

CIMB FTSE ASEAN 40 MALAYSIA

QUARTERLY REPORT (UNAUDITED)

**FOR THE FINANCIAL PERIOD 1 OCTOBER 2010
TO 31 DECEMBER 2010**

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INVESTOR LETTER

Dear Valued Investors,

It brings me great delight to announce that CIMB-Principal Asset Management continues to win more local and international awards. In April we prevailed by winning the Morningstar (Malaysia) Fund Awards 2009 for CIMB Islamic Balanced Fund in the Islamic Balanced Fund category, which recognises the fund's achievement in adding the most value within its peer group for investors over the past year and over the longer-term. On top of that, Failaka Advisors, a respected advisory firm in the development of Shariah-compliant investment products honoured us with not one, but 3 awards for Best Asian Equity 1 Year (CIMB Islamic Asia Pacific Equity Fund), Best Malaysian Equity 5 Years (CIMB Islamic Equity Fund) and Best Malaysian Equity 1 Year (CIMB Islamic Equity Aggressive Fund).

I would also like to congratulate our sister company CIMB-Principal Islamic Asset Management. It won the Best Islamic Fund Manager 2009 and the Best Islamic Wealth Management Provider 2009 from Islamic Finance News and the Best Asset Management Company from Global Finance in recognition of our involvement to the growth of Islamic finance by meeting investors' needs. These rewards are a recognition and appreciation of our investment capabilities as it endorses and confirms our investors trust in us.

CIMB-Principal also continued its pursuance of innovation by listing the first ETFs that are invested offshore on Bursa Malaysia. They are the CIMB FTSE ASEAN 40 Malaysia and the CIMB FTSE Xinhua China 25. The CIMB FTSE ASEAN 40 Malaysia will feed into the world's first and only ASEAN ETF the CIMB FTSE ASEAN 40 which has been listed on the Singapore Exchange (SGX) since September 2006.

I am also happy to announce that effective 30 June the acquisition of BT Asset Management in Thailand was completed. With this exercise, CIMB-Principal is now carrying on business in four countries, Malaysia, Indonesia, Singapore and Thailand. This expansion is timely in our course for regionalization as it brings about opportunities for us to advance our business and provide even greater opportunities for our investors.

Here's to a better second half of 2010.

Your's sincerely

Campbell Tupling

Chief Executive

CIMB-Principal Asset Management Berhad

MANAGER'S REPORT**What is the investment objective of the Fund?**

To provide investment results that, before expenses, closely correspond to the performance of the benchmark, regardless of its performance.

Has the Fund achieved its objective?

For the period under review, the Fund is in line with its stated objective.

What are the Fund investment policy and its strategy?

The Fund is a feeder fund which aims to invest at least 95% of its NAV in the Underlying Fund which is the Singapore Fund (SF). The SF is an exchange-traded fund listed on the Singapore Exchange Securities Trading Limited (SGX-ST) which aims at providing the SF Unitholders a return that closely corresponds to the performance of the FTSE/ASEAN 40 Index. Therefore, the Manager adopts a passive strategy in the management of the Fund.

Fund category/ type

Feeder ETF / Index Tracking

How long should you invest for?

Recommended 3 to 5 years

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

High

When was the Fund launched?

9 July 2010*

What was the size of the Fund as at 31 December 2010?

RM 12.67 million (8.10 million units)

What is the Fund's benchmark?

The FTSE/ASEAN 40 Index or such replacement index as may be determined by the SF Manager and / or the Manager.

What is the Fund distribution policy?

Annually, subject to the discretion of the Manager

What was the net income distribution for the period ended 31 December 2010?

No distribution was declared for the period ended 31 December 2010

* Listing date

PERFORMANCE DATA

Details of portfolio composition of the Fund are as follows:

	31.12.2010	30.09.2010
	%	%
Sector		
Underlying Fund	100.71	99.65
Liquid assets and others	(0.71)	0.35
	100.00	100.00

Performance details of the Fund are as follows:

	31.12.2010	30.09.2010
Net Asset Value (RM million)	12.67	12.39
Units In circulation (Million)	8.10	8.10
Net Asset Value per Unit (RM)	1.5639	1.5298
Highest NAV per Unit (RM)	1.6277	1.5299
Lowest NAV per Unit (RM)	1.5306	1.3868
Market Price per Unit (RM)	1.5950	1.5300
Highest Market Price per Unit (RM)	1.6400	1.5350
Lowest Market Price per Unit (RM)	1.5400	1.3900
Total return (%) ^	2.24	10.31
-capital growth (%)	2.24	10.31
-income growth (%)	-	-
Management Expenses Ratio (%) *	1.05	0.14
Portfolio Turnover Ratio (times) **	-	0.47

(Launch date : 9 July 2010)

^ based on NAV

* The management expenses ratio increased to 1.05% from 0.14% as the Fund began accruing the cost of establishment within the reporting quarter.

** The turnover ratio was nil during the period under review as the Fund remains fully invested in the underlying fund during the quarter.

PERFORMANCE DATA (CONTINUED)

Period	Total return (%)	Annualised (%)
- Since inception (SI)^	12.78	28.52
- One Year	-	-
- Benchmark SI	12.73	28.39
	01.10.2010 to 31.12.2010 (%)	Since Inc to 30.09.2010 (%)
Annual total return (%)	9.20	53.97

^ based on NAV

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up. All performance figures were based on the last business day which has been verified by Mercer Zainal Consulting Sdn Bhd, Consulting Actuaries (35090-H).

MARKET REVIEW

In the beginning of the quarter, the ASEAN stock market reacted positively to China's optimistic outlook on the economy. The optimism received further boost when the Bank of Japan cut interest rates to encourage economic growth in the country. Positive results from the U.S. midterm elections and the Fed's announcement to spend US\$ 600bn on bond repurchases which is expected to help stimulate the economy further spurred the rally. Overall, the positive developments from all these major economies were expected to provide and support growth in the ASEAN economies.

By November, the ASEAN markets turned jittery over worries of China's policy tightening measures to control inflation, although the announced inflation-cooling measures proved less harsh than expected. However, news of an exchange of artillery fire between North and South Korea resulted in momentary panic as investors sold off, causing the regional markets to plunge. By December, most investors chose to remain sidelined as tensions remained in the North-South Korean borders and inflation fears escalated. On Christmas day, People's Bank of China announced a hike in the minimum reserve ratio by 50bps and interest rates by 25bps.

Overall, for the period under review, all the ASEAN markets remained somewhat resilient, delivering positive returns despite the fickle newsflows. The best performing markets, in Ringgit terms, were Thailand (6.86%), Singapore (5.30%), Indonesia (5.19%), and Malaysia (4.99%), while the Philippines was a laggard (2.72%). (Source: Bloomberg)

FUND PERFORMANCE

	01.10.2010 to 31.12.2010	Since Inception to 31.12.2010
Income (%)	-	-
Capital (%)	2.24	12.78
Total Return (%) [^]	2.24	12.78
Annualised (%) [^]	9.20	28.52
Underlying Fund (CIMB FTSE ASEAN 40 Fund) (%) ^{^^}	3.32	14.18
Benchmark (FTSE ASEAN 40 Index) (%)	3.13	12.73
Market Price/unit (%)	4.25	14.75

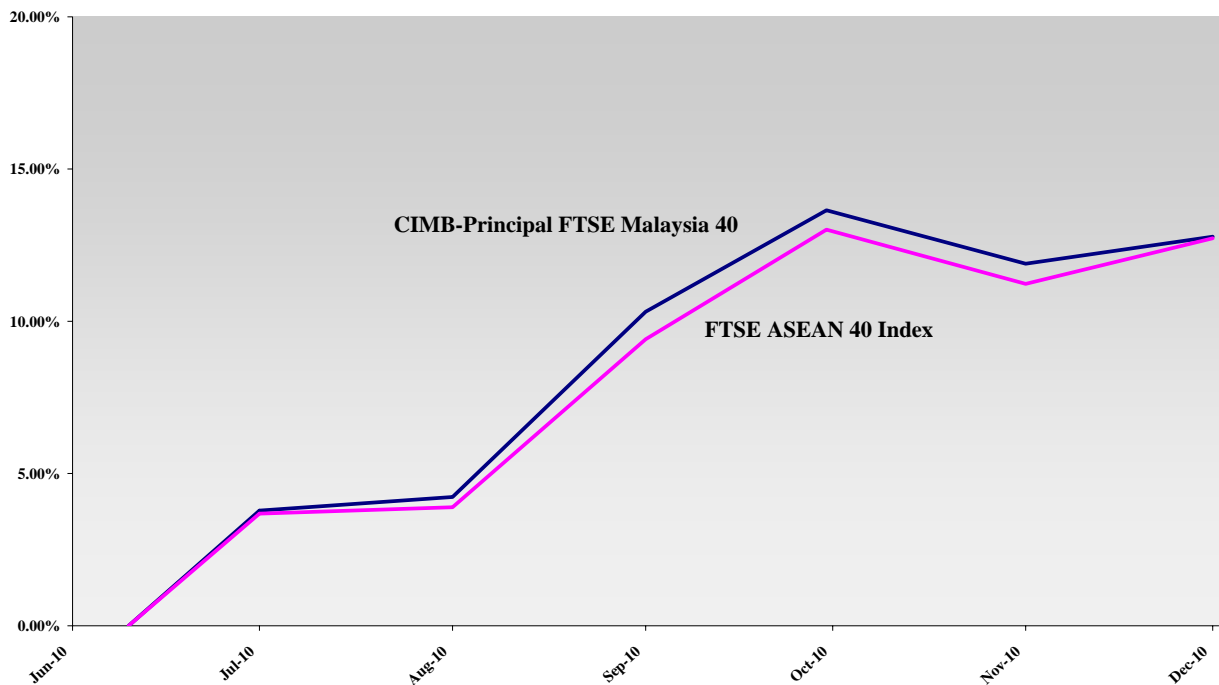
[^] based on NAV

^{^^} based on Last Published Market Price

For the period under review, the Fund increased by 2.24% underperforming the Underlying Fund and benchmark which increased by 3.32% and 3.13% respectively. The underperformance was mainly due to the cost of establishment of the Fund. Since inception, the Fund gained 12.78% while the Underlying Fund gained 14.18% and benchmark increased by 12.73%.

The last available published market price of the Fund quoted at Bursa Malaysia was RM 1.5950, an increase by 4.25% from the previous reporting period.

The Fund is a Feeder ETF which follows the performance of the Underlying Index.



Changes in Net Asset Value (“NAV”)

	31.12.2010	30.09.2010	% changes
Net Asset Value (RM Million)	12.67	12.39	2.26

Net Asset Value increased due to the positive performance of the Underlying Fund.

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 data and figures were based on the last business day which has been verified by Mercer Zainal Consulting Sdn Bhd, Consulting Actuaries (35090-H).

PORTFOLIO STRUCTURE**Asset allocation**

(% of NAV)	31.12.2010	30.09.2010
Underlying Fund	100.71	99.65
Liquid assets and others	(0.71)	0.35
TOTAL	100.00	100.00

The Fund remained fully invested in the Underlying Fund for the period under review. The negative liquid assets and others were mainly due to the accrual of liabilities which among others includes the cost of establishment of the Fund and fees. The Fund held minimal positive cash balance during the quarter.

MARKET OUTLOOK

Year 2011 is likely to be a year investors to focus on inflation. Recovery in developed countries should gather momentum, sustaining the growth trajectory of ASEAN economies. More policy measures are expected in the Asian government to fight inflation. We expect these measures to bear fruit in containing core inflation, although consumer prices may remain elevated. All in all, ASEAN economies are likely to enjoy trend growth with moderate inflation this year.

Singapore is currently the second cheapest market in ASEAN after Thailand. It is trading at 14.2x 2011 earnings, in line with its 5-year average. Given that the market has been a laggard within ASEAN, we expect the market to play catch-up within the next three to six months.

The key driver for Malaysia will be the appreciating Ringgit, high expectations of ETP/GTP (Economic Transformation Programme/Government Transformation Programme) success and rollback of subsidies, as promised by the government. However, challenges will be from inflation, from higher prices from subsidies rollback and soaring global prices.

Indonesia's 12-month forward P/E multiple only expanded by 0.9 points from 13.3x to 14.2x. Recent market concerns regarding the inflationary impact of the removal of private fuel subsidies for motor vehicles are overdone. Food inflation remains the key risk for the mass market given it accounts for 35% of the CPI. In 2011, we believe the Indonesian stock market can continue its upward trend driven by a strong macro environment, reasonable valuations and abundant liquidity.

MARKET OUTLOOK (CONTINUED)

Thailand's slower GDP growth from base effect plus rising inflation and interest rate suggest an uptrend with more volatility. With higher oil prices, commodity related stocks should support the market. The election rally and investment cycle theme is still intact.

Similarly, the Philippines' market is expected to remain challenging especially on the inflation front. The CPI is likely to spike by mid-2011. Property, banks and consumer stocks will continue to benefit from credit growth and strong demand for property.

INVESTMENT STRATEGY

The Fund will continue to remain fully invested in the Underlying Fund with minimal cash kept for liquidity purposes. The Fund is expected to receive cash dividend which we intend to use to increase the liquid assets exposure.

UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 31 December 2010 are as follows:

Size of holdings(units)	No. of unitholders	No. of units held (million)	% of units held
5,000 and below	38	0.07	0.83
5,001-10,000	6	0.05	0.65
10,001-50,000	3	0.06	0.70
50,001-500,000	2	0.56	7.00
Above 500,000	2	7.36	90.82
Total	51	8.10	100.00

REBATES AND SOFT COMMISSION

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Investment Manager may from time to time receive and retain soft commissions in the form of subscription for real-time services or advisory services that assist in the decision-making process relating to the Fund's investments from brokers or dealers.

During the financial period under review, the management company did not receive any rebates and soft commissions from brokers or dealers.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB FTSE ASEAN 40 MALAYSIA**

We, being the Directors of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 9 to 24 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 December 2010 and of its financial performance, changes in net assets attributable to unit holders and cash flows of the Fund for the financial period ended on that date in accordance with Financial Reporting Standards and the Securities Commission's Exchange-Traded Funds Guidelines.

For and on behalf of the Manager

CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD (Company No.: 304078-K)

John Campbell Tupling
Chief Executive Officer/Director

Datuk Noripah Kamsu
Director

Kuala Lumpur
[Date](#)

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR FINANCIAL PERIOD FROM 01 OCTOBER 2010 TO 31 DECEMBER 2010**

	Note	01.10.2010 to 31.12.2010
INCOME		
Unrealised profit on change in value of investment		411,246
Unrealised loss on translation of monetary items dominated in foreign currencies		(1,714)
		<u>409,532</u>
LESS: EXPENSES		
Manager's fee	4	-
Custodian Fee		947
Trustee's fee	5	4,537
Audit Fee		10,284
Tax Agent Fee		773
Administration expenses		116,677
		<u>133,218</u>
NET INCOME BEFORE TAXATION		276,314
TAXATION		-
NET INCOME AFTER TAXATION		<u>276,314</u>
Net income after taxation is made up as follows:		
Realised amount		(133,218)
Unrealised amount		409,532
		<u>276,314</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	31.12.2010 RM
ASSETS		
Financial Assets at fair value through profit or loss	6	12,757,562
Cash and cash equivalents	7	49,740
TOTAL ASSETS		<u>12,807,302</u>
LIABILITIES		
Amount due to Trustee		1,529
Other payable and accruals		<u>138,365</u>
Total Liabilities		<u>139,894</u>
NET ASSET VALUE OF THE FUND		<u><u>12,667,408</u></u>
SHAREHOLDER'S FUNDS		
Unitholders' capital		11,058,930
Retained earnings		<u>1,608,478</u>
		<u>12,667,408</u>
NUMBER OF UNITS IN CIRCULATION		8,100,000
NET ASSET VALUE PER UNIT (RM)		<u>1.5639</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM
01 OCTOBER 2010 TO 31 DECEMBER 2010**

	01.10.2010 to 31.12.2010 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	12,391,094
Movement due to units created and cancelled during the financial period:	
Creation of units	-
Cancellations of units	-
	<hr/>
Net increase in net assets attributable to unit holders during the financial period:	
Net income after taxation	276,314
Net change in fair value reserve	-
	<hr/>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<u><u>12,667,408</u></u>

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

**UNAUDITED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD FROM 01 OCTOBER 2010 TO DECEMBER 2010**

	Note	01.10.2010 to 31.12.2010 RM
CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments		-
Purchase of investments		-
Interest received		-
Trustee's fees paid		(4,488)
Payment for other fees and expenses		(2,953)
Net cash outflow from operating and investing activities		<u>(7,441)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash proceeds from unit created		-
Payment for cancellation of units		-
Net cash inflow from financing activities		<u>-</u>
Net decrease in cash and cash equivalents		(7,441)
Unrealised foreign currency exchange gain		-
Cash and cash equivalents at the beginning of the financial period		57,181
Cash and cash equivalents at end of financial period	7	<u>49,740</u>

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

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 31 DECEMBER 2010**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB FTSE ASEAN 40 MALAYSIA (the "Fund") was constituted pursuant to the execution of a Deed dated 19 April 2010 and has been entered into between CIMB-Principal Asset Management Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The principal activity of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the Underlying Index. The Fund commenced operations on 9 July 2010 and will continue its operations until terminated by the Manager.

The Manager, a company incorporated in Malaysia, is a subsidiary of CIMB Group Sdn Bhd and regards CIMB Group Holdings Berhad as its ultimate holding company. Its principal activities are the management of unit trusts 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 of the Fund have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Deed, the Financial Reporting Standards ("FRS") in Malaysia and the SC Guidelines on Exchange Traded Fund.

- (i) The new accounting standards that are effective for the Fund's financial period beginning on or after 1 January 2010 are as follows:
- FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010) GN3 establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendment to FRS 139 provides further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.
 - FRS 8 "Operating Segments" (effective for annual period beginning on or after 1 July 2010) replaces FRS 114₂₀₀₄ Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

(ii) The new standards that have been issued which are relevant to the Fund and have not been early adopted are:

- FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement. This standard does not have any impact on the classification and valuation of the Fund's financial statements. The Fund will apply this standard when effective.
- The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated. The Fund will apply this improvement to the standard when effective.
- The revised FRS 101 “Presentation of financial statements” (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Fund will apply this standard when effective.

- FRS 107 “Statement of cash flows” (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities. The Fund will apply this standard when effective.
- FRS 110 “Events after the balance sheet date” (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time. The Fund will apply this standard when effective.
- FRS 118 “Revenue” (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’. This standard does not have material impact on the classification and valuation of the Fund's financial statements. The Fund will apply this standard when effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

(ii) The new standards that have been issued which are relevant to the Fund and have not been early adopted are:

- The amendments to FRS 132 “Financial instruments: Presentation” and FRS 101(revised) “Presentation of financial statements” - “Puttable financial instruments and obligations arising on liquidation” (effective from 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions. The Fund will apply these amendments to the standard when effective.

(b) Investments

The Singapore Fund is an exchange-traded Fund listed on the Singapore Exchange Securities Trading Limited (SGX-ST) which aims at providing Singapore Fund (SF) Unitholders a return that closely corresponds to the performance of the FTSE/ASEAN 40 Index.

Investments are recorded at cost, which include transaction costs, and subsequently revaluation to their fair values as at the date of Statement of Financial Position.

Unrealised gains or losses are transferred to the fair value reserve included in net assets attributable to unitholders and is not distributable.

(c) Income recognition

Interest income earned from deposits is recognised on the accrual basis.

Realised gain or loss on disposal of investments is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on weighted average cost basis.

(d) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the holder’s option and are classified as financial liability. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund’s net asset value. The outstanding units are carried at the redemption amount that is payable at the date of Statement of Financial Position if the holder exercises the right to put the unit back to the Fund.

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

(e) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Taxation**

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable profits. Tax on dividend income from foreign quoted investments is based on the tax regime of the respective countries that the Fund is invested in.

(g) Finance cost

Proposed distributions to unitholders are recognised in the Statement of Comprehensive Income upon approval by the Board of Directors of the Manager. The distribution to the unitholders is recognised as finance cost in the Statement of Comprehensive Income.

(h) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Fund's functional and presentation currency.

(i) Foreign currencies translation

Foreign currency assets and liabilities are translated into Ringgit Malaysia at the rates ruling at the date of the Statement of Financial Position. Transactions during the financial period are converted into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. Differences on exchange are included in the Statement of Comprehensive Income.

(j) Amount due from/to Issuer

Amount due from/to Issuer of Exchange Traded Fund is carried at approved transaction amount as stated in trade confirmations.

(k) Proceeds and payments on creation and cancellation of units

The net asset value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as financial liability in the Statement of Financial Position and are stated at fair value representing the price at which units holders can redeem the units from the Fund.

(l) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Manager that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(n) Financial instruments**

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the Statement of Financial Position.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

A range of methodologies and assumptions had been used in deriving the fair values of the Fund's financial instruments as at that date of the Statement of Financial Position. The total fair value of each financial instrument is not materially different from the total carrying value.

The fair values are based on the following methodologies and assumptions:

(i) Exchange Traded Fund

The fair value is based on the last published market price.

(ii) Other short term financial instruments

Other short term financial instruments comprise interest income receivable, amount due from Manager, other payables and accruals, amount due to Manager, accrued management fee and amount due to Trustee. The carrying value of these assets and liabilities are assumed to approximate their fair value due to short tenure of less than one year.

(iii) Derivative financial instruments

The Fund's derivative financial instruments comprise forward currency contracts. Derivative financial instruments that do not qualify for hedge accounting are accounted for at fair value through income statement by using forward rate contracted at the date of statement of financial position. Changes in the fair value of these derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The preparation of financial statements in conformity with FRS and the SC Guidelines on Exchange Traded Funds requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported financial period. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and judgments 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.

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 Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is aim to provide investment results that, before expenses, closely correspond to the performance of the Underlying Index, regardless of its performance.

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

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

(a) Market risk

(i) Price risk

The NAV of the Fund will changes in the market value of the SF Securities the Singapore Fund holds. The price of SF units and correspondingly the price of the Units and the income from them may fluctuate. Investors may not get back their original investment. Whilst the Manager currently intends to pay out income distributions of the Fund annually, there is no guarantee that the Manager would make such distributions to investors. Investment in the Fund involves risks similar to those inherent in any fund of equity securities traded on a exchange, such as market fluctuations caused by factors like economic and political developments, changes in interest rates and foreign exchange. A significant decline in the value of the Underlying Index can therefore be expected to result in a similar decline in the SF NAV (and consequently the NAV of the Fund).

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Foreign exchange/currency risk

As the Fund's or Singapore Fund's assets and securities are not denominated in Ringgit Malaysia, a substantial portion of the revenue and income of the Fund and the Singapore Fund may be received in currencies other than Ringgit Malaysia. Accordingly, any fluctuation in the relevant exchange rates will affect the value of the securities, the SF NAV as well as the NAV of the Fund. As the NAV of the Fund is determined on the basis of RM, investors may lose money if the currency of the assets held by the Singapore Fund depreciates against RM. The Manager does not intend to hedge against such foreign currency exposure.

(iii) Interest rate risk

The Fund is exposed to interest rate risk. Changes in interest rate will affect the value of investments and its returns. The Fund's exposure to the interest rate risk is mainly confined to short term placements with financial institution. The Manager overcomes this exposure by way of maintaining deposits on short term basis.

(b) Single issuer risk

Any major price fluctuation of a particular security invested by the Fund may affect the Fund's net asset value and thus the prices of units.

The single issuer risk is managed by adhering to the investment limits as specified in the SC Guidelines on Exchange Traded Funds.

(c) Credit risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of profit, principals and proceeds from realisation of investments.

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.

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

As at 31.12.2010	Financial Asset Value Through Profit or Loss RM	Bank balances and deposits RM	Other assets RM	Total RM
ETF:				
Finance	-	-	-	-
Others	-	49,740	-	49,740
	-	49,740	-	49,740

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(d) Liquidity risk**

Liquidity risk is the risk that investment cannot be readily sold at or near its actual value without taking a significant discount. This will result in lower net asset value of the Fund. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

(e) Country risk

The Fund may invest in foreign markets. The foreign investment portion of the Fund may be affected by risk specific to the countries in which it invests. Such risks include changes in the country's economic fundamentals, social and political stability, currency movements and foreign investment policies. These factors may have an impact on the prices of the Fund's investment in that country and consequently may also affect the Fund's NAV and its growth. To mitigate these risks, the Manager will select securities that spread across countries in an attempt to reduce the impact from such events.

(f) Passive Investment

The Fund is not actively managed. Accordingly, the Fund may be affected by a decline in the Underlying Index. The Fund invests substantially all its assets in the Singapore Fund, which in turn invests in the securities included in or reflecting its Underlying Index. The SF Manager does not attempt to select stocks individually or to take defensive positions in declining markets.

(g) Tracking Error Risk

Changes in the SF NAV are unlikely to replicate the exact changes in the Underlying Index. This is due to, among other things, the fees and expenses payable by the Singapore Fund and transaction fees and stamp duty incurred in adjusting the composition of the Singapore Fund's portfolio because of changes in the Underlying Index and dividends received, but not distributed, by the Singapore Fund. In addition, as a result of the unavailability of Underlying Index Securities, the transaction costs in making an adjustment outweighing the anticipated benefits of such adjustment or for certain other reasons, there may be timing differences between changes in the Underlying Index and the corresponding adjustment to the shares which comprise the Singapore Fund's Portfolio.

During times when Underlying Index Securities are unavailable, illiquid or when the SF Manager determines it is in the best interests of the Singapore Fund to do so, the Singapore Fund may maintain a small cash position or invest in other securities until the Underlying Index Securities become available or liquid. Such costs, expenses, cash balances, timing differences or holdings could cause the SF NAV (and as a result the NAV of the Fund) to be lower or higher than the relative level of the Underlying Index. Regulatory policies may also affect the SF Manager's ability to achieve close correlation with the performance of the Underlying Index. The Singapore Fund's returns may therefore deviate from the Underlying Index and thus affecting the return of the Fund.

4. MANAGEMENT FEE

In accordance with Clause 15.1 of the Deed dated 19 April 2010, there will be no management fee charged at the Fund level.

For the financial period ended 31 December 2010, no management fee is charged by the Manager on this Fund.

5. TRUSTEE'S FEE

In accordance with Clause 15.2 of the Deed dated 19 April 2010, the Trustee is entitled to a fee not exceeding 0.20% per annum calculated based on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum.

For the financial period ended 31 December 2010, the Trustee's fee is recognised at a rate of 0.08% per annum

7. TAXATION

	01.10.2010 to 31.12.2010 RM
Current taxation	-
- Malaysian tax	-
- Foreign tax	-
	-
	-

A reconciliation of taxation applicable to net income before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	1.10.2010 to 31.12.2010 RM
Net income before taxation	276,314
Taxation at Malaysian statutory rate of 25%	69,078
Tax effects of:	
Income not subject to tax	-
Net realised gain on sale of investments not subject to tax purposes	(102,383)
Expenses not deductible for tax purposes	33,305
Restriction on tax deductible expenses for unit trust funds	-
Excess permitted expenses not deducted and not carried forward	-
Effect of foreign tax on foreign taxable income	-
	-
Taxation	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31.12.2010

	Quantity	Aggregate cost RM	Market Value RM	Percentage of net asset value %
Singapore				
CIMB FTSE ASEAN 40	404,500	11,050,576	12,757,562	100.71
Effect of unrealised foreign exchange gain difference recognised in statement of comprehensive income		(479,045)		
Fair value reserve		<u>2,186,031</u>		
		<u>12,757,562</u>		

8. CASH AND CASH EQUIVALENTS

	31.12.2010 RM
Bank balance in a licensed bank	<u>49,740</u>
The currency exposure profile of cash and cash equivalents is as follows:	
-Ringgit Malaysia	49,740
-USD Dollar	-
	<u>49,740</u>

9. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	No. of units	01.10.2010 to 31. 12.2010 RM
At the beginning of the period	8,100,000	12,391,094
Add: Creation arising from application	-	-
Less: Cancellation of units	-	-
Net increase in net assets attributable to unitholders	-	-
Net change in fair value reserve	-	276,314
At the end of the period	<u>8,100,000</u>	<u>12,667,408</u>
Approved size of Fund	<u>500,000,000</u>	

As at 31 December 2010, the number of units not yet issued is 491,900,000.

10. MANAGEMENT EXPENSE RATIO (“MER”)

**01.10.2010
to 31.12.2010
%**

MER 1.05

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 = Auditors’ remuneration
- D = Tax agent’s fee
- E = Administration expenses
- F = Average net asset value of the Fund calculation on a daily basis

The average net asset value of the Fund for the financial year calculated on daily basis is RM12,752,135.

11. PORTFOLIO TURNOVER RATIO (“PTR”)

**01.10.2010
to 31.12.2010**

PTR (times) NIL

PTR is derived from the following calculation:

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

where:

- total acquisition for the financial period = RM NIL
- total disposal for the financial period = RM NIL

12. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

<u>Related parties</u>	<u>Relationship</u>
CIMB-Principal Asset Management Berhad	The Manager
CIMB Group Sdn Bhd	Holding company of the Manager
CIMB Group Holdings Berhad (“CIMB”)	Ultimate holding company of the Manager
Subsidiaries and associates of CIMB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

12. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

Units held by the Manager and parties related to the Manager

	31.12.2010	
	No. of units	RM
Manager		
CIMB-Principal Asset Management Berhad	-	-
	=====	=====

The above units were transacted at the prevailing market price.

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

13. TRANSACTIONS WITH BROKERS/DEALERS

There are no transactions with brokers/dealers for the period ended 31 December 2010.

DIRECTORY

Head office of the Manager

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
Level 5, Menara Milenium,
8, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur MALAYSIA

Postal address

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
P. O. Box 10571
50718 Kuala Lumpur MALAYSIA

Internet site

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E-mail address

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General investment enquiries

(03) 2084 2200

Trustee for the CIMB FTSE ASEAN 40 MALAYSIA

Deutsche Trustees Malaysia Berhad (Co. No. 763590-H)
Level 20, Menara IMC,
8, Jalan Sultan Ismail,
50250 Kuala Lumpur, MALAYSIA

Auditors of the Trusts and of the Manager

PricewaterhouseCoopers (No. AF: 1146)
Level 10, 1 Sentral,
Jalan Travers, Kuala Lumpur Sentral,
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA

Consulting Actuaries

Mercer Zainal Consulting Sdn Bhd. (35090-H)
1702 Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
MALAYSIA

CIMB FTSE ASEAN 40 MALAYSIA is also available from CIMB Wealth Advisors Berhad's Offices

ADDRESS **TELEPHONE**

HEAD OFFICE

- 50, 52 & 54, Jalan SS21/39, Damansara Utama, 47400 Petaling Jaya, Selangor. 03-77183000

FINANCIAL CARE CENTRE

- 1 Jalan PJU 8/3B, Damansara Perdana, 47820 Petaling Jaya, Selangor. 03-77262000

REGIONAL OFFICES

- 5A, 1st & 2nd Floor, Jalan Todak 4, Bandar Sunway, Seberang Jaya, 13700 Perai, Penang. 04-3702155
04-3702156
- 23 & 23A Jalan Harimau Tarum Taman Century, 80250 Johor Bahru, Johor. 07-3341748
- 5B, Lot 414, Section 10, KTL D Jalan Rubber, 93400 Kuching, Sarawak. 082-259777
- No 1 Jalan Pasar Baru, Kampung Air, 88000 Kota Kinabalu, Sabah. 088-239951
088-239952

BRANCHES

- U7-3, 7th Floor, Menara Perbadanan, Jalan Tengku Petra Semerak, 15000 Kota Bharu, Kelantan. 09-7471172
09-7471190
- 30A, First Floor, Persiaran Greentown 1, Greentown Business Centre, 30450 Ipoh, Perak. 05-2439001
05-2439002
- No 13B, 2nd Floor, Jalan Mamanda 7/1, Off Jalan Ampang, 68000 Ampang, Selangor. 03-42702970
- 39-3 & 41-3, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur. 03-90592333
- 61, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka. 06-2811111
- Lot 228, 1st Floor, Beautiful Jade Centre, Jalan Maju, 98000 Miri, Sarawak. 085-432525

ADDRESS	TELEPHONE
SALES OFFICES	
• 18A, Tingkat Taman Ipoh 6, Ipoh Garden South, 31400 Ipoh, Perak.	05-5453343
• 75-76, Taman Aman Muhibbah, Jalan Kampung Sitiawan, 32000 Sitiawan, Perak.	05-6917761
• 32-3, 3rd Floor Jalan 1/27F, KL Satellite Centre (KLSC), Wangsa Maju, Section 5, 53300 Kuala Lumpur.	03-41422911
• 92B, Jalan Burhanuddin Helmi, Taman Tun Dr Ismail, 60000 Kuala Lumpur.	03-77276603
• Suite B-12-12, Plaza Mont Kiara, No 2, Jalan 1/70C Mont Kiara, 50480 Kuala Lumpur.	03-62035035
• Suite 3A-3 Wisma W.I.M., No 7, Jalan Abang Haji Openg, Taman Tun Dr Ismail, 60000 Kuala Lumpur.	03-77108916
• No 131A, 1st Floor, Jalan SS 17/1A, Subang Jaya, 47500 Selangor.	03-56210788
• Unit 113 & 213, Block C, Damansara Intan, 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor.	03-71182234
• A-2-1, Block A, 8 Jalan PJU 1A/20A, Dataran Ara Damansara, 47301 Petaling Jaya, Selangor.	03-78430506
• Lot C-615 & Lot C-616, Level 6, Block C, Kelana Square, 17, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor.	03-78806893
• 11A-3A, 3rd Floor, Mayang Plaza, Jalan SS26/4, Taman Mayang Jaya, 47301 Petaling Jaya, Selangor.	03-78033718
• A-2-3, Block A, 8 Jalan PJU 1A/20A, Dataran Ara Damansara, 47301 Petaling Jaya, Selangor.	03-78430503
• C-3-2A Taman Kasturi, Cheras, 43000 Selangor.	03-90743870
• 43-2 Jalan Wangsa Setia 1, Wangsa Melawati, 53300 Kuala Lumpur.	03-41490355
• 2-6A Jalan PJU 8/3A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor.	03-77256320
• Block E-03A 1st & 2nd Floor, Dataran Glomac, Kelana Jaya, 47301 Selangor.	03-78807082
• 12A-3 (2nd Floor), Block C Jalan PJU 5/17, Dataran Sunway, Kota Damansara, 47810 Selangor.	03-61416369
• Room No 203, 2nd Floor Lai Piang Kee Building, Jalan Pryer, 90000 Sandakan, Sabah.	089-213851
• 1st Floor, Lot 52, Block F, Jati Commercial Centre, P.O.Box 81677, 87026 Labuan Federal Territory.	087-428303
• 15A, Jalan Ruby, 96000 Sibu, Sarawak.	084-325515