

Principal Lifetime Balanced Fund

(formerly known as CIMB-Principal Balanced Fund)

Annual Report

For the Financial Year Ended 31 December 2020

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 9
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	10
TRUSTEE'S REPORT	11
INDEPENDENT AUDITORS' REPORT	12 - 15
STATEMENT OF COMPREHENSIVE INCOME	16
STATEMENT OF FINANCIAL POSITION	17
STATEMENT OF CHANGES IN EQUITY	18
STATEMENT OF CASH FLOWS	19
NOTES TO THE FINANCIAL STATEMENTS	20 - 48
DIRECTORY	49

INVESTORS' LETTER

Dear Valued Investor,

Firstly, allow me to wish you a very Happy New Year! Every year is a new beginning, for us to look back at our achievements and set new goals. My guess is all of us will remember 2020 as one of the most interesting, if not most challenging periods of our lives. Families, businesses and communities are all adjusting as we face new challenges and opportunities.

Here at Principal, it means a renewed commitment to helping our customers. In 2021, we will continue to deliver exciting new investment opportunities and digital innovations for our customers. We are grateful for the opportunity to serve you and for the trust you place in us.

Amid a global pandemic, it might be tempting to think about delaying your investment goals. But, in reality "now" is always a better time than "later" for pursuing your goals and dreams. At Principal, customers are a top priority. We will always work to help you reach your goals, as we did last year throughout the pandemic. We will continue to focus on finding ways to make it easier for you to do investments with us, by offering new solutions around digital payments, digital submissions and digital onboarding to name a few. And, we're just getting started.

We continue to prefer equities over bonds and are more comfortable with our overweight position. Growth will remain as the core strategy as it is complemented by tactical strategies on value plays. We maintain our preference for Asian over global equities due to higher growth, resilient economies and currencies and higher anticipated inflows.

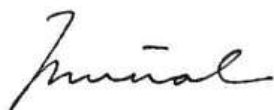
As we look towards this year, the team is excited to bring you more insights, tips and innovative solutions to help you manage your investments and reach your long-term financial goals. Visit our website (www.principal.com.my) and follow our Facebook page (@PrincipalAssetMY) in order not to miss these updates and promotions.

Please be informed that effective 17 April 2020, the Fund has been renamed as Principal Lifetime Balanced Fund following the issuance of the Replacement Master Prospectus.

We also wish to inform that we have appointed Ernst & Young PLT ("EY") as the auditor of the Fund in respect of the audit for the financial year ended 31 December 2020 onwards. The change of Fund Auditor has been approved by the Trustee of the Fund, Maybank Trustees Berhad, in accordance with the provisions of the Deed in relation to the Fund.

We appreciate your continuous support and the trust you place in us.

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to grow the value of investments over the long-term through investment in a diversified mix of Malaysian assets.

Has the Fund achieved its objective?

For the financial year under review, the Fund's total return came in at +6.90% which outperformed the benchmark by 392 basis points ("bps"). The Fund has met its objective for the year.

What are the Fund investment policy and principal investment strategy?

The Fund aims to invest in a diversified portfolio of equities and fixed income investments. In line with its objective, the investment policy and strategy will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 70:30. 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 be between 50% to 70% (both inclusive) of its Net Asset Value ("NAV") and investments in fixed income securities and liquid assets shall not be less than 30% of its NAV with a minimum credit rating of "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country of issuance or "BBB-" by Standard & Poor's ("S&P") or equivalent rating by any other international rating agencies. The Fund may invest up to 40% of its NAV in Unrated Fixed Income Securities. 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. The Fund may invest at least 2% of the Fund's NAV in liquid assets.

Fund category/type

Balanced/Growth

When was the Fund launched?

12 March 1998

What was the size of the Fund as at 31 December 2020?

RM55.30 million (140.35 million units)

What is the Fund's benchmark?

70% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Top 100 ("FBM100") Index + 30% 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. Thus, investors are cautioned that the risk profile of the Fund is higher than the benchmark.

What is the Fund distribution policy?

Distribution (if any) is expected to be distributed once a year every January at the Manager's discretion.

What was the net income distribution for the financial year ended 31 December 2020?

The Fund distributed a total net income of RM2.95 million to unit holders. As a result, the NAV per unit dropped from RM0.3896 to RM0.3696 on 24 January 2020 during the financial year ended 31 December 2020.

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

PERFORMANCE DATA

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

	31.12.2020	31.12.2019	31.12.2018
	%	%	%
Quoted securities			
- Construction	0.42	4.87	0.73
- Consumer Products & Services	4.83	6.23	7.83
- Energy	6.53	4.86	2.82
- Financial Services	15.34	19.30	24.73
- Health Care	9.05	2.53	1.76
- Industrial Products & Services	7.50	5.56	5.07
- Plantation	0.72	3.73	1.51
- Property	-	0.59	0.19
- Real Estate Investment Trust ("REIT")	-	0.98	1.46
- Technology	15.15	3.91	0.87
- Telecommunications & Media	1.79	4.96	2.28
- Transportation & Logistics	1.03	3.10	0.64
- Utilities	2.64	5.96	5.83
Unquoted fixed income securities	30.44	30.41	39.73
Cash and other net assets	4.56	3.01	4.55
Total	100.00	100.00	100.00

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

	31.12.2020	31.12.2019	31.12.2018
NAV (RM Million)	55.30	57.58	60.29
Units in circulation (Million)	140.35	148.05	151.11
NAV per unit (RM)	0.3940	0.3889	0.3989
Highest NAV per unit (RM)	0.3970	0.4005	0.4626
Lowest NAV per unit (RM)	0.2956	0.3764	0.3924
Total return (%)	6.90	1.88	(5.60)
- Capital growth (%)	1.41	(2.51)	(11.03)
- Income distribution (%)	5.54	4.53	6.10
Management Expense Ratio ("MER") (%)	1.98	1.98	2.03
Portfolio Turnover Ratio ("PTR") (times) #	1.41	1.27	0.86

The Fund's PTR increased to 1.41 times due to more trades and rebalancing during the financial year under review.

	24.01.2020	22.01.2019	24.01.2018
Date of distribution	24.01.2020	22.01.2019	24.01.2018
Gross/Net distribution per unit (sen)	2.00	1.73	2.65

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
	%	%	%	%	%
Annual total return	6.90	1.88	(5.60)	16.95	(4.08)

(Launch date: 12 March 1998)

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 JANUARY 2020 TO 31 DECEMBER 2020)

Equity

The FBM Kuala Lumpur Composite Index (“FBMKLCI”) rose by 2.42% in Malaysian Ringgit (“MYR”) terms during the period under review. It started the year positively before succumbing to sell-down amid concerns over uncertainty in domestic politics and the Coronavirus 2019 (“COVID-19”) outbreak towards mid-year before ending the year on positive sentiments from successful COVID-19 vaccines testing spill over to December 2020.

Political uncertainty engulfed Malaysia stepping into February 2020 following the shocked resignation of Tun Dr Mahathir as Prime Minister after losing a majority support in the parliament. However, the uncertainty of not having a functioning federal Government was short-lived as the King has appointed Tan Sri Muhyiddin Yasin as the 8th Prime Minister after determining that the latter is likely to get a majority support in the parliament. In his last act as interim prime minister, Tun Dr Mahathir unveiled a RM20 billion stimulus package to mitigate the adverse economic impact from the COVID-19 outbreak.

The Malaysian Government has enforced an initial 2-week movement control order (“MCO”) since 18 March 2020 which was extended until 14 April 2020 as the number of new COVID-19 infections spiked. In order to cushion the pandemic impact to the country, the Government has implemented RM250 billion fiscal stimulus package as well as cut its overnight policy rate (“OPR”) by 100 bps year-to-date (“YTD”) to 2.0% and has slashed its Statutory Reserve Requirement (“SRR”) by 100 bps to 2.0% in order to inject liquidity into the economy.

Over the course of June 2020, the Government has announced further RM35 billion stimulus under National Economic Recovery Plan (“PENJANA”) which consists of RM10 billion in direct fiscal injections, RM8 billion in tax incentives and the rest via measures by public sector entities. The Government also announced that it is offering up to 100% sales tax exemption for Complete Knocked-Down (“CKD”) and Complete Built-Up (“CBU”) vehicles from 15 June 2020 till 31 December 2020 while property sector will be boosted by reintroduction of the Home Ownership Campaign (“HOC”), exemption of individuals’ realised property gain tax (“RPGT”) and the lifting of the maximum loan-to-value ratio (“LVR”) to 70%.

On the economic side, the Government has decided to provide further financial support to individuals financially affected by COVID-19 and has announced a 3-month extension to the loan repayment moratorium for those who lost their jobs this year due to the pandemic. This targeted loan moratorium and financial assistance was a welcomed move not just for the residents but also for the banks as a blanket loan moratorium extension beyond end-September 2020 would have led to further uncertainty on the health of the banking sector’s loan book.

Second quarter of 2020 earnings season was a disappointment despite earlier expectation of severe earnings contraction due to the full impact of MCO. Post reporting season, consensus calendar year 2020 and 2021 earnings-per-share (“EPS”) estimates of FBKLCI have been cut by 2% and 6.4% respectively. The earnings disappointment was further compounded by the absence of any interim dividends by the banks to preserve capital against potential losses as the end of loan moratorium looms. Politics will remain the source of uncertainty for the equity market (especially for the foreign investors). Given slim majority of the current Government, there is concern that a snap general election may be called soon even though it is not due for 3 years.

In October 2020, after a period of flattened curve of domestic COVID-19 new cases, a second wave is unravelling especially in Sabah which has now spread to Peninsular Malaysia. An inter-district travel ban has been implemented in Sabah followed by the implementation of Conditional MCO (“CMCO”) in Sabah, Selangor, Putrajaya and Kuala Lumpur due to the resurgence of COVID-19 cases in these states. This will dampen domestic consumption especially domestic retail and tourism spending and the recovery prospect for airlines, airports, and the hospitality industries.

MARKET REVIEW (1 JANUARY 2020 TO 31 DECEMBER 2020) (CONTINUED)

Equity (continued)

With threats to the economy is growing by the day, there have been high hopes on the current Government to deliver a Budget that will provide enough economic stimulus to steer past the COVID-19 and providing enough safety net for the Bottom 40% ("B40"). Warily, politically, due to Prime Minister Muhyiddin weak coalition, there will a threat that the Budget may not get enough support for approval.

To end the year on the budget front, the opposition failed in its attempt to thwart Budget 2021 as it was passed in the final approval stage in the Dewan Rakyat on 15 December 2020 via an en bloc vote. The vote ended with 111 Members of Parliament ("MPs") in favour and 108 MPs against the passing of the budget.

Fixed Income

Bank Negara Malaysia ("BNM") reduced its OPR by a total of 125 bps in 2020. In first quarter of 2020, the central bank cut its rates by 25 bps in January 2020 and another 25 bps in March 2020 as a pre-emptive move ahead of the potential impact of the COVID-19 pandemic to the local economy. However, it continued to cut another 50 bps to bring the OPR to 2.00% in May 2020 and a further 25 bps at the Monetary Policy Committee ("MPC") meeting in July 2020. The cut was mainly due to the significant weakening of the global and local economic conditions from the measures implemented to contain the spread of the COVID-19. BNM maintained the OPR steady at 1.75% at both of its MPC meetings in September and November 2020. In its November 2020 MPC statement, BNM sounded upbeat and optimistic for the recovery of the global and domestic economies. BNM expects Malaysia's growth for 2020 to be within the earlier forecasted range of -3.5% to -5.5% and considers the current stance of the monetary policy to be "appropriate and accommodative".

On the fiscal side, Prime Minister Muhyiddin Yassin announced a RM250 billion stimulus package in March 2020, with the primary focus of (i) sustaining private consumption and confidence; (ii) preserving the viability and continuity of domestic business entities; and (iii) strengthening the domestic economy. The Government subsequently introduced more stimulus packages (i.e. PENJANA) worth RM35 billion on 5 June 2020 containing 40 measures, mainly on jobs initiatives, Micro, Small and Medium Enterprises ("MSMEs") supports, stimulation of foreign direct investment ("FDI") & consumption as well as to facilitate digitalization. To finance the additional stimulus, the Parliament also approved to raise Malaysia's debt ceiling from 55% of gross domestic products ("GDP") to 60% of GDP. On 23 September 2020, the Prime Minister announced an additional RM10 billion of fiscal stimulus package to bolster the country's economy in weathering the impact of COVID-19. The PRIHATIN Supplementary Initiative Package ("Kita Prihatin") programme is a special initiative aimed at helping micro entrepreneurs, the country's workforce and those from the B40 as well as the Medium 40% ("M40") income group.

Malaysia's Budget 2021 was passed at its policy stage via a majority voice vote on 27 November 2020 with additional measures/amendments including a further loan moratorium for the B40 and MSMEs and the expansion of i-Sinar facility to include all Employee's Provident Fund ("EPF") members whose income has been affected by the pandemic. The EPF account 1 withdrawal ceiling has increased to RM10,000 (from RM6,000) for members with less than RM100,000 in Account. The net is widened to 8 million persons from 2 million persons previously.

On 4 December 2020, Fitch Ratings downgraded Malaysia's sovereign rating to 'BBB+' from 'A-' with a stable outlook. Fitch noted that COVID-19 has weakened Malaysia's several key credit metrics. Fitch pointed that Malaysia's debt burden is significantly higher than the medians of 59.2% and 52.7% for the 'A' and 'BBB' rating categories respectively. Additionally, it views the lingering political uncertainty following the change in Government in March 2020 weights on the policy outlook and affects the prospects for further improvement in Governance standards.

MARKET REVIEW (1 JANUARY 2020 TO 31 DECEMBER 2020) (CONTINUED)

Fixed Income (continued)

Malaysia's Consumer Price Index ("CPI") continued to be in deflation mode until the end of the year with the latest November 2020 data pointing at CPI falling by 1.7% year-on-year ("y-o-y"). This was the ninth straight month of deflation in the country amid ongoing COVID-19 disruption. The drop in the overall index was mainly due to the transport index as the lower oil prices continued to drag down the index.

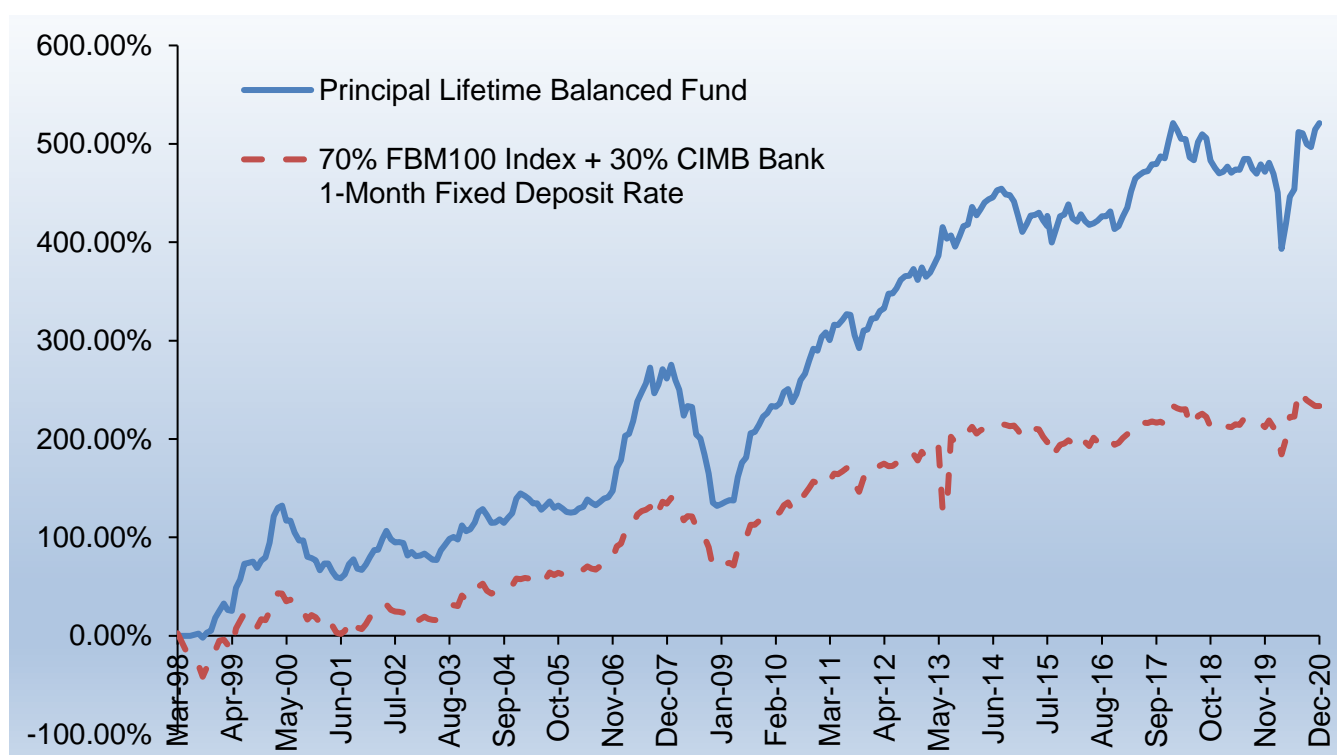
The country's GDP contracted 2.7% in third quarter of 2020 versus 17.1% in second quarter of 2020. The previous sharp drop in second quarter of 2020 was due to the concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in second quarter of 2020. The improved third quarter of 2020 numbers largely reflected the impact of the reopening of the economy after the MCO and better external demand conditions.

The 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year Malaysian Government Securities ("MGS") yields closed at 1.94% (-6 bps), 2.15% (-7 bps), 2.43% (-22 bps), 2.59% (-16 bps), 3.25% (-30 bps), 3.40% (-36 bps) and 3.86% (-29 bps) respectively at the end of December 2020. During the period under review, MGS yields were lower across the curve with the largest movements being the short end up to the 15-year.

FUND PERFORMANCE

	1 year to 31.12.2020	3 years to 31.12.2020	5 years to 31.12.2020	Since inception to 31.12.2020
	%	%	%	%
Income Distribution	5.54	17.05	32.07	446.22
Capital Growth	1.41	(12.04)	(12.54)	(21.20)
Total Return	6.90	2.82	15.34	521.00
Benchmark	2.98	(3.83)	4.48	233.60
Average Total Return	6.90	0.93	2.90	8.33

During the financial year under review, the fund registered a return of 6.90%, outperforming the benchmark return by 392 bps. On a 1-year, 3-year and 5-year basis, the Fund outperformed the benchmark return respectively.



FUND PERFORMANCE (CONTINUED)

Changes in NAV

	31.12.2020	31.12.2019	Changes %
NAV (RM Million)	55.30	57.58	(3.96)
NAV/Unit (RM)	0.3940	0.3889	1.31

During the financial year under review, The Fund's NAV decreased by 3.96% from RM57.58 million on 31 December 2019 to RM55.30 million on 31 December 2020, mainly due to net redemptions. The NAV/unit increased by 1.31% are mainly due to positive investment 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)	31.12.2020	31.12.2019
Quoted securities	65.00	66.58
Unquoted fixed income securities	30.44	30.41
Cash and other net assets	4.56	3.01
TOTAL	100.00	100.00

During the financial year under review, the Fund's quoted securities allocation decreased to 65.00% while unquoted fixed income securities saw a marginal increase and cash allocations increased to 4.56%. The movement was due to the Fund's approach in order to mitigate unnecessary risk following a better market performance for the year.

MARKET OUTLOOK*

Equity

The approval of 2021 Budget by the Parliament was the biggest short-term positive development that would help to alleviate political risk in Malaysia. Despite noises of a possible no confidence vote against the Prime Minister and the Budget 2021, it was passed, and all measures will be implemented in 2021. Despite the downgrade in rating by Fitch from 'A-' to 'BBB+', MYR and bond yield remained stable. To end the year 2020 on a positive note, the Ministry of Finance ("MoF") announced the extension of the vehicle sales tax exemption period, due to expire on 31 December 2020, by a further six months until 30 June 2021.

Fixed Income

Despite OPR cut by 1.25% in 2020, only the short end bonds saw yields contracted by the same magnitude. The long-end steepness now still reflects the underlying risks investing in MYR Bond. For long-end term spreads to contract back to historical levels, we need to see the Government to establish better stability as well as stronger discipline to improve the country's fiscal standing. These are hurdles that can only be achieved in a post COVID-19 recovery world (which is our base case). Lastly, fund flows may also be another catalyst to drive spreads narrower. However, if fundamental factors are not improved on a sustained manner, spreads can adjust higher again as outflow happens.

MARKET OUTLOOK* (CONTINUED)

Fixed Income (continued)

At the time of writing, the Prime Minister of Malaysia imposed the MCO on five Malaysia states and three territories - Kuala Lumpur, Putrajaya, Labuan, Selangor, Penang, Johor, Sabah and Melaka from 13 to 26 January 2021 as COVID-19 cases continue to rise. While all inter-state and inter-district travel is banned, essential services such as manufacturing, trading, construction, plantation and services can continue to operate. Additionally, on 12 January 2021, the Palace issued a State of Emergency (“SoE”) proclamation to suspend Parliament and State Legislative Assemblies until 1 August 2021 (including any State or Federal election) and divert all attention to the revival of domestic economy activities as well as curbing the spread of COVID-19. This is however not a military coup or curfew and civilian Government will still be in place. An independent committee will also be formed to advise the King on economic/pandemic situation and elections can resume once the pandemic is over.

* 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 Asset Management Berhad (“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

Equity

With major headwinds (US Presidential Election and Malaysia Budget 2021) being addressed and with Malaysia coming from an attractive valuation, we are now cautiously optimistic towards first half of 2021. We will be focusing on post COVID-19 recovery theme; positioning in companies with high growth, resilient earnings and solid track record.

Fixed Income

The announcement of MCO will likely bring up the discussion on 2021 GDP downward revision. With SoE implemented, the current executive branch will be able to implement further fiscal stimulus as they see fit, which should provide some buffer for the incoming macroeconomic data. However, that could come at a cost of further Government bond supply which will continue to keep current Government bond yield curve steep. We continue to advocate on high grade credit centric portfolio. On credit selection, we continue to be selective and favour issuers with stronger cashflow buffer and healthier credit metrics.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 December 2020 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	412	1.29	0.92
5,001 to 10,000	438	3.22	2.29
10,001 to 50,000	969	22.68	16.16
50,001 to 500,000	340	43.15	30.74
500,001 and above	20	70.01	49.89
Total	2,179	140.35	100.00

SOFT COMMISSIONS AND REBATES

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 Principal Malaysia Funds (“Funds”) unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL LIFETIME BALANCED FUND**
(formerly known as CIMB-Principal Balanced Fund)

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 16 to 48 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2020 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
15 February 2021

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL LIFETIME BALANCED FUND**
(formerly known as CIMB-Principal Balanced Fund)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

We have acted as Trustee for PRINCIPAL LIFETIME BALANCED FUND (*formerly known as CIMB-Principal Balanced Fund*) (the "Fund") for the financial year ended 31 December 2020. To the best of our knowledge, PRINCIPAL ASSET MANAGEMENT BERHAD ("the Manager") has managed the Fund in the financial year under review in accordance with the following:

1. Limitations imposed on the investment powers of the Manager under the deeds, Securities laws and these Guidelines;
2. Valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirement; and
3. Creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirement.

An income distribution of 2.00 sen per unit (gross) declared to the unitholders of the Fund for the financial year under review.

We are of the view that the distributions is consistent with the investment objective and distribution policy of the Fund.

For **Maybank Trustees Berhad**
(Company No. : 5004-P)

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
10 February 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal Lifetime Balanced Fund (*formerly known as CIMB-Principal Balanced Fund*) (the "Fund"), which comprise the statement of financial position as at 31 December 2020, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 48.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund) (cont'd.)**

Report on the audit of the financial statements (cont'd.)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation of 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 Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund) (cont'd.)**

Report on the audit of the financial statements (cont'd.)

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 skepticism throughout the audit. We also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL LIFETIME BALANCED FUND**
(formerly known as CIMB-Principal Balanced Fund) (cont'd.)

Other matters

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Fund for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 13 February 2020.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Yeo Beng Yean
No. 03013/10/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 February 2021

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
INCOME			
Dividend income		941,841	1,288,959
Interest income from unquoted fixed income securities at fair value through profit or loss		803,038	927,976
Interest income from deposits with licensed financial institutions		61,494	78,584
Net gain on financial assets at fair value through profit or loss	8	<u>3,165,628</u>	<u>268,993</u>
		<u>4,972,001</u>	<u>2,564,512</u>
EXPENSES			
Management fee	4	995,112	1,095,960
Trustee fee	5	43,032	47,393
Audit fee		10,500	15,400
Tax agent's fee		4,000	3,600
Transaction costs		404,664	292,077
Other expenses		<u>14,161</u>	<u>17,678</u>
		<u>1,471,469</u>	<u>1,472,108</u>
PROFIT BEFORE TAXATION		3,500,532	1,092,404
Taxation	7	<u>35,508</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u><u>3,465,024</u></u>	<u><u>1,092,404</u></u>
Profit after taxation is made up as follows:			
Realised amount		(1,294,724)	1,487,785
Unrealised amount		<u>4,759,748</u>	<u>(395,381)</u>
		<u>3,465,024</u>	<u>1,092,404</u>

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

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
ASSETS			
Cash and cash equivalents	9	2,006,547	1,806,246
Financial assets at fair value through profit or loss	8	52,779,839	55,844,405
Amount due from stockbrokers		487,804	160,824
Amount due from Manager		33,333	7,179
Dividends receivable		85,879	20,939
Tax recoverable		67,589	103,097
TOTAL ASSETS		<u>55,460,991</u>	<u>57,942,690</u>
LIABILITIES			
Amount due to stockbrokers		-	228,290
Amount due to Manager		53,282	21,030
Accrued management fee		87,008	89,931
Amount due to Trustee		3,763	3,889
Other payables and accruals		16,000	19,000
TOTAL LIABILITIES		<u>160,053</u>	<u>362,140</u>
NET ASSET VALUE OF THE FUND		<u>55,300,938</u>	<u>57,580,550</u>
EQUITY			
Unit holders' capital		45,135,698	47,931,306
Retained earnings		10,165,240	9,649,244
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>55,300,938</u>	<u>57,580,550</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>140,352,920</u>	<u>148,053,097</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.3940</u>	<u>0.3889</u>

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

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2020		47,931,306	9,649,244	57,580,550
Movement in unit holders' contributions:				
- Creation of units from applications		2,910,117	-	2,910,117
- Creation of units from distributions		2,729,367	-	2,729,367
- Cancellation of units		(8,435,092)	-	(8,435,092)
Total comprehensive income for the financial year		-	3,465,024	3,465,024
Distributions	6	-	(2,949,028)	(2,949,028)
Balance as at 31 December 2020		<u>45,135,698</u>	<u>10,165,240</u>	<u>55,300,938</u>
Balance as at 1 January 2019		49,127,020	11,162,859	60,289,879
Movement in unit holders' contributions:				
- Creation of units from applications		3,050,216	-	3,050,216
- Creation of units from distributions		2,405,176	-	2,405,176
- Cancellation of units		(6,651,106)	-	(6,651,106)
Total comprehensive income for the financial year		-	1,092,404	1,092,404
Distributions	6	-	(2,606,019)	(2,606,019)
Balance as at 31 December 2019		<u>47,931,306</u>	<u>9,649,244</u>	<u>57,580,550</u>

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

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020	2019
Note	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of quoted securities	67,236,408	47,923,475
Proceeds from disposal of unquoted fixed income	11,309,195	28,572,759
Purchase of quoted securities	(63,101,816)	(53,388,806)
Purchase of unquoted fixed income securities	(10,172,049)	(21,306,847)
Dividend income received	875,783	1,241,344
Interest income received from deposits with licensed financial institutions	61,494	78,584
Interest income received from unquoted fixed income securities	801,560	776,147
Management fee paid	(998,035)	(1,101,105)
Trustee fee paid	(43,158)	(47,615)
Payments for other fees and expenses	(30,543)	(33,229)
Net cash generated from operating activities	5,938,839	2,714,707
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	2,883,963	3,043,337
Payments for cancellation of units	(8,402,840)	(6,657,741)
Distribution paid	(219,661)	(200,843)
Net cash used in financing activities	(5,738,538)	(3,815,247)
Net increase/(decrease) in cash and cash equivalents	200,301	(1,100,540)
Cash and cash equivalents at the beginning of the financial year	1,806,246	2,906,786
Cash and cash equivalents at the end of the financial year	9 2,006,547	1,806,246
<u>Cash and cash equivalents comprised of:</u>		
Deposits with licensed financial institutions	1,979,364	1,695,284
Bank balance	27,183	110,962
Cash and cash equivalents at the end of financial year	9 2,006,547	1,806,246

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 DECEMBER 2020

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Lifetime Balanced Fund (*formerly known as CIMB-Principal Balanced Fund*) (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, an Eighth Supplemental Master Deed dated 14 June 2010, a Thirteenth Supplemental Master Deed dated 26 June 2012, an Eighteenth Supplemental Master Deed dated 25 March 2015 and a Twentieth Supplemental Master Deed dated 21 October 2019 (collectively referred to as the “Deeds”), between Principal Asset Management Berhad (the “Manager”) and Maybank Trustees Berhad (the “Trustee”).

The Fund aims to invest in a diversified portfolio of equities and fixed income investments. In line with its objective, the investment policy and strategy will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 70:30. 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 be between 50% to 70% (both inclusive) of its NAV and investments in fixed income securities and liquid assets shall not be less than 30% 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 any other international rating agencies. The Fund may invest up to 40% of its NAV in Unrated Fixed Income Securities. 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. The Fund may invest at least 2% of the Fund’s NAV in liquid assets.

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

Fund has changed its name from CIMB-Principal Balanced Fund to Principal Lifetime Balanced Fund following the issuance of the Replacement Master Prospectus dated 17 April 2020.

The Manager, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia’s leading universal banking groups. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS as issued by the Malaysian Accounting Standards Board (“MASB”) and IFRS as issued by the International Accounting Standards Board (“IASB”).

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

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

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

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

There are no other standards, amendments to standards or interpretations that are effective for the financial year beginning on 1 January 2020 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on/after 1 January 2021 are applicable to the Fund.

(b) Financial assets and financial liabilities

Classification

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.

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 other comprehensive income (“OCI”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

The contractual cash flows of the Fund's debt securities are solely payments of principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from stockbrokers, amount due from 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.

All of the Fund's financial liabilities are 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 instruments 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 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.

Quoted securities in Malaysia are valued at the last traded price quoted on Bursa Malaysia Securities Bhd ("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 bases approved by the Trustee after appropriate technical consultation.

Unquoted fixed income securities denominated in Malaysian Ringgit (“MYR”) 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 and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 the effective interest rate method on an accrual basis.

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 investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(d) Functional and presentation currency

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

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance and deposits held in highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Taxation

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

Withholding taxes on investment income from investment are based on tax regime of the respective countries that the Fund invests in. They are presented within other expenses line in the statement of comprehensive income.

(g) Distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

(i) Amount due from/to stockbrokers

Amounts due from and amount due to stockbrokers represent receivables for quoted securities and unquoted fixed income securities sold and payables for quoted securities and unquoted fixed income securities 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 and subsequently measured at amortised cost. At each reporting date, the Fund measure the loss allowance on amounts due from stockbrokers at an amount equal to the lifetime ECL 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 ECL. 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.

(j) Unit holders' contributions

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Realised and unrealised portions of profit or loss after tax.

The analysis of realised and unrealised portions of profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on Unit Trust Funds.

(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 judgements 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.

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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
2020			
Cash and cash equivalents (Note 9)	-	2,006,547	2,006,547
Quoted securities (Note 8)	35,947,706	-	35,947,706
Unquoted fixed income securities (Note 8)	16,832,133	-	16,832,133
Amount due from stockbroker	-	487,804	487,804
Amount due from Manager	-	33,333	33,333
Dividends receivable	-	85,879	85,879
	<u>52,779,839</u>	<u>2,613,563</u>	<u>55,393,402</u>
2019			
Cash and cash equivalents (Note 9)	-	1,806,246	1,806,246
Quoted securities (Note 8)	38,334,657	-	38,334,657
Unquoted fixed income securities (Note 8)	17,509,748	-	17,509,748
Amount due from stockbroker	-	160,824	160,824
Amount due from Manager	-	7,179	7,179
Dividends receivable	-	20,939	20,939
	<u>55,844,405</u>	<u>1,995,188</u>	<u>57,839,593</u>

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

The investment objective of the Fund is to grow the value of investments over the long-term through investment in a diversified mix of Malaysian assets.

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

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

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 quoted securities and unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investment in quoted securities and unquoted fixed income securities 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, unquoted fixed income securities and other financial instruments within specified limits according to the Deeds.

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

	2020	2019
	RM	RM
Financial assets at fair value through profit or loss:		
- Quoted securities	35,947,706	38,334,657
- Unquoted fixed income securities*	16,832,133	17,509,748
	52,779,839	55,844,405

* Includes interest receivables of RM136,141 (2019: RM169,968).

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

% Change in price of quoted securities	Market value RM	Impact on profit or loss/NAV RM
2020		
-5%	34,150,321	(1,797,385)
0%	35,947,706	-
+5%	37,745,091	1,797,385
2019		
-5%	36,417,924	(1,916,733)
0%	38,334,657	-
+5%	40,251,390	1,916,733

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

(a) Market risk (continued)

(i) Price risk (continued)

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM16,832,133 (2019: RM17,509,748) in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

(ii) Interest rate risk

In general, when interest rates rise, unquoted 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 meet the obligation under the instrument, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

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

% Change in interest rate	Impact on profit or loss/NAV	
	2020	2019
	RM	RM
+1%	(53,623)	(30,136)
-1%	54,314	30,213
	54,314	30,213

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

	2020	2019
	%	%
Deposits with licensed financial institutions	1.96	3.05

(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 unquoted fixed income securities must satisfy a minimum rating requirement of at least a "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 any other international rating agencies.

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 the 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 exchanges. The credit risk is minimal as all transactions in quoted securities are settled/paid upon delivery using approved stockbrokers.

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2020						
- AAA	2,006,547	1,562,921	-	-	-	3,569,468
- AA1	-	3,730,809	-	-	-	3,730,809
- AA3	-	3,417,753	-	-	-	3,417,753
- A1	-	1,175,401	-	-	-	1,175,401
- A2	-	1,287,399	-	-	-	1,287,399
- Not Rated	-	5,657,850	487,804	33,333	85,879	6,264,866
	<u>2,006,547</u>	<u>16,832,133</u>	<u>487,804</u>	<u>33,333</u>	<u>85,879</u>	<u>19,445,696</u>
2019						
- AAA	1,806,246	905,292	-	-	-	2,711,538
- AA1	-	3,665,793	-	-	-	3,665,793
- AA2	-	456,164	-	-	-	456,164
- AA3	-	9,904,399	-	-	-	9,904,399
- A1	-	1,159,278	-	-	-	1,159,278
- A2	-	1,298,601	-	-	-	1,298,601
- A3	-	120,221	-	-	-	120,221
- Not Rated	-	-	160,824	7,179	20,939	188,942
	<u>1,806,246</u>	<u>17,509,748</u>	<u>160,824</u>	<u>7,179</u>	<u>20,939</u>	<u>19,504,936</u>

Deposits with licensed financial institutions of the Fund have an average remaining maturity of 5 days (2019: 1 day).

(c) Liquidity risk

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

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

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

(c) Liquidity risk (continued)

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2020			
Amount due to Manager	53,282	-	53,282
Accrued management fee	87,008	-	87,008
Amount due to Trustee	3,763	-	3,763
Other payables and accruals	-	16,000	16,000
Contractual undiscounted cash flows	144,053	16,000	160,053
2019			
Amount due to stockbrokers	228,290	-	228,290
Amount due to Manager	21,030	-	21,030
Accrued management fee	89,931	-	89,931
Amount due to Trustee	3,889	-	3,889
Other payables and accruals	-	19,000	19,000
Contractual undiscounted cash flows	343,140	19,000	362,140

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM45,135,698 (2019: RM47,931,306) and retained earnings of RM10,165,240 (2019: RM9,649,244) The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

(e) Fair value estimation

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

The fair 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 market 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.

(i) Fair value hierarchy

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

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Financial assets at fair value through profit or loss:				
- Quoted securities	35,947,706	-	-	35,947,706
- Unquoted fixed income securities	-	16,832,133	-	16,832,133
	<u>35,947,706</u>	<u>16,832,133</u>	<u>-</u>	<u>52,779,839</u>
2019				
Financial assets at fair value through profit or loss:				
- Quoted securities	38,334,657	-	-	38,334,657
- Unquoted fixed income securities	-	17,509,748	-	17,509,748
	<u>38,334,657</u>	<u>17,509,748</u>	<u>-</u>	<u>55,844,405</u>

Quoted securities 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. This includes 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 stockbrokers, amount due from Manager, 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 2.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 December 2020, the management fee is recognised at a rate of 1.85% per annum (2019: 1.85% per annum).

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum Trustee fee of 0.08% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the financial year ended 31 December 2020, the Trustee's fee is recognised at a rate of 0.08% per annum (2019: 0.08% per annum).

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

6. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	2020	2019
	RM	RM
Dividend income	29,650	59,363
Interest income	56,978	5,659
Net realised (loss)/gain on disposal of investments	(25,877)	424,449
Prior financial years' realised income	<u>2,975,808</u>	<u>2,132,726</u>
	3,036,559	2,622,197
Less:		
Expenses	<u>(87,531)</u>	<u>(16,178)</u>
Net distribution amount	<u><u>2,949,028</u></u>	<u><u>2,606,019</u></u>
Distribution on 24 January 2020		
Gross/Net distribution per unit (sen)	<u>2.00</u>	<u>-</u>
Distribution on 22 January 2019		
Gross/Net distribution per unit (sen)	<u>-</u>	<u>1.73</u>

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

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

There are unrealised losses of RM395,381 during the financial year ended 31 December 2019.

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

7. TAXATION

	2020	2019
	RM	RM
Tax charged for the financial year		
- Under provision of taxation in prior years	35,508	-

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

	2020	2019
	RM	RM
Profit before taxation	3,500,532	1,092,404
Taxation at Malaysian statutory rate of 24% (2019: 24%)	840,128	262,177
Tax effects of:		
- Income not subject to tax	(1,193,281)	(615,483)
- Expenses not deductible for tax purposes	110,249	84,165
- Restriction on tax deductible expenses for Unit Trust Funds	242,904	269,141
Under provision of taxation in prior years	35,508	-
Taxation	35,508	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RM	RM
At fair value through profit or loss:		
- Quoted securities	35,947,706	38,334,657
- Unquoted fixed income securities	16,832,133	17,509,748
	52,779,839	55,844,405
Net gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(1,594,121)	664,374
- Unrealised fair value gain/(loss)	4,759,749	(395,381)
	3,165,628	268,993

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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 %
2020				
QUOTED SECURITIES				
Construction				
Gamuda Bhd	60,033	208,259	233,528	0.42
Consumer Products & Services				
Genting Bhd	180,000	980,599	802,800	1.45
Genting Malaysia Bhd	200,000	543,795	538,000	0.97
Mr D.I.Y. Group (M) Bhd	200,000	502,470	624,000	1.13
QL Resources Bhd	23,000	133,805	133,400	0.24
Sime Darby Bhd	250,000	557,971	577,500	1.04
	<u>853,000</u>	<u>2,718,640</u>	<u>2,675,700</u>	<u>4.83</u>
Energy				
Dialog Group Bhd	150,000	521,661	517,500	0.94
Hibiscus Petroleum Bhd	2,000,000	1,487,558	1,160,000	2.10
Hibiscus Petroleum Bhd - Preference Shares	250,000	250,000	297,500	0.54
Serba Dinamik Holdings Bhd	600,090	1,093,859	1,056,159	1.91
Yinson Holdings Bhd	100,000	615,704	575,000	1.04
	<u>3,100,090</u>	<u>3,968,782</u>	<u>3,606,159</u>	<u>6.53</u>
Financial Services				
Bursa Malaysia Bhd	100,000	989,297	830,000	1.50
Hong Leong Bank Bhd	50,000	848,268	910,000	1.64
Malayan Banking Bhd	264,616	2,298,245	2,238,651	4.05
Public Bank Bhd	150,047	2,872,690	3,090,968	5.59
RHB Bank Bhd	260,000	1,469,721	1,417,000	2.56
	<u>824,663</u>	<u>8,478,221</u>	<u>8,486,619</u>	<u>15.34</u>
Health Care				
Duopharma Biotech Bhd	200,000	794,750	676,000	1.22
Hartalega Holdings Bhd	140,000	1,467,534	1,699,600	3.07
Top Glove Corporation Bhd	430,000	2,288,328	2,631,600	4.76
	<u>770,000</u>	<u>4,550,612</u>	<u>5,007,200</u>	<u>9.05</u>
Industrial Products & Services				
ATA IMS Bhd	100,000	228,657	238,000	0.43
HSS Engineers Bhd	495,700	312,750	324,684	0.59
Kelington Group Bhd	700,000	772,887	1,183,000	2.14
Press Metal Aluminium Holdings Bhd	106,400	722,789	892,696	1.61
SKP Resources Bhd	100,000	162,156	215,000	0.39
V.S. Industry Bhd	500,000	745,853	1,295,000	2.34
	<u>2,002,100</u>	<u>2,945,092</u>	<u>4,148,380</u>	<u>7.50</u>
Plantation				
Sime Darby Plantation Bhd	80,000	398,575	399,200	0.72

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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 %
2020 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Technology				
D&O Green Technologies Bhd	920,000	974,238	2097,600	3.79
Globetronics Technology Bhd	70,000	206,387	189,000	0.34
Greatech Technology Bhd	143,200	683,132	1,303,120	2.36
Inari Amertron Bhd	430,000	739,485	1,186,800	2.15
JHM Consolidation Bhd	150,000	209,479	286,500	0.52
MI Technovation Bhd	50,000	198,663	197,000	0.36
Pentamaster Corporation Bhd	390,000	1,226,440	1,969,500	3.56
Unisem (M) Bhd	90,000	186,909	556,200	1.01
Vitrox Corporation Bhd	40,000	285,418	588,000	1.06
	<u>2,283,200</u>	<u>4,710,151</u>	<u>8373,720</u>	<u>15.15</u>
Telecommunications & Media				
Telekom Malaysia Bhd	60,000	288,000	324,600	0.59
TIME dotCom Bhd	50,000	562,895	663,000	1.20
	<u>110,000</u>	<u>850,895</u>	<u>987,600</u>	<u>1.79</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	50,000	272,565	296,000	0.53
MISC Bhd	40,000	316,007	274,800	0.50
	<u>90,000</u>	<u>588,572</u>	<u>570,800</u>	<u>1.03</u>
Utilities				
Tenaga Nasional Bhd	140,000	1,917,019	1,458,800	2.64
TOTAL QUOTED SECURITIES	<u>10,313,086</u>	<u>31,334,818</u>	<u>35,947,706</u>	<u>65.00</u>
ACCUMULATED UNREALISED GAIN ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,612,888</u>		
TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>35,947,706</u>		

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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 %
2020 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES				
Aeon Credit Service (M) Bhd 3.80% 10/02/2027 (AA3)	1,150,000	1,167,241	1,193,875	2.16
Aeon Credit Service (M) Bhd 3.85% 10/02/2028 (AA3)	1,100,000	1,144,951	1,142,426	2.07
Ara Bintang Bhd 5.50% 17/03/2026 (Not Rated)	900,000	902,034	940,203	1.70
CIMB Thai Bank PCL 4.15% 06/07/2029 (AA3)	300,000	306,037	313,997	0.57
DRB-Hicom Bhd 4.85% 11/12/2026 (A1)	1,150,000	1,153,056	1,175,401	2.12
IJM Land Bhd 4.73% 17/03/2119 (A2)	750,000	760,770	756,525	1.37
IJM Land Bhd 5.65% 17/03/2119 (A2)	500,000	508,049	530,874	0.96
Mah Sing Group Bhd 4.35% 13/03/2025 (Not Rated)	2,500,000	2,532,476	2,628,176	4.75
Mah Sing Group Bhd 6.90% 04/04/2022 (Not Rated)	2,000,000	2,057,459	2,089,471	3.78
MMC Corporation Bhd 5.64% 27/04/2027 (AA3)	500,000	545,274	554,789	1.00
Penang Port Sdn Bhd 4.30% 24/12/2026 (AA3)	200,000	210,982	212,666	0.38
Sabah Development Bank 5.25% 27/12/2023 (AA1)	3,500,000	3,503,976	3,730,809	6.75
Starbright Capital Bhd 4.35% 24/12/2026 (AAA)	1,500,000	1,531,486	1,562,921	2.83
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>16,050,000</u>	<u>16,323,791</u>	<u>16,832,133</u>	<u>30.44</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>508,342</u>		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>16,832,133</u>		

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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 %
2019				
QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	800,000	574,104	604,000	1.05
Gamuda Bhd	230,000	701,186	897,000	1.56
IJM Corporation Bhd	600,000	1,255,272	1,302,000	2.26
	<u>1,630,000</u>	<u>2,530,562</u>	<u>2,803,000</u>	<u>4.87</u>
Consumer Products & Services				
Aeon Co. (M) Bhd	431,000	672,360	612,020	1.06
Bermaz Auto Bhd	100,000	237,888	210,000	0.36
DRB-Hicom Bhd	94,700	245,260	225,386	0.39
Genting Bhd	50,800	387,030	307,340	0.53
Genting Malaysia Bhd	247,400	881,246	813,946	1.41
Nestle Malaysia Bhd	5,000	720,674	735,000	1.28
Sime Darby Bhd	310,000	723,302	688,200	1.20
	<u>1,238,900</u>	<u>3,867,760</u>	<u>3,591,892</u>	<u>6.23</u>
Energy				
Dayang Enterprise Holdings Bhd	200,000	360,795	502,000	0.87
Dialog Group Bhd	202,800	595,623	699,660	1.22
Hibiscus Petroleum Bhd	583,900	568,299	548,866	0.95
Serba Dinamik Holdings Bhd	335,790	691,901	738,738	1.28
Serba Dinamik Holdings Bhd - Warrant	95,940	-	42,214	0.07
Wah Seong Corporation Bhd	225,000	275,488	270,000	0.47
	<u>1,643,430</u>	<u>2,492,106</u>	<u>2,801,478</u>	<u>4.86</u>
Financial Services				
Bursa Malaysia Bhd	32,500	210,169	197,925	0.34
CIMB Group Holdings Bhd	500,024	2,752,301	2,575,124	4.47
Hong Leong Bank Bhd	80,000	1,345,066	1,384,000	2.40
Malayan Banking Bhd	368,545	3,343,183	3,184,229	5.53
Public Bank Bhd	120,047	2,396,295	2,333,714	4.05
RHB Bank Bhd	250,000	1,413,872	1,445,000	2.51
RHB Capital Bhd #	108,100	-	-	-
	<u>1,459,216</u>	<u>11,460,886</u>	<u>11,119,992</u>	<u>19.30</u>

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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 %
2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Health Care				
Hartalega Holdings Bhd	106,000	574,255	580,880	1.01
IHH Healthcare Bhd	160,000	929,049	875,200	1.52
	<u>266,000</u>	<u>1,503,304</u>	<u>1,456,080</u>	<u>2.53</u>
Industrial Products & Services				
ATA IMS Bhd	500,000	857,830	870,000	1.51
Petronas Chemicals Group Bhd	150,000	1,122,561	1,102,500	1.91
Press Metal Aluminium Holdings Bhd	90,086	434,735	418,900	0.73
Sunway Bhd	388,500	669,021	699,300	1.21
Uchi Technologies Bhd	42,000	127,344	116,760	0.20
	<u>1,170,586</u>	<u>3,211,491</u>	<u>3,207,460</u>	<u>5.56</u>
Plantation				
Kuala Lumpur Kepong Bhd	29,300	639,446	726,640	1.26
Sime Darby Plantation Bhd	260,900	1,320,809	1,421,905	2.47
	<u>290,200</u>	<u>1,960,255</u>	<u>2,148,545</u>	<u>3.73</u>
Property				
LBS Bina Group Bhd - Preference Share	57,840	63,624	40,488	0.07
Sime Darby Property Bhd	321,700	246,005	294,355	0.52
	<u>379,540</u>	<u>309,629</u>	<u>334,843</u>	<u>0.59</u>
REITs				
IGB REIT	74,600	126,837	140,994	0.24
Sunway REIT	233,100	421,618	424,242	0.74
	<u>307,700</u>	<u>548,455</u>	<u>565,236</u>	<u>0.98</u>
Technology				
D&O Green Technologies Bhd	1,087,000	821,413	923,950	1.60
Malaysian Pacific Industries Bhd	50,000	568,195	571,999	0.99
ViTrox Corporation Bhd	95,900	667,609	759,528	1.32
	<u>1,232,900</u>	<u>2,057,217</u>	<u>2,255,477</u>	<u>3.91</u>

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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 %
2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Axiata Group Bhd	219,800	963,412	909,972	1.58
Digi.com Bhd	230,000	1,080,426	1,025,800	1.78
Time Dotcom Bhd	99,000	865,993	912,780	1.60
	<u>548,800</u>	<u>2,909,831</u>	<u>2,848,552</u>	<u>4.96</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	89,500	757,051	680,200	1.18
MISC Bhd	56,600	384,490	472,610	0.82
Westports Holdings Bhd	150,000	568,354	631,500	1.10
	<u>296,100</u>	<u>1,709,895</u>	<u>1,784,310</u>	<u>3.10</u>
Utilities				
Ranhill Holdings Bhd	600,000	824,920	642,000	1.12
Taliworks Corporation Bhd	300,000	284,619	267,000	0.47
Tenaga Nasional Bhd	189,200	2,590,714	2,508,792	4.37
	<u>1,089,200</u>	<u>3,700,253</u>	<u>3,417,792</u>	<u>5.96</u>
TOTAL QUOTED SECURITIES	<u>11,552,572</u>	<u>38,261,644</u>	<u>38,334,657</u>	<u>66.58</u>
ACCUMULATED UNREALISED GAIN ON QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>73,013</u>		
TOTAL QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>38,334,657</u>		

As at 31 December 2019, 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.

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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 %
2019 (CONTINUED)				
UNQUOTED FIXED				
INCOME SECURITIES				
Ara Bintang Bhd 5.50% 17/03/2026 (AAA)	900,000	902,034	905,292	1.57
Bumitama Agri Ltd 4.20% 22/07/2026 (AA3)	550,000	560,316	568,555	0.99
CIMB Thai Bank PCL 4.15% 06/07/2029 (AA3)	300,000	306,037	308,086	0.53
DRB-Hicom Bhd 4.85% 11/12/2026 (A1)	1,150,000	1,153,056	1,159,278	2.01
Edra Energy Sdn Bhd 5.67% 05/01/2023 (AA3)	1,500,000	1,610,499	1,614,737	2.80
Exsim Capital Resources Bhd 5.00% 28/01/2022 (AA3)	3,000,000	3,068,117	3,103,728	5.39
Fortune Premiere Sdn Bhd 3.99% 11/09/2026 (AA2)	450,000	456,910	456,164	0.79
IJM Corporation Bhd 4.76% 10/04/2029 (AA3)	500,000	506,099	523,047	0.91
IJM Land Bhd Perpetual Sukuk 5.65% 17/03/2119 (A2)	500,000	508,049	536,624	0.93
IJM Land Bhd 4.73% 17/03/2119 (A2)	750,000	760,931	761,977	1.32
Malayan Banking Bhd 4.08% 22/02/2117 (AA3)	1,000,000	1,010,955	1,018,145	1.77
MBSB Bank Bhd 5.05% 20/12/2029 (A3)	120,000	120,197	120,221	0.21
Penang Port Sdn Bhd 4.30% 24/12/2026 (AA3)	550,000	550,324	550,318	0.96
Penang Port Sdn Bhd 4.48% 27/12/2029 (AA3)	200,000	200,123	200,121	0.35
Penang Port Sdn Bhd 4.68% 26/12/2031 (AA3)	400,000	400,256	400,252	0.70
Sabah Development Bank Bhd 5.25% 27/12/2023 (AA1)	3,500,000	3,505,060	3,665,793	6.37
Sports Toto Malaysia Sdn Bhd 4.95% 30/06/2022 (AA3)	1,600,000	1,602,317	1,617,410	2.81

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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 %
2019 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>16,970,000</u>	17,221,280	<u>17,509,748</u>	<u>30.41</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>288,468</u>		
TOTAL UNQUOTED FIXED INCOME SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>17,509,748</u>		

9. CASH AND CASH EQUIVALENTS

	2020 RM	2019 RM
Deposits with licensed financial institutions	1,979,364	1,695,284
Bank balance	27,183	110,962
	<u>2,006,547</u>	<u>1,806,246</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2020 No. of units	2019 No. of units
At the beginning of the financial year	148,053,097	151,109,097
Add: Creation of units from applications	7,750,111	7,908,619
Add: Creation of units from distribution	7,384,651	6,263,479
Less: Cancellation of units	(22,834,939)	(17,228,098)
At the end of the financial year	<u>140,352,920</u>	<u>148,053,097</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2020	2019
	%	%
MER	1.98	1.98

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee fee
- C = Audit fee
- D = Tax agent’s fee
- E = Other expenses excluding withholding tax
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM53,809,654 (2019: RM59,240,164).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	1.41	1.27

PTR is derived from the following calculation:

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

where:

- total acquisition for the financial year = RM72,799,405 (2019: RM74,317,410)
- total disposal for the financial year = RM78,961,477 (2019: RM76,165,902)

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

Units held by the Manager and parties related to the Manager

	<u>2020</u>		<u>2019</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad	4,644	1,830	5,082	1,976

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

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

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

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

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

	2020	2019
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	2,483	4,655
 <u>Significant related party balance</u>		
Bank balance:		
- CIMB Bank Bhd	27,183	110,962

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 December 2020 are as follows:

Brokers/Dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
Hong Leong Investment Bank Bhd	24,073,933	15.87	38,947	14.15
RHB Investment Bank Bhd	19,216,394	12.67	36,556	13.28
MayBK Investment Bank Bhd	17,040,627	11.23	33,822	12.29
CLSA Securities (Malaysia) Sdn Bhd	14,333,759	9.45	30,763	11.17
Affin Hwang Investment Bank Bhd	13,436,649	8.86	30,852	11.21
CGS-CIMB Securities Sdn Bhd #	13,364,833	8.81	27,770	10.09
J.P. Morgan Securities (Malaysia) Sdn Bhd	9,578,045	6.31	14,394	5.23
UBS Securities Malaysia Sdn Bhd	7,359,976	4.85	14,087	5.12
KAF Equities Sdn Bhd	6,962,436	4.59	15,666	5.69
RHB Bank Bhd	6,495,895	4.28	-	-
Others #	19,834,600	13.08	32,441	11.77
	151,697,147	100.00	275,298	100.00

PRINCIPAL LIFETIME BALANCED FUND
(formerly known as CIMB-Principal Balanced Fund)

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 December 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	15,426,212	10.26	23,200	11.30
Macquarie Capital Securities (Malaysia) Sdn Bhd	14,754,643	9.81	28,936	14.09
Hong Leong Investment Bank Bhd	13,334,371	8.87	19,701	9.59
RHB Bank Bhd	13,287,875	8.83	-	-
KAF-Seagroatt & Campbell Securities Sdn Bhd	12,020,606	7.99	27,077	13.18
CLSA Securities (Malaysia) Sdn Bhd	10,000,689	6.65	19,885	9.68
Maybank Investment Bank Bhd	9,830,835	6.54	21,903	10.66
Affin Hwang Investment Bank Bhd	9,636,523	6.41	21,741	10.58
UBS Securities Malaysia Sdn Bhd	9,201,149	6.12	14,477	7.05
Alliance Bank Malaysia Bhd	7,683,020	5.11	-	-
Others #	35,225,340	23.41	28,480	13.87
	<u>150,401,263</u>	<u>100.00</u>	<u>205,400</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Bank Bhd and CGS-CIMB Securities Sdn Bhd, fellow related parties to the Manager amounting to RM1,630,880 (2019: RM7,388,040) and RM13,364,833 (2019: RM1,003,049) respectively. The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

15. SUBSEQUENT EVENT

The Manager proposed for the payment of a gross final distribution of 2.00 sen per unit in respect of the financial year ended 31 December 2020 which will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 31 December 2021. The final distribution has been approved by the Trustee on 30 December 2019.

16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening of the macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund's performance during the financial year.

The Manager continues monitoring the situation closely and will be managing the portfolio to achieve the Fund's objective

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 15 February 2021.

DIRECTORY

Head Office of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))
10th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights,
50490 Kuala Lumpur, MALAYSIA.
Tel: (03) 2084 8888

Website

www.principal.com.my

E-mail address

service@principal.com.my

Customer Care Centre

(03) 7718 3000

Trustee for the Principal Lifetime Balanced Fund
(formerly known as CIMB-Principal Balanced Fund)

Maybank Trustees Berhad (Company No. : 5004-P)
8th Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur, MALAYSIA.
Tel: (03) 2078 8363, 2070 8833
Fax: (03) 2070 9387

Auditors of the Fund and of the Manager (for the year ended 31 December 2020)

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: +603 7495 8000
Fax: +603 2095 5332

Auditors of the Fund and of the Manager (for the year ended 31 December 2019)

PricewaterhouseCoopers PLT (Company No.: LLP0014401-LCA & AF 1146)
Level 10, 1 Sentral,
Jalan Rakyat, Kuala Lumpur Sentral,
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA.
Tel: (03) 2173 1188
Fax: (03) 2173 1288

Principal Asset Management Berhad
199401018399 (304078-K)

Enquiries:

Customer Care Centre
(603)7718 3000

Email
service@principal.com.my

Website
www.principal.com.my