

CIMB-Principal Malaysia Equity Fund

Annual Report

For The Financial Year Ended 31 October 2019

CIMB-PRINCIPAL MALAYSIA EQUITY FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2019

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INVESTORS' LETTER

Dear Valued Investors,

Thank you for your continued support and for the confidence that you have placed in us.

Don't miss out on the Private Retirement Schemes ("PRS") Tax Relief for 2019. As you are well aware, you can enjoy personal tax relief for the first RM3,000 per year until 2021, on top of the RM6,000 per year tax relief for the mandatory retirement savings contribution and life insurance premiums. This could be as much as RM840 per year¹ (depending on your tax bracket).

The tax incentive that is available for a period of 10 years, ending year 2021 was specially introduced to encourage you to save more for your retirement.

Why retirement savings is crucial?

1. Longer lifespan

The average Malaysian is expected to live beyond 75 years. The longer you live, the greater the risk of outliving your retirement income.

2. Inflation Challenge

Over the course of time, the impact of inflation can be significant, and it may reduce your purchasing power. Rising costs of living and healthcare are important factors to consider.

3. Inadequacy of Saving

59% of EPF active members in 2016 do not achieve basic savings requirement for retirement. You want to be able to sustain your current lifestyle.

As of October 2019, our Assets under Management ("AUM") stood at RM57.53 billion.

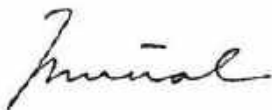
Thank you for your continuous support and allowing us to help you achieve your financial goals and live your best life.

Thank you.

Yours faithfully,

for **Principal Asset Management Berhad**

(formerly known as CIMB-Principal Asset Management Berhad)



Munirah Khairuddin
Chief Executive Officer

¹ www.ppa.my

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The investment objective of the Fund is to achieve maximum capital appreciation over the long-term through all types of investments.

Has the Fund achieved its objective?

Even though, the Fund generated close to flat return during the financial year under review, the Fund outperformed the benchmark for the period since inception. Hence, the Fund has achieved its objective of providing long-term capital growth.

What are the Fund investment policy and principal investment strategy?

The Fund may invest at least 70% of its Net Assets Value ("NAV") in equities, up to 28% of the Fund's NAV in other permissible investments and at least 2% of the Fund's NAV in liquid assets. In line with its objective, the investment policy and strategy of the Fund will focus on investment in shares of companies with growth potential.

Fund category/type

Equity/Aggressive Growth

How long should you invest for?

Recommended five (5) years or more

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

High

When was the Fund launched?

Class MYR

28 September 1995

Class SGD

18 February 2016

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

RM217.57 million (235.53 million units)

What is the Fund's benchmark?

Financial Times Stock Exchange ("FTSE") Bursa Malaysia Top 100 ("FBM100") Index

Note: The Fund's benchmark is for performance comparison purpose only. Investors should note that the risk profile of the Fund is not the same as the risk profile of the benchmark.

What is the Fund distribution policy?

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

What was the net income distribution for the financial year ended 31 October 2019?

The Fund distributed a total net income of RM16.09 million to unit holders for the financial year ended 31 October 2019.

Date	NAV per unit (Before distribution) RM	NAV per unit (After distribution) RM
23.10.2019		
Class MYR	0.9753	0.9028
Class SGD	3.0751	2.8465

PERFORMANCE DATA

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

	31.10.2019	31.10.2018	31.10.2017
	%	%	%
Quoted securities			
- Construction	1.21	0.69	4.57
- Consumer Products	-	-	5.97
- Consumer Products & Services	11.37	10.63	-
- Energy	7.75	5.71	-
- Finance	-	-	31.38
- Financial Services	25.23	24.99	-
- Health Care	3.72	1.06	-
- Industrial Products & Services	3.35	9.03	-
- Industrials	-	-	5.62
- Infrastructure Project Companies ("IPC")	-	-	1.60
- Plantation	9.27	7.89	1.41
- Property	0.98	0.24	2.86
- Real Estate Investment Trusts ("REITs")	5.59	-	-
- Technology	5.29	5.35	2.56
- Telecommunications & Media	7.62	3.59	-
- Trading/Services	-	-	41.68
- Transportation & Logistics	4.67	6.83	-
- Utilities	7.19	8.14	-
Cash and other net assets	6.76	15.85	2.35
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

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

	31.10.2019	31.10.2018	31.10.2017
NAV (RM Million)			
- Class MYR	212.34	227.13	263.04
- Class SGD	5.23	3.32	0.07
Units in circulation (Million)			
- Class MYR	233.71	230.81	211.54
- Class SGD	1.82	1.07	0.02
NAV per unit (RM)			
- Class MYR	0.9085	0.9840	1.2434
- Class SGD	2.8648	3.1021	3.2472
Highest NAV per unit (RM)			
- Class MYR	1.0048	1.2435	1.2645
- Class SGD	3.1685	3.5037	3.3019
Lowest NAV per unit (RM)			
- Class MYR	0.9009	0.9701	1.1113
- Class SGD	2.8409	3.0582	3.1464

PERFORMANCE DATA (CONTINUED)

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

	31.10.2019	31.10.2018	31.10.2017
Total return (%)			
- Class MYR	(0.27)	(4.07)	7.41
- Class SGD	(0.20)	(4.10)	4.51
- Capital growth (%)			
- Class MYR	(7.67)	(20.83)	7.41
- Class SGD	(7.77)	(4.32)	4.51
- Income distribution (%)			
- Class MYR	8.03	21.19	-
- Class SGD	8.03	0.22	-
Management Expense Ratio ("MER") (%) ^	1.56	1.63	1.67
Portfolio Turnover Ratio ("PTR") (times) #	0.83	1.01	0.89

^ The Fund's MER decreased from 1.63% to 1.56% due to decrease in expenses during the financial year under review.

The Fund's PTR decreased from 1.01 times to 0.83 times as there were less trading activities during the financial year.

	31.10.2019	31.10.2018	31.10.2017
Gross/Net distribution per unit (sen)			
Distribution on 23 October 2019			
- Class MYR	7.25	-	-
- Class SGD	22.86	-	-
Distribution on 26 October 2018			
- Class MYR	-	10.50	-
- Class SGD	-	1.00	-
Distribution on 22 November 2017			
- Class MYR	-	10.50	-

	31.10.2019	31.10.2018	31.10.2017	31.10.2016	31.10.2015
	%	%	%	%	%
Annual total return					
- Class MYR	(0.27)	(4.07)	7.41	2.60	(4.58)

(Launch date: 28 September 1995)

	31.10.2019	31.10.2018	Since inception to 31.10.2017
	%	%	%
Annual total return			
- Class SGD	(0.20)	(4.10)	4.51

(Launch date: 18 February 2016)

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

MARKET REVIEW (1 NOVEMBER 2018 TO 31 OCTOBER 2019)

For the financial year under review, FBM100 Index decreased by 4.37% from 11,624.27 points to 11,116.08 points.

Following the release of the mid-term review of the austere 11th Malaysia Plan (“11MP”), investors continued to sell on the market as it offered no reprieve due to rising economic risk and uncertainties. Local investors were concerned that the Government will unveil new taxes and announce higher fiscal deficits during the 2019 Budget. Telecommunication companies were the largest loser on the back of regulatory risk, while construction sector underperformed on Mass Rapid Transit (“MRT”) Line 2 project cost cut.

During December 2018, the Ringgit Malaysia (“RM”) strengthened to RM4.133 per United States Dollar (“USD”) from RM4.184 in the previous month. Brent crude oil slumped to USD53.80 per barrel, down by 8.36% month-on-month (“m-o-m”). The Street expects the budget deficit to narrow from 3.7% in 2018 to 3.4% in 2019 as the Government draws on Petroliaam Nasional Bhd (“Petronas”)’s financial resources with a RM30 billion special dividend. However, recent oil price weakness has dampened the Government’s finances as Budget 2019 was prepared based on average Brent crude oil price assumption of USD70 per barrel versus less than USD60 per barrel now. Should the current oil price weakness persist, the Federal Government will need to re-calibrate its budget to avoid further widening its budget deficit. If this materialises, Gross Domestic Product (“GDP”) growth will face downside risk as Government’s further cost rationalisation will be a dampener on the economy.

The FBM100 Index commenced 2019 with an underperformance against the MSCI Asia Pacific ex-Japan Index (“MXASJ”) by 3.7% in January 2019. RM strengthened to RM4.09 per USD from RM4.13 in the previous month. Brent crude oil rose to USD61.89 per barrel, up by 15.03% m-o-m. On the external front, investors will continue to follow closely the latest developments on the ongoing US-China trade tensions, ongoing development of “Brexit” and negotiations on the US Federal Reserve (the “Fed”) Government budget as the temporary bill to fund US Government spending will expire on 15 February 2019. Policy uncertainty continues to be the order of the day as the East Coast Railway Line (“ECRL”) on-again, off-again saga plays out. There is still no conclusive decision on the said mega project and a gag order has been issued to avoid any further confusion and escalation of rift with the Chinese Government. Conversation with business leaders revealed that the Government relationship with China is at all-time low. Business and consumer sentiment continued slipping for the second consecutive quarter in the fourth quarter of 2018.

However, the FBM100 Index took a turn and ended higher in February 2019 driven by higher Brent Crude Oil, which traded up 6.7% m-o-m to USD66.82 per barrel on supply constraints. In addition, sentiment in the local bourse was further lifted by announcement made the Communications and Multimedia Minister, which indicated there will not be further reductions in high speed broadband prices in 2019 and Fitch re-affirmed Malaysia’s sovereign rating.

After a strong rally in the early year, FBM100 Index dipped by 2.48% in March 2019 on rising concerns over moderation in global economic growth following the yield curve inversion in the US. Domestically, the downgrade in Bank Negara Malaysia (“BNM”)’s growth forecast from 4.9% to between 4.3% to 4.8% also weighed on sentiments, stoking expectation of a policy rate cut as early as May 2019.

The FBM100 Index rose by 0.54% in April 2019, which were largely driven by rebound in construction, technology and energy sectors. Positive news flow continues to buoy the construction sector as the revival of Bandar Malaysia project has lifted sentiment and expectation that the shelved High-Speed-Rail (“HSR”) and MRT Line (“MRT”) 3 projects may be revived soon. Sustained rebound in crude oil prices have also seen the revival of job flows to oil and gas service providers. Additionally, news that China had also recently agreed to purchase a minimum of 1.9 million metric tonnes of crude palm oil (“CPO”) over 5 years’ worth of RM4.5 billion in addition to the earlier purchase contracts signed for 1.62 million metric tonnes for RM3.64 billion provide support to plantation names.

MARKET REVIEW (1 NOVEMBER 2018 TO 31 OCTOBER 2019) (CONTINUED)

However, the FBM Kuala Lumpur Composite Index (“FBMKLCI”) along with regional markets took a turn and was sold down after a statement by US President Donald Trump that there would not be a deal after all for US-China trade negotiation. The fall-out has resulted in global manufacturing purchasing managers’ index (“PMI”) falling into contraction for the first time since 2012. In addition to external factors, RM faced additional selling pressure as Malaysia may be dropped from the FTSE World Government Bond Index (“WGBI”) during September 2019 review.

Malaysian equities benefitted from relief rally in June 2019 stemming from expectation of the Fed rate cuts and de-escalation of US-China trade war. Domestic factors which also helped to boost the market include dissipating concern over regulatory risk particularly for airport operator Malaysia Airports Holdings Bhd (“MAHB”) following the release of the latest consultation paper on the implementation of Regulatory Asset Base (“RAB”) framework. We also observed improving investors’ risk appetite for small and mid-cap stocks judging by FBM Small Cap Index’s gain of 3.6% in June 2019.

However, the rally did not last whereby the FBM100 Index shed by 3.79% in July 2019 and August 2019 combined and stayed range bound for the month of September 2019. Subsequently, the FBM100 Index suffered a mini-dip due to the breakdown in Axiata Group Bhd and Norway’s Telenor SA (“Axiata-Telenor”) merger talks before staging a rebound. Risk appetite returned on the back of easing US-China trade war concern, and Fed’s further monetary easing.

FUND PERFORMANCE

Class MYR

	1 year	3 years	5 years	Since
	to 31.10.2019	to 31.10.2019	to 31.10.2019	inception
	%	%	%	%
Income	8.03	30.62	66.13	358.27
Capital	(7.67)	(21.49)	(39.44)	(4.31)
Total Return	(0.27)	2.76	0.60	338.97
Benchmark	(4.37)	(3.26)	(11.19)	71.31
Average Total Return	0.27	0.91	0.12	6.33

For the financial year under review, the Fund fell by 0.27%, outperforming the benchmark by 4.10%.

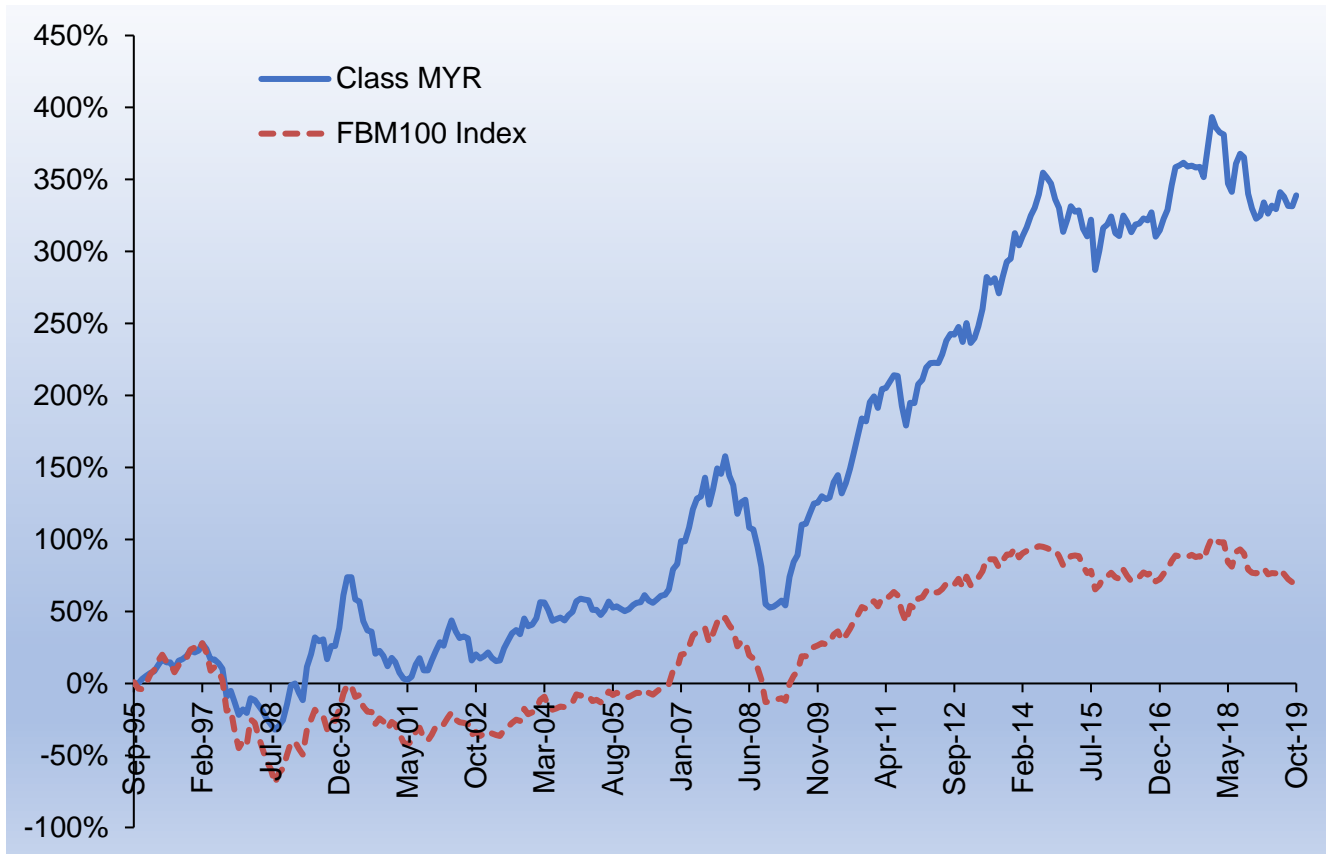
Class SGD

	1 year	3 years	Since
	to 31.10.2019	to 31.10.2019	inception
	%	%	%
Income	8.03	8.27	8.27
Capital	(7.77)	(2.04)	(2.04)
Total Return	(0.20)	4.59	4.59
Benchmark	(4.37)	(3.26)	(2.12)
Average Total Return	(0.20)	1.03	1.22

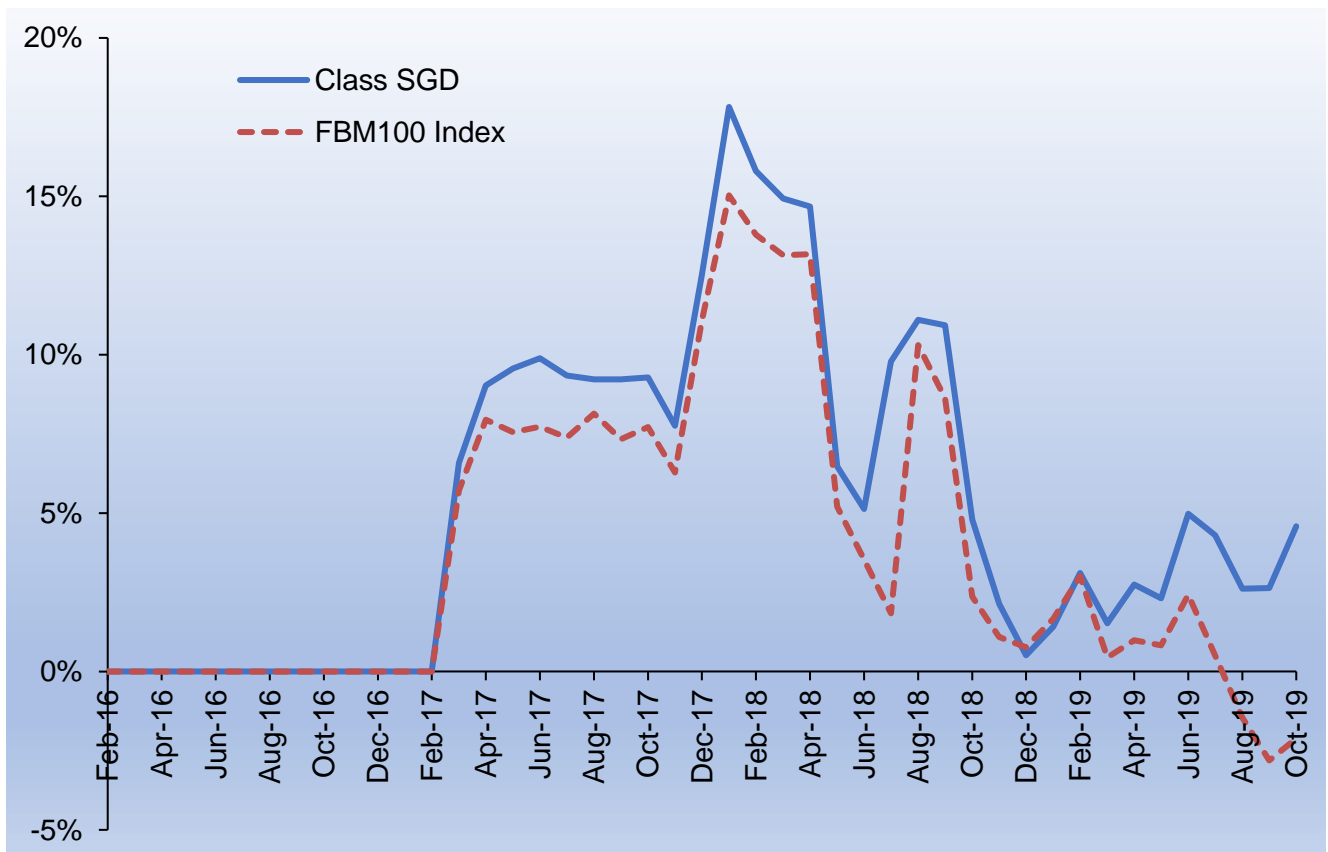
For the financial year under review, the Fund fell by 0.20%, outperforming the benchmark by 4.17%.

FUND PERFORMANCE (CONTINUED)

CLASS MYR



CLASS SGD



FUND PERFORMANCE (CONTINUED)**Changes in NAV****Class MYR**

	31.10.2019	31.10.2018	Changes %
NAV (RM Million)	212.34	227.13	(6.51)
NAV/Unit (RM)	0.9085	0.9840	(7.67)

Class SGD

	31.10.2019	31.10.2018	Changes %
NAV (RM Million)	5.23	3.32	57.53
NAV/Unit (RM)	2.8648	3.1022	(7.65)

For the financial year under review, the Fund's NAV for Class MYR was at RM212.34 million and NAV for Class SGD was at RM5.23 million. The change in NAV was due to redemption for Class MYR whereby Class SGD saw an inflow. The change in NAV per unit for both Class MYR and Class SGD was due to negative investment performance.

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

PORTFOLIO STRUCTURE**Asset allocation**

(% of NAV)	31.10.2019	31.10.2018
Quoted securities	93.24	84.15
Cash and other net assets	6.76	15.85
TOTAL	100.00	100.00

Asset allocation increased from 84.15% as at 31 October 2018 to 93.24% as at 31 October 2019 to capitalise on market opportunities during that financial year.

MARKET OUTLOOK*

Risk appetite returned on the back of easing US-China trade war concern, and the Fed's further monetary easing. We view Budget 2020 positively as the Government focuses on reinventing Malaysia in the digital space over the medium term by attracting foreign and domestic investments. Various tax incentives have been proposed to attract these investments which are expected to create high-paying jobs, especially those in the manufacturing and technology sectors. In view of the need to spur the domestic economy amid external challenges, the Federal Government has also lowered its fiscal deficit target to 3.2% vs 3.0% earlier. This raises the prospect for resumption of infrastructure spending by the Government with the resumption of mega projects under review such as ECRL and Pan Borneo Highway. Another positive is the absence of another special dividend from Petronas which is a boost to its capex plan in 2020, a clear re-rating catalyst for the domestic oil and gas service providers. Based on our latest estimates, FBMKLCI earnings growth will rebound by 3.7% in 2020 versus a 6.7% contraction in 2019. Despite an unexciting growth prospect, we believe much of the earnings downside risk has been factored in. In fact, we believe there may even be potential earnings upside risk from the financial and plantation sectors.

MARKET OUTLOOK (CONTINUED)*

* This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal Malaysia or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

While we are maintaining a neutral stance on Malaysia, we are turning constructively more positive going into 2020. In view of that, we will be taking a tactical 5% more exposure into high growth mid-small caps companies going into the first quarter of 2020, whilst at the same time maintaining the core long term strategy in investing into high dividend yields particularly in REITs, banks, consumer and utilities. We also like to accumulate selective growth stocks on weakness within the construction, oil and gas, and technology sectors. We will remain cautious on highly regulated sectors such as aviation and pharmaceutical but are more positive of the utilities (energy and water) sector given the clearly articulated reform agenda which are generally beneficial to the incumbents.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 October 2019 are as follows:

CLASS MYR

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	54,174	6.63	2.84
5,001 - 10,000	1,737	12.52	5.36
10,001 - 50,000	3,869	87.14	37.29
50,001 - 500,000	1,109	114.41	48.94
500,001 and above	16	13.01	5.57
Total	60,905	233.71	100.00

CLASS SGD

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	2	0.00	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.12	6.59
500,001 and above	1	1.70	93.41
Total	4	1.82	100.00

SOFT COMMISSIONS AND REBATES

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

During the financial 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 MALAYSIA EQUITY FUND**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 16 to 49 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 October 2019 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 Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)
(*formerly known as CIMB-Principal Asset Management Berhad*)

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
12 December 2019

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL MALAYSIA EQUITY FUND**

We have acted as Trustee of CIMB-Principal Malaysia Equity Fund ("the Fund") for the financial year ended 31 October 2019. To the best of our knowledge, Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) ("the Manager"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, 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 Deeds and any regulatory requirements; and
- c) creation and cancellation of units have been carried out in accordance with the Deeds and applicable regulatory requirements.

During this financial year, a total distribution of 7.25 sen per unit (gross) for MYR class and 22.86 sen per unit (gross) for SGD class have been distributed to the unit holders of the Fund respectively. We are of the view that the distributions are not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Vicknesan Balakrishnan
Chief Executive Officer

Kuala Lumpur
12 December 2019

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL MALAYSIA EQUITY FUND**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 October 2019, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 49.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL MALAYSIA EQUITY FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report 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 of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standard. 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 has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL MALAYSIA EQUITY FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) 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.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL MALAYSIA EQUITY FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur

12 December 2019

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

	Note	2019 RM	2018 RM
INCOME/(LOSS)			
Dividend income		6,439,858	7,841,621
Interest income from deposits with licensed financial institutions at amortised cost		686,338	701,066
Net loss on financial assets at fair value through profit or loss	8	(3,854,581)	(12,308,302)
Net foreign exchange gain		67,789	57,019
		<u>3,339,404</u>	<u>(3,708,596)</u>
EXPENSES			
Management fee	4	3,277,098	3,758,538
Trustee's fee	5	109,237	125,285
Audit fee		16,200	15,300
Tax agent's fee		5,800	5,800
Transaction costs		761,391	1,330,950
Other expenses		43,881	223,094
		<u>4,213,607</u>	<u>5,458,967</u>
LOSS BEFORE FINANCE COST AND TAXATION		(874,203)	(9,167,563)
Finance costs (excluding decrease in net assets attributable to unit holders):			
- Class MYR		(15,673,690)	(44,047,100)
- Class SGD		(413,303)	(10,712)
	6	<u>(16,086,993)</u>	<u>(44,057,812)</u>
LOSS BEFORE TAXATION		(16,961,196)	(53,225,375)
Taxation	7	-	485
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>(16,961,196)</u>	<u>(53,224,890)</u>
Decrease in net assets attributable to unit holders are made up as follows:			
Realised amount		(14,942,659)	(37,285,652)
Unrealised amount		(2,018,537)	(15,939,238)
		<u>(16,961,196)</u>	<u>(53,224,890)</u>

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

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

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	9	16,787,755	37,091,543
Financial assets at fair value through profit or loss	8	202,869,373	193,927,383
Amount due from stockbrokers		2,362,896	381,320
Amount due from Manager		851,489	152,996
Dividends receivable		41,966	166,319
TOTAL ASSETS		<u>222,913,479</u>	<u>231,719,561</u>
LIABILITIES			
Amount due to stockbrokers		3,900,841	-
Amount due to Manager		448,472	533,795
Accrued management fee		273,738	300,364
Amount due to Trustee		9,125	10,012
Distribution payable		706,741	408,129
Other payables and accruals		5,428	17,100
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>5,344,345</u>	<u>1,269,400</u>
NET ASSET VALUE OF THE FUND		<u>217,569,134</u>	<u>230,450,161</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>217,569,134</u>	<u>230,450,161</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS (RM)			
- Class MYR		212,343,495	227,125,666
- Class SGD		5,225,639	3,324,495
		<u>217,569,134</u>	<u>230,450,161</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class MYR		233,709,835	230,809,830
- Class SGD		1,824,023	1,071,679
	10	<u>235,533,858</u>	<u>231,881,509</u>
NET ASSET VALUE PER UNIT (RM)			
- Class MYR		0.9085	0.9840
- Class SGD		2.8648	3.1021
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- Class MYR		RM0.9085	RM0.9840
- Class SGD		<u>SGD0.9339</u>	<u>SGD1.0272</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 OCTOBER 2019**

	2019	2018
	RM	RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>230,450,161</u>	<u>263,103,425</u>
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class MYR	9,200,244	9,878,596
- Class SGD	<u>2,862,858</u>	<u>3,793,214</u>
	<u>12,063,102</u>	<u>13,671,810</u>
Creation of units from distributions		
- Class MYR	15,352,994	43,202,299
- Class SGD	<u>27,259</u>	<u>1,348</u>
	<u>15,380,253</u>	<u>43,203,647</u>
Cancellation of units		
- Class MYR	(22,799,129)	(35,971,985)
- Class SGD	<u>(564,057)</u>	<u>(331,846)</u>
	<u>(23,363,186)</u>	<u>(36,303,831)</u>
Decrease in net assets attributable to unit holders during the financial year	<u>(16,961,196)</u>	<u>(53,224,890)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u>217,569,134</u>	<u>230,450,161</u>

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

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

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of quoted securities		171,537,108	278,640,312
Purchase of quoted securities		(183,180,927)	(229,876,534)
Dividend income received		6,552,879	7,892,646
Interest income received from deposits with licensed financial institutions		686,338	701,066
Management fee paid		(3,303,724)	(3,802,667)
Trustee's fee paid		(110,124)	(126,756)
Payments for other fees and expenses		(66,221)	(286,682)
Net realised foreign exchange gain/(loss)		-	(125)
Net cash (used in)/generated from operating activities		<u>(7,884,671)</u>	<u>53,141,260</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		11,364,609	13,882,977
Payments for cancellation of units		(23,448,509)	(43,579,303)
Distribution paid		(408,128)	(446,108)
Net cash used in financing activities		<u>(12,492,028)</u>	<u>(30,142,434)</u>
Net (decrease)/increase in cash and cash equivalents		(20,376,699)	22,998,826
Effects of foreign exchange differences		72,911	44,200
Cash and cash equivalents at the beginning of the financial year		<u>37,091,543</u>	<u>14,048,517</u>
Cash and cash equivalents at the end of the financial year	9	<u>16,787,755</u>	<u>37,091,543</u>
<u>Cash and cash equivalent comprised of:</u>			
Deposits with licensed financial institutions		10,695,515	33,328,666
Bank balance		<u>6,092,240</u>	<u>3,762,877</u>
Cash and cash equivalents at the end of the financial year	9	<u>16,787,755</u>	<u>37,091,543</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 OCTOBER 2019****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

CIMB-Principal Malaysia Equity Fund (the "Fund") was constituted pursuant to a Deed dated 11 July 2005 and is now governed by a Principal Master Deed dated 15 May 2008, a Fourth Supplemental Master Deed dated 18 March 2009, a Fifth Supplemental Master Deed dated 16 July 2009, a Thirteenth Supplemental Master Deed dated 26 June 2012 and an Eighteenth Supplemental Master Deed dated 25 March 2015 all executed between the Management Company and the Universal Trustee (Malaysia) Berhad (hereinafter known as the "Previous Trustee"), a Seventeenth Supplemental Master Deed dated 19 March 2015 entered into between the Management Company, the previous Trustee and the Trustee, in respect of a change in trustee to the Fund (hereinafter collectively the "Initial Deed") and a Principal Master Deed dated 10 April 2015 (collectively referred to as the "Deeds"), between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager") and HSBC (Malaysia) Trustee Berhad (the "Trustee").

The Fund may invest at least 70% of its NAV in equities and up to 28% of the Fund's NAV in other permissible investments and at least 2% of the Fund's NAV in liquid assets. In line with its objective, the investment policy and strategy of the Fund will focus on investment in shares of companies with growth potential.

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

The Manager, 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 and IFRS.

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

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

It also requires the 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**Standard that is effective and relevant:

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

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

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

MFRS 9 has been applied retrospectively by the Fund and did not result in any change to the classification or measurement of financial instruments as outlined in Note 2(b). In accordance with the transitional provisions provided in MFRS 9, comparative information was not restated and continued to be reported under previous accounting policies governed under MFRS 139.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The amendments to published standard that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

(i) Financial year beginning on/after 1 November 2019

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised.

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

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

(b) Financial assets and financial liabilities

Classification

Up to 31 October 2018, the Fund designates its investments in quoted securities and unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

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

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

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

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

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis.

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

The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through OCI.

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

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

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

Recognition and measurement

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

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

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

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

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

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

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

Quoted securities in Malaysia are valued at the last traded market price quoted on Bursa Malaysia Securities Bhd (“Bursa Securities”) at the date of the statement of financial position.

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

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

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

Impairment for assets carried at amortised costs

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

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognised in statement of comprehensive income. If ‘loans and receivables’ have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

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

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

Significant increase in credit risk

A significant increase in credit risk is defined by the 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.

(c) Foreign CurrencyFunctional and presentation currency

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

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) Significant portion of the Fund's units are denominated in RM;
- ii) Significant portion of the Fund's expenses are denominated in RM; and
- iii) The Fund's investments are denominated in RM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Foreign Currency (continued)**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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

(d) Income recognition

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

Up to 31 October 2018, when a loans and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continue unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

From 1 November 2018, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using effective profit rate method on an accrual basis.

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

(e) Creation and cancellation of units

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Cash and cash equivalents**

For the purpose of statement of cash flow, cash and cash equivalents comprise bank balances and deposits held in highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

(g) Taxation

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

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

(h) Decrease/Increase in net assets attributable to unit holders

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

(i) Distribution

A proposed distribution to the Fund's unit holders is recognised in the statement of comprehensive income and is recognised as a liability in the financial year in which it is approved by the Trustee.

(j) Transactions costs

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

(k) Amount due from/to stockbrokers

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

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

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

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

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due.

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

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

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

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

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.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2019			
Cash and cash equivalents (Note 9)	-	16,787,755	16,787,755
Quoted securities (Note 8)	202,869,373	-	202,869,373
Amount due from stockbrokers	-	2,362,896	2,362,896
Amount due from Manager	-	851,489	851,489
Dividends receivable	-	41,966	41,966
	<u>202,869,373</u>	<u>20,044,106</u>	<u>222,913,479</u>

	Financial assets at fair value through profit or loss RM	Loans and receivables RM	Total RM
2018			
Cash and cash equivalents (Note 9)	-	37,091,543	37,091,543
Quoted securities (Note 8)	193,927,383	-	193,927,383
Amount due from stockbrokers	-	381,320	381,320
Amount due from Manager	-	152,996	152,996
Dividends receivable	-	166,319	166,319
	<u>193,927,383</u>	<u>37,792,178</u>	<u>231,719,561</u>

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

The investment objective of the Fund is to achieve maximum capital appreciation over the long-term through all types of investments.

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

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

(a) **Market risk**

(i) **Price risk**

Price risk is the risk that the fair value of an investment in quoted securities will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The value of quoted securities may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

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

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

(a) Market risk (continued)

(i) Price risk (continued)

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

	2019 RM	2018 RM
Financial assets at fair value through profit or loss:		
- Quoted securities	<u>202,869,373</u>	<u>193,927,383</u>

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

% Change in price of quoted securities	Market value RM	Impact on profit or loss/NAV RM
2019		
-5%	192,725,904	(10,143,469)
0%	202,869,373	-
5%	<u>213,012,842</u>	<u>10,143,469</u>
2018		
-5%	184,231,014	(9,696,369)
0%	193,927,383	-
5%	<u>203,623,752</u>	<u>9,696,369</u>

(ii) Interest rate risk

Interest rate is a general economic indicator that will have an impact on the management of the Fund.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to fair value interest rate risk arises from deposits with licensed financial institutions. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

As at the end of each financial year, the Fund is not exposed to a material level of interest rate risk.

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

(a) Market risk (continued)

(iii) Currency risk

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

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 RM	Total RM
2019		
SGD	<u>5,958,122</u>	<u>5,958,122</u>
2018		
SGD	<u>3,623,907</u>	<u>3,623,907</u>

Financial liabilities

	Net assets attributable to unit holders RM	Total RM
2019		
SGD	<u>5,225,639</u>	<u>5,225,639</u>
2018		
SGD	<u>3,324,598</u>	<u>3,324,598</u>

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 year. The analysis is based on the assumption that the foreign exchange rate fluctuates by 5%, with all other variables remain constants. 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 exchange rate	Impact on profit or loss/NAV	
	%	2019 RM	2018 RM
SGD	5	<u>36,624</u>	<u>14,965</u>

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

(b) Credit risk

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

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

For amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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

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

	Cash and cash equivalents RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2019					
- AAA	9,011,984	-	-	-	9,011,984
- A3	7,775,771	-	-	-	7,775,771
- Not Rated	-	2,362,896	851,489	41,966	3,256,351
	<u>16,787,755</u>	<u>2,362,896</u>	<u>851,489</u>	<u>41,966</u>	<u>20,044,106</u>
2018					
- AAA	20,825,202	-	-	-	20,825,202
- AA1	16,266,341	-	-	-	16,266,341
- AA2	-	381,320	-	-	381,320
- Not Rated	-	-	152,996	166,319	319,315
	<u>37,091,543</u>	<u>381,320</u>	<u>152,996</u>	<u>166,319</u>	<u>37,792,178</u>

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

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

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 business days. 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.

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2019			
Amount due to stockbrokers	3,900,841	-	3,900,841
Amount due to Manager	448,472	-	448,472
Accrued management fees	273,738	-	273,738
Amount due to Trustee and custodian	9,125	-	9,125
Distribution payable	706,741	-	706,741
Other payables and accruals	-	5,428	5,428
Net assets attributable to unit holders*	217,569,134	-	217,569,134
Contractual undiscounted cash flows	222,908,051	5,428	222,913,479
2018			
Amount due to Manager	533,795	-	533,795
Accrued management fees	300,364	-	300,364
Amount due to Trustee and custodian	10,012	-	10,012
Distribution payable	408,129	-	408,129
Other payables and accruals	-	17,100	17,100
Net assets attributable to unit holders*	230,450,161	-	230,450,161
Contractual undiscounted cash flows	231,702,461	17,100	231,719,561

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

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

(d) Capital risk management

The capital of the Fund is represented by net asset attributable to unit holders of RM217,569,134 (2018: RM230,450,161). The amount of capital can change significantly on a daily basis as the Fund is subjected to daily subscriptions and redemptions at the discretion of 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 holder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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

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

(i) Fair value hierarchy

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial asset at fair value through profit or loss:				
- Quoted securities	<u>202,869,373</u>	<u>-</u>	<u>-</u>	<u>202,869,373</u>
2018				
Financial asset at fair value through profit or loss:				
- Quoted securities	<u>193,927,383</u>	<u>-</u>	<u>-</u>	<u>193,927,383</u>

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

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

4. MANAGEMENT FEE

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

For the financial year ended 31 October 2019, the management fee is recognised at a rate of 1.50% per annum (2018: 1.50% per annum) for each classes.

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum trustee fee of 0.05% per annum, calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fees and charges.

For the financial year ended 31 October 2019, the Trustee's fee is recognised at the rate of 0.05% per annum (2018: 0.05% per annum) (including local custodian fee but excluding foreign sub-custodian fee).

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

6. FINANCE COST

Distribution to unit holders is derived from the following sources:

	2019	2018
	RM	RM
Dividend income	6,397,894	1,559,966
Interest income	679,935	144,330
Net realised (loss)/gain from disposal of financial assets at fair value through profit or loss	(275,332)	1,543,740
Prior financial years' realised income	13,373,993	41,152,940
	<u>20,176,491</u>	<u>44,400,976</u>
Less:		
Expenses	(4,089,498)	(342,679)
Taxation	-	(485)
Net distribution amount	<u>16,086,993</u>	<u>44,057,812</u>
Distribution on 23 October 2019		
Gross/Net distribution per unit (sen)		
- Class MYR	7.25	-
- Class SGD	22.86	-
Distribution on 26 October 2018		
Gross/Net distribution per unit (sen)		
- Class MYR	-	10.50
- Class SGD	-	1.00
Distribution on 22 November 2017		
Gross/Net distribution per unit (sen)		
- Class MYR	-	10.50

6. FINANCE COST (CONTINUED)

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

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

There are unrealised losses of RM2,018,537 during the financial year (2018: RM15,939,238).

7. TAXATION

	2019	2018
	RM	RM
Tax charged for the financial year:		
- Overprovision of prior financial year taxation	<u>-</u>	<u>(485)</u>

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

	2019	2018
	RM	RM
Loss before taxation	<u>(874,203)</u>	<u>(9,167,563)</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	(209,809)	(2,200,215)
Tax effects of:		
- (Income not subject to tax)/Loss not deductible for tax purposes	(801,457)	890,064
- Expenses not deductible for tax purposes	214,528	364,570
- Restriction on tax deductible expenses for Unit Trust Funds	796,738	945,581
Overprovision of prior financial year taxation	<u>-</u>	<u>(485)</u>
Taxation	<u>-</u>	<u>(485)</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RM	RM
At fair value through profit or loss:		
- Quoted securities	<u>202,869,373</u>	<u>193,927,383</u>
Net loss on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(1,763,134)	3,675,136
- Unrealised fair value loss	<u>(2,091,447)</u>	<u>(15,983,438)</u>
	<u>(3,854,581)</u>	<u>(12,308,302)</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
QUOTED SECURITIES				
Construction				
IJM Corporation Bhd	994,500	2,026,396	2,138,175	0.98
Sunway Construction Group Bhd	253,800	549,325	494,910	0.23
	<u>1,248,300</u>	<u>2,575,721</u>	<u>2,633,085</u>	<u>1.21</u>
Consumer Products & Services				
Aeon Co. (M) Bhd	1,266,800	2,041,701	2,102,888	0.97
Bermaz Auto Bhd	1,120,000	2,734,504	2,553,600	1.17
Carlsberg Brewery Malaysia Bhd	84,300	2,116,846	2,338,482	1.07
DRB-Hicom Bhd	2,463,900	6,192,836	6,233,667	2.87
Genting Bhd	645,600	5,814,994	3,750,936	1.72
Genting Malaysia Bhd	852,400	2,662,264	2,736,204	1.26
Petronas Dagangan Bhd	98,200	2,629,970	2,313,592	1.06
Sime Darby Bhd	1,200,500	2,816,283	2,725,135	1.25
	<u>7,731,700</u>	<u>27,009,398</u>	<u>24,754,504</u>	<u>11.37</u>
Energy				
Dayang Enterprise Holdings Bhd	444,200	607,163	866,190	0.40
Dialog Group Bhd	1,571,600	4,627,148	5,469,168	2.51
Sapura Energy Bhd	6,639,100	2,289,634	1,759,362	0.81
Wah Seong Corporation Bhd	838,500	898,040	930,735	0.43
Yinson Holdings Bhd	1,134,200	5,637,659	7,837,322	3.60
	<u>10,627,600</u>	<u>14,059,644</u>	<u>16,862,777</u>	<u>7.75</u>
Financial Services				
Aeon Credit Service (M) Bhd - ICULS	124,800	124,800	175,968	0.08
Bursa Malaysia Bhd	166,500	1,412,546	1,007,325	0.46
CIMB Group Holdings Bhd	3,065,674	16,177,412	16,094,789	7.40
Hong Leong Bank Bhd	485,800	7,864,833	8,365,476	3.84
Hong Leong Financial Group Bhd	95,100	1,648,672	1,656,642	0.76
Malayan Banking Bhd	2,048,290	18,365,334	17,615,294	8.10
Public Bank Bhd	310,293	6,711,749	6,298,948	2.90
RHB Bank Bhd	640,877	3,592,830	3,685,043	1.69
	<u>6,937,334</u>	<u>55,898,176</u>	<u>54,899,485</u>	<u>25.23</u>
Health Care				
Hartalega Holdings Bhd	466,800	2,419,151	2,455,368	1.13
IHH Healthcare Bhd	988,600	5,583,802	5,635,020	2.59
	<u>1,455,400</u>	<u>8,002,953</u>	<u>8,090,388</u>	<u>3.72</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
QUOTED SECURITIES				
(CONTINUED)				
Industrial Products				
Tat Sang Holdings Bhd - delisted ¹	31,000	1	-	-
Industrial Products & Services				
Petronas Chemicals Group Bhd	364,300	2,890,433	2,721,321	1.25
Press Metal Aluminium Holdings Bhd	545,900	2,644,972	2,598,484	1.19
Sunway Bhd - Warrant	374,970	-	136,864	0.06
Uchi Technologies Bhd	382,600	1,200,304	1,055,976	0.49
V.S. Industry Bhd	559,600	953,608	783,440	0.36
	<u>2,227,370</u>	<u>7,689,317</u>	<u>7,296,085</u>	<u>3.35</u>
Plantation				
FGV Holdings Bhd	1,662,768	2,054,967	1,829,045	0.84
Genting Plantations Bhd	260,400	2,807,661	2,588,376	1.19
IOI Corporation Bhd	1,502,500	6,813,863	6,565,925	3.02
Kuala Lumpur Kepong Bhd	226,400	5,308,438	4,903,824	2.25
Sime Darby Plantation Bhd	873,010	5,277,201	4,286,479	1.97
	<u>4,525,078</u>	<u>22,262,130</u>	<u>20,173,649</u>	<u>9.27</u>
Property				
Malaysian Resources Corporation Bhd	1,378,200	1,236,846	1,019,868	0.47
Sime Darby Property Bhd	1,529,700	1,602,533	1,109,032	0.51
	<u>2,907,900</u>	<u>2,839,379</u>	<u>2,128,900</u>	<u>0.98</u>
REITs				
Axis REIT	2,591,900	4,838,925	4,458,068	2.05
IGB REIT	2,087,900	3,936,840	3,987,889	1.83
Sunway REIT	2,059,000	3,885,941	3,726,790	1.71
	<u>6,738,800</u>	<u>12,661,706</u>	<u>12,172,747</u>	<u>5.59</u>
Technology				
D&O Green Technologies Bhd	1,139,700	862,120	854,775	0.39
Globetronics Technology Bhd	400,100	991,246	828,207	0.38
Inari Amertron Bhd	1,058,100	1,721,518	2,084,457	0.96
Malaysian Pacific Industries Bhd	400,200	4,542,409	4,282,140	1.97
Pentamaster Corporation Bhd	553,950	1,113,085	2,553,710	1.17
Revenue Group Bhd	542,000	662,010	910,560	0.42
	<u>4,094,050</u>	<u>9,892,388</u>	<u>11,513,849</u>	<u>5.29</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Astro Malaysia Holdings Bhd	720,600	1,013,329	972,810	0.45
Axiata Group Bhd	1,553,303	7,629,211	6,679,203	3.07
DiGi.Com Bhd	657,000	3,167,135	3,087,900	1.42
Telekom Malaysia Bhd	1,378,600	5,067,698	5,183,536	2.38
TIME dotCom Bhd	71,700	590,435	654,621	0.30
	<u>4,381,203</u>	<u>17,467,808</u>	<u>16,578,070</u>	<u>7.62</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	513,500	4,306,867	4,066,920	1.87
MISC Bhd	179,100	1,238,795	1,491,903	0.69
Westports Holdings Bhd	1,073,600	3,868,038	4,595,008	2.11
	<u>1,766,200</u>	<u>9,413,700</u>	<u>10,153,831</u>	<u>4.67</u>
Utilities				
Petronas Gas Bhd	220,400	3,962,600	3,667,456	1.69
Tenaga Nasional Bhd	861,800	11,657,804	11,944,547	5.50
	<u>1,082,200</u>	<u>15,620,404</u>	<u>15,612,003</u>	<u>7.19</u>
TOTAL QUOTED SECURITIES	<u>55,754,135</u>	<u>205,392,725</u>	<u>202,869,373</u>	<u>93.24</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(2,523,352)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>202,869,373</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018				
QUOTED SECURITIES				
Construction				
Muhibbah Engineering (M) Bhd	571,200	1,790,599	1,582,224	0.69
Consumer Products & Services				
AirAsia Group Bhd	777,800	2,619,385	2,045,614	0.89
Genting Malaysia Bhd	1,010,300	9,099,889	7,415,602	3.22
Genting Plantations Bhd	1,888,700	10,050,792	8,480,263	3.68
MBM Resources Bhd	537,700	1,308,439	1,070,023	0.46
Petronas Dagangan Bhd	137,600	3,685,172	3,577,600	1.55
Salutica Bhd	1,199,500	736,442	611,745	0.27
Sime Darby Bhd	584,810	1,277,846	1,286,582	0.56
	<u>6,136,410</u>	<u>28,777,965</u>	<u>24,487,429</u>	<u>10.63</u>
Energy				
Dialog Group Bhd	1,506,200	3,991,882	5,106,018	2.22
Hibiscus Petroleum Bhd	941,600	970,561	1,054,592	0.46
Petronas Gas Bhd	149,100	2,818,388	2,725,548	1.18
Yinson Holdings Bhd	960,400	3,337,111	4,273,780	1.85
	<u>3,557,300</u>	<u>11,117,942</u>	<u>13,159,938</u>	<u>5.71</u>
Financial Services				
Aeon Credit Service (M) Bhd	163,100	1,975,645	2,462,810	1.07
Aeon Credit Service (M) Bhd - ICULS	124,800	124,800	183,456	0.08
Alliance Bank Malaysia Bhd	510,300	2,194,829	2,020,788	0.88
Bursa Malaysia Bhd	305,700	2,668,549	2,237,724	0.97
CIMB Group Holdings Bhd	1,209,606	6,541,728	6,918,946	3.00
Hong Leong Bank Bhd	268,200	4,178,755	5,551,740	2.41
Hong Leong Financial Group Bhd	124,400	1,986,156	2,286,472	0.99
Malayan Banking Bhd	1,419,140	12,539,343	13,467,639	5.84
Public Bank Bhd	842,293	16,572,673	20,720,408	8.99
RHB Bank Bhd	333,000	1,710,924	1,741,590	0.76
	<u>5,300,539</u>	<u>50,493,402</u>	<u>57,591,573</u>	<u>24.99</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED) QUOTED SECURITIES (CONTINUED)				
Health Care				
Top Glove Corporation Bhd	412,800	1,505,043	2,452,032	1.06
Industrial Products				
Tat Sang Holdings Bhd - delisted ¹	31,000	1	-	-
Industrial Products & Services				
ATA IMS Bhd	1,814,600	2,899,190	3,012,236	1.31
Petronas Chemicals Group Bhd	1,031,900	7,800,372	9,648,265	4.19
Sunway Bhd - Warrant	374,970	-	108,741	0.05
Uchi Technologies Bhd	771,900	2,421,628	2,238,510	0.97
V.S. Industry Bhd	3,608,300	6,148,864	5,773,280	2.51
	<u>7,601,670</u>	<u>19,270,054</u>	<u>20,781,032</u>	<u>9.03</u>
Plantation				
FGV Holdings Bhd	922,900	2,177,375	1,292,060	0.56
Globetronics Technology Bhd	260,400	2,807,661	2,512,860	1.09
IOI Corporation Bhd	1,299,900	5,940,166	5,849,550	2.54
Kuala Lumpur Kepong Bhd	141,200	3,434,192	3,518,704	1.53
Sime Darby Plantation Bhd	950,310	7,120,051	4,998,631	2.17
	<u>3,574,710</u>	<u>21,479,445</u>	<u>18,171,805</u>	<u>7.89</u>
Property				
SP Setia Bhd - Preference shares	564,200	564,200	558,558	0.24
Technology				
Globetronics Technology Bhd	931,200	2,502,768	2,057,952	0.89
Inari Amertron Bhd	2,219,750	4,780,341	4,350,710	1.89
Malaysian Pacific Industries Bhd	201,200	2,504,142	2,181,008	0.94
Pentamaster Corporation Bhd	441,100	1,151,775	1,385,054	0.60
Revenue Group Bhd	1,321,500	1,582,045	1,334,715	0.58
Unisem (M) Bhd	359,600	1,098,387	1,039,244	0.45
	<u>5,474,350</u>	<u>13,619,458</u>	<u>12,348,683</u>	<u>5.35</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Axiata Group Bhd	2,100,791	10,314,298	7,163,697	3.10
DiGi.Com Bhd	262,700	1,267,185	1,132,237	0.49
	<u>2,363,491</u>	<u>11,581,483</u>	<u>8,295,934</u>	<u>3.59</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	1,101,500	9,274,265	9,142,450	3.97
MISC Bhd	547,500	4,104,908	3,339,750	1.45
Pos Malaysia Bhd	326,000	1,253,190	964,960	0.42
Westports Holdings Bhd	667,500	2,352,895	2,276,175	0.99
	<u>2,642,500</u>	<u>16,985,258</u>	<u>15,723,335</u>	<u>6.83</u>
Utilities				
Tenaga Nasional Bhd	1,277,200	17,174,438	18,774,840	8.14
TOTAL QUOTED SECURITIES	<u>39,507,370</u>	<u>194,359,288</u>	<u>193,927,383</u>	<u>84.15</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(431,905)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>193,927,383</u>		

¹ The counter has been de-listed on 27 October 2003 as the counter does not have an adequate level of financial condition to warrant continued listing. The counter will continue to remain deposited with the Malaysian Central Depository Sdn Bhd as it is not mandatory for the securities to be withdrawn.

9. CASH AND CASH EQUIVALENTS

	2019	2018
	RM	RM
Deposits with licensed financial institutions	10,695,515	33,328,666
Bank balances	6,092,240	3,762,877
	<u>16,787,755</u>	<u>37,091,543</u>

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

	2019	2018
	%	%
Deposits with licensed financial institutions	<u>3.05</u>	<u>3.55</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 2 days (2018: 10 days).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	2018
	No. of units	No. of units
Class MYR (i)	233,709,835	230,809,830
Class SGD (ii)	1,824,023	1,071,679
	<u>235,533,858</u>	<u>231,881,509</u>

(i) Class MYR

	2019	2018
	No. of units	No. of units
At the beginning of the financial year	230,809,830	211,536,787
Add : Creation of units from applications	9,598,904	8,560,262
Add : Creation of units from distribution	17,005,974	41,502,896
Less: Cancellation of units	(23,704,873)	(30,790,115)
At the end of the financial year	<u>233,709,835</u>	<u>230,809,830</u>

(ii) Class SGD

	2019	2018
	No. of units	No. of units
At the beginning of the financial year	1,071,679	20,760
Add : Creation of units from applications	928,541	1,149,594
Add : Creation of units from distribution	9,576	439
Less: Cancellation of units	(185,773)	(99,114)
At the end of the financial year	<u>1,824,023</u>	<u>1,071,679</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2019	2018
	%	%
MER	<u>1.56</u>	<u>1.63</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is RM218,532,515 (2018: RM250,623,569).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	<u>0.83</u>	<u>1.01</u>

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial year = RM186,693,306 (2018: RM227,741,026)
- total disposal for the financial year = RM173,896,736 (2018: RM278,401,878)

13. **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 <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Bhd, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of the shareholder of the Manager
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Investment Bank Bhd	Fellow related party to the Manager
CGS-CIMB Securities Sdn Bhd	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

	<u>2019</u>		<u>2018</u>
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>
			<u>RM</u>
Manager			
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>			
- Class MYR	105,605	95,942	38,471
- Class SGD	6	17	5
	<u> </u>	<u> </u>	<u> </u>

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.

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

	2019 RM	2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	<u>55,469</u>	<u>12,962</u>
Cash placements with licensed financial institution:		
- CIMB Bank Bhd	<u>118,617,000</u>	<u>28,553,000</u>

There was no significant related party balance during the financial year (2018: Nil)

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for financial year ended 31 October 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage Fees RM	Percentage of total brokerage fees %
Macquarie Capital Securities (Malaysia) Sdn Bhd	54,239,292	15.12	68,477	12.48
UBS Securities Malaysia Sdn Bhd	42,308,886	11.81	40,265	7.34
CGS-CIMB Securities Sdn Bhd #	42,226,044	11.78	48,400	8.82
KAF-Seagroatt & Campbell Bhd	41,450,685	11.57	92,740	16.92
JP Morgan Securities (M) Sdn Bhd	36,509,483	10.19	32,990	6.01
CLSA Securities Malaysia Sdn Bhd	36,318,698	10.13	44,882	8.18
Affin Hwang Investment Bank Bhd	32,600,942	9.10	72,352	13.19
Maybank Investment Bank Bhd	22,457,867	6.27	47,570	8.67
RHB Investment Bank Bhd	20,845,087	5.82	45,496	8.29
Hong Leong Investment Bank Bhd	13,392,335	3.74	26,493	4.83
Others	<u>16,026,438</u>	<u>4.47</u>	<u>28,912</u>	<u>5.27</u>
	<u>358,375,757</u>	<u>100.00</u>	<u>548,577</u>	<u>100.00</u>

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for financial year ended 31 October 2018 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage Fees RM	Percentage of total brokerage fees
				%
CIMB Investment Bank Bhd #	81,934,791	17.11	165,999	15.65
Macquarie Malaysia Sdn Bhd	72,028,254	15.04	160,102	15.09
Affin Hwang Investment Bank Bhd	55,190,890	11.53	149,068	14.05
KAF-Seagroatt & Campbell Securities Sdn Bhd	46,198,455	9.65	102,052	9.62
Hong Leong Investment Bank Bhd	39,941,202	8.34	81,099	7.65
Maybank Investment Bank Bhd	39,479,174	8.24	80,817	7.62
RHB Investment Bank Bhd	37,557,499	7.84	81,982	7.73
JPMorgan Securities (M) Sdn Bhd	28,563,753	5.97	63,166	5.95
Credit Suisse (M) Sdn Bhd	27,129,007	5.67	59,903	5.65
CLSA Securities (M) Sdn Bhd	21,292,429	4.45	47,495	4.48
Others	29,520,103	6.16	69,104	6.51
	<u>478,835,557</u>	<u>100.00</u>	<u>1,060,787</u>	<u>100.00</u>

Included in the transactions are trades conducted with CGS-CIMB Securities Sdn Bhd and CIMB Investment Bank Bhd, fellow related parties to the Manager amounting to RM42,226,044 (2018: Nil) and Nil (2018: RM81,934,791) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

15. MFRS 9 FINANCIAL INSTRUMENTS

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

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

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM	Reclassifi- -cations RM	Remeasu- -rements RM	New (MFRS 9) RM
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	37,091,543	-	-	37,091,543
Investment in quoted securities	FVTPL	FVTPL	193,927,383	-	-	193,927,383
Amount due from stockbrokers	Loans and receivables	Amortised cost	381,320	-	-	381,320

15. MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

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

	Measurement category		Original (MFRS 139) RM	Carrying amount		New (MFRS 9) RM
	Original (MFRS 139)	New (MFRS 9)		Reclassifi- -cations RM	Remeasu- -rements RM	
Assets						
(continued)						
Amount due from Manager	Loans and receivables	Amortised cost	152,996	-	-	152,996
Dividends receivable	Loans and receivables	Amortised cost	166,319	-	-	166,319
Liabilities						
Amount due to Manager	Amortised cost	Amortised cost	533,795	-	-	533,795
Accrued management fee	Amortised cost	Amortised cost	300,364	-	-	300,364
Amount due to Trustee	Amortised cost	Amortised cost	10,012	-	-	10,012
Distribution payable	Amortised cost	Amortised cost	408,129	-	-	408,129
Other payables and accruals	Amortised cost	Amortised cost	17,100	-	-	17,100

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 12 December 2019.

DIRECTORY

Head office of the Manager

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