

CIMB-PRINCIPAL BALANCED INCOME FUND

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 28 FEBRUARY 2019

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INVESTORS' LETTER

Dear Valued Investor,

Thank you for your continued support and for the confidence that you have placed in us. CIMB-Principal Asset Management Berhad ("CIMB-Principal") Malaysia has achieved RM60.58 billion in Asset under Management ("AUM") as of December 2018.

We continue to achieve prestigious recognitions from **The Edge | Thomson Reuters Lipper Fund Awards 2018 for the following funds:**

- Best Fund Over 5 Years, Equity Global - Malaysia : CIMB-Principal Global Titans Fund
- Best Fund Over 5 Years, Equity Asia Pacific ex Japan - Malaysia : CIMB-Principal Asian Equity Fund
- Best Fund Over 5 Years, Equity Asia Pacific ex Japan - Malaysia : CIMB Islamic Asia Pacific Equity Fund
- Best Fund Over 5 Years, Equity Malaysia Diversified - Malaysia : CIMB-Principal Equity Growth & Income Fund
- Best Fund Over 5 Years, Mixed Asset MYR Bal - Malaysia : CIMB-Principal Income Plus Balanced Fund
- Best Fund Over 3 Years, Equity Global - Malaysia : CIMB-Principal Global Titans Fund

In addition, we received recognition from Fundsupermart.com for 'Fund House of the Year' award and Recommended Unit Trust 2018/2019 awards for the funds below:

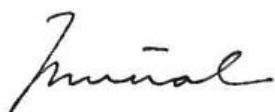
- CIMB-Principal Global Titans Fund
- CIMB-Principal Asia Pacific Dynamic Income Fund
- CIMB Islamic Asia Pacific Equity Fund
- CIMB-Principal Greater China Equity Fund
- CIMB-Principal PRS Plus Conservative
- CIMB-Principal PRS Plus Growth

Our latest win is for **The Asset Triple A Private Banking, Wealth Management, Investment and Exchange-Traded Fund ("ETF") Awards 2018**, where we have been recognized as the 'Best Wealth Manager' in Malaysia.

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

Thank you.

Yours faithfully,
for **CIMB-Principal Asset Management Berhad**



Munirah Khairuddin
Chief Executive Officer/Executive Director

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

The investment objective of the Fund is to seek long-term growth in capital and income by investing in all types of investments.

Has the Fund achieved its objective?

For the six months financial period under review, the Fund did not achieve its objective against the benchmark due to drag from equities.

What are the fund investment policy and its strategy?

The Fund aims to invest in a diversified portfolio of equities and fixed income investments. In line with the objective of the Fund, the investment policy and strategy of the Fund will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 60:40. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investments by the Fund in equity securities shall not exceed 60% of the Net Asset Value ("NAV") of the Fund and investments in fixed income securities and liquid assets shall not be less than 40% of its NAV with a minimum credit rating of "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysia Rating Corporation Berhad ("MARC") or by local rating agency (ies) of the country of issuance or "BBB-" by S&P or equivalent rating by Moody's or Fitch. The Fund may invest up to 40% of its NAV in Unrated Fixed Income Securities*. 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 seek investment exposure via Collective Investment Scheme that is in line with the Fund's objective, subject to the requirement of the Securities Commission Malaysia ("SC") Guidelines.

* With effective 1st December 2017, the investment limit in Unrated Fixed Income Securities will be changed from 25% to 40%.

Fund category/type

Balanced/Growth and Income

How long should you invest for?

Recommended 5 years or more

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

Moderate

When was the Fund launched?

10 August 1995

What was the size of the Fund as at 28 February 2019?

RM214.39 million (315.78 million units)

What is the fund's benchmark?

60% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Top100 ("FBM100") Index + 40% CIMB Bank 1-Month Fixed Deposit Rate

Note: The benchmark is for performance comparison only. The benchmark is customised as such to align it closer to the structure of the portfolio and the objective of the Fund. Investors are cautioned that the risk profile of the Fund is higher than the benchmark.

What is the fund distribution policy?

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

FUND OBJECTIVE AND POLICY (CONTINUED)**What was the net income distribution for the six months financial period ended 28 February 2019?**

The Fund declared a total net income of RM12.40 million to the unit holder for the six months financial period ended 28 February 2019. As a result of distribution, the NAV per unit dropped from RM0.7480 to RM0.7075 on 26 September 2018.

PERFORMANCE DATA

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

	28.02.2019	28.02.2018	28.02.2017
	%	%	%
Quoted securities			
- Basic Materials	2.27	-	-
- Construction	0.02	3.21	5.51
- Consumer Products	8.21	3.62	0.49
- Energy	3.72	0.99	-
- Finance	22.52	16.30	11.82
- Health Care	2.22	-	-
- Industrials	7.10	5.95	6.97
- Infrastructure project companies ("IPC")	-	0.60	2.72
- Plantation	-	1.06	3.17
- Properties	-	1.59	1.39
- Real Estate Investment Trust ("REIT")	1.24	-	-
- Technology	0.80	2.80	0.15
- Telecommunications	3.03	-	-
- Trading/Services	-	22.20	21.77
- Utilities	4.84	-	-
Unquoted fixed income securities	34.72	29.56	34.34
Cash and other net assets	9.31	12.12	11.67
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	28.02.2019	28.02.2018	28.02.2017
NAV (RM Million)	214.39	242.90	252.75
Units in circulation (Million)	315.78	322.97	352.27
NAV per unit (RM)	0.6789	0.7520	0.7174
	01.09.2018	01.09.2017	01.09.2016
	to	to	to
	28.02.2019	28.02.2018	28.02.2017
Highest NAV per unit (RM)	0.7510	0.7743	0.7627
Lowest NAV per unit (RM)	0.6627	0.7160	0.6881
Total return (%)	(4.42)	5.07	1.85
- Capital growth (%)	(9.59)	(2.07)	(5.16)
- Income distribution (%)	5.72	7.29	7.38
Management Expense Ratio ("MER") (%)	0.79	0.83	0.83
Portfolio Turnover Ratio ("PTR") (times) #	0.44	0.64	0.56

^ The Fund's MER decreased from 0.83% to 0.79% mainly due to decreased in expenses during the financial year.

The Fund's PTR decreased from 0.64 times to 0.44 times as there were less trading activities for the financial period as we entered a capital preservation mode.

PERFORMANCE DATA (CONTINUED)

	01.09.2018 to 28.02.2019	01.09.2017 to 28.02.2018	01.09.2016 to 28.02.2017
Date of distribution	26.09.2018	06.10.2017	21.10.2016
Gross/Net Distribution Per Unit (sen)	4.05	5.25	5.25

	28.02.2019 %	28.02.2018 %	28.02.2017 %	29.02.2016 %	28.02.2015 %
Annual total return	(4.55)	12.46	3.61	(0.14)	0.22

(Launch date: 10 August 1995)

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial period have been extracted from Lipper.

MARKET REVIEW (1 SEPTEMBER 2018 TO 28 FEBRUARY 2019)**Equities**

For the six months financial period under review, the benchmark is lower by 3.43%. The Ringgit Malaysia ("RM") has strengthened by 1.5% during this period from RM4.13 per US Dollar ("USD") to RM4.06 per USD. The FBM Kuala Lumpur Composite Index ("FBMKLCI") ended February 2019 marginally higher by 1.43% to close at 1,707.73 points in line with a slight recovery in global markets. During the month, the FBMKLCI underperformed the FBM EMAS Index, and the FTSE Small Cap Index. The FBMKLCI also underperformed the Morgan Stanley Capital International ("MSCI") Asia Pacific ex-Japan Index ("MXASJ").

Fixed Income

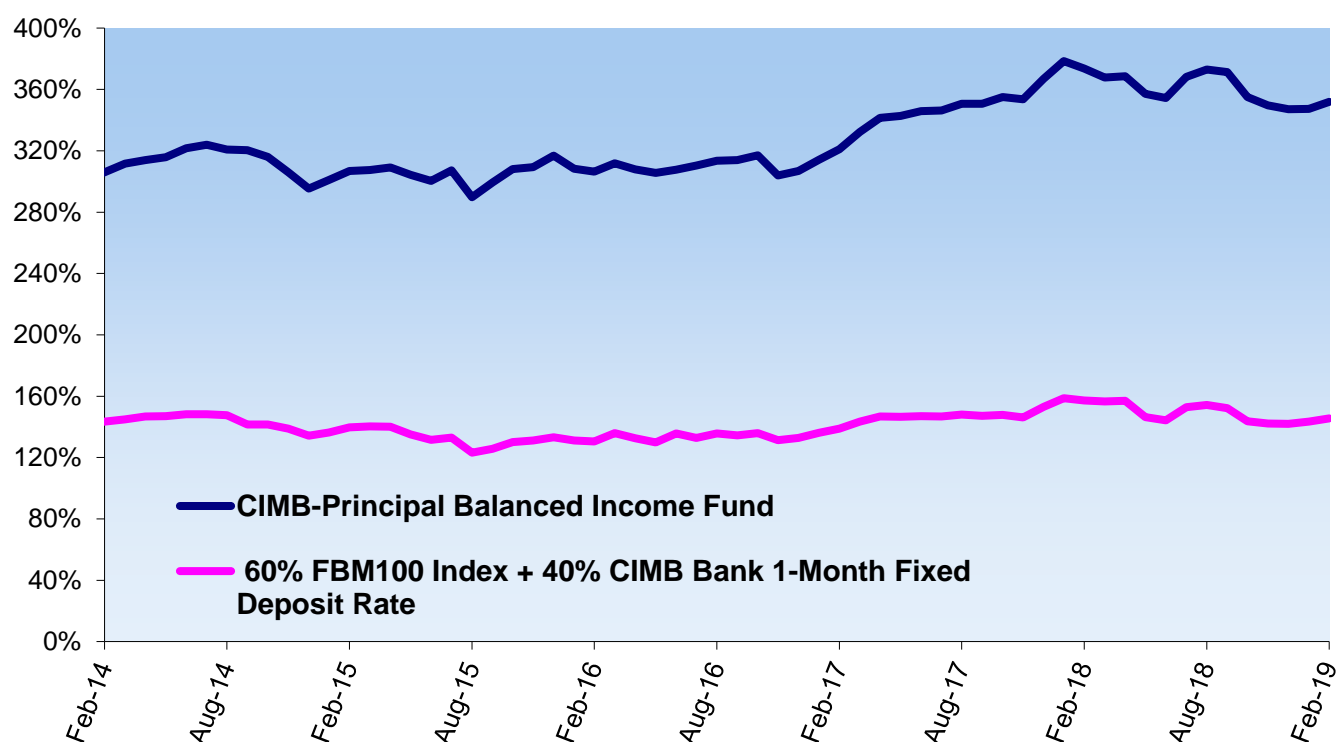
For the six months financial period under review, the Malaysian Government Securities ("MGS") yield curve flattened with the 10/3 spreads tightened from 117 basis points ("bps") to 28 bps. Yields moved lower from the mid to long tenure by 1 bps to 19 bps. The 10-year MGS was re-priced lower, breaking below 3.90% upon the issuance of the new benchmark MGS 8/29 in February 2019. The benchmark 3-year, 5-year, 7-year, 10-year, 20-year and 30-year MGS yields closed at 3.60%, 3.76%, 3.86%, 3.88%, 4.51% and 4.73 amid sustained RM strength and demand for duration respectively in February 2019.

Meanwhile, there was no change in the Overnight Policy Rate ("OPR") during the financial period under review. Bank Negara Malaysia ("BNM") maintained the OPR at 3.25% on 24 January 2019. In its latest statement, the Central Bank painted a more negative outlook highlighting the moderating global growth momentum. BNM also mentioned that they expect inflation to 'average moderately higher' in 2019.

FUND PERFORMANCE

	6 months to 28.02.2019	1 year to 28.02.2019	3 years to 28.02.2019	5 years to 28.02.2019	Since inception to 28.02.2019
Income (%)	5.72	5.72	21.80	38.29	252.69
Capital (%)	(9.59)	(9.72)	(8.69)	(19.51)	28.16
Total Return (%)	(4.42)	(4.55)	11.22	11.31	351.96
Benchmark (%)	(3.43)	(4.56)	6.53	3.22	145.60
Average Total Return (%)	N/A	(4.55)	3.61	2.17	6.61

The Fund's performance was below the benchmark due to drag from equities. It was also a period of restructuring for the portfolio. On a 3-year and 5-year basis, the Fund appreciated by 11.22% and 11.31% respectively, outperforming the benchmark return in both periods.



Changes in NAV

	28.02.2019	31.08.2018 Audited	Changes %
NAV (RM million)	214.40	228.90	(6.33)
NAV/Unit (RM)	0.6789	0.7510	(9.60)

The Fund's NAV per unit fell by 9.60% in the financial period under review due to distribution of income and the total NAV of the Fund fell by 6.33% due partly to units redemption.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	28.02.2019	31.08.2018 Audited
Quoted securities	55.97	58.87
Unquoted fixed income securities	34.72	34.34
Cash and other net assets	9.31	6.79
TOTAL	100.00	100.00

Investment in local equities dropped from 58.87% to 55.97% due to rebalancing of the portfolio after a sell down post the Malaysian 14th General Elections (“GE14”). Meanwhile, investment in fixed income securities was relatively stable at 34.72% as at 28 February 2019.

MARKET OUTLOOK*

Equities

On the external front, investors will continue to follow closely the latest developments on the ongoing US-China trade tensions and development of “BREXIT” negotiations. Policy uncertainty continues to be the order of the day even as our local political saga continues. As of now, there is still no conclusive decision on the mega projects we are however more cautiously optimistic on this front. Global markets have had a reprieve as the US Federal Reserve (the “Fed”) guidance turns dovish along with strong monetary and fiscal support from China. We turn more cautiously optimistic on markets based on reflationary policies by governments and central banks.

Fixed Income

Malaysia market participants will be focused on the upcoming Monetary Policy Committee (“MPC”) meeting to be held on 5 March 2019. Though consensus expects BNM to maintain the policy rate, the market is likely to scrutinize the MPC statement closely for any signs of monetary policy changes in the near term. Apart from that, assessment on growth, trade numbers and inflation will be the key focus.

* 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 CIMB-Principal or based on data obtained from sources believed to be reliable by CIMB-Principal. Whilst every care has been taken in preparing this, CIMB-Principal 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

Equities

We are taking a balanced approach on the domestic market for 2019 given moderating Gross Domestic Product (“GDP”) growth, tepid corporate earnings growth and regulatory uncertainty on one hand and potential stronger consumption from China which can help drive exports and commodity prices on the other. We reiterate our capital preservation investment strategy with preference on big cap Government Linked Companies (“GLCs”) and companies with strong fundamentals and solid cash flow and dividends in sectors such as Utilities and Renewable Energy, REITs, Consumer Staples and Industrials.

Fixed Income

We maintain our strategy and aim to be fully invested. Our preference continues to be on the credit segment for more stable and higher yield pick up to anchor the Fund.

UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 28 February 2019 are as follows:

Size of holdings(units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	55,674	5.20	1.65
5,001-10,000	1,388	10.19	3.23
10,001-50,000	4,039	97.16	30.77
50,001-500,000	1,436	152.66	48.34
Above 500,000	24	50.57	16.01
Total	62,561	315.78	100.00

SOFT COMMISSIONS AND REBATES

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

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL BALANCED INCOME FUND**

We, being the Directors of CIMB-Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 10 to 45 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 28 February 2019 of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

For and on behalf of the Manager
CIMB-Principal Asset Management Berhad
(Company No.: 304078-K)

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

PEDRO ESTEBAN BORDA
Director

Kuala Lumpur
17 April 2019

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL BALANCED INCOME FUND**

We have acted as the Trustee of CIMB-Principal Balanced Income Fund (the "Fund") for the financial period ended 28 February 2019. To the best of our knowledge, CIMB-Principal Asset Management Berhad (the "Manager"), has operated and managed the Fund in accordance with the following:

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing for the Fund is carried out in accordance with the Deed 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 of the Fund and applicable regulatory requirements.

During the financial period, a total distribution of 4.05 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distribution is consistent with the objective of the Fund.

For and on behalf of the Trustee
UNIVERSAL TRUSTEE (MALAYSIA) BERHAD

ONG TEE VANN
Chief Executive Officer

Kuala Lumpur
17 April 2019

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 28 FEBRUARY 2019**

		01.09.2018 to 28.02.2019 RM	01.09.2017 to 28.02.2018 RM
	Note		
(LOSS)/INCOME			
Dividend income		1,693,598	1,924,290
Interest income on financial assets at fair value through amortised cost		276,982	333,025
Interest income on financial assets at fair value through profit or loss		2,124,683	1,849,033
Net (loss)/gain on financial assets at fair value through profit or loss	8	(12,319,224)	10,655,531
Net foreign exchange loss		(32,430)	(85,052)
		<u>(8,256,391)</u>	<u>14,676,827</u>
EXPENSES			
Management fee	4	1,626,255	1,835,234
Trustee's and Custodian's fees	5	43,307	27,112
Audit fee		9,750	5,610
Tax Agent's fee		2,000	5,706
Transaction costs		201,047	444,497
Other expenses		533	179,066
		<u>1,882,892</u>	<u>2,497,225</u>
(LOSS)/PROFIT BEFORE TAXATION		(10,139,283)	12,179,602
Taxation	7	(5,206)	-
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD		<u>(10,144,489)</u>	<u>12,179,602</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		(1,470,986)	10,818,080
Unrealised amount		(8,673,503)	1,361,522
		<u>(10,144,489)</u>	<u>12,179,602</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2019**

		28.02.2018	31.08.2018
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	9	25,612,121	16,264,917
Financial assets at fair value through profit or loss	8	194,419,710	213,305,527
Amount due from stockbrokers		-	487,428
Amount due from Manager		14,150	55,621
Dividends receivable		44,934	168,788
TOTAL ASSETS		220,090,915	230,282,281
LIABILITIES			
Amount due to stockbrokers		5,055,526	766,031
Amount due to Manager		374,193	299,080
Accrued management fee		246,935	291,397
Amount due to Trustee		3,948	4,491
Distribution payable		3,463	3,463
Other payables and accruals		15,751	15,582
TOTAL LIABILITIES		5,699,816	1,380,044
NET ASSET VALUE OF THE FUND		214,391,099	228,902,237
EQUITY			
Unit holders' capital		148,213,582	140,177,657
Retained earnings		66,177,517	88,724,580
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		214,391,099	228,902,237
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	315,782,001	304,794,031
NET ASSET VALUE PER UNIT (RM)		0.6789	0.7510

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 28 FEBRUARY 2019**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 September 2018		140,177,657	88,724,580	228,902,237
Movement in unit holders' contributions:				
- Creation of units from applications		5,878,668	-	5,878,668
- Creation of units from distribution		12,136,771	-	12,136,771
- Cancellation of units		(9,979,514)	-	(9,979,514)
Total comprehensive loss for the financial period		-	(10,144,489)	(10,144,489)
Distribution	6	-	(12,402,574)	(12,402,574)
Balance as at 28 February 2019		<u>148,213,582</u>	<u>66,177,517</u>	<u>214,391,099</u>
Balance as at 1 September 2017		154,791,278	94,324,580	249,115,858
Movement in unit holders' contributions:				
- Creation of units from applications		10,787,015	-	10,787,015
- Creation of units from distribution		16,857,612	-	16,857,612
- Cancellation of units		(28,808,740)	-	(28,808,740)
Total comprehensive income for the financial period		-	12,179,602	12,179,602
Distribution	6	-	(17,234,320)	(17,234,320)
Balance as at 28 February 2018		<u>153,627,165</u>	<u>89,269,862</u>	<u>242,897,027</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 28 FEBRUARY 2019**

	01.09.2018 to 28.02.2019 RM	01.09.2017 to 28.02.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of quoted securities	41,323,018	80,575,823
Purchase of quoted securities	(39,699,196)	(71,026,432)
Proceeds from disposal of unquoted fixed income securities	58,556,295	85,295,914
Proceeds from redemption of unquoted fixed income securities	447,136	6,012,044
Purchase of unquoted fixed income securities	(49,464,372)	(77,197,967)
Dividend income received	1,812,246	1,960,721
Interest income received from deposits with licensed financial institutions	276,982	333,025
Interest income received from unquoted fixed income securities	2,104,271	1,801,279
Management fee paid	(1,670,717)	(1,873,847)
Trustee's and custodian fees paid	(43,850)	(30,949)
Payments for other fees and expenses	(12,114)	(202,056)
Net cash generated from operating activities	<u>13,629,699</u>	<u>25,647,555</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	5,920,139	10,739,897
Payments for cancellation of units	(9,904,401)	(29,199,579)
Distribution paid	(265,803)	(381,807)
Net cash used in financing activities	<u>(4,250,065)</u>	<u>(18,841,489)</u>
Net increase in cash and cash equivalents	9,379,634	6,806,066
Effects of foreign exchange differences	(32,430)	(97,096)
Cash and cash equivalents at the beginning of the financial period	<u>16,264,917</u>	<u>21,330,591</u>
Cash and cash equivalents at the end of the financial period	<u><u>25,612,121</u></u>	<u><u>28,039,561</u></u>
<u>Cash and cash equivalents comprised of:</u>		
Bank balances	5,459,229	5,594,682
Deposits in licensed financial institutions	<u>20,152,892</u>	<u>22,444,879</u>
Cash and cash equivalents at the end of financial period	<u><u>25,612,121</u></u>	<u><u>28,039,561</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 28 FEBRUARY 2019**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal Balanced Income Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a First Supplemental Master Deed dated 25 June 2008, a Supplemental Master Deed dated 14 July 2008 and an Eighteenth supplemental Master Deed dated 25 March 2015 (collectively referred to as the “Deeds”), between CIMB-Principal Asset Management Berhad (the “Manager”) and Universal Trustee (Malaysia) Berhad (the “Trustee”).

The Fund aims to invest in a diversified portfolio of equities and fixed income investments. In line with the objective of the Fund, the investment policy and strategy of the Fund will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 60:40. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investments by the Fund in equity securities shall not exceed 60% of the NAV of the Fund and investments in fixed income securities and liquid assets shall not be less than 40% of its NAV with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance or “BBB-” by S&P or equivalent rating by Moody’s or Fitch. The Fund may invest up to 40% of its NAV in Unrated Fixed Income Securities. 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 seek investment exposure via Collective Investment Scheme that is in line with the Fund’s objective, subject to the requirement of the SC Guidelines.

All investments will be subjected to the SC Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Manager, a company incorporated in Malaysia, is jointly owned by CIMB Group Sdn Bhd and Principal International (Asia) Limited. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

Standard that is effective:

The Fund has applied the following standard for the first time for the financial year beginning 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 assets 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 solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income ("OCI") if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments 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 a change to the classification or measurement of financial instruments as outlined in Note 2(b).

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 September 2018 that have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The amendments to published standards 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, OCI or equity) depends on where the past transactions that generated distributable profits were recognised.

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

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

(b) Financial assets and financial liabilities

Classification

Up to 31 August 2018, the Fund designates its investments in quoted securities and unquoted fixed income securities 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.

Loans 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 loans and receivables comprise cash and cash equivalents, amount due from stockbrokers, amount due from Manager and dividends receivable.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

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

The Fund classifies cash and cash equivalents, amount due from stockbrokers, amount due from Manager and dividends receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to stockbrokers, amount due to Manager, accrued management fee, amount due to Trustee, distribution payable, and other payables and accruals as financial liabilities measured at amortised cost.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. 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.

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 period 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.

Quoted securities in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

If a valuation based on the market price does not represent the fair value of the 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 quoted securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the quoted securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

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

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

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

Impairment for assets carried at amortised costs

Up to 31 Augst 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

From 1 September 2018 onwards, the Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Impairment for assets carried at amortised cost (continued)

Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses 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 management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Foreign currency

Functional and presentation currency

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

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in RM primarily due to the following factors:

- i) The Fund's units are denominated in RM.
- ii) Significant portion of the Fund's expenses are denominated in RM.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

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.

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using effective interest rate method on an accrual basis.

Up to 31 August 2018, when a loan 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 interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

From 1 September 2018, interest income is calculated by applying the effective interest 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 interest 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 quoted securities is accounted for as the difference between the net disposal proceeds and the carrying amount of quoted securities, determined on a weighted average cost basis.

Realised gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted fixed income securities, 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 deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Amount due from/to stockbrokers

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

These amounts are recognised initially at fair value and, up to 31 August 2018, subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from stockbrokers. A provision for impairment of amounts 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 stockbroker. Significant financial difficulties of the stockbroker, probability that the stockbroker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. From 1 September 2018, these amounts are subsequently measured at amortised cost.

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

At each reporting date, the Fund measure the loss allowance on amounts due from broker 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, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management 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.

(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 period.

Tax on dividend income from quoted securities is based on the tax regime of the respective countries that the Fund invests in.

(h) Distribution

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

(i) Transaction 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) Unit holders' capital

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(j) Unit holders' capital (continued)**

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

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

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

Estimate of fair value of unquoted fixed income securities

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to seek long-term growth in capital and income by investing in all types of investments.

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

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

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of an investment in quoted securities and unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The value of investments 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 quoted securities and unquoted fixed income securities and other financial instruments within specific limits according to the Deeds.

(ii) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities 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 fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

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

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

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

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

(iii) Currency risk

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus RM based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

(b) Credit risk

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

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

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the investments in unquoted fixed income securities must satisfy a minimum credit rating requirement of at least "BBB3" or "P2" by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance or "BBB-" by S&P or equivalent rating by Moody's or Fitch.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. For amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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 quoted securities and unquoted fixed income securities are settled/paid upon delivery using approved brokers.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

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

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

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM148,213,582 (31.08.2018: RM140,177,657) and retained earnings of RM66,177,517 (31.08.2018: RM88,724,580). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
28.02.2019				
Financial assets at fair value through profit or loss:				
- Quoted securities	119,995,239	-	-	119,995,239
- Unquoted fixed income securities	-	74,424,471	-	74,424,471
	<u>119,995,239</u>	<u>74,424,471</u>	<u>-</u>	<u>194,419,710</u>

3. 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
31.08.2018				
Audited				
Financial assets at fair value through profit or loss:				
- Quoted securities	134,728,578	-	-	134,728,578
- Unquoted fixed income securities	-	78,576,949	-	78,576,949
	<u>134,728,578</u>	<u>78,576,949</u>	<u>-</u>	<u>213,305,527</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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. These include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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

4. MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 1.50% per annum, calculated daily based on the NAV of the Fund.

For the financial period ended 28 February 2019, the management fee is recognised at a rate of 1.50% per annum (28.02.2018: 1.50% per annum).

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

5. TRUSTEE'S AND CUSTODIAN FEES

In accordance with the Deeds, the Trustee is entitled to a fee at the following rates:

Size of the Fund	Rate per annum of the NAV of the Fund
First RM20 million	0.06%
Next RM20 million	0.05%
Next RM20 million	0.04%
Next RM20 million	0.03%
Next RM20 million	0.02%
Any amount in excess of RM100 million	0.01%

The Trustee's fee is calculated daily based on the NAV of the Fund. The custodian fee is accrued at an annual fee of RM20,000.

For the financial period ended 28 February 2019, the Trustee's fee is recognised at the above-mentioned rates and the custodian fee is recognised at an annual fee of RM20,000 per annum (28.02.2018: RM20,000 per annum).

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

6. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	01.09.2018 to 28.02.2019 RM	01.09.2017 to 28.02.2018 RM
Dividend income	598,024	865,715
Interest income	537,230	1,042,570
Net realised gain on sale of investments	2,082,544	1,435,818
Prior financial period's realised income	9,335,024	14,109,157
	<u>12,552,822</u>	<u>17,453,260</u>
Less:		
Expenses	(150,248)	(217,923)
Taxation	-	(1,017)
Net distribution amount	<u>12,402,574</u>	<u>17,234,320</u>

6. DISTRIBUTION (CONTINUED)

	01.09.2018 to 28.02.2019	01.09.2017 to 28.02.2018
Distribution on 26 September 2018		
Gross distribution per unit (sen)	4.05	-
Net distribution per unit (sen)	<u>4.05</u>	<u>-</u>
Distribution on 6 October 2017		
Gross distribution per unit (sen)	-	5.25
Net distribution per unit (sen)	<u>-</u>	<u>5.25</u>

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

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

7. TAXATION

	01.09.2018 to 28.02.2019 RM	01.09.2017 to 28.02.2018 RM
Tax charged for the financial period:		
- Withholding tax	<u>5,206</u>	<u>-</u>

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

	01.09.2018 to 28.02.2019 RM	01.09.2017 to 28.02.2018 RM
(Loss)/Profit before taxation	<u>(10,139,283)</u>	<u>12,179,602</u>
Taxation at Malaysian statutory rate of 24% (28.02.2018: 24%)	(2,433,428)	2,923,104
Tax effects of:		
Loss not deductible for tax purposes/(Income not subject to tax)	1,981,534	(3,522,438)
Expenses not deductible for tax purposes	59,117	123,482
Restriction on tax deductible expenses for Unit Trust Funds	392,777	475,852
Withholding tax	<u>5,206</u>	<u>-</u>
Taxation	<u>5,206</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	28.02.2019	31.08.2018
	RM	Audited RM
Designated at fair value through profit or loss at inception:		
- Quoted securities	119,995,239	134,728,578
- Unquoted fixed income securities	74,424,471	78,576,949
	<u>194,419,710</u>	<u>213,305,527</u>
	01.09.2018 to 28.02.2019	01.09.2017 to 28.02.2018
	RM	RM
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(3,467,669)	8,238,760
- Unrealised fair value (loss)/gain	(8,851,555)	2,416,771
	<u>(12,319,224)</u>	<u>10,655,531</u>

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
28.02.2019				
QUOTED SECURITIES				
MALAYSIA				
Basic Materials				
Petronas Chemicals Group Bhd	527,800	4,271,188	4,866,316	2.27
Construction				
Gabungan AQRS Bhd - Warrant	142,900	-	37,154	0.02
Consumer Products				
Bermaz Auto Bhd	813,800	1,779,939	1,782,222	0.83
British American Tobacco Bhd	25,100	828,451	845,870	0.39
Fraser & Neave Holdings Bhd	38,100	1,197,659	1,344,930	0.63
Genting Bhd	434,500	3,647,617	3,202,265	1.49
Genting Malaysia Bhd	557,800	2,316,404	1,952,300	0.91
Genting Plantations Bhd	117,100	1,181,758	1,229,550	0.57
IOI Corporation Bhd	612,600	2,777,705	2,750,574	1.28
Kuala Lumpur Kepong Bhd	2,500	60,764	61,850	0.03
Mynews Holdings Bhd	443,700	741,286	603,432	0.28
Nestle (Malaysia) Bhd	12,000	1,726,846	1,776,000	0.83
	<u>3,057,200</u>	<u>16,258,429</u>	<u>15,548,993</u>	<u>7.24</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
28.02.2019 (CONTINUED) QUOTED SECURITIES (CONTINUED)				
MALAYSIA (CONTINUED)				
Energy				
Dialog Group Bhd	1,419,300	4,440,762	4,584,339	2.14
Petronas Dagangan Bhd	55,900	1,465,743	1,492,530	0.70
	<u>1,475,200</u>	<u>5,906,505</u>	<u>6,076,869</u>	<u>2.84</u>
Finance				
Alliance Bank Malaysia Bhd	338,100	1,366,108	1,338,876	0.62
AMMB Holding Bhd	372,600	1,676,487	1,665,522	0.78
CIMB Group Holdings Bhd	1,665,447	9,760,504	9,742,866	4.55
Hong Leong Bank Bhd	243,600	4,344,008	5,183,808	2.42
LBS Bina Group Bhd - Preference Shares	160,140	176,154	134,518	0.06
Malayan Banking Bhd	1,151,831	10,655,754	10,976,949	5.12
Public Bank Bhd	651,030	14,632,639	16,275,750	7.59
RHB Bank Bhd	506,200	2,727,497	2,865,092	1.34
RHB Capital Bhd ¹	289,700	-	-	-
	<u>5,378,648</u>	<u>45,339,151</u>	<u>48,183,381</u>	<u>22.48</u>
Health Care				
Hartalega Holdings Bhd	140,200	832,195	701,000	0.33
IHH Healthcare Bhd	538,000	3,132,519	3,082,740	1.44
Top Glove Corporation Bhd	211,000	797,454	957,940	0.45
	<u>889,200</u>	<u>4,762,168</u>	<u>4,741,680</u>	<u>2.22</u>
Industrials				
Gamuda Bhd	564,500	1,296,533	1,659,630	0.77
IJM Corporation Bhd	738,000	1,348,547	1,328,400	0.62
Malaysia Airports Holdings Bhd	109,800	879,837	897,066	0.42
Malaysian Resources Corporation Bhd	884,200	674,367	689,676	0.32
MISC Bhd	277,500	1,849,139	1,914,750	0.89
Sime Darby Bhd	686,300	1,656,975	1,489,271	0.69
Sime Darby Plantation Bhd	1,108,000	5,730,602	5,650,800	2.64
Yinson Holdings Bhd	369,300	1,123,175	1,606,455	0.75
	<u>4,737,600</u>	<u>14,559,175</u>	<u>15,236,048</u>	<u>7.10</u>
REIT				
IGB REIT	<u>1,530,500</u>	<u>2,601,556</u>	<u>2,663,070</u>	<u>1.24</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
28.02.2019 (CONTINUED) QUOTED SECURITIES (CONTINUED)				
MALAYSIA (CONTINUED)				
Technology				
Globetronics				
Technology Bhd	559,066	1,399,922	1,073,407	0.50
Inari Amertron Bhd	404,850	807,634	635,614	0.30
	<u>963,916</u>	<u>2,207,556</u>	<u>1,709,021</u>	<u>0.80</u>
Telecommunications				
Axiata Group Bhd	555,000	2,265,581	2,308,800	1.08
Digi.com Bhd	920,500	4,225,760	4,188,275	1.95
	<u>1,475,500</u>	<u>6,491,341</u>	<u>6,497,075</u>	<u>3.03</u>
Utilities				
Petronas Gas Bhd	8,800	157,767	159,104	0.07
Tenaga Nasional Bhd	761,600	10,786,096	10,220,672	4.77
	<u>770,400</u>	<u>10,943,863</u>	<u>10,379,776</u>	<u>4.84</u>
TOTAL MALAYSIA	<u>20,948,864</u>	<u>113,340,932</u>	<u>115,939,383</u>	<u>54.08</u>
INDONESIA				
Finance				
PT Bank CIMB Niaga				
TBK	247,570	38,294	85,112	0.04
TOTAL INDONESIA	<u>247,570</u>	<u>38,294</u>	<u>85,112</u>	<u>0.04</u>
SINGAPORE				
Consumer Products				
Central Plaza Hotel				
PCL – NVDR ²	21,659,534	2,330,416	2,083,225	0.97
TOTAL SINGAPORE	<u>21,659,534</u>	<u>2,330,416</u>	<u>2,083,225</u>	<u>0.97</u>
THAILAND				
Energy				
Keppel Corporation Ltd	101,600	2,407,077	1,887,519	0.88
TOTAL THAILAND	<u>101,600</u>	<u>2,407,077</u>	<u>1,887,519</u>	<u>0.88</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV RM
28.02.2019 (CONTINUED)				
TOTAL QUOTED SECURITIES	<u>42,957,568</u>	118,116,719	<u>119,995,239</u>	<u>55.97</u>
ACCUMULATED UNREALISED GAIN ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,878,520</u>		
TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>119,995,239</u>		
Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
28.02.2019 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES				
Affin Bank Bhd 5.45% 05/02/2027 (A1)	5,000,000	5,110,506	5,124,025	2.39
Alliance Bank Malaysia Bhd 5.75% 27/10/2020 (A2)	10,000,000	10,362,797	10,365,667	4.84
AmBank Islamic Bhd 5.20% 15/03/2027 (AA3)	5,000,000	5,136,492	5,213,659	2.43
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	2,500,000	2,567,046	2,575,327	1.20
Danga Capital Bhd 5.02% 21/09/2033 (AAA)	1,000,000	1,024,164	1,065,353	0.50
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA)	500,000	504,459	507,254	0.24
Hong Leong Bank Bhd 4.80% 21/06/2024 (AA1)	5,000,000	5,055,527	5,055,777	2.36
Malaysia Government Securities 3.90% 30/11/2026 (GB) #	3,000,000	3,096,145	3,013,800	1.41
Malaysia Government Securities 4.25% 31/05/2035 (GB) #	3,000,000	3,011,568	2,968,455	1.38
MMC Corporation Bhd 5.20% 12/11/2020 (AA)	5,000,000	5,103,503	5,104,544	2.38
Northern Gateway Infrastructure Sdn Bhd 5.20% 29/08/2029 (AA1)	1,000,000	1,045,505	1,052,042	0.49

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
28.02.2019 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
PB Finance Bhd 7.50% 05/06/2059 (AA2)	5,000,000	5,129,510	5,131,656	2.39
Talam Transform Bhd 0% 28/06/19 (BB3)	3,162,781	631,098	3,119,060	1.46
TAQA Abu Dhabi National Energy 4.65% 03/03/2022 (NR)	3,000,000	3,064,146	3,060,568	1.43
Tenaga Nasional Bhd 4.98% 27/08/2038 (AAA)	2,000,000	2,000,273	2,050,893	0.96
UEM Sunrise Bhd 4.80% 11/12/2020 (AA)	5,000,000	5,063,512	5,080,553	2.37
UMW Holdings Bhd 5.02% 04/10/2021(AA2)	1,000,000	1,031,794	1,036,535	0.48
UniTapah Sdn Bhd 6.10% 12/06/2030 (AA1)	5,000,000	5,632,055	5,700,314	2.66
WCT Holdings Bhd 5.32% 11/05/2022 (AA)	7,000,000	7,163,520	7,198,989	3.35
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>72,162,781</u>	71,733,620	<u>74,424,471</u>	<u>34.72</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>2,690,851</u>		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>74,424,471</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.08.2018				
Audited				
QUOTED SECURITIES				
MALAYSIA				
Basic Materials				
Petronas Chemicals Group Bhd	775,600	5,691,221	7,337,176	3.21
Consumer Products				
AirAsia Group Bhd	810,700	2,862,557	2,788,808	1.22
Bermaz Auto Bhd	813,800	1,779,939	1,741,532	0.76
Fraser & Neave Holdings Bhd	30,600	934,717	1,162,800	0.51
Genting Bhd	729,300	6,558,202	6,286,566	2.75
Genting Malaysia Bhd	1,257,800	6,571,378	6,565,716	2.87
Genting Plantations Bhd	117,100	1,181,758	1,104,253	0.48
IOI Corporation Bhd	612,600	2,777,705	2,768,952	1.21
Mynews Holdings Bhd	443,700	741,286	665,550	0.29
Padini Holdings Bhd	276,000	1,401,849	1,650,480	0.72
UMW Holdings Bhd	475,600	2,865,671	2,825,064	1.23
	5,567,200	27,675,062	27,559,721	12.04
Energy				
Dialog Group Bhd	1,419,300	4,440,762	4,939,164	2.16
Hibiscus Petroleum Bhd	1,077,100	1,157,646	1,034,016	0.45
	2,496,400	5,598,408	5,973,180	2.61
Finance				
Alliance Bank Malaysia Bhd	338,100	1,366,108	1,396,353	0.61
CIMB Group Holdings Bhd	417,000	2,287,120	2,539,530	1.11
Eastern and Oriental Bhd	553,700	911,811	858,235	0.37
Hong Leong Bank Bhd	243,600	4,344,008	5,008,416	2.19
Malayan Banking Bhd	885,331	8,070,037	8,817,897	3.85
Public Bank Bhd	651,030	14,632,639	16,353,874	7.14
RHB Bank Bhd	506,200	2,727,497	2,733,480	1.19
RHB Capital Bhd ¹	289,700	-	-	-
	3,884,661	34,339,220	37,707,785	16.46
Health Care				
Hartalega Holdings Bhd	269,800	1,601,470	1,915,580	0.84
IHH Healthcare Bhd	522,400	3,117,359	2,914,992	1.27
Top Glove Corporation Bhd	201,500	1,523,099	2,244,710	0.98
	993,700	6,241,928	7,075,282	3.09

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.08.2018				
(CONTINUED)				
Audited (Continued)				
QUOTED SECURITIES				
(CONTINUED)				
MALAYSIA				
(CONTINUED)				
Industrials				
Gabungan AQRS Bhd	571,600	753,102	640,192	0.28
Gamuda Bhd	319,700	1,129,335	1,182,890	0.52
LBS Bina Group Bhd	1,258,260	1,050,290	1,113,561	0.49
LBS Bina Group Bhd - Preference Shares	160,140	176,154	160,140	0.07
Malaysia Airports Holdings Bhd	218,600	1,751,661	2,043,910	0.89
Malaysian Resources Corporation Bhd	884,200	674,367	618,940	0.27
Muhibbah Engineering (M) Bhd	703,100	1,832,640	2,200,703	0.96
My Eg Services Bhd	629,800	764,457	938,402	0.41
Pentamaster Corporation Bhd	957,792	1,558,189	3,285,226	1.44
Pos Malaysia Bhd	276,400	1,013,066	997,804	0.44
Serba Dinamik Holdings Bhd	66,700	237,845	256,795	0.11
Sime Darby Bhd	1,649,100	3,981,520	4,205,205	1.84
Sunway Construction Group Bhd	401,000	878,250	769,920	0.34
V.S. Industry Bhd	307,100	692,243	485,218	0.21
Yinson Holdings Bhd	790,400	2,403,893	3,635,840	1.59
	<u>9,193,892</u>	<u>18,897,012</u>	<u>22,534,746</u>	<u>9.86</u>
Properties				
SP Setia Bhd	230,500	694,817	606,215	0.26
SP Setia Bhd - Preference shares	221,280	221,280	220,174	0.10
	<u>451,780</u>	<u>916,097</u>	<u>826,389</u>	<u>0.36</u>
Technology				
Globetronics Technology Bhd	746,966	1,870,430	2,106,444	0.92
Inari Amertron Bhd	762,850	1,521,808	1,708,784	0.75
	<u>1,509,816</u>	<u>3,392,238</u>	<u>3,815,228</u>	<u>1.67</u>
Telecommunications				
Axiata Group Bhd	367,872	1,816,013	1,765,785	0.77
Digi.com Bhd	920,500	4,225,760	4,335,555	1.89
	<u>1,288,372</u>	<u>6,041,773</u>	<u>6,101,340</u>	<u>2.66</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.08.2018				
(CONTINUED)				
Audited (Continued)				
QUOTED SECURITIES				
(CONTINUED)				
MALAYSIA				
(CONTINUED)				
Utilities				
Tenaga Nasional Bhd	761,600	10,786,096	11,941,888	5.22
TOTAL MALAYSIA	26,923,021	119,579,055	130,872,735	57.18
INDONESIA				
Finance				
PT Bank CIMB Niaga TBK	247,570	38,294	63,546	0.03
TOTAL INDONESIA	247,570	38,294	63,546	0.03
SINGAPORE				
Finance				
Keppel Corporation Ltd	101,600	2,407,077	1,991,007	0.87
TOTAL SINGAPORE	101,600	2,407,077	1,991,007	0.87
THAILAND				
Consumer Products				
Central Plaza Hotel PCL - NVDR ²	27,633,691	2,330,416	1,801,290	0.79
TOTAL THAILAND	27,633,691	2,330,416	1,801,290	0.79

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV RM
31.08.2018				
(CONTINUED)				
Audited (Continued)				
TOTAL QUOTED				
SECURITIES	<u>54,905,882</u>	124,354,842	<u>134,728,578</u>	<u>58.87</u>
ACCUMULATED				
UNREALISED GAIN				
ON QUOTED				
SECURITIES AT				
FAIR VALUE				
THROUGH PROFIT				
OR LOSS				
		<u>10,373,736</u>		
TOTAL QUOTED				
SECURITIES AT				
FAIR VALUE				
THROUGH PROFIT				
OR LOSS				
		<u>134,728,578</u>		

¹ The Fund holds shares in RHB Capital Bhd, which has been delisted to facilitate the transfer of shares and listing status to RHB Bank Bhd. Following the spin-off event on 2 June 2016, there is no cost and market value for the said security as all assets and liabilities have been vested to RHB Bank Bhd.

² NVDR, or non-voting depository receipt, is a trading Instrument issued by Thai NVDR Company Limited, a subsidiary wholly owned by the Stock Exchange of Thailand ("SET"). It is a valid security as specified by the United States Securities and Exchange Commission ("SEC") and is automatically regarded as a listed security by the SET. The underlying security is a listed security in the SET.

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.08.2018 (CONTINUED) Audited (Continued) UNQUOTED FIXED INCOME SECURITIES				
Abu Dhabi National Energy 4.65% 03/03/2022 (AA1)	3,000,000	3,064,770	3,068,225	1.34
Al Dzahab Assets Bhd 5.00% 21/06/2019 (AAA)	2,000,000	2,028,915	2,031,447	0.89
AMMB Holdings Bhd 5.20% 15/03/2027 (A1)	5,000,000	5,141,209	5,177,446	2.26
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	2,500,000	2,577,746	2,576,753	1.13
Danga Capital Bhd 5.02% 21/09/2033 (AAA)	1,000,000	1,024,626	1,046,016	0.46
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA)	500,000	504,586	503,226	0.22
Fortune Premiere Sdn Bhd 4.80% 13/03/2023 (AA)	500,000	511,375	512,820	0.22
GB Services Bhd 5.30% 08/11/2019 (AAA)	1,000,000	1,020,459	1,025,213	0.45
GENM Capital Bhd 5.30% 11/07/2028 (AAA)	2,000,000	2,015,101	2,040,541	0.89
Government Investment Issues 4.05% 15/08/2024 #	2,000,000	2,016,651	2,010,717	0.88
Golden Assets International Finance Ltd 5.35% 05/08/2019 (A1)	1,500,000	1,508,016	1,511,956	0.66
Hong Leong Bank Bhd 4.50% 21/06/2024 (AA1)	5,000,000	5,050,047	5,048,967	2.21
Malaysia Government Securities 3.90% 30/11/2026 (NR) #	3,000,000	3,100,320	2,975,130	1.30
Malaysia Government Securities 4.25% 31/05/2035 (NR) #	3,000,000	3,011,669	2,889,928	1.26
Malaysian Government 3.73% 15/06/2028 #	4,000,000	3,881,546	3,932,682	1.72
Malaysian Government 3.96% 15/09/2025 #	5,000,000	5,015,078	5,059,403	2.21
MMC Corporation Bhd 5.20% 12/11/2020 (AA)	5,000,000	5,111,462	5,101,156	2.23
Talam Transform Bhd 0% 28/06/19	3,609,917	535,555	3,582,834	1.57
Tan Chong Motor Holdings Bhd 4.50% 22/11/2019 (A1)	5,000,000	4,970,513	4,970,394	2.17

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.08.2018 (CONTINUED) Audited (Continued) UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Tenaga Nasional Bhd 4.98% 27/08/2038 (AAA)	4,000,000	4,001,637	4,016,717	1.75
UEM Sunrise Bhd 4.80% 11/12/2020 (AA)	5,000,000	5,067,791	5,081,318	2.22
UMW Holdings Bhd 4.82% 04/10/2019 (AA2)	3,500,000	3,584,671	3,587,319	1.57
UMW Holdings Bhd 5.02% 04/10/2021 (AA2)	3,000,000	3,102,344	3,105,870	1.36
UMW Holdings Bhd 6.35% 20/04/2118 (AA2)	500,000	511,656	533,671	0.23
WCT Holdings Bhd 5.32% 11/05/2022 (AA)	7,000,000	7,172,016	7,187,200	3.14
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>77,609,917</u>	<u>75,529,759</u>	<u>78,576,949</u>	<u>34.34</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>3,047,190</u>		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>78,576,949</u>		

9. CASH AND CASH EQUIVALENTS

	28.02.2019	31.08.2018
	RM	Audited RM
Deposits with licensed financial institutions	20,152,892	10,878,788
Bank balances	5,459,229	5,386,129
	<u>25,612,121</u>	<u>16,264,917</u>

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

	28.02.2019	31.08.2018
	%	Audited %
Deposits with licensed financial institutions	<u>3.41</u>	<u>3.36</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 5 days (31.08.2018: 3 days).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.09.2018 to 29.02.2019	01.09.2017 to 31.08.2018
	No. of units	Audited No. of units
At the beginning of the financial period/year	304,794,031	324,398,069
Add: Creation of units from applications	8,389,545	21,008,272
Add: Creation of units from distribution	17,154,446	23,397,101
Less Cancellation of units	(14,556,021)	(64,009,411)
At the end of the financial period/year	<u>315,782,001</u>	<u>304,794,031</u>

11. MANAGEMENT EXPENSE RATIO ("MER")

	01.09.2018 to 28.02.2019	01.09.2017 to 28.02.2018
	%	%
MER	<u>0.79</u>	<u>0.83</u>

MER is derived based on the following calculation:

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

A	=	Management fee
B	=	Trustee's and custodian fees
C	=	Audit fee
D	=	Tax agent's fee
E	=	Other expenses excluding Good and Services Tax ("GST") on transaction costs
F	=	Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM218,058,432 (28.02.2018: RM246,589,960).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	01.09.2018 to 28.02.2019	01.09.2017 to 28.02.2018
PTR (times)	0.44	0.64

PTR is derived from the following calculation:

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

where:

total acquisition for the financial period = RM92,774,723 (28.02.2018: RM147,833,181)

total disposal for the financial period = RM98,966,661 (28.02.2018: RM170,097,669)

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

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

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

Units held by the Manager and parties related to the Manager

	28.02.2019		31.08.2018 Audited	
	No. of units	RM	No. of units	RM
Manager				
CIMB-Principal Asset Management Bhd	75,097	50,983	8,853	6,649

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

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

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

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

	01.09.2018 to 28.02.2019 RM	01.09.2017 to 28.02.2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	1,985	22,419
Cash placement with licensed financial institution:		
- CIMB Bank Bhd	3,715,000	62,432,000
	28.02.2019 RM	31.08.2018 Audited RM
<u>Significant related party balances</u>		
Deposits with licensed financial institution:		
- CIMB Bank Bhd	-	3,715,000

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the six months financial period ended 28 February 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	50,565,763	26.38	32,111	19.65
Hong Leong Investment Bank Bhd	22,153,330	11.56	4,075	2.49
Alliance Bank Malaysia Bhd	20,859,100	10.88	-	-
Macquarie Capital Securities (Malaysia) Sdn Bhd	14,471,929	7.55	31,327	19.17
RHB Bank Bhd	9,555,415	4.99	-	-
CIMB Bank Bhd #	9,008,100	4.70	-	-
Maybank Investment Bank Bhd	8,789,898	4.59	19,274	11.80
CLSA Securities (Malaysia) Sdn Bhd	7,045,473	3.68	15,195	9.30
Affin Hwang Investment Bank Bhd	7,043,879	3.67	15,226	9.32
JPMorgan Securities (Malaysia) Sdn Bhd	6,959,923	3.63	8,262	5.06
Others #	35,218,864	18.37	37,910	23.21
	191,671,674	100.00	163,380	100.00

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the six months financial period ended 28 February 2018 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Bank Bhd	74,474,564	23.42	-	-
RHB Investment Bank Bhd	43,111,171	13.56	41,326	12.14
CIMB Investment Bank Bhd #	25,077,852	7.89	58,473	17.18
CIMB Bank Bhd #	21,319,060	6.71	-	-
Maybank Investment Bank Bhd	18,612,703	5.85	48,225	14.17
Credit Suisse (Malaysia) Sdn Bhd	15,366,907	4.83	34,605	10.17
Hong Leong Bank Bhd	13,689,200	4.31	-	-
JPMorgan Securities (Malaysia) Sdn Bhd	13,611,855	4.28	30,080	8.84
Affin Hwang Investment Bank Bhd	13,373,696	4.21	16,304	4.79
CLSA Securities (Malaysia) Sdn Bhd	13,229,869	4.16	29,767	8.75
Others	66,063,973	20.78	81,531	23.96
	<u>317,930,850</u>	<u>100.00</u>	<u>340,311</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Investment Bhd and CIMB Bank Bhd, fellow subsidiaries to the Manager amounting to RM3,744,531 (28.02.2018: RM25,077,852) and RM9,008,100 (28.02.2018: RM21,319,060) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

15. SEGMENT INFORMATION

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

The investment objective of the Fund is to seek long-term growth in capital and income by investing in all types of investments. 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 interest income and dividend income earned from investments and gains on the appreciation in the value of investments, which are derived from Ringgit denominated deposits with licensed financial institutions in Malaysia, quoted securities listed on the Bursa Securities, Malaysia, Bursa Efek Jakarta, Indonesia, Singapore, Thailand and unquoted fixed income securities traded in Malaysia and Singapore.

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

16. MFRS 9 FINANCIAL INSTRUMENTS

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

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

	Measurement category		Original (MFRS 139) RM	Carrying amount		New (MFRS 9) RM
	Original (MFRS 139)	New (MFRS 9)		Reclassi- fications RM	Remeas- urements RM	
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	16,264,917	-	-	16,264,917
Investment in quoted securities	FVTPL	FVTPL	134,728,578	-	-	134,728,578
Investment in unquoted fixed income securities	FVTPL	FVTPL	78,576,949	-	-	78,576,949
Amount due from stockbrokers	Loans and receivables	Amortised cost	487,428	-	-	487,428
Amount due from Manager	Loans and receivables	Amortised cost	55,621	-	-	55,621
Dividends receivable	Loans and receivables	Amortised cost	168,788	-	-	168,788
Liabilities						
Amount due to stockbrokers	Amortised cost	Amortised cost	766,031	-	-	766,031
Amount due to Manager	Amortised cost	Amortised cost	299,080	-	-	299,080
Accrued management fee	Amortised cost	Amortised cost	291,397	-	-	291,397
Amount due to Trustee	Amortised cost	Amortised cost	4,491	-	-	4,491
Distribution payable	Amortised cost	Amortised cost	3,463	-	-	3,463
Other payables and accruals	Amortised cost	Amortised cost	15,582	-	-	15,582

DIRECTORY

Head office of the Manager

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