

CIMB Islamic PRS Plus Equity

Annual Report

For The Financial Year Ended 31 August 2019

CIMB ISLAMIC PRS PLUS EQUITY

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019

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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>.

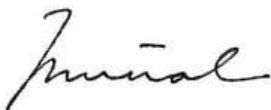
Effective 1 April 2019, we have appointed Amanie Advisors Sdn Bhd ("Amanie") as our new Shariah advisor. Amanie is a Shariah advisory, consultancy, training and research and development boutique for institutional and corporate clientele focusing on Islamic financial services. It is a registered Shariah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

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

We have acted as the Shariah Adviser of CIMB Islamic PRS Plus Equity (the "Fund") for the six months 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 six months financial period from 1 September 2018 to 31 March 2019.

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

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

We have acted as the Shariah Adviser of CIMB Islamic PRS Plus Equity ("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 EQUITY**

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 18 to 42 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 EQUITY**

We have acted as Trustee for CIMB Islamic PRS Plus Equity (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*) 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 Scheme, 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 EQUITY**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB Islamic PRS Plus Equity (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 18 to 42.

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 EQUITY (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 EQUITY (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 EQUITY (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 capital growth over the long-term by investing in a target fund with investments in Malaysian securities that comply with the Shariah principles.

Has the Fund achieved its objective?

For the financial year under review, the Fund has underperformed its benchmark. Nevertheless, the Fund is still in line with its investment objective, which is to provide capital growth over the long-term.

What are the Fund investment policy and principal investment strategy?

The Fund will invest at least 95% of its Net Asset Value ("NAV") in the CIMB Islamic DALI Equity Growth Fund ("Target Fund"), a Malaysian domiciled fund established on 7 May 1998, which invests in Malaysian Shariah-compliant equities. The Fund will also maintain up to a maximum of 5% of its NAV in liquid assets.

Information on the Target Fund

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

Regulatory Authority: Securities Commission Malaysia ("SC")

Fund category/type

Feeder Fund - Equity (Shariah)

When was the Fund launched?

12 November 2012

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

RM54.40 million (96.88 million units)

What is the Fund's benchmark?

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 scheme | 99.32 | 99.55 | 99.84 |
| Cash and other net assets | 0.68 | 0.45 | 0.16 |
| | <u>100.00</u> | <u>100.00</u> | <u>100.00</u> |

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

| | 31.08.2019 | 31.08.2018 | 31.08.2017 |
|--------------------------------|-------------------|-------------------|-------------------|
| NAV (RM Million) | | | |
| - Class A | 39.49 | 39.48 | 37.57 |
| - Class C | 2.86 | 3.02 | 2.84 |
| - Class X | 12.05 | 11.19 | 10.34 |
| Units in circulation (Million) | | | |
| - Class A | 70.33 | 65.02 | 61.06 |
| - Class C | 5.10 | 4.98 | 4.62 |
| - Class X | 21.45 | 18.42 | 16.81 |
| NAV per unit (RM) | | | |
| - Class A | 0.5615 | 0.6072 | 0.6153 |
| - Class C | 0.5614 | 0.6071 | 0.6152 |
| - Class X | 0.5615 | 0.6072 | 0.6153 |
| Highest NAV per unit (RM) | | | |
| - Class A | 0.6072 | 0.6606 | 0.6316 |
| - Class C | 0.6071 | 0.6606 | 0.6315 |
| - Class X | 0.6072 | 0.6607 | 0.6316 |
| Lowest NAV per unit (RM) | | | |
| - Class A | 0.5276 | 0.5733 | 0.5806 |
| - Class C | 0.5275 | 0.5732 | 0.5806 |
| - Class X | 0.5276 | 0.5733 | 0.5806 |
| Total return (%) | | | |
| - Class A | (8.53) | (1.32) | 2.28 |
| - Class C | (8.52) | (1.32) | 2.28 |
| - Class X | (8.53) | (1.32) | 2.28 |
| - Capital growth (%) | | | |
| - Class A | (8.53) | (1.32) | 2.28 |
| - Class C | (8.52) | (1.32) | 2.28 |
| - Class X | (8.53) | (1.32) | 2.28 |
| - Income distribution (%) | | | |
| - Class A | - | - | - |
| - Class C | - | - | - |
| - Class X | - | - | - |

PERFORMANCE DATA (CONTINUED)

| | 31.08.2019 | 31.08.2018 | 31.08.2017 |
|--|------------|------------|------------|
| Management Expense Ratio ("MER") (%) ^ | 0.12 | 0.15 | 0.13 |
| Portfolio Turnover Ratio ("PTR") (times) # | 0.06 | 0.09 | 0.11 |

^ The Fund's MER decreased from 0.15% to 0.12% mainly due to the increase in average NAV during the financial year under review.

For the financial year under review, the Fund's PTR stood at 0.06 times, lower than the previous reporting data at 0.09 times, mainly due to lesser trading activities within the reporting period.

| | 31.08.2019 % | 31.08.2018 % | 31.08.2017 % | 31.08.2016 % | 31.08.2015 % |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annual total return | | | | | |
| - Class A | (8.53) | (1.32) | 2.28 | 5.47 | (7.87) |
| - Class C | (8.52) | (1.32) | 2.28 | 5.47 | (7.88) |
| - Class X | (8.53) | (1.32) | 2.28 | 5.47 | (7.88) |

(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)

The FBMS Index fell 895.02 points or 6.9% 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 USD200 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 Argentine 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 Railway Link ("ECRL") and the 2 gas pipeline projects estimated at USD23 billion) and the deferment of High-Speed Railway ("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 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 FBMS Index ended December 2018 lower by 1.11% to close at 11,504 points. For 2018, the FBMS Index is lower by 13.52%. During the month, the Ringgit Malaysia ("RM") strengthened to RM4.133 against the US Dollar ("USD") from RM4.184 in the previous month. Brent crude oil slumped to USD53.80 per barrel, down by 8.36% m-o-m.

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 USD66.82 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.

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

The FBMS Index ended February 2019 higher by 1.55% to close at 11,732 points. Investors will be watching out for new developments (policies) from the upcoming Parliament sitting which will take place from 11 March 2019 to 11 April 2019, the release of the Felda White Paper as well as Bank Negara Malaysia (“BNM”) Annual report

The FBMS Index dipped 0.38% in March 2019 on receding concerns over moderation in global economic growth following the yield curve inversion in the US. In March 2019, the FBMS Index outperformed the Kuala Lumpur Composite Index (“KLCI”) while being driven by construction and plantation sectors. Domestically, the downgrade in BNM’s growth forecast also weighed on sentiments, stoking expectation of a policy rate cut as early as May 2019. Growth trajectory remains lacklustre in Malaysia as flagged by BNM during the release of its annual report in March 2019 where it lowered Malaysia’s 2019 Gross Domestic Product (“GDP”) forecast to 4.3% to 4.8% versus earlier forecast of 4.9% by the Ministry of Finance. With inflationary pressure remaining tame (<2%), street expectation of a cut in the Overnight Policy Rate (“OPR”) is rising.

The FBMS Index rose by 1.27% in April 2019, which were largely driven by rebound in construction, technology and energy sectors. Positive news flow continues to buoy the construction sector as the revival of Bandar Malaysia project has lifted sentiment and expectation that the shelved HSR and MRT3 projects may be revived soon. Sustained rebound in crude oil prices have also seen the revival of job flows to oil & gas service providers. Additionally, news that China had also recently agreed to purchase a minimum of 1.9 million tonnes of crude palm oil (“CPO”) over 5 years’ worth RM4.5 billion in addition to the earlier purchase contracts signed for 1.62 million tonnes for RM3.64 billion provide support to plantation names such as FGV Holdings Bhd and Sime Darby Plantation Sdn Bhd which closed higher by 5.93% and 2.79% respectively.

In May 2019, the FBMS Index ended marginally lower by 0.35%. The broader market’s sentiment was buoyed by two mergers & acquisition announcements involving Axiata Group Bhd and Telenor Group, and YTL Cement Bhd and Lafarge Malaysia Bhd and partly driven by foreign buying in the last three days of May 2019. The first quarter of 2019 (“1Q2019”) earnings season ended with another disappointment as there were still more misses than beats. Plantation, technology, aviation and basic materials were the major disappointments while positive results came from automotive, construction, telco and utilities. While the moderation in 1Q2019 GDP growth of 4.5% was shallower than street expectation, growth drivers going forward are weak given the escalating trade tension between the US and its major trading partners and slowing private investments due to dampened sentiment.

The FBMS Index gained 2.86% in June 2019 with Tenaga Nasional Bhd (+9.0%), Axiata Group Bhd (+6.2%) and Yinson Holdings Bhd (+30.1%) are some of the notable gainers among the FBMS Index component stocks. Domestic factors which also helped to boost the market include dissipating concern over regulatory risk particularly for airport operator Malaysia Airports Holdings Bhd following the release of the latest consultation paper on the implementation of Regulatory Asset Base (“RAB”) framework. We also observed improving investors’ risk appetite for small and mid-cap stocks judging by FBM Small Cap Index’s gain of 3.6% in June 2019 (year-to-date (“YTD”) 15%). Malaysia’s Nikkei Manufacturing Purchasing Managers’ Index (“PMI”) fell again in June 2019 to 47.8 points from 48.8 points in May 2019, largely dragged by weak external demand.

July 2019 saw the FBMS Index shedding 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 Bhd (-8.70%) and Sime Darby Plantation Bhd (-6.3%). Weak petrochemical and CPO prices, and slow loans growth have been a drag on Bursa Malaysia performance. On the regulatory front, uncertainty is fast receding as the Federal Government is poised to unveil new regulatory frameworks for many regulated industries such as airport, utilities and telco over the next few months. Expectations are rising that incumbents within these industries will not be as severely impacted as previously anticipated.

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

The FBMS Index declined by 0.75% in August 2019 in tandem with the selloff in global equity markets. Domestically, the underwhelming second quarter of 2019 (“2Q2019”) earnings season and sell-down of Cahaya Mata Sarawak Bhd and some other construction and property names like Malaysian Resources Corporation Bhd, TRC Synergy Bhd and SP Setia Group Bhd also led to the decline in the benchmark index. The 2Q2019 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 loan (“NPL”)), plantation (low CPO price), chemical (lower commodity price) and basic material (lower commodity price) sectors were the main contributors to the earnings cut.

FUND PERFORMANCE

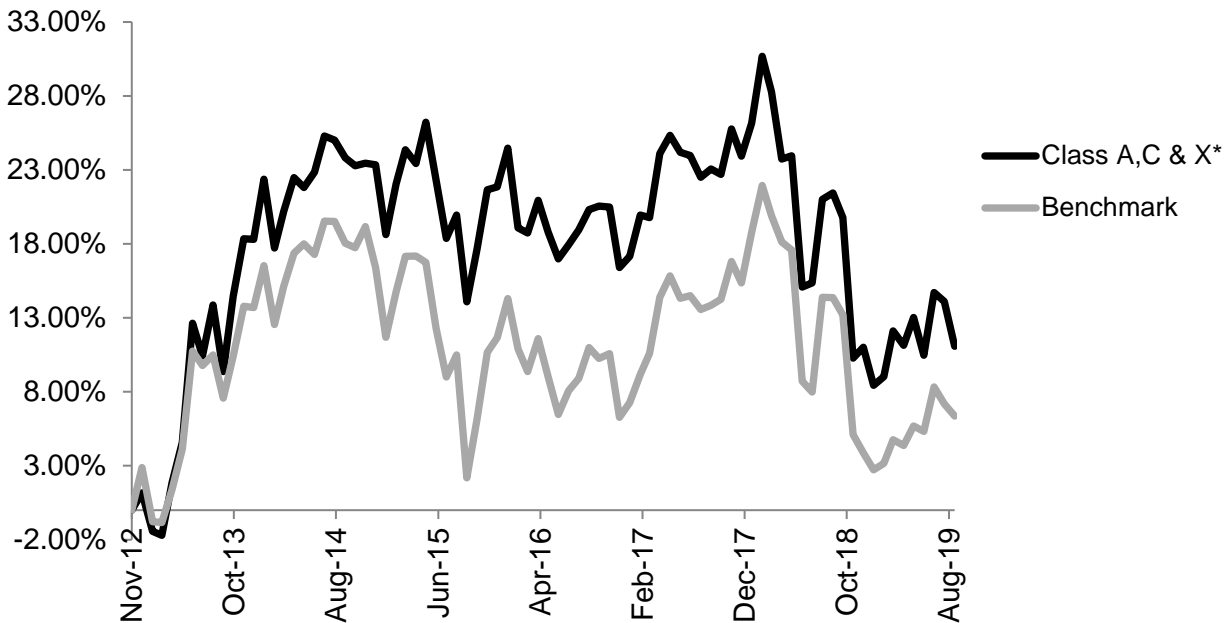
| | 1 year to 31.08.2019 | | | 3 years to 31.08.2019 | | |
|----------------------|----------------------|---------|---------|-----------------------|---------|---------|
| | Class A | Class C | Class X | Class A | Class C | Class X |
| | % | % | % | % | % | % |
| Income | - | - | - | - | - | - |
| Capital | (8.53) | (8.52) | (8.53) | (7.68) | (7.66) | (7.68) |
| Total Return | (8.53) | (8.52) | (8.53) | (7.68) | (7.66) | (7.68) |
| Benchmark | (6.99) | (6.99) | (6.99) | (4.17) | (4.17) | (4.17) |
| Average Total Return | (8.53) | (8.52) | (8.53) | (2.63) | (2.62) | (2.63) |

| | 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 | (10.29) | (10.29) | (10.30) | 11.08 | 11.08 | 11.08 |
| Total Return | (10.29) | (10.29) | (10.30) | 11.08 | 11.08 | 11.08 |
| Benchmark | (9.89) | (9.89) | (9.89) | 6.36 | 6.36 | 6.36 |
| Average Total Return | (2.15) | (2.15) | (2.15) | 1.56 | 1.56 | 1.56 |

For the financial year under review, Class A, Class C and Class X by decreased by 8.53%, 8.52% and 8.53% respectively. Meanwhile, the benchmark depreciated 6.99% over the same reporting year. The underperformance of the Fund relative to its benchmark was driven mainly by the stock selection with the Target Fund.

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 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) | 39.49 | 39.48 | 0.03 |
| NAV/Unit (RM) | 0.5615 | 0.6072 | (7.53) |
| CLASS C | 31.08.2019 | 31.08.2018 | Changes |
| NAV (RM Million) | 2.86 | 3.02 | (5.30) |
| NAV/Unit (RM) | 0.5614 | 0.6071 | (7.53) |
| CLASS X | 31.08.2019 | 31.08.2018 | Changes |
| NAV (RM Million) | 12.05 | 11.19 | 7.69 |
| NAV/Unit (RM) | 0.5615 | 0.6072 | (7.53) |

As at 31 August 2019, the total NAV of Class A and Class X increased to RM39.49 million and RM12.05 million respectively or by 0.03% and 7.69%. However, the total NAV of Class C fell to RM2.86 million or by 5.30%.

The NAV per unit for all three classes declined 7.53%, which is in line with the Fund's performance.

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 collective investment scheme | 99.32 | 99.55 |
| Cash and other net assets | 0.68 | 0.45 |
| | 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.

MARKET OUTLOOK*

Going into 2020, consensus projects 7.2% earnings rebound driven largely by banks and plantation sectors, which we remain sceptical. While we remain sanguine on infrastructure spending resumption and RAB framework themes, we believe re-rating will only come once certainty is achieved.

* 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

As this is a Feeder Fund category under the PRS, the Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes.

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 | 8,235 | 15.34 | 21.81 |
| 5,001-10,000 | 2,126 | 15.27 | 21.71 |
| 10,001-50,000 | 1,548 | 28.33 | 40.29 |
| 50,001-500,000 | 107 | 10.87 | 15.46 |
| 500,001 and above | 1 | 0.52 | 0.73 |
| Total | 12,017 | 70.33 | 100.00 |

MEMBERS STATISTICS AS AT 31 AUGUST 2019 (CONTINUED)

CLASS C

| Size of unit holdings (units) | No. of members | No. of units held (million) | % of units held |
|-------------------------------|----------------|-----------------------------|-----------------|
| 5,000 and below | 751 | 1.11 | 21.83 |
| 5,001-10,000 | 181 | 1.24 | 24.33 |
| 10,001-50,000 | 125 | 2.26 | 44.27 |
| 50,001-500,000 | 6 | 0.49 | 9.57 |
| 500,001 and above | - | - | - |
| Total | 1,063 | 5.10 | 100.00 |

CLASS X

| Size of unit holdings (units) | No. of members | No. of units held (million) | % of units held |
|-------------------------------|----------------|-----------------------------|-----------------|
| 5,000 and below | 1,470 | 2.18 | 10.19 |
| 5,001-10,000 | 426 | 3.10 | 14.43 |
| 10,001-50,000 | 536 | 11.73 | 54.70 |
| 50,001-500,000 | 61 | 4.44 | 20.68 |
| 500,001 and above | - | - | - |
| Total | 2,493 | 21.45 | 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 |
|---|-------------|--------------------|--------------------|
| LOSS | | | |
| Dividend income | | 1,074,839 | 2,741,405 |
| Net loss on financial assets at fair value through profit or loss | 7 | <u>(5,035,554)</u> | <u>(3,326,187)</u> |
| | | <u>(3,960,715)</u> | <u>(584,782)</u> |
| EXPENSES | | | |
| Private Pension Administrator's fee | 4 | 21,127 | 20,767 |
| Trustee's fee | 5 | 21,127 | 20,767 |
| Audit fee | | 10,500 | 9,900 |
| Tax agent's fee | | 4,000 | 4,600 |
| Other expenses | | <u>7,187</u> | <u>22,113</u> |
| | | <u>63,941</u> | <u>78,147</u> |
| LOSS BEFORE TAXATION | | (4,024,656) | (662,929) |
| Taxation | 6 | <u>-</u> | <u>-</u> |
| DECREASE IN NET ASSETS ATTRIBUTABLE TO MEMBERS | | <u>(4,024,656)</u> | <u>(662,929)</u> |
| Decrease in net assets attributable to members is made up as follows: | | | |
| Realised amount | | 1,433,526 | 2,486,216 |
| Unrealised amount | | <u>(5,458,182)</u> | <u>(3,149,145)</u> |
| | | <u>(4,024,656)</u> | <u>(662,929)</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 | 297,743 | 34,515 |
| Financial assets at fair value through profit or loss (Shariah-compliant) | 7 | 54,029,915 | 53,445,631 |
| Amount due from the PRS Provider | | | |
| - Creation of units | | 103,493 | 241,424 |
| TOTAL ASSETS | | <u>54,431,151</u> | <u>53,721,570</u> |
| LIABILITIES | | | |
| Amount due to the PRS Provider | | | |
| - Cancellation of units | | 10,835 | 16,327 |
| Amount due to Private Pension Administrator | | 1,848 | 1,814 |
| Amount due to Trustee | | 1,848 | 1,814 |
| Other payables and accruals | | 16,700 | 12,200 |
| TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO MEMBERS) | | <u>31,231</u> | <u>32,155</u> |
| NET ASSET VALUE OF THE FUND | | <u>54,399,920</u> | <u>53,689,415</u> |
| NET ASSETS ATTRIBUTABLE TO MEMBERS | | <u>54,399,920</u> | <u>53,689,415</u> |
| REPRESENTED BY: | | | |
| FAIR VALUE OF OUTSTANDING UNITS | | | |
| - Class A | | 39,490,802 | 39,482,149 |
| - Class C | | 2,862,416 | 3,023,322 |
| - Class X | | 12,046,702 | 11,183,944 |
| | | <u>54,399,920</u> | <u>53,689,415</u> |
| NUMBER OF UNITS IN CIRCULATION (UNITS) | | | |
| - Class A | | 70,326,528 | 65,019,070 |
| - Class C | | 5,098,128 | 4,979,400 |
| - Class X | | 21,453,002 | 18,417,465 |
| | 9 | <u>96,877,658</u> | <u>88,415,935</u> |
| NET ASSET VALUE PER UNIT (RM) | | | |
| - Class A | | 0.5615 | 0.6072 |
| - Class C | | 0.5614 | 0.6071 |
| - Class X | | <u>0.5615</u> | <u>0.6072</u> |

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 | 53,689,415 | 50,750,727 |
| Movement due to units created and cancelled during the financial year: | | |
| Creation of units from applications | | |
| - Class A | 5,577,378 | 6,244,015 |
| - Class C | 471,833 | 488,354 |
| - Class X | 1,936,758 | 2,325,763 |
| | <u>7,985,969</u> | <u>9,058,132</u> |
| Cancellation of units | | |
| - Class A | (2,615,124) | (3,843,716) |
| - Class C | (396,905) | (270,790) |
| - Class X | (238,779) | (1,342,009) |
| | <u>(3,250,808)</u> | <u>(5,456,515)</u> |
| Decrease in net assets attributable to members during the financial year: | <u>(4,024,656)</u> | <u>(662,929)</u> |
| NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR | <u><u>54,399,920</u></u> | <u><u>53,689,415</u></u> |

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

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

| | Note | 2019 RM | 2018 RM |
|--|----------|-----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Proceeds from disposal of Shariah-compliant collective investment scheme | | 750,000 | 1,762,000 |
| Purchase of Shariah-compliant collective investment scheme | | (5,295,000) | (5,122,000) |
| Private Pension Administrator's fee paid | | (21,093) | (20,668) |
| Trustee's fee paid | | (21,093) | (20,668) |
| Payments for other fees and expenses | | (17,187) | (37,126) |
| Net cash used in operating activities | | <u>(4,604,373)</u> | <u>(3,438,462)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash proceeds from unit created | | 8,123,900 | 8,942,453 |
| Payments for cancellation of units | | (3,256,299) | (5,507,852) |
| Net cash generated from financing activities | | <u>4,867,601</u> | <u>3,434,601</u> |
| Net increase/(decrease) in cash and cash equivalents | | 263,228 | (3,861) |
| Cash and cash equivalents at the beginning of the financial year | | <u>34,515</u> | <u>38,376</u> |
| Cash and cash equivalents at the end of the financial year | 8 | <u><u>297,743</u></u> | <u><u>34,515</u></u> |
| <u>Cash and cash equivalents comprised of:</u> | | | |
| Bank balance | | <u>297,743</u> | <u>34,515</u> |
| Cash and cash equivalents at the end of the financial year | 8 | <u><u>297,743</u></u> | <u><u>34,515</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019

1. THE FUND, THE PRS PROVIDER AND ITS PRINCIPAL ACTIVITIES

CIMB Islamic PRS Plus Equity (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 the age of 18 years as of the date of opening a private pension account. Class A and C have different 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 will invest at least 95% of its NAV in the Target Fund, a Malaysian domiciled fund established on 7 May 1998, which invest in Malaysian Shariah-compliant equities. The Fund will also maintain up to a maximum of 5% of its NAV in liquid assets.

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.

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 judgement are based on the PRS Provider's best knowledge of current events and actions, actual results may differ.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

Standard that is effective and relevant:

The Fund has applied the following standard for the first time for the financial year beginning on 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 instrument¹ is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represents 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.

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.

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 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 investment in Shariah-compliant collective investment scheme as financial assets at fair value through profit or loss at inception.

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

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

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 the PRS Provider, amount due to the 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(e)) as a financial liability at fair value through profit or loss.

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.

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

The Fund classifies its investment 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.

Investment in Shariah-compliant collective investment schemes has contractual cash flows that do not represent SPPI, and therefore are classified as fair value through profit or loss.

The Fund classifies cash and cash equivalents and amount due from the PRS Provider 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 the PRS Provider, amount due to the 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(e)) 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.

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 Shariah-compliant investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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

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

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

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

Shariah-compliant collective investment schemes are valued based on the most recent published NAV per unit or share of such Shariah-compliant collective investment schemes or, if unavailable, on the last published price of such unit or share (excluding any sales charge included in such selling price).

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 interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in statement of comprehensive income. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Impairment for assets carried at amortised costs (continued)

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) Income recognition

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

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

(d) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Member's 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.

(f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in value.

(g) 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.

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

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

(i) Amount due from/to PRS Provider

Amount due from/to PRS Provider represents receivables for Shariah-compliant investments sold and payables for Shariah-compliant investments purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value up to 31 August 2018 and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amount due from PRS Provider. From 1 September 2018, these amounts are subsequently measured at amortised cost.

Impairment for amount due from PRS Providers are explained in Note 2(b).

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

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

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

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

Estimates and judgements 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.

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.

However, the PRS Provider is of the opinion that in applying these accounting policies, no significant judgement was required.

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) | - | 297,743 | 297,743 |
| Shariah-compliant collective investment scheme (Note 7) | 54,029,915 | - | 54,029,915 |
| Amount due from the PRS Provider | - | 103,493 | 103,493 |
| | <u>54,029,915</u> | <u>401,236</u> | <u>54,431,151</u> |
| | Financial assets at fair value through profit or loss RM | Financing and receivables RM | Total RM |
| 2018 | | | |
| Cash and cash equivalents (Note 8) | - | 34,515 | 34,515 |
| Shariah-compliant collective investment scheme (Note 7) | 53,445,631 | - | 53,445,631 |
| Amount due from the PRS Provider | - | 241,424 | 241,424 |
| | <u>53,445,631</u> | <u>275,939</u> | <u>53,721,570</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 capital growth over the long-term by investing in a target fund with investment in Malaysian securities that comply with the Shariah principles.

The Fund is exposed to a variety of risks which include market risk (inclusive of price 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 collective investment scheme will fluctuate because of changes in market prices. The value of investments in a Shariah-compliant collective investment scheme 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 collective investment scheme and other financial instruments within specified limits according to the Deeds.

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

| | 2019 RM | 2018 RM |
|--|-------------------|-------------------|
| Financial assets at fair value through profit or loss: | | |
| - Shariah-compliant collective investment scheme | <u>54,029,915</u> | <u>53,445,631</u> |

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

| % Change in price of Shariah-compliant collective investment scheme | Market value RM | Impact on profit or loss/NAV RM |
|---|--------------------|---------------------------------------|
| 2019 | | |
| -5% | 51,328,419 | (2,701,496) |
| 0% | 54,029,915 | - |
| 5% | <u>56,731,411</u> | <u>2,701,496</u> |
| 2018 | | |
| -5% | 50,773,349 | (2,672,282) |
| 0% | 53,445,631 | - |
| 5% | <u>56,117,913</u> | <u>2,672,282</u> |

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.

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

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

For amount due from PRS Provider in relation to disposal of Shariah-complaint collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by the relevant regulatory authority in its home jurisdiction.

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

| | Cash and cash equivalents RM | Amount due from the PRS Provider RM | Total RM |
|-------------|---|--|---------------------|
| 2019 | | | |
| AA1 | 297,743 | - | 297,743 |
| Not rated | - | 103,493 | 103,493 |
| | <u>297,743</u> | <u>103,493</u> | <u>401,236</u> |
| 2018 | | | |
| AA1 | 34,515 | - | 34,515 |
| Not rated | - | 241,424 | 241,424 |
| | <u>34,515</u> | <u>241,424</u> | <u>275,939</u> |

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

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

(c) Liquidity risk

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

The 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 balance which are capable of being converted into cash within 7 business days.

The Fund's investments in Shariah-compliant collective investment scheme are realisable which are capable of being converted into cash within 10 business days. 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.

| | Less than 1 month RM | Between 1 month to 1 year RM | Total RM |
|---|----------------------------|---------------------------------------|-------------------|
| 2019 | | | |
| Amount due to the PRS Provider | 10,835 | - | 10,835 |
| Amount due to Private Pension Administrator | 1,848 | - | 1,848 |
| Amount due to Trustee | 1,848 | - | 1,848 |
| Other payables and accruals | - | 16,700 | 16,700 |
| Net assets attributable to members* | 54,399,920 | - | 54,399,920 |
| Contractual undiscounted cash flows | 54,414,451 | 16,700 | 54,431,151 |
| 2018 | | | |
| Amount due to the PRS Provider | 16,327 | - | 16,327 |
| Amount due to Private Pension Administrator | 1,814 | - | 1,814 |
| Amount due to Trustee | 1,814 | - | 1,814 |
| Other payables and accruals | - | 12,200 | 12,200 |
| Net assets attributable to members* | 53,689,415 | - | 53,689,415 |
| Contractual undiscounted cash flows | 53,709,370 | 12,200 | 53,721,570 |

* 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 and long term.

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to member's RM54,399,920 (2018: RM53,689,415). 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 members and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair 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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---|-------------------|---------------|---------------|-------------------|
| 2019 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Shariah-compliant collective investment scheme | <u>54,029,915</u> | <u>-</u> | <u>-</u> | <u>54,029,915</u> |
| Financial liabilities at fair value through profit or loss: | | | | |
| - Net assets attributable to members | <u>54,399,920</u> | <u>-</u> | <u>-</u> | <u>54,399,920</u> |
| 2018 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Shariah-compliant collective investment scheme | <u>53,445,631</u> | <u>-</u> | <u>-</u> | <u>53,445,631</u> |
| Financial liabilities at fair value through profit or loss: | | | | |
| - Net assets attributable to members | <u>53,689,415</u> | <u>-</u> | <u>-</u> | <u>53,689,415</u> |

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include Shariah-compliant collective investment scheme. 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).

- (ii) The carrying values of cash and cash equivalents, amount due from the PRS Provider 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 for the financial year ended 31 August 2019 and 31 August 2018 as the management fee has been waived by the PRS Provider.

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 FEES

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 | - | - |

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

| | 2019 | 2018 |
|---|-------------|-------------|
| | RM | RM |
| Loss before taxation | (4,024,656) | (662,929) |
| Taxation at Malaysian statutory rate of 24% (2018: 24%) | (965,917) | (159,103) |
| Tax effects of: | | |
| Loss not deductible for tax purpose | 950,571 | 140,347 |
| Expenses not deductible for tax purposes | 12,555 | 12,102 |
| Restriction on tax deductible expenses for PRS Funds | 2,791 | 6,654 |
| Taxation | - | - |

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

| | 2019 RM | 2018 RM |
|--|--------------------|--------------------|
| At fair value through profit or loss at inception: | | |
| - Shariah-compliant collective investment scheme | <u>53,440,535</u> | <u>53,445,631</u> |
| Net loss on financial assets at fair value through profit or loss: | | |
| - Realised loss on disposals | (166,752) | (177,042) |
| - Unrealised fair value loss | <u>(5,458,182)</u> | <u>(3,149,145)</u> |
| | <u>(5,624,934)</u> | <u>(3,326,187)</u> |

| Name of counter | Quantity Units | Aggregate cost RM | Market value RM | Percentage of NAV % |
|---|--------------------------|----------------------------|--------------------------|---------------------------|
| 2019 | | | | |
| SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEME | | | | |
| CIMB Islamic DALI Equity Growth Fund | <u>50,808,647</u> | <u>67,858,486</u> | <u>54,029,915</u> | <u>99.32</u> |
| TOTAL SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEME | <u>50,808,647</u> | <u>67,858,486</u> | <u>54,029,915</u> | <u>99.32</u> |
| ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>(13,828,571)</u> | | |
| TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>54,029,915</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 COLLECTIVE INVESTMENT SCHEME | | | | |
| CIMB Islamic DALI Equity Growth Fund | <u>45,605,965</u> | <u>62,405,400</u> | <u>53,445,631</u> | <u>99.55</u> |
| TOTAL SHARIAH- COMPLIANT COLLECTIVE INVESTMENT SCHEME | <u>45,605,965</u> | <u>62,405,400</u> | <u>53,445,631</u> | <u>99.55</u> |
| ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>(8,959,769)</u> | | |
| TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | <u>53,445,631</u> | | |

8. CASH AND CASH EQUIVALENTS

| | 2019 RM | 2018 RM |
|--------------|----------------|---------------|
| Bank balance | <u>297,743</u> | <u>34,515</u> |

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

| | 2019 No. of units | 2018 No. of units |
|---------------|----------------------|----------------------|
| Class A (i) | 70,326,528 | 65,019,070 |
| Class C (ii) | 5,098,128 | 4,979,400 |
| Class X (iii) | <u>21,453,002</u> | <u>18,417,465</u> |
| | <u>96,877,658</u> | <u>88,415,935</u> |

(i) Class A

| | 2019 No. of units | 2018 No. of units |
|--|----------------------|----------------------|
| At the beginning of the financial year | 65,019,070 | 61,056,085 |
| Add: Creation of units from applications | 9,936,832 | 10,117,149 |
| Less: Cancellation of units | <u>(4,629,374)</u> | <u>(6,154,164)</u> |
| At the end of the financial year | <u>70,326,528</u> | <u>65,019,070</u> |

9. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)

(ii) Class C

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| | No. of units | No. of units |
| At the beginning of the financial year | 4,979,400 | 4,617,985 |
| Add: Creation of units from applications | 831,815 | 794,510 |
| Less: Cancellation of units | (713,087) | (433,095) |
| At the end of the financial year | <u>5,098,128</u> | <u>4,979,400</u> |

(iii) Class X

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| | No. of units | No. of units |
| At the beginning of the financial year | 18,417,465 | 16,805,852 |
| Add: Creation of units from applications | 3,457,093 | 3,764,879 |
| Less: Cancellation of units | (421,556) | (2,153,266) |
| At the end of the financial year | <u>21,453,002</u> | <u>18,417,465</u> |

10. MANAGEMENT EXPENSE RATIO (“MER”)

| | <u>2019</u> | <u>2018</u> |
|-----|-------------|-------------|
| | % | % |
| MER | <u>0.12</u> | <u>0.15</u> |

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 |
| 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 RM52,823,450 (2018: RM51,901,612).

11. PORTFOLIO TURNOVER RATIO (“PTR”)

| | <u>2019</u> | <u>2018</u> |
|-------------|-------------|-------------|
| PTR (times) | <u>0.06</u> | <u>0.09</u> |

PTR is derived based on the following calculation:

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

where:

| | | |
|--|---|---------------------------------|
| total acquisition for the financial year | = | RM5,295,000 (2018: RM7,863,405) |
| total disposal for the financial year | = | RM750,000 (2018: RM1,762,000) |

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 |

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.

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | RM | RM |
| <u>Significant related party transactions</u> | | |
| Dividend income from Shariah-compliant collective investment scheme managed by the PRS Provider | <u>1,074,839</u> | <u>2,741,405</u> |
| Purchase of Shariah-compliant collective investment scheme managed by the PRS Provider | <u>5,295,000</u> | <u>7,863,405</u> |
| Disposal of Shariah-compliant collective investment scheme managed by the PRS Provider | <u>750,000</u> | <u>1,762,000</u> |
| <u>Significant related party balances</u> | | |
| Shariah-compliant collective investment scheme managed by the PRS Provider: | | |
| - CIMB Islamic DALI Equity Growth Fund | <u>54,029,915</u> | <u>53,445,631</u> |

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 % |
|---|-------------------------------|---|------------------------------|---|
| Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i> # | 6,045,000 | 100.00 | - | - |

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

| Brokers/Dealers | Value of trades RM | Percentage of total trades % | Brokerage fees RM | Percentage of total brokerage fees % |
|---|-------------------------------|---|------------------------------|---|
| Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i> # | 6,884,000 | 100.00 | - | - |

Included in the transactions are trades conducted with Principal Asset Management Berhad *(formerly known as CIMB-Principal Asset Management Berhad)*, the PRS Provider of the Fund, amounting to RM6,045,000 (2018: RM6,884,000). 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.

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 dividend income earned from investments and gains on the appreciation in the value of investments, which are derived from Malaysia domiciled collective investment scheme.

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 | | Carrying amount | | | |
|--|---------------------------|-----------------|------------------------|------------------------|---------------------|-----------------|
| | Original (MFRS 139) | New (MFRS 9) | Original (MFRS 139) | Reclassi- fications | Remeas- urements | New (MFRS 9) |
| | | | RM | RM | RM | RM |
| Financial assets | | | | | | |
| Cash and cash equivalents | Financing and receivables | Amortised cost | 34,515 | - | - | 34,515 |
| Investment in Shariah-compliant collective investment scheme | FVTPL | FVTPL | 53,445,631 | - | - | 53,445,631 |
| Amount due from the PRS Provider | Financing and receivables | Amortised cost | 241,424 | - | - | 241,424 |
| Financial liabilities | | | | | | |
| Amount due to the PRS Provider | Amortised cost | Amortised cost | 16,327 | - | - | 16,327 |
| Amount due to Private Pension Administrator | Amortised cost | Amortised cost | 1,814 | - | - | 1,814 |
| Amount due to Trustee | Amortised cost | Amortised cost | 1,814 | - | - | 1,814 |
| Other payables and accruals | Amortised cost | Amortised cost | 12,200 | - | - | 12,200 |
| Net assets attributable to members | FVTPL | FVTPL | 53,689,415 | - | - | 53,689,415 |

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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Auditors of the Fund and of the PRS Provider

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