fair value through profit or loss RM | Financing and receivables RM | Total RM |
| 2018 | | | |
| Cash and cash equivalents (Note 8) | - | 1,633 | 1,633 |
| Shariah-compliant quoted securities (Note 7) | 3,524,729 | - | 3,524,729 |
| Unquoted Sukuk (Note 7) | 15,285,759 | - | 15,285,759 |
| Amount due from stockbrokers | - | 194,195 | 194,195 |
| Amount due from the PRS Provider | - | 90,935 | 90,935 |
| Dividends receivable | - | 7,995 | 7,995 |
| | <u>18,810,488</u> | <u>294,758</u> | <u>19,105,246</u> |

All liabilities are financial liabilities which are carried at amortised cost except net assets attributable to members which are carried at fair value through profit or loss.

The investment objective of the Fund is to provide Members with capital preservation through investment primarily in Sukuk.

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 PRS Provider and adherence to the investment restrictions as stipulated in the Deeds and SC Guidelines on PRS.

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

(a) Market risk

(i) Price risk

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

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

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

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | RM | RM |
| Financial assets at fair value through profit or loss: | | |
| - Shariah-compliant quoted securities | 4,597,525 | 3,524,729 |
| - Unquoted Sukuk* | 19,401,256 | 15,285,759 |
| | <u>23,998,781</u> | <u>18,810,488</u> |

*Includes profit receivable of RM305,978 (2018: RM235,638).

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

| % Change in price of Shariah-compliant quoted securities | Market value | Impact on profit or loss/NAV |
|---|---------------------|---|
| | RM | RM |
| 2019 | | |
| -5% | 4,367,649 | (229,876) |
| 0% | 4,597,525 | - |
| 5% | <u>4,827,401</u> | <u>229,876</u> |

The Fund is exposed to price risk arising from profit rate fluctuation in relation to its investments of RM19,401,256 (2018: RM15,285,759) in unquoted Sukuk. The Fund's exposure to price risk arising from profit rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

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

(a) Market risk (continued)

(ii) Interest rate risk

In general, when interest rates rise, unquoted Sukuk 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 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 PRS Provider 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 PRS Provider, which is based on its continuous fundamental research and analysis.

Although unquoted Sukuk is a non-interest bearing instrument, 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 the interest rates. Even though the Fund does not invest in interest bearing instruments, the interest rate referred herein is to the general interest rate of the country, which may affect the value of the investment of the Fund. However, it does not in any way suggest that this Fund will invest in conventional financial instruments. All investments carried out for the Fund including placement and deposits are in accordance with Shariah.

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

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

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of unquoted Sukuk held by the Fund as a result of movement in interest rate 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 | 2018 |
| | RM | RM |
| +1% | (18,179) | (12,582) |
| -1% | 18,212 | 12,609 |

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

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

(b) Credit risk

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

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

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the PRS Provider imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted Sukuk investment must satisfy a minimum credit requirement of at least "BBB3" or "P2" by RAM or equivalent rating by MARC.

For amount due from the PRS Provider, the settlement terms of the proceeds from the creation of units receivable from the PRS Provider are governed by the SC Guidelines on PRS.

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

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

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

| | Financial asset at fair value through profit or loss RM | Cash and cash equivalents RM | Amount due from the PRS Provider RM | Dividends receivable RM | Total RM |
|-------------|--|---------------------------------------|--|-------------------------------|-------------|
| 2019 | | | | | |
| AAA | 1,814,936 | 2,485,415 | - | - | 4,300,351 |
| AA1 | 2,939,825 | 75,701 | - | - | 3,015,526 |
| AA2 | 6,679,504 | - | - | - | 6,679,504 |
| AA3 | 7,966,991 | - | - | - | 7,966,991 |
| Not Rated | - | - | 105,226 | 8,712 | 113,938 |
| | 19,401,256 | 2,561,116 | 105,226 | 8,712 | 22,076,310 |

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

(b) Credit risk (continued)

| | Financial asset at fair value through profit or loss RM | Cash and cash equivalents RM | Amount due from stockbrokers RM | Amount due from the PRS Provider RM | Dividends receivable RM | Total RM |
|-------------|--|---------------------------------|------------------------------------|--|----------------------------|-------------------|
| 2018 | | | | | | |
| AAA | 1,529,096 | - | - | - | - | 1,529,096 |
| AA1 | 1,881,156 | 1,633 | - | - | - | 1,882,789 |
| AA2 | 1,525,565 | - | - | - | - | 1,525,565 |
| AA3 | 10,349,942 | - | - | - | - | 10,349,942 |
| Not Rated | - | - | 194,195 | 90,935 | 7,995 | 296,125 |
| | <u>15,285,759</u> | <u>1,633</u> | <u>194,195</u> | <u>90,935</u> | <u>7,995</u> | <u>15,580,517</u> |

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 PRS Provider manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by members. Liquid assets comprise bank balances and Shariah-compliant deposits with licensed Islamic financial institutions and other instruments, which are capable of being converted into cash within 7 business days.

Generally, all Shariah-compliant 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 PRS Provider will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

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

(c) Liquidity risk (continued)

| | Less than 1 month RM | Between 1 month to 1 year RM | Total RM |
|--|----------------------------|---------------------------------------|--------------------------|
| 2019 | | | |
| Amount due to stockbrokers | 106,471 | - | 106,471 |
| Amount due to the PRS Provider | 16,187 | - | 16,187 |
| Accrued management fees | 31,021 | - | 31,021 |
| Amount due to Private Pension Administrator | 883 | - | 883 |
| Amount due to Trustee | 883 | - | 883 |
| Other payables and accruals | - | 18,985 | 18,985 |
| Net assets attributable to members* | <u>26,499,423</u> | <u>-</u> | <u>26,499,423</u> |
| Contractual undiscounted cash flows | <u><u>26,654,868</u></u> | <u><u>18,985</u></u> | <u><u>26,673,853</u></u> |
| 2018 | | | |
| Amount due to stockbrokers | 65,691 | - | 65,691 |
| Amount due to the PRS Provider | 2,233 | - | 2,233 |
| Amount due to Private Pension Administrator | 643 | - | 643 |
| Amount due to Trustee | 643 | - | 643 |
| Other payables and accruals | - | 17,900 | 17,900 |
| Net assets attributable to members* | <u>19,018,154</u> | <u>-</u> | <u>19,018,154</u> |
| Contractual undiscounted cash flows | <u><u>19,087,364</u></u> | <u><u>17,900</u></u> | <u><u>19,105,264</u></u> |

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to member's RM26,499,423 (2018: RM19,018,154). The amount of capital can change significantly on a daily basis as the Fund is subjected to daily subscriptions and redemptions at the discretion of members. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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 values 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 PRS Provider 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 judgment 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 |
|---|-------------------|-------------------|---------------|-------------------|
| 2019 | | | | |
| Financial asset at fair value through profit or loss: | | | | |
| - Shariah-compliant quoted securities | 4,597,525 | - | - | 4,597,525 |
| - Unquoted Sukuk | - | 19,401,256 | - | 19,401,256 |
| | <u>4,597,525</u> | <u>19,401,256</u> | <u>-</u> | <u>23,998,781</u> |
| Financial liability at fair value through profit or loss: | | | | |
| - Net assets attributable to members | <u>26,499,423</u> | <u>-</u> | <u>-</u> | <u>26,499,423</u> |
| 2018 | | | | |
| Financial asset at fair value through profit or loss: | | | | |
| - Shariah-compliant quoted securities | 3,524,729 | - | - | 3,524,729 |
| - Unquoted Sukuk | - | 15,285,759 | - | 15,285,759 |
| | <u>3,524,729</u> | <u>15,285,759</u> | <u>-</u> | <u>18,810,488</u> |
| Financial liability at fair value through profit or loss: | | | | |
| - Net assets attributable to members | <u>19,018,154</u> | <u>-</u> | <u>-</u> | <u>19,018,154</u> |

Shariah-compliant investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed Shariah-compliant equities. Net assets attributable to members are valued based on the NAV per unit as at the financial year end. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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

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

(e) Fair value estimation (continued)

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

4. MANAGEMENT FEE AND PRIVATE PENSION ADMINISTRATOR'S FEE

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

For the financial year ended 31 August 2019 and 31 August 2018, the management fee for the respective classes is recognised at the following rates:

| Class A | Class C | Class X |
|----------------|----------------|----------------|
| 1.40% | 1.50% | 1.40% |

Nonetheless, no management fee is charged on the Fund up until 15 November 2018 and for the financial year ended 31 August 2018 as the management fee has been waived by the PRS Provider. Effective from 16 November 2018 the fee is charged to the Fund.

The Private Pension Administrator's fee is recognised at a rate of 0.04% per annum (2018: 0.04% per annum) for each unit class, calculated daily based on the NAV of the Fund.

There is no further liability in respect of management fee, and Private Pension Administrator's fee other than the amount recognised above.

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.04% per annum for each unit class, calculated daily based on the NAV of the Fund. The Trustee's fee includes local custodian fees and charges but excluding foreign custodian fees.

For the financial year ended 31 August 2019, the Trustee's fee is recognised at a rate of 0.04% per annum (2018: 0.04% per annum) for each unit class.

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

6. TAXATION

| | 2019 | 2018 |
|------------------------------------|-------------|-------------|
| | RM | RM |
| Tax charged for the financial year | | |
| - Current taxation | - | - |
| | - | - |

6. 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:

| | 2019 RM | 2018 RM |
|--|------------|------------|
| Profit before taxation | 860,607 | 565,027 |
| Taxation at Malaysian statutory rate of 24% (2018: 24%) | 206,546 | 135,606 |
| Tax effects of: | | |
| - Income not subject to tax | (291,566) | (153,638) |
| - Expenses not deductible for tax purposes | 17,118 | 13,800 |
| - Restriction on tax deductible expenses for PRS Funds | 67,902 | 4,232 |
| Taxation | - | - |

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

| | 2019 RM | 2018 RM |
|---|-------------------|-------------------|
| At fair value through profit or loss: | | |
| - Shariah-compliant quoted securities | 4,597,525 | 3,524,729 |
| - Unquoted Sukuk | 19,401,256 | 15,285,759 |
| | <u>23,998,781</u> | <u>18,810,488</u> |
| Net gain on financial assets at fair value through profit or loss: | | |
| - Realised loss on disposals | (168,788) | (125,611) |
| - Unrealised fair value gain | 418,440 | 191,271 |
| | <u>249,652</u> | <u>65,660</u> |

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|---|-------------------|-------------------------|-----------------------|---------------------------|
| 2019 SHARIAH-COMPLIANT QUOTED SECURITIES | | | | |
| Construction | | | | |
| Kerjaya Prospek Group Bhd | 44,200 | 62,516 | 62,322 | 0.24 |
| Sunway Construction Group Bhd | 61,400 | 128,136 | 124,642 | 0.47 |
| | <u>105,600</u> | <u>190,652</u> | <u>186,964</u> | <u>0.71</u> |
| Consumer Products & Services | | | | |
| Bermaz Auto Bhd | 51,100 | 129,447 | 116,508 | 0.44 |
| Sime Darby Bhd | 54,200 | 123,359 | 124,118 | 0.47 |
| | <u>105,300</u> | <u>252,806</u> | <u>240,626</u> | <u>0.91</u> |

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

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--|-------------------|-------------------------|-----------------------|---------------------------|
| 2019 (CONTINUED) | | | | |
| SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED) | | | | |
| Energy | | | | |
| Dayang Enterprise Holdings Bhd | 194,700 | 252,981 | 270,633 | 1.02 |
| Dialog Group Bhd | 86,900 | 265,745 | 302,412 | 1.14 |
| Yinson Holdings Bhd | 54,100 | 258,502 | 375,995 | 1.43 |
| | <u>335,700</u> | <u>777,228</u> | <u>949,040</u> | <u>3.59</u> |
| Financial Services | | | | |
| BIMB Holdings Bhd | <u>35,000</u> | <u>146,443</u> | <u>141,750</u> | <u>0.53</u> |
| Health Care | | | | |
| Hartalega Holdings Bhd | 41,000 | 202,357 | 210,330 | 0.79 |
| IHH Healthcare Bhd | 32,600 | 177,673 | 188,754 | 0.71 |
| | <u>73,600</u> | <u>380,030</u> | <u>399,084</u> | <u>1.50</u> |
| Industrial Products & Services | | | | |
| Petronas Chemicals Group Bhd | <u>49,600</u> | <u>413,015</u> | <u>343,728</u> | <u>1.30</u> |
| Plantation | | | | |
| Genting Plantations Bhd | 5,400 | 57,888 | 54,108 | 0.20 |
| Sime Darby Plantation Bhd | 28,900 | 150,293 | 143,922 | 0.54 |
| | <u>34,300</u> | <u>208,181</u> | <u>198,030</u> | <u>0.74</u> |
| Property | | | | |
| Malaysian Resources Corporation Bhd | 164,600 | 153,510 | 120,158 | 0.45 |
| Sime Darby Property Bhd | 28,200 | 30,006 | 24,816 | 0.09 |
| | <u>192,800</u> | <u>183,516</u> | <u>144,974</u> | <u>0.54</u> |
| REIT | | | | |
| KLCCP Stapled Group | <u>14,600</u> | <u>112,112</u> | <u>119,136</u> | <u>0.45</u> |
| Technology | | | | |
| Globetronics Technology Bhd | 36,900 | 63,305 | 61,992 | 0.23 |
| Greotech Technology Bhd | 110,000 | 126,214 | 126,500 | 0.48 |
| i-Stone Group Bhd | 400,058 | 68,010 | 68,010 | 0.26 |
| Pentamaster Corporation Bhd | 86,150 | 188,169 | 300,663 | 1.13 |
| Revenue Group Bhd | 77,100 | 85,166 | 117,192 | 0.44 |
| | <u>710,208</u> | <u>530,864</u> | <u>674,357</u> | <u>2.54</u> |

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

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--|-------------------------|-------------------------|-------------------------|---------------------------|
| 2019 (CONTINUED) | | | | |
| SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED) | | | | |
| Telecommunications & Media | | | | |
| Digi.com Bhd | 30,400 | 142,444 | 152,608 | 0.58 |
| TIME dotCom Bhd | 16,000 | 144,119 | 146,080 | 0.55 |
| | <u>46,400</u> | <u>286,563</u> | <u>298,688</u> | <u>1.13</u> |
| Transportation & Logistics | | | | |
| MISC Bhd | 24,800 | 169,659 | 180,048 | 0.68 |
| Westports Holdings Bhd | 30,000 | 107,786 | 126,000 | 0.49 |
| | <u>54,800</u> | <u>277,445</u> | <u>306,048</u> | <u>1.17</u> |
| Utilities | | | | |
| Petronas Gas Bhd | 4,800 | 86,088 | 77,184 | 0.29 |
| Tenaga Nasional Bhd | 37,100 | 531,456 | 517,916 | 1.95 |
| | <u>41,900</u> | <u>617,544</u> | <u>595,100</u> | <u>2.24</u> |
| TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES | <u>1,799,808</u> | <u>4,376,399</u> | <u>4,597,525</u> | <u>17.35</u> |
| ACCUMULATED UNREALISED GAIN ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>221,126</u> | | |
| TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>4,597,525</u> | | |

7. 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 % |
|---|---------------------|----------------------|--------------------|------------------------|
| 2019 (CONTINUED) | | | | |
| UNQUOTED SUKUK | | | | |
| Bandar Serai Development Sdn Bhd 4.78% 27/10/2020 (AA3) | 1,500,000 | 1,530,742 | 1,542,405 | 5.82 |
| Bank Pembangunan Malaysia Bhd 4.28% 02/03/2022 (AAA) | 500,000 | 508,964 | 519,398 | 1.96 |
| Celcom Networks Sdn Bhd 4.85% 29/08/2022 (AA1) | 200,000 | 200,736 | 206,984 | 0.78 |
| Fortune Premiere Sdn Bhd 4.80% 13/03/2023 (AA) | 1,900,000 | 1,962,130 | 2,009,935 | 7.58 |
| Gulf Investment Corporation 5.10% 16/03/2021 (AAA) | 250,000 | 259,579 | 259,556 | 0.98 |
| Imtiaz Sukuk II Bhd 4.58% 27/05/2022 (AA2) | 750,000 | 759,528 | 775,823 | 2.93 |
| Jimah Energy Ventures Sdn Bhd 9.15% 05/12/2020 (AA3) | 750,000 | 795,398 | 799,223 | 3.02 |
| Jimah Energy Ventures Sdn Bhd 9.35% 12/05/2020 (AA3) | 750,000 | 796,847 | 800,690 | 3.02 |
| Lingkar Trans Kota Holdings Bhd 5.70% 15/04/2020 (AA2) | 1,250,000 | 1,294,325 | 1,294,322 | 4.88 |
| MMC Corporation Bhd 5.64% 27/04/2027 (AA3) | 750,000 | 778,872 | 802,504 | 3.03 |
| Perbadanan Kemajuan Negeri Selangor 5.00% 10/08/2021 (AA3) | 750,000 | 755,213 | 769,331 | 2.90 |
| Perbadanan Kemajuan Negeri Selangor 5.15% 10/08/2023 (AA3) | 450,000 | 454,715 | 472,578 | 1.78 |
| RHB Islamic Bank Bhd 4.88% 27/04/2027 (AA3) | 1,100,000 | 1,126,567 | 1,145,916 | 4.32 |
| Sabah Credit Corporation 4.70% 08/05/2020 (AA1) | 1,600,000 | 1,631,746 | 1,634,091 | 6.17 |
| Sarawak Energy Bhd 4.70% 24/11/2028 (AA1) | 1,000,000 | 1,052,383 | 1,098,750 | 4.15 |
| Telekom Malaysia Bhd 4.20% 13/09/2021 (AAA) | 1,000,000 | 1,021,120 | 1,035,982 | 3.91 |
| UEM Edgenta Bhd 4.85% 26/04/2022 (AA3) | 280,000 | 286,163 | 291,732 | 1.10 |
| UEM Sunrise Bhd 4.75% 22/03/2024 (AA3) | 530,000 | 557,301 | 563,116 | 2.13 |
| UMW Holdings Bhd 4.83% 22/06/2022 (AA2) | 400,000 | 406,254 | 417,208 | 1.57 |
| United Growth Bhd 4.73% 21/06/2022 (AA2) | 2,100,000 | 2,137,696 | 2,182,216 | 8.23 |

7. 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 % |
|---|--------------------------|--------------------------|--------------------------|------------------------|
| 2019 (CONTINUED) | | | | |
| UNQUOTED SUKUK (CONTINUED) | | | | |
| WCT Holdings Bhd 5.32% 11/05/2022 (AA3) | 750,000 | 765,887 | 779,496 | 2.95 |
| TOTAL UNQUOTED SUKUK | <u>18,560,000</u> | <u>19,082,166</u> | <u>19,401,256</u> | <u>73.21</u> |
| ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>319,090</u> | | |
| TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>19,401,256</u> | | |

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

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--|-------------------|-------------------------|-----------------------|---------------------------|
| 2018 | | | | |
| SHARIAH-COMPLIANT QUOTED SECURITIES | | | | |
| Construction | | | | |
| Muhibbah Engineering (M) Bhd | 23,700 | 68,957 | 74,181 | 0.39 |
| Consumer Products | | | | |
| MBM Resources Bhd | 52,100 | 128,241 | 120,872 | 0.64 |
| Padini Holdings Bhd | 9,600 | 51,505 | 57,408 | 0.30 |
| | 61,700 | 179,746 | 178,280 | 0.94 |
| Finance | | | | |
| BIMB Holdings Bhd | 33,400 | 141,355 | 131,930 | 0.69 |
| Industrials | | | | |
| Petronas Chemicals Group Bhd | 19,800 | 144,540 | 187,308 | 0.98 |
| Uchi Technologies Bhd | 17,400 | 53,347 | 53,766 | 0.28 |
| UMW Holdings Bhd | 15,600 | 96,540 | 92,664 | 0.49 |
| V.S. Industry Bhd | 57,225 | 118,886 | 90,415 | 0.48 |
| | 110,025 | 413,313 | 424,153 | 2.23 |
| IPC | | | | |
| TIME dotCom Bhd | 10,500 | 94,640 | 86,100 | 0.45 |
| Plantation | | | | |
| FGV Holdings Bhd | 28,700 | 45,036 | 43,337 | 0.23 |
| Genting Plantations Bhd | 5,400 | 57,888 | 50,922 | 0.27 |
| IOI Corporation Bhd | 27,700 | 127,624 | 125,204 | 0.66 |
| Sime Darby Plantation Bhd | 15,900 | 88,881 | 85,224 | 0.45 |
| | 77,700 | 319,429 | 304,687 | 1.61 |
| Technology | | | | |
| Frontken Corporation Bhd | 113,400 | 60,834 | 97,525 | 0.51 |
| Inari Amertron Bhd | 78,850 | 175,903 | 176,624 | 0.93 |
| JHM Consolidation Bhd | 43,200 | 46,518 | 53,568 | 0.28 |
| Pentamaster Corporation Bhd | 35,700 | 86,446 | 122,451 | 0.64 |
| Revenue Group Bhd | 167,200 | 104,961 | 190,608 | 1.00 |
| | 438,350 | 474,662 | 640,776 | 3.36 |

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

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--|-------------------------|-------------------------|-------------------------|---------------------------|
| 2018 (CONTINUED) SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED) | | | | |
| Trading/Services | | | | |
| Axiata Group Bhd | 26,733 | 144,820 | 128,318 | 0.67 |
| Dialog Group Bhd | 30,600 | 67,014 | 106,488 | 0.56 |
| IHH Healthcare Bhd | 26,200 | 154,434 | 146,196 | 0.77 |
| MISC Bhd | 24,900 | 178,119 | 147,657 | 0.78 |
| Serba Dinamik Holdings Bhd | 49,500 | 192,789 | 190,575 | 1.00 |
| Sime Darby Bhd | 56,700 | 135,904 | 144,585 | 0.76 |
| Sunway Bhd | 37,700 | 62,814 | 58,812 | 0.31 |
| Tasco Bhd | 12,600 | 29,106 | 20,160 | 0.11 |
| Telekom Malaysia Bhd | 25,000 | 125,395 | 82,750 | 0.44 |
| Tenaga Nasional Bhd | 23,000 | 342,727 | 360,640 | 1.90 |
| Westports Holdings Bhd | 43,500 | 155,946 | 161,820 | 0.85 |
| Yinson Holdings Bhd | 29,700 | 118,042 | 136,621 | 0.71 |
| | <u>386,133</u> | <u>1,707,110</u> | <u>1,684,622</u> | <u>8.86</u> |
| TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES | <u>1,141,508</u> | <u>3,399,212</u> | <u>3,524,729</u> | <u>18.53</u> |
| ACCUMULATED UNREALISED GAIN ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>125,517</u> | | |
| TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>3,524,729</u> | | |
| Name of issuer | Nominal value RM | Aggregate cost RM | Market value RM | Percentage of NAV % |
| 2018 (CONTINUED) UNQUOTED SUKUK | | | | |
| Bandar Serai Development Sdn Bhd 4.78% 27/10/2020 (AA3) | 1,500,000 | 1,536,306 | 1,536,273 | 8.08 |

7. 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 % |
|---|---------------------|----------------------|--------------------|------------------------|
| 2018 (CONTINUED) UNQUOTED SUKUK (CONTINUED) | | | | |
| Bank Pembangunan Malaysia Bhd 4.28% 02/03/2022 (AAA) | 500,000 | 508,367 | 507,794 | 2.67 |
| Celcom Transmission (M) Sdn Bhd 4.85% 29/08/2022 (AA1) | 300,000 | 301,404 | 303,522 | 1.60 |
| Gamuda Bhd 4.22% 26/10/2018 (AA3) | 2,250,000 | 2,283,210 | 2,283,051 | 12.00 |
| Imtiaz Sukuk II Bhd 4.58% 27/05/2022 (AA2) | 750,000 | 759,649 | 761,247 | 4.00 |
| Jimah Energy Ventures Sdn Bhd 9.15% 05/12/2020 (AA3) | 750,000 | 829,517 | 829,538 | 4.36 |
| Jimah Energy Ventures Sdn Bhd 9.35% 12/05/2020 (AA3) | 750,000 | 832,343 | 832,407 | 4.38 |
| MMC Corporation Bhd 5.64% 27/04/2027 (AA3) | 750,000 | 780,594 | 769,143 | 4.04 |
| Perbadanan Kemajuan Negeri Selangor 4.55% 31/10/2018 (AA3) | 2,250,000 | 2,285,010 | 2,285,149 | 12.02 |
| Telekom Malaysia Bhd 4.20% 13/09/2021 (AAA) | 1,000,000 | 1,021,740 | 1,021,302 | 5.37 |
| UEM Edgenta Bhd 4.85% 26/04/2022 (AA3) | 280,000 | 286,654 | 287,285 | 1.51 |
| UMW Holdings Bhd 4.83% 22/06/2022 (AA2) | 400,000 | 407,214 | 407,489 | 2.14 |
| UniTapah Sdn Bhd 5.01% 12/06/2019 (AA1) | 1,550,000 | 1,577,445 | 1,577,634 | 8.30 |
| United Growth Bhd 4.73% 21/06/2022 (AA2) | 350,000 | 355,947 | 356,829 | 1.88 |
| WCT Holdings Bhd 4.8% 28/12/2018 (AA3) | 750,000 | 757,032 | 757,040 | 3.98 |
| WCT Holdings Bhd 5.32% 11/05/2022 (AA3) | 750,000 | 767,068 | 770,056 | 4.04 |
| TOTAL UNQUOTED SUKUK | 14,880,000 | 15,289,500 | 15,285,759 | 80.37 |
| ACCUMULATED UNREALISED LOSS ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS | | (3,741) | | |
| TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS | | 15,285,759 | | |

8. CASH AND CASH EQUIVALENTS

| | 2019 | 2018 |
|---|-------------|-------------|
| | RM | RM |
| Shariah-compliant deposits with licensed Islamic financial institutions | 2,485,415 | - |
| Bank balances | 75,701 | 1,633 |
| | 2,561,116 | 1,633 |

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

| | 2019 | 2018 |
|---|-------------|-------------|
| | % | % |
| Shariah-compliant deposits with licensed Islamic financial institutions | 3.05 | - |

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 2 days (2018: Nil).

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

| | 2019 | 2018 |
|---------------|---------------------|---------------------|
| | No. of units | No. of units |
| Class A (i) | 23,891,328 | 17,952,253 |
| Class C (ii) | 2,122,803 | 1,305,876 |
| Class X (iii) | 16,274,152 | 12,139,994 |
| | 42,288,283 | 31,398,123 |

(i) Class A

| | 2019 | 2018 |
|--|---------------------|---------------------|
| | No. of units | No. of units |
| At the beginning of the financial year | 17,952,253 | 14,612,535 |
| Add: Creation of units from applications | 8,011,084 | 4,720,225 |
| Less: Cancellation of units | (2,072,009) | (1,380,507) |
| At the end of the financial year | 23,891,328 | 17,952,253 |

(ii) Class C

| | 2019 | 2018 |
|--|---------------------|---------------------|
| | No. of units | No. of units |
| At the beginning of the financial year | 1,305,876 | 715,430 |
| Add: Creation of units from applications | 1,350,876 | 647,529 |
| Less: Cancellation of units | (533,949) | (57,083) |
| At the end of the financial year | 2,122,803 | 1,305,876 |

(iii) Class X

| | 2019 | 2018 |
|--|---------------------|---------------------|
| | No. of units | No. of units |
| At the beginning of the financial year | 12,139,994 | 8,215,773 |
| Add: Creation of units from applications | 8,521,397 | 4,544,147 |
| Less: Cancellation of units | (4,387,239) | (619,926) |
| At the end of the financial year | 16,274,152 | 12,139,994 |

10. MANAGEMENT EXPENSE RATIO (“MER”)

| | 2019 | 2018 |
|-----|-------------|-------------|
| | % | % |
| MER | 1.35 | 0.26 |

MER is derived from the following calculation:

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

- A = Private Pension Administrator’s fee
- B = Trustee’s fee
- C = Tax agent’s fee
- D = Audit fee
- E = Other expenses excluding Sales and Services Tax (“SST”) on transaction costs and withholding tax
- 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 RM23,557,140 (2018: RM16,325,300).

11. PORTFOLIO TURNOVER RATIO (“PTR”)

| | 2019 | 2018 |
|-------------|-------------|-------------|
| PTR (times) | 0.72 | 1.48 |

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial year = RM21,936,098 (2018: RM26,678,573)
- total disposal for the financial year = RM11,896,002 (2018: RM21,806,697)

12. UNITS HELD BY THE PRS PROVIDER AND PARTIES RELATED TO THE PRS PROVIDER, AND SIGNIFICANT RELATED PARTIES 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 PRS Provider |
| Principal Financial Group, Inc. | Ultimate holding company of shareholder of the PRS Provider |
| Principal International (Asia) Ltd | Shareholder of the PRS Provider |
| 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 PRS Provider |
| CIMB Group Holdings Bhd | Ultimate holding company of shareholder of the PRS Provider |
| CIMB Group Sdn Bhd | Shareholder of the PRS Provider |
| Subsidiaries and associates of CIMB Group Holdings Bhd, other than above, as disclosed in its financial statements | Fellow subsidiary and associated companies of the ultimate holding company of the shareholder of the PRS Provider |
| CGS-CIMB Securities Sdn Bhd | Fellow related party to the PRS Provider |
| CIMB Bank Bhd | Fellow related party to the PRS Provider |
| CIMB Investment Bank Bhd | Fellow related party to the PRS Provider |
| CIMB Islamic Bank Bhd | Fellow related party to the PRS Provider |

Units held by the PRS Provider and parties related to the PRS Provider

There were no units held by the PRS Provider, the Directors or parties related to the PRS Provider as at the end of the financial year.

In addition to related party disclosure mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The PRS Provider 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.

12. UNITS HELD BY THE PRS PROVIDER AND PARTIES RELATED TO THE PRS PROVIDER, AND SIGNIFICANT RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

| | 2019 | 2018 |
|--|-------------|-------------|
| | RM | RM |
| <u>Significant related party transactions</u> | | |
| Dividend income received from Shariah-compliant collective investment schemes: | | |
| - Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i> | - | 19,185 |
| Purchase of Shariah-compliant collective investment schemes | | |
| - Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i> | - | 2,589,001 |
| Disposal of Shariah-compliant collective investment schemes | | |
| - Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i> | - | 16,411,113 |
| Profit income from Shariah-compliant deposits with licensed Islamic financial institution: | | |
| - CIMB Islamic Bank Bhd | 312 | 75 |
| Cash placement with licensed Islamic financial institution: | | |
| - CIMB Islamic Bank Bhd | 2,911,000 | 608,000 |

There were no significant related party balances at the end of each financial year.

13. TRANSACTIONS WITH BROKERS/DEALERS

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

| Brokers/Dealers | Value of trades RM | Percentage of total trades % | Brokerage Fees RM | Percentage of total brokerage fees % |
|--|-------------------------------|---|------------------------------|---|
| RHB Investment Bank Bhd | 10,007,324 | 29.58 | 2,387 | 10.83 |
| RHB Bank Bhd | 9,322,144 | 27.56 | - | - |
| Hong Leong Investment Bank Bhd | 3,022,601 | 8.94 | 3,291 | 14.93 |
| J.P. Morgan Securities (M) Sdn Bhd | 2,617,217 | 7.74 | 2,820 | 12.79 |
| Affin Hwang Investment Bank Bhd | 1,879,319 | 5.56 | 4,228 | 19.17 |
| Alliance Bank Malaysia Bhd | 1,768,628 | 5.23 | - | - |
| Macquarie Capital Securities (M) Sdn Bhd | 1,316,715 | 3.89 | 1,976 | 8.96 |
| CGS-CIMB Securities Sdn Bhd (<i>formerly known as CIMB Securities Sdn Bhd</i>) # | 914,483 | 2.70 | 1,290 | 5.85 |
| Maybank Investment Bank Bhd | 585,795 | 1.73 | 1,318 | 5.98 |
| Kaf Seagroatt & Campbell Securities Sdn Bhd | 558,028 | 1.65 | 1,256 | 5.70 |
| Others | 1,834,759 | 5.42 | 3,484 | 15.79 |
| | <u>33,827,013</u> | <u>100.00</u> | <u>22,050</u> | <u>100.00</u> |

13. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

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

| Brokers/Dealers | Values of trades RM | Percentage of total trades % | Brokerage Fees RM | Percentage of total brokerage fees % |
|--|------------------------|---------------------------------|----------------------|---|
| Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad) # | 19,447,834 | 40.13 | - | - |
| RHB Bank Bhd | 10,588,020 | 21.85 | - | - |
| RHB Investment Bank Bhd | 5,056,207 | 10.43 | 1,718 | 8.39 |
| Hong Leong Bank Bhd | 4,192,450 | 8.65 | - | - |
| Credit Suisse Securities (Malaysia) Sdn Bhd | 2,945,112 | 6.08 | 6,426 | 31.37 |
| CIMB Investment Bank Bhd # | 1,301,049 | 2.68 | 2,811 | 13.72 |
| Hong Leong Investment Bank Bhd | 943,620 | 1.95 | 1,215 | 5.93 |
| Maybank Investment Bank Bhd | 638,655 | 1.32 | 1,298 | 6.34 |
| Macquarie Capital Securities (M) Sdn Bhd | 586,143 | 1.21 | 1,155 | 5.64 |
| J.P. Morgan Securities (M) Sdn Bhd | 571,018 | 1.18 | 1,303 | 6.36 |
| Others # | 2,193,565 | 4.52 | 4,557 | 22.25 |
| | <u>48,463,673</u> | <u>100.00</u> | <u>20,483</u> | <u>100.00</u> |

Included in transactions are trades conducted with Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad), the PRS Provider, amounting to Nil (2018: RM19,447,834), CGS-CIMB Securities Sdn Bhd, CIMB Investment Bank Bhd, and CIMB Bank Bhd, fellow related parties to the PRS Provider amounting to RM914,483 (2018: Nil), Nil (2018: RM1,301,049) and Nil (2018: RM201,580) respectively. The PRS Provider is of the opinion that all transactions have been entered into in the normal course of business at agreed terms between the related parties.

14. 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 Members with capital preservation through investment primarily in fixed income instruments. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of profit income and dividend income earned from Shariah-compliant investments and gains on the appreciation in the value of Shariah-compliant investments, which are derived from Shariah-compliant quoted securities listed on the Bursa Securities, Malaysia, and unquoted Sukuk traded in Malaysia.

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

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 September 2018 are compared as follows:

| | Measurement category | | Original (MFRS 139) RM | Carrying amount | | |
|---|---------------------------|-----------------|------------------------------|------------------------------|---------------------------|-----------------------|
| | Original (MFRS 139) | New (MFRS 9) | | Reclassi- fications RM | Remeas- urements RM | New (MFRS 9) RM |
| Financial assets | | | | | | |
| Cash and cash equivalents | Financing and receivables | Amortised cost | 1,633 | - | - | 1,633 |
| Investment in Shariah-compliant quoted securities | FVTPL | FVTPL | 3,524,729 | - | - | 3,524,729 |
| Investment in unquoted Sukuk | FVTPL | FVTPL | 15,285,759 | - | - | 15,285,759 |
| Amount due from stockbrokers | Financing and receivables | Amortised cost | 194,195 | - | - | 194,195 |
| Amount due from the PRS Provider | Financing and receivables | Amortised cost | 90,935 | - | - | 90,935 |
| Dividends receivable | Financing and receivables | Amortised cost | 7,995 | - | - | 7,995 |
| Financial liabilities | | | | | | |
| Amount due to stockbrokers | Amortised cost | Amortised cost | 65,691 | - | - | 65,691 |
| Amount due to the PRS Provider | Amortised cost | Amortised cost | 2,233 | - | - | 2,233 |
| Amount due to Private Pension Administrator | Amortised cost | Amortised cost | 643 | - | - | 643 |
| Amount due to Trustee | Amortised cost | Amortised cost | 643 | - | - | 643 |
| Other payables and accruals | Amortised cost | Amortised cost | 17,900 | - | - | 17,900 |
| Net assets attributable to members | FVTPL | FVTPL | 19,018,154 | - | - | 19,018,154 |

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the PRS Provider on 17 October 2019.

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