

# CIMB-Principal Total Return Bond Fund 8

Annual Report

For the Financial Year Ended 31 March 2021

**CIMB-PRINCIPAL TOTAL RETURN BOND FUND 8**  
**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

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## INVESTORS' LETTER

Dear Valued Investor,

The global economic trend has continued to strengthen since the start of 2021, mirrored by an increase in the global trade volume and commodity prices, among other factors. While there are concerns over the recent spike in the number of Coronavirus Disease 2019 ("COVID-19") cases both locally and globally, the progress in global vaccination especially in several developed countries continue to drive optimism over economic recovery.

We remain positive on Asian equities on a 12-month basis maintained on the broadening of recovery in corporate earnings including financials, industrials, and energy. We've also added more ASEAN names in anticipation of a broader economic recovery which would be strengthened by the greater availability of COVID-19 vaccines by mid-2021.

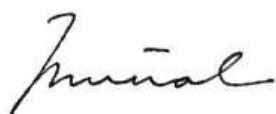
For our latest market commentaries and investment content, we encourage you to visit our website ([www.principal.com.my](http://www.principal.com.my)) and Facebook account (@PrincipalAssetMY).

Because of the trust you placed in us, we continue to win accolades - the most recent recognition coming from Refinitiv Lipper Fund Awards 2021 for our Principal Asia Titans Fund in the Equity Asia Pacific ex Japan – Provident (10 years) category. We are also pleased to share that we also received the Fintech - Human Resource Technology award from the Malaysia Technology Excellence Awards 2021.

We also wish to inform that Ernst & Young PLT ("EY") has been appointed as the auditor of the Fund in respect of the audit for the financial year ended 31 March 2021 onwards. The appointment of the Fund Auditor by the Trustee of the Fund, HSBC (Malaysia) Trustee Berhad, is 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 provide investors with total return through investments in a portfolio of primarily debt instruments.

#### **Has the Fund achieved its objective?**

The Fund is in line with its stated objectives in delivering total return opportunity by investing in a pool of diversified fixed income securities.

#### **What are the Fund investment policy and principal investment strategy?**

The Fund seeks to achieve its investment objective by investing up to 100% of its Net Asset Value ("NAV") in a diversified portfolio consisting of debt instruments, money market instruments and/or deposits.

The Fund will invest at least 70% of its NAV in debt instruments issued by governments, government agencies, supranational organizations and corporate issuers, which include but not limited to bonds and other fixed or floating rate debt instruments, certificates of deposit, commercial papers and notes. The Fund will also invest in liquid assets for liquidity purposes.

In order to maximize the total return, the Fund may invest up to 99% of its NAV in Investment Grade Securities. Up to 40% of the Fund's NAV may be invested in Non-Investment Grade Securities and Unrated Securities for yield enhancement, of which only up to 20% of the Fund's NAV in Unrated Securities. The Fund may also invest up to 10% of its NAV in structured products which are linked or reference to debt instruments, including credit linked notes, subject to prevailing Securities Commission Malaysia ("SC") Guidelines. When deemed necessary, the Fund may utilize derivative instruments such as forward contracts, options, futures contracts and/or swap agreements for hedging purpose. In the event of a downgrade of a counter-party of an over-the-counter ("OTC") derivative below the minimum long-term rating as per the SC Guidelines, the Manager reserve the right to deal with the OTC derivative in the best interest of the Unit holders.

Up to 100% in debt instruments, money market instruments and/or deposits, of which:

- At least 70% of the Fund's NAV in debt instruments issued by governments, government agencies, supranational organizations and corporate issuers, which include but not limited to bonds and other fixed rate or floating rate debt instruments, certificates of deposit, commercial papers and notes;
- Up to 99% of the Fund's NAV in Investment Grade Securities;
- Up to 40% of the Fund's NAV in Non-Investment Grade Securities and Unrated Securities, of which up to 20% of the Fund's NAV in Unrated Securities;
- Up to 10% of the Fund's NAV in structured products; and
- At least 1% of the Fund's NAV in liquid assets.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

**Fund category/type**

Debenture (close-ended)/Growth

**When was the Fund launched?**

7 January 2019

**What was the size of the Fund as at 31 March 2021?**

RM43.52 million (42.01 million units)

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

The benchmark for the Fund is the 3-year CIMB Bank fixed deposit rate at the Commencement Date.

*Note: The Fund shall benchmark itself against the fixed deposit rate for performance comparison purpose only. Since the Fund may invests across various debt instruments of different ratings, investors are cautioned that the risk profile of the Fund is higher than investing in fixed deposits; hence, investors should expect the Fund to outperform the benchmark.*

**What is the Fund distribution policy?**

The Manager has the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of its realised income and/or realised gains, as well as the performance of the Fund. The Manager also has the right to make provisions for reserves in respect of distribution of the Fund.

**What was the net income distribution for the financial year ended 31 March 2021?**

The Fund distributed a total net income of RM2.61 million to unit holders for the financial year ended 31 March 2021.

The Fund's NAV per unit were as follows:

| <b>Date</b> | <b>NAV per unit<br/>(before distribution)<br/>RM</b> | <b>NAV per unit<br/>(after distribution)<br/>RM</b> |
|-------------|--|---|
| 04.05.2020  | 1.0143   | 1.0073  |
| 22.03.2021  | 1.1050   | 1.0500  |

**PERFORMANCE DATA**

Details of portfolio composition of the Fund for the last two financial year/period were as follows:

|                                  | <b>31.03.2021</b> | <b>31.03.2020</b> |
|----------------------------------|-------------------|-------------------|
|                                  | %                 | %                 |
| Unquoted fixed income securities | 95.64             | 99.11             |
| Cash and other assets            | 10.09             | 1.83              |
| Liabilities                      | <u>(5.73)</u>     | <u>(0.94)</u>     |
|                                  | <u>100.00</u>     | <u>100.00</u>     |

Performance details of the Fund for the last two financial year/period were as follows:

|                                | <b>31.03.2021</b> | <b>31.03.2020</b> |
|--------------------------------|-------------------|-------------------|
| NAV (RM Million)               | 43.52             | 43.34             |
| Units in circulation (Million) | 42.01             | 43.78             |
| NAV per unit (RM)              | 1.0359            | 0.9898            |

|  | <b>31.03.2021</b> | <b>07.01.2019<br/>(date of launch)<br/>to 31.03.2020</b> |
|--|-------------------|--|
| Highest NAV per unit (RM)                  | 1.1052            | 1.0753   |
| Lowest NAV per unit (RM)                   | 0.9861            | 0.9568   |
| Total return (%)                           | 10.85             | 2.54   |
| - Capital growth (%)                       | 4.61              | (1.05)   |
| - Income distribution (%)                  | 5.96              | 3.62   |
| Management Expense Ratio ("MER") (%) ^     | 0.08              | 0.10   |
| Portfolio Turnover Ratio ("PTR") (times) # | 0.21              | 0.72   |

^ The Fund's MER decreased from 0.10% to 0.08% due to reduce in expenses during the financial year under review.

# The Fund's PTR decreased from 0.72 times to 0.21 times due to lesser trading activities during the financial year under review.

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

|                               |      |      |
|-------------------------------|------|------|
| Distribution on 4 May 2020    | 0.70 | -    |
| Distribution on 22 March 2021 | 5.50 | -    |
| Distribution on 9 March 2020  | -    | 3.75 |

|                     | <b>31.03.2021</b> | <b>31.03.2020</b> | <b>Since<br/>inception<br/>to 31.03.2019</b> |
|---------------------|-------------------|-------------------|--|
|                     | %                 | %                 | %  |
| Annual total return | 10.85             | 2.15              | 0.38   |

(Launch date: 7 January 2019)

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

**MARKET REVIEW (1 APRIL 2020 TO 31 MARCH 2021)**

At the start of the period under review, lockdowns were implemented globally to arrest the spread of the COVID-19. The final month of first quarter of 2020 saw unprecedented fiscal measures announced by Governments and coordinated monetary stimulus from central banks around the world as the number of COVID-19 increases. The US Federal Reserve (the "Fed") dropped its benchmark interest rate to near zero and launched a new round of quantitative easing ("QE") in an emergency meeting held on 15 March 2020.

Domestically, Malaysia also saw the unveiling of RM250 billion budget stimulus package to sustain private consumption and confidence in March 2021 followed by another third stimulus package of RM10 billion targeted to provide financial relief to small and medium enterprises ("SMEs") a month later. On the monetary side, Bank Negara Malaysia ("BNM") further reduce the Overnight Policy Rate ("OPR") by a total of 75 basis points ("bps") in March and May 2020 citing weakening global and local economic conditions, cut 1% Statutory Reserve Requirement ("SRR") to free up RM30 billion banking liquidity and the 6-month loan moratorium to SMEs and consumer loans amongst others. In conjunction with the release of BNM's 2019 Annual Report, BNM revised the 2020 real gross domestic products ("GDP") forecast to a range of -2.0% and +0.5%. Meanwhile, Fitch Rating Inc ("Fitch") has reaffirmed Malaysia's rating at A-but lowered the outlook to negative from stable.

In June 2020, the Government bond yield curve steepened as concern on higher Government bond supply lifted the long-end curve while expectation on July 2020 OPR cut compressed the front-end curve. The Government announced further RM35 billion of stimulus package in June-2020 mainly on jobs initiatives, SMEs supports, stimulation of foreign direct investment ("FDI") & consumption as well as to facilitate digitalization. With this, the Ministry of Finance ("MoF") now expects the 2020 budget deficit/GDP at 5.8% - 6.0%. Standard and Poor's ("S&P") reaffirmed Malaysia's ratings at A-but revised the outlook to negative from stable on 26 June 2020.

The third quarter of 2020 welcome news of vaccine development continued monetary easing by central banks as well as fiscal stimulus by Governments and extension of asset purchases programmes. Sentiments somewhat improved although still volatile and market confidence regained. Over in US, the Fed announced that they will be adopting the new framework based on average inflation with tolerance for inflation moderately above 2% in coming years to make up for prior year shortfalls. It will also let employment run above its estimated maximum level unless inflation shoots up.

Domestically, second quarter of 2020 GDP contracted sharply by 17.1% year-on-year ("y-o-y") and 16.5% quarter-on-quarter ("q-o-q") (first quarter of 2020: +0.7% y-o-y and -2.0% q-o-q) as the economy was affected by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in second quarter of 2020. However, BNM note that with more economies open up, recovery is well underway, and GDP forecast for 2021 is in the range of 5.5% - 8.0%. At its monetary policy meeting ("MPC") meeting held on 10 September 2020, BNM kept hold its OPR at 1.75%. The September 2020 MPC statement sounded mildly neutral albeit still reiterating downside risks to the local and global economy. The Government announced an additional RM10 billion fiscal stimulus package to bolster the country's economy in weathering the impact of COVID-19.



**MARKET REVIEW (1 APRIL 2020 TO 31 MARCH 2021) (CONTINUED)**

Highlight of the fourth quarter of 2020 was the US election with Biden ultimately emerged winner. The Asian US Dollar (“USD”) bond market was soft ahead of the election with less corporate issuance after a deluge in September 2020. However, market resumed after Biden emerged victorious although overhang of the fiscal stimulus package saw US Treasuries (“UST”) traded range bound. On the corporate end, the announcement of the Executive Order banning US residents from trading in a list of Chinese securities saw some weakness. Towards the end of the year, risk sentiment remains mixed in view of resurgence of COVID-19 globally, resulting in new lockdowns bringing on potential global growth derailment.

For first quarter of 2021, fiscal stimulus and reflation trade were the main theme which saw further steepening of the yield curve and repricing of bonds although the movement were less sharp in corporate bonds. The heightened volatility creates opportunity for trade although overall yields trended higher. Corporate credit spread continues to tighten albeit on a smaller scale due to higher UST and increase supply from issuers rushing to lock in the relatively still attractive yield.

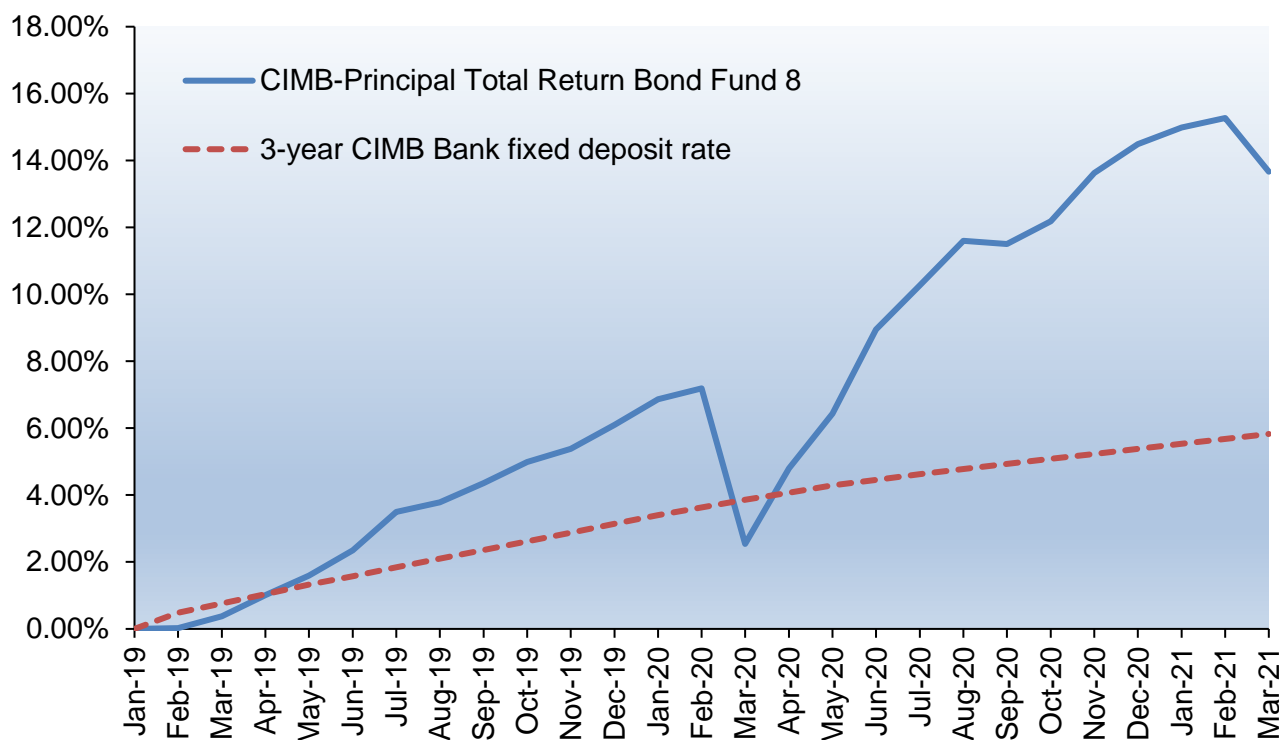
Meanwhile, the Malaysian Government Securities (“MGS”) yield curve bear steepened as the second Movement control Order (“MCO”) 2.0 and State of Emergency (“SoE”) sparked concern on potentially bigger stimulus package needed to revive the economy. For domestic economic data, BNM decided to maintain OPR at 1.75%. The central bank continued to mention that the overall outlook locally and globally remains subject to downside risks, primarily if there is a further resurgence of COVID-19 cases. They expect growth for 2020 to be at the lower end of the forecasted range and for a pick-up in growth to be seen in second quarter of 2021. The Government unveiled ‘Perlindungan Ekonomi dan Rakyat Malaysia’ (“PERMAI”) on 18 January 2021, its fifth economic stimulus package to date worth RM15 billion spread over 22 initiatives aimed at safeguarding the welfare of the people and supporting business continuity following the implementation of MCO 2.0. Lastly, Moody’s Investors Service (“Moody’s”) reaffirmed Malaysia’s A3 rating and maintained its stable outlook on 28 January 2021. The rating agency cited strong medium-term growth prospects, credible and effective macro policymaking institutions, and expectations of gradual fiscal consolidation over the next 2 to 3 years.

**FUND PERFORMANCE**

|                      | <b>1 year<br/>to 31.03.2021</b> | <b>Since<br/>inception<br/>to 31.03.2021</b> |
|----------------------|---------------------------------|--|
|                      | <b>%</b>                        | <b>%</b>                                     |
| Income Distribution  | 5.96                            | 9.80   |
| Capital Growth       | 4.61                            | 3.52   |
| Total Return         | 10.85                           | 13.67  |
| Benchmark            | 1.96                            | 5.83   |
| Average Total Return | 10.85                           | 5.90   |

For the one year ending March 2021, the Fund has delivered a total return of 10.85% versus the benchmark 3-year CIMB Bank Fixed Deposit Rate return of 1.96%. Since inception, the Fund delivered a total return of 13.67% versus the benchmark 3-year CIMB Bank Fixed Deposit Rate return of 5.83%.

**FUND PERFORMANCE (CONTINUED)**



**Changes in NAV**

|                  | 31.03.2021 | 31.03.2020 | Changes % |
|------------------|------------|------------|-----------|
| NAV (RM Million) | 43.52      | 43.34      | 0.42      |
| NAV/Unit (RM)    | 1.0359     | 0.9898     | 4.66      |

The Fund's NAV improve by 0.42% for the one-year period ending March 2021 to RM43.52 million. The NAV per unit saw a 4.66% increase to RM1.0359 as at end of March 2021.

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

**PORTFOLIO STRUCTURE**

**Asset allocation**

| (% of NAV)                       | 31.03.2021    | 31.03.2020    |
|----------------------------------|---------------|---------------|
| Unquoted fixed income securities | 95.64         | 99.11         |
| Cash and other assets            | 10.09         | 1.83          |
| Liabilities                      | (5.73)        | (0.94)        |
| <b>TOTAL</b>                     | <b>100.00</b> | <b>100.00</b> |

The Fund is 95.64% invested with 10.09% cash and other assets as liquidity for redemption purposes.

**MARKET OUTLOOK\***

COVID-19 remains a threat while vaccination progress has been uneven across countries. In Asia, the key uncertainty rests in the trajectory of economic growth in the coming quarters. As global growth is gradually recovering, central banks in developed markets and Asia will be maintaining accommodative interest rate environment as not to derail it. Furthermore, Governments have put in place fiscal stimulus to provide downside support to their economies.

\* This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal 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**

Although we continue to expect volatility going forward, we maintain the 'Buy' & 'Hold' strategy in line with our Fund's objectives for now and to prioritise capital preservation.

**UNIT HOLDINGS STATISTICS**

Breakdown of unit holdings by size as at 31 March 2021 was as follows:

| <b>Size of unit holdings (units)</b> | <b>No. of unit holders</b> | <b>No. of units held (million)</b> | <b>% of units held</b> |
|--------------------------------------|----------------------------|------------------------------------|------------------------|
| 5,000 and below                      | 5                          | 0.01                               | 0.02                   |
| 5,001-10,000                         | 2                          | 0.02                               | 0.05                   |
| 10,001-50,000                        | 4                          | 0.08                               | 0.19                   |
| 50,001-500,000                       | 4                          | 0.91                               | 2.17                   |
| 500,001 and above                    | 1                          | 40.99                              | 97.57                  |
| <b>Total</b>                         | <b>16</b>                  | <b>42.01</b>                       | <b>100.00</b>          |

**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  
CIMB-PRINCIPAL TOTAL RETURN BOND FUND 8**

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, which have been prepared on a basis other than going concern as disclosed in Note 2(a), set out on pages 15 to 45 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 March 2021 and of its financial performance, changes in net assets attributable to unit holders 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  
10 May 2021

**TRUSTEE'S REPORT**

**TO THE UNITHOLDERS OF  
CIMB-PRINCIPAL TOTAL RETURN BOND FUND 8**

We have acted as Trustee of CIMB-Principal Total Return Bond Fund 8 ("the Fund") for the financial year ended 31 March 2021. To the best of our knowledge, Principal Asset Management Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:-

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

During this financial year, a total distribution of 6.20 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Senior Manager, Investment Compliance Monitoring

Kuala Lumpur  
10 May 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
CIMB-PRINCIPAL TOTAL RETURN BOND FUND 8**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of CIMB-Principal Total Return Bond Fund 8 (the "Fund"), which comprise the statement of financial position of the Fund as at 31 March 2021, 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 15 to 45.

In our opinion, the accompanying financial statements, which have been prepared on a basis other than going concern as disclosed in Note 2(a), give a true and fair view of the financial position of the Fund as at 31 March 2021, 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  
CIMB-PRINCIPAL TOTAL RETURN BOND FUND 8 (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. As disclosed in Note 2(a) to the financial statements, the financial statements have been prepared on a basis other than that of a going concern.

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  
CIMB-PRINCIPAL TOTAL RETURN BOND FUND 8 (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. As disclosed in Note 2(a) to the financial statements, the financial statements have been prepared on a basis other than that of 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  
CIMB-PRINCIPAL TOTAL RETURN BOND FUND 8 (cont'd.)**

**Report on the audit of the financial statements (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 March 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 14 May 2020.

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

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

Kuala Lumpur, Malaysia  
10 May 2021

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

|   |   | 2021<br>RM | 07.01.2019<br>(date of launch)<br>to 31.03.2020<br>RM |
|---|---|------------|---|
| <b>INCOME</b>   |   |            |   |
| Interest income from unquoted fixed income securities<br>at fair value through profit and loss        |   | 2,488,802  | 2,475,093   |
| Interest income from deposits with licensed financial<br>institutions and bank balance                |   | 32,427     | 143,816   |
| Net gain/(loss) on financial assets at fair value through<br>profit or loss                           | 7 | 1,510,912  | (780,165)   |
| Net foreign exchange gain/(loss)  |   | 498,401    | (309,553)   |
| Net gain/(loss) on derivative liabilities at fair value<br>through profit or loss                     | 8 | 112,383    | (279,307)   |
| Exit fee income   |   | 18,283     | 9,512   |
|   |   | 4,661,208  | 1,259,396   |
| <br><b>EXPENSES</b>   |   |            |   |
| Trustee and custodian fee   | 4 | 20,597     | 23,091  |
| Audit fee   |   | 8,400      | 12,500  |
| Tax agent's fee   |   | 5,000      | 5,800   |
| Other expenses  |   | 2,643      | 1,158   |
|   |   | 36,640     | 42,549  |
| <br><b>PROFIT BEFORE TAXATION</b>   |   | 4,624,568  | 1,216,847   |
| Taxation  | 6 | (4,264)    | (1,959)   |
| <br><b>PROFIT AFTER TAXATION AND TOTAL<br/>COMPREHENSIVE INCOME FOR THE FINANCIAL<br/>YEAR/PERIOD</b> |   | 4,620,304  | 1,214,888   |
| <br>Profit after taxation is made up as follows:  |   |            |   |
| Realised amount   |   | 3,025,670  | 2,520,811   |
| Unrealised amount   |   | 1,594,634  | (1,305,923)   |
|   |   | 4,620,304  | 1,214,888   |

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2021**

|   | Note | 2021<br>RM        | 2020<br>RM        |
|---|------|-------------------|-------------------|
| <b>ASSETS</b>   |      |                   |                   |
| Cash and cash equivalents                             | 9    | 4,388,896         | 789,003           |
| Financial assets at fair value through profit or loss | 7    | 41,620,960        | 42,953,721        |
| Other receivables                                     |      | 1,051             | 4,164             |
| <b>TOTAL ASSETS</b>                                   |      | <u>46,010,907</u> | <u>43,746,888</u> |
| <b>LIABILITIES</b>                                    |      |                   |                   |
| Derivative liabilities                                | 8    | 166,924           | 279,307           |
| Amount due to Manager                                 |      | -                 | 113,250           |
| Amount due to Trustee                                 |      | 1,547             | 1,508             |
| Other payables and accruals                           |      | 17,400            | 13,000            |
| Distribution payable                                  |      | 2,306,707         | -                 |
| Tax payable   |      | 751               | 1,959             |
| <b>TOTAL LIABILITIES</b>                              |      | <u>2,493,329</u>  | <u>409,024</u>    |
| <b>NET ASSET VALUE OF THE FUND</b>                    |      | <u>43,517,578</u> | <u>43,337,864</u> |
| <b>NET ASSETS ATTRIBUTABLE TO UNIT<br/>HOLDERS</b>    | 11   | <u>43,517,578</u> | <u>43,337,864</u> |
| <b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>         | 10   | <u>42,006,314</u> | <u>43,783,013</u> |
| <b>NET ASSET VALUE PER UNIT (RM)</b>                  |      | <u>1.0359</u>     | <u>0.9898</u>     |

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

|  | Note      | 2021<br>RM         | 07.01.2019<br>(date of launch)<br>to 31.03.2020<br>RM |
|--|-----------|--------------------|---|
| <b>NET ASSETS ATTRIBUTABLE TO UNIT<br/>HOLDERS AT THE BEGINNING OF THE<br/>FINANCIAL YEAR/PERIOD</b> |           | <u>43,337,864</u>  | <u>-</u>  |
| Movement due to units created and cancelled<br>during the financial year/period:                     |           |                    |   |
| - Creation of units from applications  |           | -                  | 44,300,378  |
| - Creation of units from distribution  |           | 0.00*              | 0.00*   |
| - Cancellation of units  |           | (1,828,328)        | (532,245)   |
| Total comprehensive income for the financial<br>year/period  |           | 4,620,304          | 1,214,888   |
| Distribution   | <b>5</b>  | <u>(2,612,262)</u> | <u>(1,645,157)</u>                                    |
| <b>NET ASSETS ATTRIBUTABLE TO UNIT<br/>HOLDERS AT THE END OF THE FINANCIAL<br/>YEAR/PERIOD</b>       | <b>11</b> | <u>43,517,578</u>  | <u>43,337,864</u>                                     |

Note: 0.00\* denotes fair value less than RM1.

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

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

|   | Note     | 2021<br>RM         | 07.01.2019<br>(date of launch)<br>to 31.03.2020<br>RM |
|---|----------|--------------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |          |                    |   |
| Purchase of unquoted fixed income securities  |          | (10,157,074)       | (53,134,544)  |
| Proceeds from disposal of unquoted fixed income securities                                      |          | 9,000,491          | 8,671,397   |
| Proceeds from redemption of unquoted fixed income securities                                    |          | 4,173,824          | 1,000,000   |
| Interest income received from unquoted fixed income securities                                  |          | 2,364,402          | 2,253,026   |
| Interest income received from deposits with licensed financial Institutions and current account |          | 32,427             | 143,816   |
| Trustee and custodian fees paid   |          | (20,558)           | (21,583)  |
| Payments for other fees and expenses  |          | (11,643)           | (6,458)   |
| Exit fee income   |          | 21,396             | 5,348   |
| Net realised foreign exchange gain/(loss)   |          | 503,216            | (320,094)   |
| Tax paid  |          | (5,472)            | -   |
| <b>Net cash generated from/(used in) operating activities</b>                                   |          | <u>5,901,009</u>   | <u>(41,409,092)</u>                                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |          |                    |   |
| Cash proceeds from units created  |          | -                  | 44,300,378  |
| Payments for cancellation of units  |          | (1,941,578)        | (418,995)   |
| Distribution paid   |          | (305,555)          | (1,645,157)   |
| <b>Net cash (used in)/generated from financing activities</b>                                   |          | <u>(2,247,133)</u> | <u>42,236,226</u>                                     |
| Net increase in cash and cash equivalents   |          | 3,653,876          | 827,134   |
| Effects of foreign exchange differences   |          | (53,983)           | (38,131)  |
| Cash and cash equivalents at the beginning of the financial year/period                         |          | 789,003            | -   |
| Cash and cash equivalents at the end of the financial year/period                               | <b>9</b> | <u>4,388,896</u>   | <u>789,003</u>  |
| <u>Cash and cash equivalents comprised of:</u>  |          |                    |   |
| Deposits with licensed financial institutions   |          | 3,025,247          | 768,120   |
| Bank balances   |          | 1,363,649          | 20,883  |
| Cash and cash equivalents at the end of the financial year/period                               | <b>9</b> | <u>4,388,896</u>   | <u>789,003</u>  |

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

**1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB-Principal Total Return Bond Fund 8 (the “Fund”) was constituted pursuant to a Deed dated 28 July 2017 (the “Deed”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund seeks to achieve its investment objective by investing up to 100% of its NAV in a diversified portfolio consisting of debt instruments, money market instruments and/or deposits.

The Fund will invest at least 70% of its NAV in debt instruments issued by governments, government agencies, supranational organizations and corporate issuers, which include but not limited to bonds and other fixed or floating rate debt instruments, certificates of deposit, commercial papers and notes. The Fund will also invest in liquid assets for liquidity purposes.

In order to maximize the total return, the Fund may invest up to 99% of its NAV in Investment Grade Securities. Up to 40% of the Fund’s NAV may be invested in Non-Investment Grade Securities and Unrated Securities for yield enhancement, of which only up to 20% of the Fund’s NAV in Unrated Securities. The Fund may also invest up to 10% of its NAV in structured products which are linked or reference to debt instruments, including credit linked notes, subject to prevailing SC Guidelines. When deemed necessary, the Fund may utilize derivative instruments such as forward contracts, options, futures contracts and/or swap agreements for hedging purpose. In the event of a downgrade of a counter-party of an OTC derivative below the minimum long-term rating as per the SC Guidelines, the Manager reserve the right to deal with the OTC derivative in the best interest of the Unit holders.

Up to 100% in debt instruments, money market instruments and/or deposits, of which:

- At least 70% of the Fund’s NAV in debt instruments issued by governments, government agencies, supranational organizations and corporate issuers, which include but not limited to bonds and other fixed rate or floating rate debt instruments, certificates of deposit, commercial papers and notes;
- Up to 99% of the Fund’s NAV in Investment Grade Securities;
- Up to 40% of the Fund’s NAV in Non-Investment Grade Securities and Unrated Securities, of which up to 20% of the Fund’s NAV in Unrated Securities;
- Up to 10% of the Fund’s NAV in structured products; and
- At least 1% of the Fund’s NAV in liquid assets.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

This closed-ended Fund will terminate 3 years from the commencement date of 21 February 2019, which will be on 21 February 2022. Accordingly, the Fund’s financial statements have been prepared on a basis other than that of a going concern, As at the reporting date, there is no material financial impact on the financial statements of the Fund as at result of applying the going concern basis of accounting. The financial statements have also been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) 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 annual periods beginning on 1 April 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 April 2021 are applicable to the Fund.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(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").

Investment in derivatives of the Fund are debt instruments with contractual cash flows that do not represent solely payment of principal and interest ("SPPI"), and therefore are classified as fair value through profit or loss.

The Fund classifies cash and cash equivalents and other receivables 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.

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 with net gain or loss on financial assets at fair value through profit or loss in the financial period which they arise.



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

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.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by ICE Data Services (“ICE”), a provider of financial market data. However, if such quotations are not available on any business day, or should the gaps of the quotations provided by the financial institutions or ICE differ by more than 20 bps, the valuation shall be determined by reference to the value of such debt securities quoted by Bloomberg.

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 losses (“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**

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 unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted fixed income securities, determined on cost adjusted for accretion of discount or amortisation of premium.

**(d) Foreign currency****Functional and presentation currency**

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

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

- i) Units of the Fund are denominated in MYR;
- ii) Significant portion of the Fund’s expenses are denominated in MYR; and
- iii) Significant portion of the Fund’s investments are denominated in MYR.

**Transactions and balances**

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

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

### (e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and deposits held in highly liquid investments 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) 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.

### (g) Taxation

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

Tax on interest income from foreign unquoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

### (h) Exit fee income

Exit fee income is derived from charges levied upon the redemption of units by unit holders prior to the Maturity date of the Fund as stipulated in the Deed.

It is recognised on an accruals basis based on the value of the units redeemed.

### (i) 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)****(j) Realised and unrealised portions of profit or loss after tax**

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

**(k) Derivative financial instruments**

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

The Fund's derivative financial instruments comprise forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note 2(b).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(I) 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 security 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.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by ICE, a provider of financial market data. However, if such quotations are not available on any business day, or should the gaps of the quotations provided by the financial institutions or ICE differ by more than 20 bps, the valuation shall be determined by reference to the value of such debt securities quoted by Bloomberg.

### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

|  | Financial<br>assets at fair<br>value through<br>profit or loss<br>RM | Financial<br>assets at<br>amortised<br>cost<br>RM | Total<br>RM       |
|--|--|---|-------------------|
| <b>2021</b>                                  |  |   |                   |
| Cash and cash equivalents (Note 9)           | -  | 4,388,896   | 4,388,896         |
| Unquoted fixed income securities<br>(Note 7) | 41,620,960   | -   | 41,620,960        |
| Other receivables                            | -  | 1,051   | 1,051             |
|  | <u>41,620,960</u>  | <u>4,389,947</u>                                  | <u>46,010,907</u> |
| <b>2020</b>                                  |  |   |                   |
| Cash and cash equivalents (Note 9)           | -  | 789,003   | 789,003           |
| Unquoted fixed income securities<br>(Note 7) | 42,953,721   | -   | 42,953,721        |
| Other receivables                            | -  | 4,164   | 4,164             |
|  | <u>42,953,721</u>  | <u>793,167</u>                                    | <u>43,746,888</u> |

All financial liabilities, except derivative liability and tax payable, are financial liabilities which are carried at amortised cost.

The Fund aims to provide investors with total return through investments in a portfolio of primarily debt instruments.

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

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

#### (a) Market risk

##### (i) Price risk

This is the risk that the fair value of an investment in unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The value of 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 Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM41,620,960 (2020: RM42,953,721) 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.

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

(a) Market risk (continued)

(ii) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise.

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

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

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

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

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 change 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 |           |
|---------------------------|------------------------------|-----------|
|                           | 2021                         | 2020      |
|                           | RM                           | RM        |
| +1%                       | (87,766)                     | (127,203) |
| -1%                       | 88,860                       | 128,669   |

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 expected to be minimal as the deposits are held on short-term basis. The weighted average effective interest rate per annum are as follows:

|   | 2021<br>%   | 2020<br>%   |
|---|-------------|-------------|
| Deposits with licensed financial institutions | <u>1.80</u> | <u>2.85</u> |

(iii) Currency risk

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

The following table sets out the foreign currency risk concentrations arising from the denomination of the Fund's financial instruments in foreign currencies:

| Financial assets | Cash and cash equivalents<br>RM | Financial assets at fair value through profit or loss<br>RM | Total<br>RM       |
|------------------|---------------------------------|---|-------------------|
| <b>2021</b>      |                                 |   |                   |
| USD              | <u>1,343,350</u>                | <u>10,454,903</u>   | <u>11,798,253</u> |
| <b>2020</b>      |                                 |   |                   |
| USD              | <u>-</u>                        | <u>9,701,370</u>  | <u>9,701,370</u>  |

| Financial liabilities | Derivative liabilities at fair value through profit or loss<br>RM |
|-----------------------|---|
| <b>2021</b>           |   |
| USD                   | <u>166,924</u>  |
| <b>2020</b>           |   |
| USD                   | <u>279,307</u>  |



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

(a) Market risk (continued)

(iii) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange movements at the end of each reporting period. The analysis is based on the assumption that the foreign exchange rate fluctuates by 5%, with all other variables remain constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

|     | Change in foreign<br>exchange rate | Impact on profit or loss/NAV |             |
|-----|------------------------------------|------------------------------|-------------|
|     |                                    | 2021                         | 2020        |
|     | %                                  | RM                           | RM          |
| USD | +/- 5                              | +/- 581,566                  | +/- 471,103 |

(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 manages the duration of the investment in accordance with the objective of the Fund.

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.

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

#### (b) Credit risk (continued)

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

|             | Cash and cash<br>equivalents<br>RM | Financial assets<br>at fair value<br>through profit or<br>loss<br>RM | Other<br>receivables<br>RM | Total<br>RM       |
|-------------|------------------------------------|--|----------------------------|-------------------|
| <b>2021</b> |                                    |  |                            |                   |
| - AAA       | 4,388,896                          | 6,233,166  | -                          | 10,622,062        |
| - AA3       | -                                  | 14,561,783   | -                          | 14,561,783        |
| - A1        | -                                  | 5,093,011  | -                          | 5,093,011         |
| - BB3       | -                                  | 2,122,207  | -                          | 2,122,207         |
| - B1        | -                                  | 8,332,696  | -                          | 8,332,696         |
| - Not Rated | -                                  | 5,278,097  | 1,051                      | 5,279,148         |
|             | <u>4,388,896</u>                   | <u>41,620,960</u>  | <u>1,051</u>               | <u>46,010,907</u> |
| <b>2020</b> |                                    |  |                            |                   |
| - AAA       | 789,003                            | 7,159,238  | -                          | 7,948,241         |
| - AA3       | -                                  | 14,601,023   | -                          | 14,601,023        |
| - A1        | -                                  | 5,127,011  | -                          | 5,127,011         |
| - B1        | -                                  | 2,473,791  | -                          | 2,473,791         |
| - Ba3       | -                                  | 7,227,579  | -                          | 7,227,579         |
| - Not Rated | -                                  | 6,365,079  | 4,164                      | 6,369,243         |
|             | <u>789,003</u>                     | <u>42,953,721</u>  | <u>4,164</u>               | <u>43,746,888</u> |

All deposits with licensed financial institutions of the Fund have an average remaining maturity of 3 days (2020: 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.

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.

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

#### (c) Liquidity risk (continued)

|   | Less than<br>1 month<br>RM | Between<br>1 month<br>to 1 year<br>RM | Total<br>RM      |
|---|----------------------------|---------------------------------------|------------------|
| <b>2021</b>   |                            |                                       |                  |
| Derivative liabilities at fair value through profit of loss | 166,924                    | -                                     | 166,924          |
| Amount due to Trustee                                       | 1,547                      | -                                     | 1,547            |
| Distribution payable  | 2,306,707                  | -                                     | 2,306,707        |
| Other payables and accruals                                 | -                          | 17,400                                | 17,400           |
| <b>Contractual undiscounted cash flows</b>                  | <u>2,475,178</u>           | <u>17,400</u>                         | <u>2,492,578</u> |
| <b>2020</b>   |                            |                                       |                  |
| Derivative liabilities at fair value through profit of loss | 279,307                    | -                                     | 279,307          |
| Amount due to Manager                                       | 113,250                    | -                                     | 113,250          |
| Amount due to Trustee                                       | 1,508                      | -                                     | 1,508            |
| Other payables and accruals                                 | -                          | 13,000                                | 13,000           |
| <b>Contractual undiscounted cash flows</b>                  | <u>394,065</u>             | <u>13,000</u>                         | <u>407,065</u>   |

#### (d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders at the beginning of the financial year/period RM43,517,578 (2020: RM43,337,864). 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 value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the financial period-end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded 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 and liabilities 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<br>RM | Level 2<br>RM | Level 3<br>RM | Total<br>RM |
|---|---------------|---------------|---------------|-------------|
| <b>31.03.2021</b>   |               |               |               |             |
| Financial assets at fair value through profit or loss:        |               |               |               |             |
| - Unquoted fixed income securities                            | -             | 41,620,960    | -             | 41,620,960  |
| Financial liabilities at fair value through profit or loss:   |               |               |               |             |
| - Derivative liabilities - forward foreign currency contracts | -             | 166,924       | -             | 166,924     |
| <b>31.03.2020</b>   |               |               |               |             |
| Financial assets at fair value through profit or loss:        |               |               |               |             |
| - Unquoted fixed income securities                            | -             | 42,953,721    | -             | 42,953,721  |
| Financial liabilities at fair value through profit or loss:   |               |               |               |             |
| - Derivative liabilities - forward foreign currency contracts | -             | 279,307       | -             | 279,307     |

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

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

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, and other receivables and all liabilities are a reasonable approximation of their fair values due to their short term nature.****4. MANAGEMENT, TRUSTEE AND CUSTODIAN FEES**

In accordance with the Deed, the Manager is entitled to a maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Fund.

Nonetheless, no management fee is charged to the Fund for the financial year ended 31 March 2021 and financial period from 7 January 2019 (date of launch) to 31 March 2020.

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.04% per annum calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

For the financial year ended 31 March 2021, the Trustee fee is recognised at a rate of 0.04% per annum (07.01.2019 (date of launch) to 31.03.2020: 0.04% per annum) while the foreign custodian fee is recognised at RM2,583 (07.01.2019 (date of launch) to 31.03.2020: RM2,851).

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

5. DISTRIBUTION

Distribution to unit holders were derived from the following sources (assessed up to distribution declaration date):

|  | <b>2021</b>      | <b>07.01.2019</b>       |
|--|------------------|-------------------------|
|  | <b>RM</b>        | <b>(date of launch)</b> |
|  |                  | <b>to 31.03.2020</b>    |
|  |                  | <b>RM</b>               |
| Interest income                                    | 2,146,450        | 1,570,053               |
| Net realised gain on disposal of investments       | 14,796           | 51,760                  |
| Net foreign exchange gain                          | 470,273          | 55,339                  |
| Exit fee income                                    | 15,565           | 4,158                   |
|  | <u>2,647,084</u> | <u>1,681,310</u>        |
| Less:  |                  |                         |
| Expenses   | (31,192)         | (35,155)                |
| Taxation   | (3,630)          | (998)                   |
| Net distribution amount                            | <u>2,612,262</u> | <u>1,645,157</u>        |
| <b>Gross/Net distribution per unit (sen)</b>       |                  |                         |
| Distribution on 4 May 2020                         | 0.70             | -                       |
| Distribution on 22 March 2021                      | 5.50             | -                       |
| Distribution on 9 March 2020                       | -                | 3.75                    |
| <b>Total gross/net distribution per unit (sen)</b> | <u>6.20</u>      | <u>3.75</u>             |

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

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

During the financial period from 7 January 2019 (date of launch) to 31 March 2020, the Fund incurred unrealised loss of RM1,305,923.

**6. TAXATION**

|  | <b>2021</b>  | <b>07.01.2019</b>       |
|--|--------------|-------------------------|
|  | <b>RM</b>    | <b>(date of launch)</b> |
|  |              | <b>to 31.03.2020</b>    |
|  |              | <b>RM</b>               |
| Tax charged for the financial year/period: |              |                         |
| - Current taxation                         | <u>4,264</u> | <u>1,959</u>            |

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

|   | <b>2021</b>      | <b>07.01.2019</b>       |
|---|------------------|-------------------------|
|   | <b>RM</b>        | <b>(date of launch)</b> |
|   |                  | <b>to 31.03.2020</b>    |
|   |                  | <b>RM</b>               |
| Profit before taxation  | <u>4,624,568</u> | <u>1,216,847</u>        |
| Taxation at Malaysian statutory rate of 24%                   | 1,109,896        | 292,043                 |
| Tax effects of:   |                  |                         |
| - Investment income not subject to tax                        | (1,114,301)      | (299,972)               |
| - Expenses not deductible for tax purposes                    | 6,179            | 6,978                   |
| - Restriction on tax deductible expenses for Unit Trust Funds | 2,353            | 2,910                   |
| Prior year/period underprovision                              | 137              | -                       |
| Taxation  | <u>4,264</u>     | <u>1,959</u>            |

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

|                                       | <b>2021</b>       | <b>2020</b>       |
|---------------------------------------|-------------------|-------------------|
|                                       | <b>RM</b>         | <b>RM</b>         |
| At fair value through profit or loss: |                   |                   |
| - Unquoted fixed income securities    | <u>41,620,960</u> | <u>42,953,721</u> |

|   | <b>2021</b>      | <b>07.01.2019</b>       |
|---|------------------|-------------------------|
|   | <b>RM</b>        | <b>(date of launch)</b> |
|   |                  | <b>to 31.03.2020</b>    |
|   |                  | <b>RM</b>               |
| Net gain/(loss) on financial assets at fair value through profit or loss: |                  |                         |
| - Realised gain on disposals  | 17,379           | 296,539                 |
| - Unrealised fair value gain/(loss)                                       | <u>1,493,533</u> | <u>(1,076,704)</u>      |
|   | <u>1,510,912</u> | <u>(780,165)</u>        |



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

| Name of issuer  | Nominal value<br>RM | Aggregate cost<br>RM | Market value<br>RM | Percentage of NAV<br>% |
|---|---------------------|----------------------|--------------------|------------------------|
| <b>2021</b>   |                     |                      |                    |                        |
| <b>UNQUOTED FIXED INCOME SECURITIES</b>   |                     |                      |                    |                        |
| <b>CHINA</b>  |                     |                      |                    |                        |
| Logan Group Co Ltd 4.85%<br>14/12/2026 (BB3)  | 2,071,500           | 2,063,733            | 2,122,207          | 4.88                   |
| Times China Holdings Ltd<br>6.75% 08/07/2025 (B1)   | 4,143,000           | 4,348,475            | 4,395,678          | 10.10                  |
| Yuzhou Properties Co Ltd<br>7.38% 13/01/2026 (B1)   | 2,071,500           | 2,069,736            | 1,815,509          | 4.17                   |
| <b>TOTAL CHINA</b>  | <b>8,286,000</b>    | <b>8,481,944</b>     | <b>8,333,394</b>   | <b>19.15</b>           |
| <b>MALAYSIA</b>   |                     |                      |                    |                        |
| Edra Energy Sdn Bhd<br>5.61% 05/01/2022 (AA3)   | 4,000,000           | 4,062,943            | 4,128,672          | 9.49                   |
| Great Realty Sdn Bhd<br>4.85% 26/05/2023 (AAA)  | 6,000,000           | 6,076,411            | 6,233,166          | 14.32                  |
| Mah Sing Group Bhd 6.90%<br>04/04/2022 (Not rated)  | 5,000,000           | 5,201,308            | 5,278,097          | 12.13                  |
| MMC Corporation Bhd<br>5.29% 26/04/2023 (AA3)   | 5,000,000           | 5,127,391            | 5,272,671          | 12.12                  |
| Press Metal Aluminium<br>Holdings Bhd 4.10%<br>17/10/2024 (AA3)                             | 1,000,000           | 1,030,069            | 1,016,772          | 2.34                   |
| Serba Dinamik Holdings<br>Bhd 6.30% 09/05/2022<br>(B1)                                      | 2,071,500           | 2,082,633            | 2,121,509          | 4.87                   |
| Tan Chong Motor Holdings<br>Bhd 4.70% 24/11/2021<br>(A1)                                    | 5,000,000           | 5,046,973            | 5,093,011          | 11.70                  |
| WCT Holdings Bhd 5.05%<br>21/10/2022 (AA3)  | 4,000,000           | 4,094,459            | 4,143,668          | 9.52                   |
| <b>TOTAL MALAYSIA</b>   | <b>32,071,500</b>   | <b>32,722,187</b>    | <b>33,287,566</b>  | <b>76.49</b>           |
| <b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>   | <b>40,357,500</b>   | <b>41,204,131</b>    | <b>41,620,960</b>  | <b>95.64</b>           |
| <b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b> |                     | <b>416,829</b>       |                    |                        |
| <b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>                          |                     | <b>41,620,960</b>    |                    |                        |

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

| Name of issuer  | Nominal value<br>RM | Aggregate cost<br>RM | Market value<br>RM | Percentage of NAV<br>% |
|---|---------------------|----------------------|--------------------|------------------------|
| <b>2020</b>   |                     |                      |                    |                        |
| <b>UNQUOTED FIXED INCOME SECURITIES</b>   |                     |                      |                    |                        |
| <b>CHINA</b>  |                     |                      |                    |                        |
| CIFI Holdings Group Co Ltd<br>6.45% 07/11/2024 (BA3)  | 4,317,500           | 4,334,148            | 4,007,954          | 9.25                   |
| Yuzhou Properties Co Ltd<br>7.38% 13/01/2026 (B1)   | 3,022,250           | 2,898,412            | 2,473,791          | 5.71                   |
| <b>TOTAL CHINA</b>  | <b>7,339,750</b>    | <b>7,232,560</b>     | <b>6,481,745</b>   | <b>14.96</b>           |
| <b>MALAYSIA</b>   |                     |                      |                    |                        |
| Edra Energy Sdn Bhd<br>5.61% 05/01/2022 (AA3)   | 5,000,000           | 5,094,978            | 5,221,590          | 12.05                  |
| Great Realty Sdn Bhd<br>4.85% 26/05/2023 (AAA)  | 7,000,000           | 7,084,484            | 7,159,238          | 16.52                  |
| Mah Sing Group Bhd 6.90%<br>04/04/2117 (Not rated)  | 6,000,000           | 6,282,036            | 6,365,079          | 14.69                  |
| MMC Corporation Bhd<br>5.29% 26/04/2023 (AA3)   | 5,000,000           | 5,132,123            | 5,219,972          | 12.04                  |
| Press Metal Labuan Ltd<br>4.80% 30/10/2022 (BA3)  | 4,317,500           | 4,110,162            | 3,219,625          | 7.43                   |
| Tan Chong Motor Holdings<br>Bhd 4.70% 24/11/2021<br>(A1)                                    | 5,000,000           | 4,995,430            | 5,127,011          | 11.83                  |
| WCT Holdings Bhd 5.05%<br>21/10/2022 (AA3)  | 4,000,000           | 4,098,652            | 4,159,461          | 9.59                   |
| <b>TOTAL MALAYSIA</b>   | <b>36,317,500</b>   | <b>36,797,865</b>    | <b>36,471,976</b>  | <b>84.15</b>           |
| <b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>   | <b>43,657,250</b>   | <b>44,030,425</b>    | <b>42,953,721</b>  | <b>99.11</b>           |
| <b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b> |                     | <b>(1,076,704)</b>   |                    |                        |
| <b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>                          |                     | <b>42,953,721</b>    |                    |                        |

**8. DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

|  | <b>2021</b>    | <b>2020</b>             |
|--|----------------|-------------------------|
|  | <b>RM</b>      | <b>RM</b>               |
| Forward foreign currency contracts   | <u>166,924</u> | <u>279,307</u>          |
|  |                | <b>07.01.2019</b>       |
|  |                | <b>(date of launch)</b> |
|  | <b>2021</b>    | <b>to 31.03.2020</b>    |
|  | <b>RM</b>      | <b>RM</b>               |
| Net gain/(loss) on derivative liability at fair value through profit or loss |                |                         |
| - Unrealised gain/(loss) on forward foreign currency contract                | <u>112,383</u> | <u>(279,307)</u>        |

As at 31 March 2021, there were 4 outstanding USD/MYR forward foreign currency contracts (31.03.2020: 4 outstanding USD/MYR forward foreign currency contracts). The notional principal amount of the outstanding forward foreign currency contracts amounted to RM11,666,808 (31.03.2020: RM11,866,886).

The USD/MYR forward foreign currency contracts were entered into during the financial period to minimise the risk of foreign exchange exposure between the USD and the MYR for the Fund.

As the Fund has not adopted hedge accounting during the financial period, any changes in the fair value of the forward foreign currency contracts were recognised immediately in the statement of comprehensive income during the financial year/period.

**9. CASH AND CASH EQUIVALENTS**

|   | <b>2021</b>      | <b>2020</b>    |
|---|------------------|----------------|
|   | <b>RM</b>        | <b>RM</b>      |
| Deposits with licensed financial institutions | 3,025,247        | 768,120        |
| Bank balances                                 | <u>1,363,649</u> | <u>20,883</u>  |
|   | <u>4,388,896</u> | <u>789,003</u> |

**10. NUMBER OF UNITS IN CIRCULATION (UNITS)**

|   | <b>2021</b>         | <b>07.01.2019</b>       |
|---|---------------------|-------------------------|
|   | <b>No. of units</b> | <b>(date of launch)</b> |
|   | <b>No. of units</b> | <b>to 31.03.2020</b>    |
| At the beginning of the financial year/period | 43,783,013          | -                       |
| Add: Creation of units from applications      | -                   | 44,300,378              |
| Add: Creation of units from distributions     | 0.00*               | 0.00*                   |
| Less: Cancellation of units                   | <u>(1,776,699)</u>  | <u>(517,365)</u>        |
| At the end of the financial year/period       | <u>42,006,314</u>   | <u>43,783,013</u>       |

Note: 0.00\* denotes unit less than 1.

11. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

Net assets attributable to unit holders as at the reporting date comprise:

|  | 2021<br>RM        | 2020<br>RM        |
|--|-------------------|-------------------|
| Unit holders' contributions            | 41,939,805        | 43,768,133        |
| Retained earnings/(Accumulated losses) | 1,577,773         | (430,269)         |
|  | <u>43,517,578</u> | <u>43,337,864</u> |

The movement in the components of net assets attributable to unit holders for the year/period were as follows:

|  | Unit holders'<br>contributions<br>RM | Retained<br>Earnings/<br>(Accumulated<br>losses)<br>RM | Total<br>RM       |
|--|--------------------------------------|--|-------------------|
| <b>Balance as at 1 April 2020</b>                    | 43,768,133                           | (430,269)  | 43,337,864        |
| Movement in unit holders' contributions:             |                                      |  |                   |
| - Creation of units from applications                | -                                    | -  | -                 |
| - Creation of units from distributions               | 0.00*                                | -  | 0.00*             |
| - Cancellation of units                              | (1,828,328)                          | -  | (1,828,328)       |
| Total comprehensive income for the financial year    | -                                    | 4,620,304  | 4,620,304         |
| Distributions  | -                                    | (2,612,262)  | (2,612,262)       |
| <b>Balance as at 31 March 2021</b>                   | <u>41,939,805</u>                    | <u>1,577,773</u>                                       | <u>43,517,578</u> |
| <b>Balance as at 7 January 2019 (date of launch)</b> | -                                    | -  | -                 |
| Movement in unit holders' contributions:             |                                      |  |                   |
| - Creation of units from applications                | 44,300,378                           | -  | 44,300,378        |
| - Creation of units from distributions               | 0.00*                                | -  | 0.00*             |
| - Cancellation of units                              | (532,245)                            | -  | (532,245)         |
| Total comprehensive income for the financial period  | -                                    | 1,214,888  | 1,214,888         |
| Distributions  | -                                    | (1,645,157)  | (1,645,157)       |
| <b>Balance as at 31 March 2020</b>                   | <u>43,768,133</u>                    | <u>(430,269)</u>                                       | <u>43,337,864</u> |

Note: 0.00\* denotes fair value less than RM1.

**12. MANAGEMENT EXPENSE RATIO (“MER”)**

|     | <b>2021</b> | <b>07.01.2019<br/>(date of launch)<br/>to 31.03.2020</b> |
|-----|-------------|--|
|     | <b>%</b>    | <b>%</b>   |
| MER | <u>0.08</u> | <u>0.10</u>  |

MER is derived from the following calculation:

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

- A = Trustee and custodian fees
- B = Audit fee
- C = Tax agent’s fee
- D = Other expenses
- E = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year ended 31 March 2021 calculated on a daily basis is RM45,105,592 (07.01.2019 (date of launch) to 31.03.2020: RM42,314,370).

**13. PORTFOLIO TURNOVER RATIO (“PTR”)**

|             | <b>2021</b> | <b>07.01.2019<br/>(date of launch)<br/>to 31.03.2020</b> |
|-------------|-------------|--|
| PTR (times) | <u>0.21</u> | <u>0.72</u>  |

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial year/period = RM10,165,600 (07.01.2019 (date of launch) to 31.03.2020: RM52,227,238)
- total disposal for the financial year/period = RM8,879,098 (07.01.2019 (date of launch) to 31.03.2020: RM8,393,402)

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

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

| <u>Related parties</u>  | <u>Relationship</u>  |
|---|--|
| Principal Asset Management Berhad   | 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 Islamic Bank Bhd   | Fellow related party to the Manager  |

Units held by the Manager and parties related to the Manager

|                                   | <u>31.03.2021</u>   |           | <u>31.03.2020</u>   |           |
|-----------------------------------|---------------------|-----------|---------------------|-----------|
|                                   | <u>No. of units</u> | <u>RM</u> | <u>No. of units</u> | <u>RM</u> |
| <b>Manager</b>                    |                     |           |                     |           |
| Principal Asset Management Berhad | 1                   | 1         | 1                   | 1         |

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.

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

|   | 2021<br>RM | 07.01.2019<br>(date of launch)<br>to 31.03.2020<br>RM |
|---|------------|---|
| <u>Significant related party transactions</u>                       |            |   |
| Interest income from deposits with licensed financial institutions: |            |   |
| - CIMB Bank Bhd   | 340        | 12,516  |
| - CIMB Islamic Bank Bhd   | -          | 9,637   |
|   | 340        | 22,153  |

There were no related party balances as at end of financial year/period, apart from those mentioned elsewhere in the financial statements.

15. TRANSACTIONS WITH DEALERS

Details of transactions with the dealers for the financial year ended 31 March 2021 were as follows:

| Dealers                               | Value of<br>trades<br>RM | Percentage<br>of total<br>trades<br>% | Brokerage<br>fees<br>RM | Percentage<br>of brokerage<br>fees<br>% |
|---------------------------------------|--------------------------|---------------------------------------|-------------------------|---|
| J.P. Morgan Securities (M)<br>Sdn Bhd | 8,658,063                | 45.46                                 | -                       | -                                       |
| Morgan Stanley                        | 2,665,455                | 14.00                                 | -                       | -                                       |
| RHB Bank Bhd                          | 2,055,100                | 10.79                                 | -                       | -                                       |
| HSBC Bank Malaysia Bhd                | 2,025,000                | 10.63                                 | -                       | -                                       |
| Malayan Banking Bhd                   | 1,821,600                | 9.56                                  | -                       | -                                       |
| Alliance Bank Malaysia<br>Bhd         | 1,021,600                | 5.36                                  | -                       | -                                       |
| RHB Investment Bank Bhd               | 797,880                  | 4.20                                  | -                       | -                                       |
|                                       | 19,044,698               | 100.00                                | -                       | -                                       |

**15. TRANSACTIONS WITH DEALERS (CONTINUED)**

Details of transactions with the dealers for the financial period from 7 January 2019 (date of launch) to 31 March 2020 were as follows:

| <b>Dealers</b>                     | <b>Value of trades<br/>RM</b> | <b>Percentage of total trades<br/>%</b> | <b>Brokerage fees<br/>RM</b> | <b>Percentage of brokerage fees<br/>%</b> |
|------------------------------------|-------------------------------|---|------------------------------|---|
| Alliance Bank Malaysia Bhd         | 11,065,200                    | 19.23                                   | -                            | -   |
| RHB Investment Bank Bhd            | 8,882,250                     | 15.43                                   | -                            | -   |
| Morgan Stanley                     | 8,447,645                     | 14.68                                   | -                            | -   |
| RHB Bank Bhd                       | 8,049,400                     | 13.99                                   | -                            | -   |
| Citigroup Global Markets Ltd       | 6,968,795                     | 12.11                                   | -                            | -   |
| Hong Leong Investment Bank Bhd     | 5,026,000                     | 8.73                                    | -                            | -   |
| Societe Generale                   | 2,141,326                     | 3.72                                    | -                            | -   |
| J.P. Morgan Securities (M) Sdn Bhd | 2,108,250                     | 3.66                                    | -                            | -   |
| Bank of America Merrill Lynch      | 2,032,203                     | 3.53                                    | -                            | -   |
| Affin Hwang Investment Bank Bhd    | 2,013,600                     | 3.50                                    | -                            | -   |
| Others                             | 818,200                       | 1.42                                    | -                            | -   |
|                                    | <u>57,552,869</u>             | <u>100.00</u>                           | <u>-</u>                     | <u>-</u>                                  |

**16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Fund operates.

The Manager continue to closely monitor the macro-economic outlook as a result of COVID-19 pandemic and its impact to the Fund's performance and will be managing the risks to achieve the Fund's objective.

**17. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 10 May 2021.



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