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## INVESTOR LETTER

Dear Valued Investors,

We invite you to celebrate with us!

CIMB-Principal Asset Management has won the **Overall Fund Group Category Award from The Edge-Lipper Malaysia Fund Awards 2012**. This is a wonderful recognition and acknowledgement of our overall investment performance across our entire fund family over the last 3 years. In addition the following funds also won their respective categories for the year ended December 31, 2011:

1. **Winner, Equity Malaysia, 3 years** - CIMB-Principal Equity Fund
2. **Winner, Equity Malaysia, 10 years** - CIMB-Principal Equity Fund
3. **Winner, Equity Asia Pacific ex-Japan (Islamic), 3 years** - CIMB Islamic Equity Fund
4. **Winner, Equity Asia Pacific ex-Japan, 3 years** - CIMB Islamic Equity Fund
5. **Winner, Mixed Asset MYR Balance – Malaysia (Islamic), 3 years** - CIMB Islamic Balanced Growth Fund
6. **Winner, Mixed Asset MYR Balance – Malaysia (Islamic), 10 years** - CIMB Islamic Balanced Fund

These awards are important because it means that the consistent investment process we have in place, supported by strong portfolio risk management and oversight practices, has yielded top-performing investment results for our loyal investors.

In addition Asia Asset Management from Hong Kong, has just recognised CIMB-Principal as “**ETF Manager of the Year**” and honoured me with “**CEO of the Year**” award, however it is my firm belief that this latter award is really a reflection of the hardworking and talented people at the Company. Our focus on becoming ASEAN’s most valued investment manager has been recognized by the industry with the Company being named

- “Asset Management Company of the Year, Southeast Asia” by The Asset Triple A Investment Awards
- “Best Asset Manager in Southeast Asia” by Alpha Southeast Asia

We are also emerging within Asia’s investment industry, having being named to the **2011 Asia Manager Power 50 List**. That being said, we also continue to receive recognition from regional publications for our continued excellence in Malaysia. Last year AsianInvestor awarded us “**Best Onshore Fund House**”. The CIMB Islamic Enhanced Sukuk Fund was also recognised as “**Best Islamic Bond Fund**” by the Islamic Finance News Awards in its Islamic Investor Poll 2011.

At the end of the day, the industry accolades we received are incidental to our reason for being: to grow and manage the money you have entrusted with us responsibly, with the appropriate risk management controls in place. I’m happy to share that, 80% of our total AUM for unit trust funds are in the top 50% of their respective fund categories<sup>1</sup>.

The investment team performed admirably in an uncertain and volatile 2011, with an average 3.95% return across our domestic conventional equity funds<sup>2</sup>, outperforming the FTSE Bursa Malaysia KLCI by a significant 3.17% last year.

Our domestic Shariah-compliant equity funds<sup>3</sup> did even better, with an average return of 8.01%, outperforming the FTSE Bursa Malaysia EMAS Shariah Index by 5.6%. In particular, the CIMB-Principal Equity Fund and CIMB Islamic DALI Equity Growth Fund both outperformed their respective index by 4.6% and 6.5% in 2011.

We have also revamped our website to better position ourselves as a regional asset manager. Investors can now access different country websites in a single regional site at [www.cimb-principal.com](http://www.cimb-principal.com). This website has been improved to make it easier for investors to search for specific funds across different categories and asset classes.

**INVESTOR LETTER (CONTINUED)**

Taking a longer-term investment view over the last 3 years, I'm happy to share that the ASEAN markets have proven resilient with a performance growth of 97.3%, relative to the United States at 34.6% and Europe at 13.9%<sup>4</sup>. ASEAN equities are trading at 12.6x price-to-earnings ratio ("P/E") versus 10x P/E in for Asia ex-Japan. This valuation premium continues to persist as investors believe that ASEAN provides better earnings certainty. That said, we expect consolidation in the coming months which will give us an opportunity to buy quality stocks, when earnings forecasts are adjusted to more realistic levels.

Looking ahead, there are forecasts of potential further global economic slowdown and signs of tougher times ahead with the impending recession in the Eurozone. Germany, the region's strongest economy, is working hard to stabilize the region, but volatility seems unlikely to decline as the region's sovereign debt problem is still not completely resolved. We expect market uncertainty to persist in this challenging time. We are focused on how we can take advantage of the volatility.

This year we remain focused on our regional presence in ASEAN and will leverage our local investment expertise to find investment opportunities for our investors. I would like to take this opportunity to thank you for your continuous support and look forward to a rewarding 2012. We will continuously strive to provide the best in both services and products to investors.

On another note, in conjunction with our renewal exercise of the Master Prospectus (Shariah-compliant Funds), the section of "specific risks associated with the investment portfolio of the Fund" as contained in the Risk Factors Chapter has been updated. Please refer to the Master Prospectus (Shariah-compliant Funds) dated 30 June 2012 for further details.

Happy Investing!

Campbell Tupling

Chief Executive Officer

CIMB-Principal Asset Management Berhad

Source:

1. Lipper Hindsight as at end Dec 2011. 80% of Assets Under Management of CIMB-Principal Unit Trust Funds in the Top 2 Quartiles
2. CIMB-Principal Equity Aggressive Fund 3, CIMB-Principal Equity Aggressive Fund 1, CIMB-Principal Equity Fund, CIMB-Principal Equity Fund 2, CIMB-Principal Wholesale Equity Fund
3. CIMB Islamic Equity Aggressive Fund, CIMB Islamic DALI Equity Theme Fund, CIMB Islamic DALI Equity Growth Fund
4. FTSE/ASEAN Index, FTSE United States of America Index, FTSE Europe Index (Cumulative growth 31 Jan 09 - 31 Jan 12)

**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 Index, regardless of its performance.

**Has the Fund achieved its objective?**

For the year under review, the Fund is in line with its stated objective and the details are shown under 'Fund Performance' section.

**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 / Equity / 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 30 June 2012?**

RM 12.39 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 financial year ended 30 June 2012?**

The Fund declared a net income of 5.25 cent per unit for all unit holders on 15 June 2012. As a result of distribution, the net asset value per unit had dropped from RM1.5708 to RM1.5183.

\* Listing date

## Trust Directory

### Manager

#### *Registered Address*

CIMB-Principal Asset Management Berhad  
5<sup>th</sup> Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Tel: (03) 2093 0379

#### *Business Address*

Level 5, Menara Milenium  
8 Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: (03) 2084 2000

### Board of Directors

Dato' Charon Wardini bin Mokhzani  
Dato' Anwar bin Aji\*  
Datuk Noripah binti Kamso  
Wong Joon Hian\*  
Ned Alan Burmeister  
Loong Chun Nee\*  
Auyeung Rex Pak Kuen  
Peter William England \*\*\*  
John Campbell Tupling  
Raja Noorma binti Raja Othman  
Fad'l bin Mohamed  
Badlisyah bin Abdul Ghani \*\*

\* *Independent director*

\*\* *Alternate director to Raja Noorma binti Raja Othman*

\*\*\* *Alternate director to Dato' Charon Wardini bin Mokhzani*

### Investment Committee

Raja Noorma binti Raja Othman  
John Campbell Tupling  
Badlisyah bin Abdul Ghani  
Kim Teo Poh Jin\*  
Fad'l bin Mohamed\*  
Wong Fook Wah\*

\* *Independent member*

### Company Secretary

Datin Rossaya Mohd Nashir  
LS 0007591  
5<sup>th</sup> Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur

## **Trust Directory (continued)**

### **Investment Adviser**

CIMB-Principal Asset Management (S) Pte Ltd  
50 Raffles Place  
Singapore Land Tower, #26-05  
Singapore 048623  
Tel: (+65) 6210 8488 Fax: (+65) 6210 8489

## **Corporate Directory**

### **Fund Administration and Fund Accounting Service Provider**

Deutsche Bank (Malaysia) Berhad

#### *Registered Address*

Level 18, Menara IMC  
8, Jalan Sultan Ismail  
50250 Kuala Lumpur

#### *Business Address*

Level 18-20, Menara IMC  
8, Jalan Sultan Ismail  
50250 Kuala Lumpur

Tel: (03) 2053 6788

### **Trustee**

Deutsche Trustees Malaysia Berhad

#### *Registered/Business Address*

Level 20, Menara IMC  
8, Jalan Sultan Ismail  
50250 Kuala Lumpur

### **Auditors of the Manager and of the Fund**

PricewaterhouseCoopers Chartered Accountants

### **Tax Adviser**

PricewaterhouseCoopers Taxation Services Sdn Bhd

**Additional Information**

**Key personnel of the Manager**

The Board of CIMB-Principal plays an active role in the affairs of the Manager and is responsible for the overall management of CIMB-Principal. The Board has 13 members. Board meetings shall be held regularly (at least once every 2 months') and in accordance with the requirements of the ETF Guidelines, Deed and other applicable requirements.

Details of the Directors of the management company are set out as below:

<b>Name:</b>	<b>Dato' Charon Wardini bin Mokhzani</b>
<b>Designation:</b>	Executive Director / Chief Executive Officer, CIMB
<b>Qualifications:</b>	LLB. Hons. (The School of Oriental and African Studies, University of London); BA Hons. In Philosophy, Politics & Economics (Balliol College, University of Oxford).
<b>Experience:</b>	Dato' Charon Wardini Mokhzani heads the CIMB Group Holdings's Investment Banking Division. He has been an Executive Director of CIMB since May 2006 and on 15 November 2011 he was appointed the Chief Executive Officer. He is also the Chairman of CIMB-Principal, CWA and CIMB-Mapletree Management Sdn. Bhd., and a Director of CIMB Securities International Pte. Ltd.

Dato' Charon is a council member of the Malaysia Investment Banking Association and the Institute of Bankers Malaysia. He is a Director of Akademi IBBM Sdn. Bhd. and both a Director and member of the board audit committee of Cagamas Holdings Berhad. He also is a member of the boards of Yayasan Tuanku Syed Putra Perlis and Yayasan Tuanku Fauziah.

His background is in law and corporate finance and he was an independent director of CIMB Berhad when it was first listed in 2003. While in practice, he was recognised as one of Malaysia's leading corporate and finance lawyers by international legal publications.

Dato' Charon is 48 years old and was educated at the Malay College Kuala Kangsar and Bloxham School, England. He read Philosophy, Politics and Economics at Balliol College, University of Oxford (BA Hons) and Law at the School of Oriental and African Studies, University of London (LLB Hons). He is a non-practicing barrister of the Middle Temple in London and an advocate and solicitor of the High Court of Malaya.

**Additional Information (continued)**

**Name:** Dato' Anwar bin Aji  
**Designation:** Executive Chairman of Zelan Berhad, Director of Zelan Holdings (M) Sdn. Bhd., Director of Zelan Construction Sdn. Bhd., Director of Terminal Bersepadu Gombak Sdn. Bhd., Director of SKS PARS Refining Company Sdn. Bhd. and Director of Sistem Transit Aliran Ringan Sdn. Bhd. Independent Director of CIMB-Principal.  
**Qualifications:** Master of Arts, International Studies, Ohio University USA (1981 – 1982) and Bachelor of Economics (Hons.), University of Malaya (1970 – 1973).  
**Experience:** 1973 – 1978 Assistant Director - Industries Division, Ministry of International Trade & Industry  
 1978 – 1980 Principal Assistant Secretary - Budget Division, Federal Treasury, Ministry of Finance  
 1980 – 1981 Principal Assistant Secretary - Economic and International Division, Federal Treasury, Ministry of Finance.  
 1982 – 1984 Principal Assistant Secretary - Foreign Investment Committee, Economic Planning Unit Prime Minister Department  
 1984 – 1985 Principal Assistant Secretary - Investment Division of the Malaysian Tobacco Company Berhad under the British Malaysia Industry and Trade Association training scheme  
 1986 – 1991 Deputy Director - Petroleum Development Division, Prime Minister's Department  
 1991 – 1993 Principal Assistant Secretary – Finance Division, Federal Treasury, Ministry of Finance  
 1993 – 1994 Special Assistant - The Secretary General of Ministry of Finance  
 1994 – 2004 Managing Director - Khazanah Nasional Berhad  
 2001 – 2008 Chairman - Faber Group Berhad.  
 2008 – 2011 Chairman - Zelan Berhad.  
 Re-designated w.e.f 19.01.12 Executive Chairman – Zelan Berhad

**Name:** Datuk Noripah binti Kamso  
**Designation:** Director of CIMB-Principal.  
**Qualifications:** Bachelor in Business Administration (Northern Illinois University, Dekalb, Illinois, USA); Master in Business Administration (Marshall University, Huntington, West Virginia, USA).  
**Experience:** Datuk Noripah Kamso is the Chief Executive of CIMB-Principal Islamic Asset Management Sdn. Bhd. Since 2008, she has successfully established a global platform for the firm to extend its reach across the globe. The firm acts as a global partner to global institutional investors, providing a range of Shariah investment portfolios in both equities and sukuk asset-class to suit global differing investment needs. Previously she served as the CEO of CIMB-Principal which evolved from a Malaysian company to a regional asset management house with offices in Malaysia, Indonesia and Singapore. She pioneered the listing of the world's first Regional ASEAN Exchange Traded Fund, "CIMB ASEAN 40 ETF" listed in Singapore in 2006. She has over 23 years experience in corporate credit and lending. She has 9 years in derivatives broking business as CEO of CIMB Futures Sdn. Bhd. She was a Council Member of Federation of Investment Managers Malaysia (FIMM) and Board Member of CIMB-Principal (S) and President Commissioner of PT CIMB Principal Asset Management and was the Past President of Malaysian Futures Brokers Association (MFBA).



**Additional Information (continued)**

**Name:** **Wong Joon Hian\***  
**Designation:** Managing Director of Advance Synergy Capital Sdn. Bhd.  
**Qualifications:** Member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.  
**Experience:** Has been an independent non-executive director of CIMB-Principal since 22 August 2007.

After qualifying as a Chartered Accountant in 1973, he joined Price Waterhouse & Co in England before returning to Malaysia in 1975. He has accumulated over 30 years of working experience in the areas of audit, accountancy, banking, financial services and corporate management.

Currently, he is the Managing Director of Advance Synergy Capital Sdn. Bhd. since 22 September 1995 and serves as a non-executive director in several other non-listed public companies namely SIBB Berhad, formerly known as Southern Investment Bank (non-executive director), CIMB Wealth Advisors Berhad (independent non-executive director) and SFB Auto Berhad (independent non-executive director).

He is also a director in several other private limited companies.

**Name:** **Ned Alan Burmeister**  
**Designation:** Senior Vice President, Principal Financial Group. Chief Operating Officer, Principal International, Inc. Director, CWA. Director, CIMB-Principal. Director, Principal Compania de Seguros de Vida Chile Sociedad Anonima. Director, Principal Financial Group (Mauritius) Limited. Director, Principal International (Asia) Limited. Director, Principal International Holding Company, Limited Liability Company. Director, Principal International, Inc. Director, Principal Retirement Advisors Private Limited. Director, Principal Trust Company (Asia) Limited. Director, Principal Trustee Company Private Limited.  
**Qualifications:** Bachelor's degree from Drake University, Des Moines, Iowa. Member of Society of Actuaries and the American Academy of Actuaries.  
**Experience:** Appointed as a Director of CIMB-Principal on 30 November 2007. Has been with Principal Financial Group, Sociedad Anonima de Capital Variable for more than 28 years in the area of actuarial and pension services.

**Name:** **Loong Chun Nee\***  
**Designation:** Group Chief Investment and Performance Officer, Scomi Group Bhd. Independent Director of CIMB-Principal.  
**Qualifications:** Bachelor of Arts in Economics and Social Studies, University of Manchester, England.  
**Experience:** Has been a Director of CIMB-Principal since 6 May 2002. Also spent a total of 5 years with Puncak Niaga Holdings Berhad and 11 years in Renong Group.

**Additional Information (continued)**

**Name:** **Auyeung Rex Pak Kuen**  
**Designation:** Senior Vice President of Principal Financial Group; President – Asia of Principal Financial Group; Director of CIMBPrincipal.  
**Qualifications:** Bachelor of Environmental Studies (Honours) in Urban and Regional Planning, University of Waterloo, Canada.  
**Experience:** Has been a Director of CIMB-Principal since 11 July 2003 and has over 30 years of experience in insurance industry in Canada and Hong Kong.

**Name:** **Peter William England (Alternate Director to Dato' Charon Wardini bin Mokhzani)**  
**Designation:** Head of Retail Financial Services – CIMB Bank Berhad.  
**Qualifications:** Masters of Business Administration (MBA) University of Southern Queensland Australia (2004).  
Accounting Certificate (1988).  
Australian Higher School Certificate (1979).  
**Experience:** since 15 June 2012 Alternate Director of CIMB-Principal  
2007-2012 Director of CIMB-Principal  
2011-current Head of Retail Financial Services – CIMB Bank Berhad  
2006-2010 Head Retail Banking – CIMB Bank Berhad  
2004-2005 Chief Operating Officer, Personal Financial Services - Hong Leong Bank Bhd, Malaysia  
2001-2004 Head of Consumer Banking - RHB Bank Bhd, Malaysia  
2000 National Manager - Financial Advising - Securities Institute of Australia  
1998-1999 Head of Personal Banking - HSBC Bank, Singapore  
1979-1996 State Bank of NSW, Australia

**Name:** **John Campbell Tupling**  
**Designation:** Chief Executive Officer / Executive Director.  
**Qualifications:** Bachelor of Arts, University of Western Ontario, Canada.  
**Experience:** Has been an Alternate Director for CIMB-Principal since 22 March 2004 and was redesignated as a principal Director of CIMB-Principal since 22 August 2007 upon his move to Malaysia. He was appointed as the Chief Executive Officer / Executive Director of CIMB-Principal on 1 November 2008. Has spent more than 11 years in various positions with Principal Financial Group Inc. including Chief Operating Officer - Asia (based in Hong Kong), Co-Head of Institutional Pension Segment (based in USA) and Managing Director of Principal International Spain Sociedad Limitada. Previous experience was 15 years with American International Group Inc. in various capacities including Managing Director of AIG Mexico Sociedad Anonima and AIG La Tandilense (Argentina) Sociedad Anonima.

**Additional Information (continued)**

**Name:** **Raja Noorma binti Raja Othman**  
**Designation:** Chief Executive Officer of CIMB-Mapletree Management Sdn. Bhd. and Director of the Group Asset Management arm of CIMB Group Holdings. Director of CIMB-Principal.  
**Qualifications:** Bachelor of Business Administration degree from Ohio University, USA under a twinning programme with Institut Teknologi MARA.  
**Experience:** Has been a Director of CIMB-Principal since 24 April 2007.

Prior to joining CIMB Group Holdings in 2005, she was the Vice-President of Investment Banking for JP Morgan, a position she held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as both industry and client coverage banker. At JP Morgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border mergers and acquisitions as well as initial public offering transactions. She also has over 10 years experience in industry with Malaysia's largest telecommunications company, Telekom Malaysia Berhad, where the last post she held was Head of Corporate Finance.

**Name:** **Fad'l bin Mohamed \***  
**Designation:** Managing Director of Maestro Capital Sdn. Bhd. Director of CIMB Principal and CWA. Member of the Investment Committee.  
**Qualifications:** Bachelor of Laws (Hons), University of London; Certified Diploma in Accounting and Finance (Association of Chartered Certified Accountants).  
**Experience:** Has been a Director of CIMB-Principal since 22 May 2012. He has more than 20 year's exposure in the areas of law and finance. He started his career as a lawyer in Messrs. Rashid & Lee in 1991 to 1993. He then joined the SC in 1993 to serve in the Take-Overs and Mergers Department and subsequently in the Product Development Department. Between 1996 and 1999, he was attached to the Kuala Lumpur offices of a global investment bank, providing cross-border merger and acquisition advice and other corporate advisory services to Malaysian and foreign corporations. He is currently the founder and Managing Director of Maestro Capital Sdn. Bhd., a licensed corporate finance advisor providing corporate finance advisory services in the areas of mergers and acquisition and capital raising. He is a director of Scomi Engineering Berhad and holds directorships in various private companies. He is also an independent investment committee member of CIMB Nasional Equity Fund and a holder of the Capital Markets Services Representative's License for corporate finance advisory.

**Additional Information (continued)**

**Name:** **Munirah binti Khairuddin**  
**Designation:** Deputy Chief Executive Officer.  
**Qualifications:** Bachelor of Arts (Honours) in Accounting & Financial Analysis, University of Newcastle Upon Tyne, UK; Chartered Financial Analyst Charterholder.  
**Experience:** Joined CIMB-Principal on 1 November 2006 and appointed as Deputy Chief Executive Officer in November 2008. She has been a Director of CIMB-Principal since 31 January 2012 and Commissioner of PT CIMB-Principal Asset Management since 19 August 2011. Previously worked as a G7 Economist and strategist for a Fortune 500 multinational oil and gas company. Prior to that, she was a fixed income portfolio manager for emerging markets at Rothschild Asset Management in London. Apart from her Senior Management role, she is responsible for Institutional sales and marketing for both domestic and international investors and financial institutions. Her scope also entails developing institutional business opportunities for CIMB-Principal in potential new markets.

**Name:** **Badlisyah bin Abdul Ghani**  
**Designation:** Group Head, Islamic Banking Division – CIMB Group Holdings. Executive Director and Chief Executive Officer, CIMB Islamic Bank Berhad. Director of CIMB-Principal.  
**Qualifications:** Bachelor of Laws Degree from the University of Leeds.  
**Experience:** Joined CIMB in 2002 and was attached to the Corporate Finance Division, prior to his appointment as Head of CIMB Group Holdings Islamic Banking Division. He was appointed as Executive Director/Chief Executive Officer of CIMB Islamic Bank Berhad in 2006. He is responsible for all Islamic banking and finance business of the CIMB Group Holdings.

## The Investment Committee

As required by the ETF Guidelines, the Manager is required to establish an Investment Committee for the Fund whose role is to ensure that the investment management of the Fund is consistent with:

- (a) the Fund's investment objective;
- (b) the Deed;
- (c) the Prospectus;
- (d) the ETF Guidelines and other applicable laws;
- (e) internal investment restrictions and policies; and
- (f) acceptable and efficacious investment management practices within the industry.

The powers and duties of the Investment Committee include formulating and monitoring the implementation by the Manager of appropriate investment management strategies for the Fund and the measurement and evaluation of the performance of the Manager. The Investment Committee generally meets every month.

Accordingly, the Manager has appointed an Investment Committee for the Fund, comprising of 6 members.

The following table sets out information on the members of the Investment Committee:

<b>Name:</b>	<b>Raja Noorma binti Raja Othman</b>
<b>Designation:</b>	Chief Executive Officer of CIMB-Mapletree Management Sdn. Bhd. and Director of the Group Asset Management arm of CIMB Group Holdings. Director of CIMB-Principal.
<b>Qualifications:</b>	Bachelor of Business Administration degree from Ohio University, USA under a twinning programme with Institut Teknologi MARA.
<b>Experience:</b>	Has been a Director of CIMB-Principal since 24 April 2007.

Prior to joining CIMB Group Holdings in 2005, she was the Vice-President of Investment Banking for JP Morgan, a position she held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as both industry and client coverage banker. At JP Morgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border mergers and acquisitions as well as initial public offering transactions. She also has over 10 years experience in industry with Malaysia's largest telecommunications company, Telekom Malaysia Berhad, where the last post she held was Head of Corporate Finance.

<b>Name:</b>	<b>John Campbell Tupling</b>
<b>Designation:</b>	Chief Executive Officer / Executive Director.
<b>Qualifications:</b>	Bachelor of Arts, University of Western Ontario, Canada.
<b>Experience:</b>	Has been an Alternate Director for CIMB-Principal since 22 March 2004 and was redesignated as a principal Director of CIMB-Principal since 22 August 2007 upon his move to Malaysia. He was appointed as the Chief Executive Officer / Executive Director of CIMB-Principal on 1 November 2008. Has spent more than 11 years in various positions with Principal Financial Group Inc. including Chief Operating Officer - Asia (based in Hong Kong), Co-Head of Institutional Pension Segment (based in USA) and Managing Director of Principal International Spain Sociedad Limitada. Previous experience was 15 years with American International Group Inc. in various capacities including Managing Director of AIG Mexico Sociedad Anonima and AIG La Tandilense (Argentina) Sociedad Anonima.

The Investment Committee (continued)

**Name:** **Badlisyah bin Abdul Ghani**  
**Designation:** Group Head, Islamic Banking Division – CIMB Group Holdings. Executive Director and Chief Executive Officer, CIMB Islamic Bank Berhad. Director of CIMB-Principal.  
**Qualifications:** Bachelor of Laws Degree from the University of Leeds.  
**Experience:** Joined CIMB in 2002 and was attached to the Corporate Finance Division, prior to his appointment as Head of CIMB Group Holdings Islamic Banking Division. He was appointed as Executive Director/Chief Executive Officer of CIMB Islamic Bank Berhad in 2006. He is responsible for all Islamic banking and finance business of the CIMB Group Holdings.

**Name:** **Kim Teo Poh Jin \***  
**Designation:** Chairman of the Investment Committee. Director and Group Chief Executive Officer, Boardroom Limited. Director, Livet Company Pte. Ltd. Director, The T'ang Quartet. Director, Marina Yacht Services Pte. Ltd.  
**Qualifications:** Bachelor of Arts (Hons) in Economics from the Heriot-Watt University of Edinburgh.  
**Experience:** He has about 25 years of experience in the financial industry, having worked in senior positions of major financial institutions.

**Name:** **Fad'I bin Mohamed \***  
**Designation:** Managing Director of Maestro Capital Sdn. Bhd. Director of CIMB Principal and CWA. Member of the Investment Committee.  
**Qualifications:** Bachelor of Laws (Hons), University of London; Certified Diploma in Accounting and Finance (Association of Chartered Certified Accountants).  
**Experience:** Has been a Director of CIMB-Principal since 22 May 2012. He has more than 20 year's exposure in the areas of law and finance. He started his career as a lawyer in Messrs. Rashid & Lee in 1991 to 1993. He then joined the SC in 1993 to serve in the Take-Overs and Mergers Department and subsequently in the Product Development Department. Between 1996 and 1999, he was attached to the Kuala Lumpur offices of a global investment bank, providing cross-border merger and acquisition advice and other corporate advisory services to Malaysian and foreign corporations. He is currently the founder and Managing Director of Maestro Capital Sdn. Bhd., a licensed corporate finance advisor providing corporate finance advisory services in the areas of mergers and acquisition and capital raising. He is a director of Scomi Engineering Berhad and holds directorships in various private companies. He is also an independent investment committee member of CIMB Nasional Equity Fund and a holder of the Capital Markets Services Representative's License for corporate finance advisory.

**The Investment Committee (continued)**

<b>Name:</b>	<b>Wong Fook Wah*</b>
<b>Designation:</b>	Retiree and ex-Deputy Group Chief Executive for RAM Holdings Berhad.
<b>Qualifications:</b>	Bachelor of Arts (Economics) from Universiti Malaya (1977) and a Masters degree in Policy Science from Saitama University, Japan (1987).
<b>Experience:</b>	<p>Wong had served 20 years in RAM Holdings Bhd., from its inception as Malaysia's first credit rating agency in 1991. He held several positions over the years including Managing Director/CEO of RAM Rating Services Sdn. Bhd. His last position was that of Deputy Group Executive Officer of RAM Holdings Berhad ("RAM"). He retired from RAM in March 2011.</p> <p>Prior to joining RAM, Wong worked for the Ministry of Finance, Malaysia from 1977 to April 1991. He first served as an economist in the Economics Planning Division for the first 8 years. Then, for 4 years from 1987 to 1991, he worked as an analyst in a special task unit handling rehabilitational and restructuring work on ailing Government-owned enterprises.</p> <p>He was on the Board of Directors of the Malaysia Derivatives Exchange Bhd. (MDEX) from 2001 to May 2004 as an appointee of the Ministry of Finance. He also served on the Board of Directors of RAM Rating Services Bhd., Bond Pricing Agency Sdn. Bhd. and RAM Credit Information Sdn. Bhd., representing the interest of RAM Holdings Bhd. prior to retirement.</p>

\*Independent member

**PERFORMANCE DATA**

Details of portfolio composition of the Fund are as follows:

	<b>30.06.2012</b>	<b>30.06.2011</b>
	%	%
<b>Sector</b>		
Underlying Fund	99.36	99.01
Liquid assets and others	0.64	0.99
	100.00	100.00

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

	<b>30.06.2012</b>	<b>30.06.2011</b>
Net Asset Value (RM million)	12.39	12.69
Units In circulation (Million)	8.10	8.10
Net Asset Value per Unit (RM)	1.5299*	1.5672
Highest NAV per Unit (RM)	1.7981*	1.6277
Lowest NAV per Unit (RM)	1.3584*	1.3868
Market Price per Unit (RM)	1.5300	1.5800
Highest Market Price per Unit (RM)	1.6150	1.6750
Lowest Market Price per Unit (RM)	1.3850	1.3900
Total return (%) ^	1.00	13.01
-capital growth (%)	(2.38)	13.01
-income growth (%)	3.46	-
Gross distribution per unit (sen)	5.25	-
Net distribution per unit (sen)	5.25	-
Ex-date of distribution	13 June 12	-
Management Expenses Ratio (%)	0.40	3.39
Portfolio Turnover Ratio (times) #	-	1.39

(Launch date : 9 July 2010)

^ based on NAV per unit

\* NAV after distribution

# The turnover ratio was nil during the period under review as the Fund was fully invested in the Underlying fund for the year.

<b>Period</b>	<b>Total return (%)</b>	<b>Annualised (%)</b>
- Since inception (SI)^	14.13	6.91
- 1 Year	1.00	1.00
- Benchmark SI	14.87	7.23

	<b>30.06.2012</b>	<b>Since Inception to 30.06.2011</b>
	(%)	(%)
Annualised return^	1.00	13.01

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



**MARKET REVIEW (1 JULY 2011 TO 30 JUNE 2012)**

It has been a tough market in the past one year as the global economic giants of the world faced various challenges, which in turn affected the performance of the ASEAN markets. The fund's financial year started with the downgrade of US' credit rating by S&P to AA+ on August 5, the first time in 70 years. Adding to the rising US recession risks, investors were also concerned over the escalating Euro-area stress and inflationary pressure in large emerging markets like China and India. ASEAN markets were hit hard by these external developments as investors retreated from risky assets to defensives, causing a massive sell down by the foreign funds in the ASEAN region, especially in Thailand and Indonesia.

However, after the massive selldown, the second quarter saw a reversal in global markets trend, as most bourses across the globe bounced back and went on to rally. ASEAN markets took cue from the better performance, despite Thailand and the Philippines facing heavy floods which have caused disruption to the agriculture and manufacturing industry. In Malaysia, the Prime Minister announced a people-friendly "Budget 2012" while Indonesia on the other hand, went through a cabinet reshuffle and saw 7 ministers being ousted. The final month of 2011 saw fiscal concerns resurfacing from the Eurozone and warnings of further downgrades. However, ASEAN markets remained resilient as investors remained focused on internal factors. Indonesia received positive news as Fitch Ratings upgraded the nation's sovereign debt rating to investment grade. In the Philippines, markets ended 2011 by a successful award on the first Public-Private Partnership (PPP) project.

ASEAN markets continued its upward momentum in the second half of the financial reporting period. The strong US corporate earnings and upbeat trade data emerging from China helped boost investors' confidence at the beginning of the year 2012. In Indonesia, the President announced the increase in subsidized fuel prices to move in tandem to rising crude oil prices. However, concerns over China's economic slowdown reemerged in March as the Chinese Premier Wen Jiabao cut his nation's 2012 growth target to an eight-year low of 7.50%. Coupled with Eurozone debt crisis reigniting as well as possibility of Greece leaving Euro, most ASEAN markets fell as investors locked in profits. The Euro concerns continue up to June with the Greek elections, the downgrade of Spanish banks and Cyprus being the 5th Eurozone country to seek a bailout. Nonetheless, ASEAN markets rebounded and were resilient as investors chose to focus on domestic news instead. In the Philippines, market was boosted by the clear progress in the government's PPP program. Thai market was boosted by solid consumer sentiments and the renewed capex cycle. Singapore lacked domestic catalyst, but benefited from the falling commodity prices which helped improve margins across several sectors. Malaysia on the other hand, remained sidelined due to the uncertainty behind the upcoming General Election 13.

Overall, the ASEAN markets closed the year in mixed territory. The Philippines led the pack, returning 32.20% in Ringgit terms for the year, followed by Thailand (+14.40%) and Malaysia (1.30%). Indonesia and Singapore closed in negative territory, down by 2.90% and 6.50% respectively. (Source: Bloomberg)

FUND PERFORMANCE

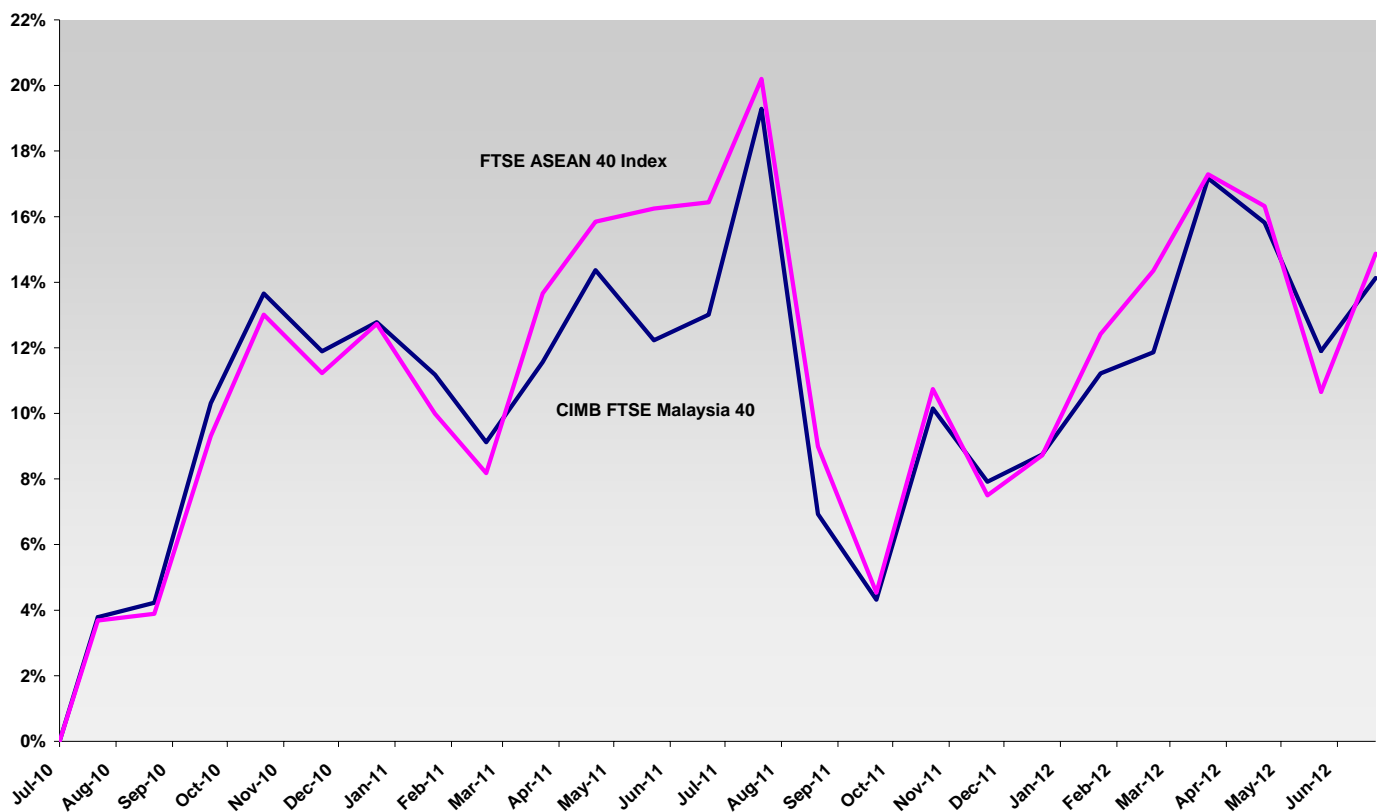
	1 Year to 30.06.2012 (%)	Since Inception to 30.06.2012 (%)
Income	3.46	3.46
Capital <sup>^</sup>	(2.38)	10.32
Total Return <sup>^</sup>	1.00	14.13
Annualised Return <sup>^</sup>	1.00	6.91
Underlying Fund <sup>^^</sup>	(2.04)	11.44
Benchmark (FTSE ASEAN 40 Index)	(1.39)	14.87
Market Price per Unit	(3.16)	10.07

<sup>^</sup> Based on NAV per Unit

<sup>^^</sup> Based on Last Published Market Price

For the period under review, the Fund gained 1.00%, outperforming the Underlying Fund's (market price) performance which declined 2.04%. The benchmark declined by 1.39% for the same reporting period. The Fund registered income of 3.46% when it went ex-dividend on 13 June, declaring a net income of 5.25 cent per unit. Most of the outperformance came from dividends of the Underlying Fund.

The last available published market price of the Fund quoted on Bursa Malaysia was RM1.53, a decline of 3.16% for the period.



**FUND PERFORMANCE (CONTINUED)**

**Changes in Net Asset Value (“NAV”)**

	<b>30.06.2012</b>	<b>30.06.2011</b>	<b>Changes (%)</b>
Net Asset Value (“NAV”) (RM million)	12.39	12.69	(2.36)
NAV / unit (RM)	1.5299*	1.5672	(2.38)

\* NAV after distribution

Both NAV and NAV per unit fall in sync for the period under review. The losses were due to marginally poor performance of the combined ASEAN markets over the year as stated under the Market Review section.

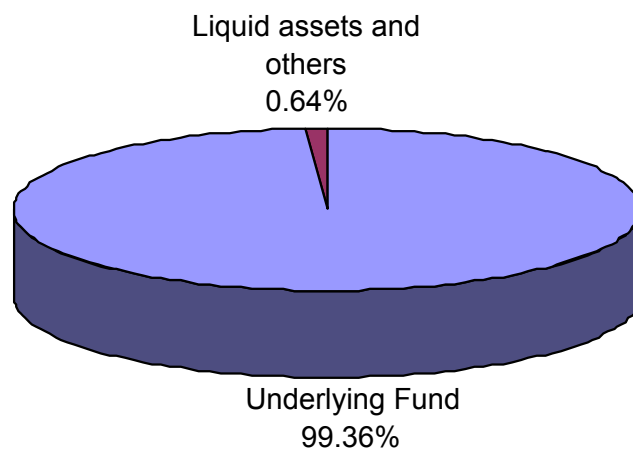
Performance data represents the combined income and capital return as a result of holding units in the fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the fund are reinvested and are net of management and trustee fees. Past performance 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 have been extracted from Lipper.

**PORTFOLIO STRUCTURE**

**Asset allocation**

<b>(% of NAV)</b>	<b>30 June 2012</b>	<b>30 June 2011</b>
<b>Underlying Fund</b>	99.36	99.01
<b>Liquid assets and others</b>	0.64	0.99
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

The Fund remained fully invested in the Underlying Fund for the period under review. A minimal level of liquid assets was maintained



## MARKET OUTLOOK

Progress in the Euro area and bank deleveraging remains the key area of concern, despite recent Euro Summit progress. Too often in the past, European policymakers have taken a step forward only to take the next step back. Issues like the banking union, deposit guarantee, resolution fund, Eurobond issuance or centralisation of budget decisions will have to be addressed in coming months and policy mistakes can easily undo the good work done by the summit announcements. The peripheral European economies need to keep making structural improvements in their labour markets to regain competitiveness relative to the core countries, especially Germany. In addition, the growth in China remained a hotly debated issue, as investors are still undecided on whether it will be a soft or hard landing for the new economic giant.

Given these current uncertain times in the Europe and China, ASEAN remains to be an attractive alternative destination for funds. The International Monetary Fund (IMF) estimated that ASEAN will grow 5.39% this year, higher than the 4.47% in 2011. In addition, ASEAN as an investment potential is able to offer relatively lower volatility. This will attract funds looking for a sustainable growth area with lower volatility. We continue to hold the medium term view that ASEAN fundamentals should remain resilient, with continued earnings momentum in Thailand and the Philippines.

## INVESTMENT STRATEGY

As this is a feeder exchange-traded fund, the Fund will continue to remain fully invested in the Underlying Fund with minimal cash kept for liquidity purposes.

## UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 30 June 2012 are as follows:

<b>Size of unit holding</b>	<b>No of unit holders</b>	<b>No of units Held (million)</b>	<b>% of units held</b>
5,000 and below	36	0.07	0.86
5,001 to 10,000	8	0.06	0.74
10,001 to 50,000	7	0.11	1.36
50,001 to 500,000	3	0.47	5.80
500,001 and above	2	7.39	91.24
	<u>56</u>	<u>8.10</u>	<u>100.00</u>

## SOFT COMMISSIONS AND REBATES

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

During the financial period under review, the 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**

I, being the Director of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 24 to 48 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2012 and of its financial performance, changes in equity and cash flows for the financial year then ended on that date in accordance with Financial Reporting Standards in Malaysia.

For and on behalf of the Manager  
**CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD**  
(Company No.: 304078-K)

**JOHN CAMPBELL TUPLING**  
Chief Executive Officer / Director

Kuala Lumpur  
16 August 2012

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF  
CIMB FTSE ASEAN 40 MALAYSIA**

We have acted as Trustee for CIMB FTSE Asean 40 Malaysia (Fund) for the financial year ended 30 June 2012. To the best of our knowledge, for the period under review, CIMB-Principal Asset Management Berhad (Manager) has operated and managed the Fund in accordance with the following :-

- (a) limitations imposed on the investment powers of the Manager and Trustee under the Deed, the Securities Commission's Guidelines on Exchange-Traded Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) the valuation/pricing for the Fund has been carried out in accordance with the deed of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units for the Fund have been carried out in accordance with the deed of the Fund and applicable regulatory requirements.
- (d) The distribution of 5.25 sen per unit (gross) for the financial year ended 30 June 2012 is consistent with the objective of the Fund.

For Deutsche Trustees Malaysia Berhad

**Jacqueline William**  
Chief Executive Officer

**Kong Seah Yen**  
Senior Trust Officer

Kuala Lumpur  
16 August 2012

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
CIMB FTSE ASEAN 40 MALAYSIA**

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of CIMB FTSE ASEAN 40 Malaysia in pages 24 to 48 which comprise the statement of financial position as at 30 June 2012 of the Fund, and the statements of comprehensive income, changes in equity and cash flows of the Fund for the year ended 30 June 2012, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 18.

Manager's Responsibility for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards in Malaysia and for such internal control as the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view 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 Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
CIMB FTSE ASEAN 40 MALAYSIA (CONTINUED)**

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Fund as of 30 June 2012 and of its financial performance and cash flows for the year then ended.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 18 on page 48 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Manager is responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
16 August 2012



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Note	2012 RM	19.04.2010 (date of constitution) to 30.06.2011 RM
<b>NET INVESTMENT (LOSS) / INCOME</b>			
Dividend income		427,490	317,653
Net (loss)/gain on financial assets at fair value through profit or loss	9	(256,533)	1,696,695
Net foreign currency exchange gain		1,932	(54,555)
		<u>172,889</u>	<u>1,959,793</u>
<b>EXPENSES</b>			
Trustee's fee	5	17,557	17,627
Custodian fee		2,477	2,004
Transaction costs		-	8,928
Audit fee		25,000	25,000
Tax agent's fee		3,000	3,000
Other expenses	6	1,684	377,474
		<u>49,718</u>	<u>434,033</u>
<b>NET (LOSS) / PROFIT BEFORE TAXATION</b>			
Taxation	7	-	(359)
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR / PERIOD</b>			
		<u>123,171</u>	<u>1,525,401</u>
Net profit after taxation is made up as follows:			
Realised amount		325,127	784,158
Unrealised amount		(201,956)	741,243
		<u>123,171</u>	<u>1,525,401</u>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2012**

	Note	2012 RM	2011 RM
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	9	12,312,502	12,569,034
Bank balances in a licensed bank	10	<u>113,697</u>	<u>165,700</u>
<b>TOTAL ASSETS</b>		<u>12,426,199</u>	<u>12,734,734</u>
<b>CURRENT LIABILITIES</b>			
Amount due to trustee		987	1,550
Other payables and accruals	11	<u>32,800</u>	<u>38,693</u>
<b>TOTAL LIABILITIES</b>		<u>33,787</u>	<u>40,243</u>
<b>NET ASSET VALUE OF THE FUND</b>	12	<u>12,392,412</u>	<u>12,694,491</u>
<b>EQUITY</b>			
Unitholders' capital		11,169,090	11,169,090
Retained earnings		<u>1,223,322</u>	<u>1,525,401</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	12	<u>12,392,412</u>	<u>12,694,491</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	12	<u>8,100,000</u>	<u>8,100,000</u>
<b>NET ASSET VALUE PER UNIT</b>		<u>1.5299</u>	<u>1.5672</u>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Note	Unitholders' capital RM	Retained earnings RM	Total RM
<b>Balance as at 1 July 2011</b>		11,169,090	1,525,401	12,694,491
Total comprehensive loss for the financial year		-	123,171	123,171
Distribution for the financial year	8	-	(425,250)	(425,250)
<b>Balance as at 30 June 2012</b>		<u>11,169,090</u>	<u>1,223,322</u>	<u>12,392,412</u>
<b>Balance as at 19 April 2010</b>		-	-	-
Movement in unitholders' contribution:				
Creation of units		23,656,860	-	23,656,860
Cancellation of units		(12,487,770)	-	(12,487,770)
Total comprehensive income for the financial period		-	1,525,401	1,525,401
<b>Balance as at 30 June 2011</b>		<u>11,169,090</u>	<u>1,525,401</u>	<u>12,694,491</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 30 JUNE 2012**

	Note	2012 RM	19.04.2010 (date of constitution) to 30.06.2011 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Proceeds from sales of investments		-	12,796,974
Purchase of investments		-	(23,669,314)
Dividends received		427,490	317,653
Trustee's fee paid		(18,121)	(16,077)
Custodian fee paid		(2,477)	(2,004)
Payments for other fees and expenses		(35,577)	(375,686)
Tax paid		-	(359)
<b>Net cash inflow/(outflow) from operating activities</b>		<u>371,315</u>	<u>(10,948,813)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		-	23,656,860
Payments for cancellation of units		-	(12,487,770)
Distribution		(425,250)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<u>(425,250)</u>	<u>11,169,090</u>
Net (decrease) / increase in cash and cash equivalents		(53,935)	220,277
Currency translation differences		1,932	(54,577)
Cash and cash equivalents at the beginning of the financial year/period		<u>165,700</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year/period	9	<u>113,697</u>	<u>165,700</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 30 JUNE 2012****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 invest at least 95% of its net asset value in CIMB FTSE ASEAN 40 (the "Singapore Fund"). The Singapore Fund is an exchange-traded fund listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") which aims at providing the Singapore Fund Unit holders a return that closely corresponds to the performance of the FTSE/ASEAN 40 Index (the "Underlying Index"). Therefore, the Manager adopts a passive strategy in the management of the Fund. All investments will be subjected to the SC Guidelines on Exchange Trade Funds, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The principal objective of the Fund is to provide investment results that closely correspond to the performance of the Underlying Index, regardless of its performance. 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 establishment and 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 have been prepared under the historical cost convention, in accordance with Financial Reporting Standards ("FRS") and the MASB approved accounting standards in Malaysia for entities other than private entities.

The preparation of financial statements in conformity with the FRS 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 financial period. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

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

### (a) Basis of preparation (continued)

(i) The amendments to published standards that are applicable and effective for Fund's financial year beginning on or after 1 July 2011 are as follows:

- Amendments to FRS 7 "Financial instruments: Disclosures" (effective 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This amendment does not have any impact on the classification and valuation of the Fund's financial statements.

(ii) The standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

- Financial year beginning on/after 1 January 2012

In the financial year beginning on 1 July 2012, the Fund will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters. There is no significant impact to the Fund's financial statements arising from the transition of existing FRSs to MFRSs.

- Financial year beginning on/after 1 January 2013

MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones. The Fund will apply this standard when effective.

This standard is not expected to have a significant impact on the Fund's financial statements.

- Financial year beginning on/after 1 January 2015

MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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

### (a) Basis of preparation (continued)

(ii) The standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows: (continued)

- Financial year beginning on/after 1 January 2015 (continued)

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (“FVTPL”). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability’s credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply. The Fund will apply this standard when effective.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

This standard is not expected to have a significant impact on the Fund’s financial statements.

### (b) Financial assets and liabilities

#### Classification

The Fund designates its investment in collective investment scheme 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 dividend receivable, cash and cash equivalents. The Fund classifies amount due to Trustee, other payables and accruals as other financial liabilities.

#### 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 FRS 139, 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.

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

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 expires.

Gains or losses arising from changes in the fair value of the investments including the effect of currency translation 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 period which they arise.

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

Collective investment scheme is valued based on the last published net asset value per unit or share of such collective investment scheme or, if unavailable, on the average of the last published buying price and the last published selling price of such unit or share (excluding any sales charge included in such selling price)

Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Income recognition**

Dividend income is recognised on the ex-dividend date.

Interest on deposits is recognised on accruals basis using the effective interest method.

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

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

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

**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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

**(e) Creation and cancellation of units**

The Fund issues cancellable units, which are cancelled upon accepted redemption applications submitted by Participating Dealer to the Manager in accordance with the terms of a Participating Dealer Agreement and the Deed, and are classified as equity. Cancellable units can be returned to the Fund at any Dealing Day for cash equal to a proportionate share of the Fund’s net asset value (“NAV”). The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to return the unit to the Fund.

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

The units in the Fund are puttable instruments which entitle the unitholders to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset of the Fund.

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

For the purpose of statement of cash flows, 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.

**(g) Taxation**

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial period. Tax on dividend income from foreign quoted investments is based on the tax regime of the respective countries that the Fund invests in.

**(h) Amount due from/to Manager of Collective Investment Scheme**

Amounts due from/to manager of collective investment scheme represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from manager of collective investment scheme. A provision for impairment of amounts due from manager of collective investment scheme is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the manager of collective investment scheme will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from manager of collective investment scheme 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**(i) Transaction costs**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, 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.

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

## (j) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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 Fund's manager that undertakes strategic decisions for the Fund.

## (k) Financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged 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.

Financial instruments of the Fund are as follows:

	Loans and receivables RM	At fair value through profit or loss RM	Total RM
<b>2012</b>			
Financial assets at fair value through profit or loss (Note 9)	-	12,312,502	12,312,502
Cash and cash equivalents (Note 10)	113,697	-	113,697
	<u>113,697</u>	<u>12,312,502</u>	<u>12,426,199</u>
<b>2011</b>			
Financial assets at fair value through profit or loss (Note 9)	-	12,569,034	12,569,034
Cash and cash equivalents (Note 10)	165,700	-	165,700
	<u>165,700</u>	<u>12,569,034</u>	<u>12,734,734</u>

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(l) Realised and unrealised portions of net income after tax**

The analysis of realised and unrealised net income after tax as presented on the statement of comprehensive income is prepared in accordance with Securities Commission Guidelines on Exchange-Traded Funds.

**(m) Critical accounting estimates and judgments 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 Fund is a feeder exchange-traded fund (ETF) which aims to invest at least 95% of its NAV in the Underlying Fund which is the Singapore Fund (SF). The SF is an ETF 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.

The Fund is exposed to a variety of risks which include market risk (price risk, interest rate risk and currency risk), credit risk, liquidity risk, passive investment, tracking error risk, non-compliance risk and capital 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 Fund.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Market risk

(i) Price risk

The Fund is exposed to equity securities price risk arising from investments held by the Singapore Fund for which prices in the future are uncertain. The very nature of an exchange-traded fund, however, helps mitigate this risk because the Singapore Fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the fund.

The Fund's overall exposures to price risk were confined to its investment in the Singapore Fund as follows:

	2012 RM	2011 RM
Financial asset at fair value through profit and loss	<u>12,134,612</u>	<u>12,569,034</u>

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of FTSE/ASEAN 40 Index.

The analysis is based on the assumptions that the Underlying Index fluctuates by 20.39% (2011: 14.27%), which is the standard deviation of the daily fluctuation of the Underlying Index, with all other variables held constant, and that the fair value of the investments moved in the same quantum with the fluctuation in the Index.

This represents management's best estimate of a reasonable possible shift in the fair value through profit and loss, having regard to the historical volatility of the prices.

The Underlying Index is used as the Fund is designed to provide investment results that closely correspond to the performance of the Underlying Index.

% Change in underlying index 2012	Underlying index	Market value RM	Change in net asset value/profit after tax RM
-20.39%	8,089	9,801,386	(2,511,116)
0.00%	10,161	12,312,502	-
20.39%	12,233	14,823,618	2,511,116
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>2011</b>			
-14.27%	9,297	10,775,433	(1,793,601)
0.00%	10,845	12,569,034	-
14.27%	12,393	14,362,635	1,793,601
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Market risk (continued)

(ii) Currency risk

The Fund's investments are denominated in foreign currencies. 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 Ringgit Malaysia 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 of the Fund arising from the denomination of the Fund's financial instruments in foreign currency.

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Cash and cash equivalents RM</b>	<b>Total RM</b>
<b>2012</b>			
USD	12,312,502	15,479	12,327,981
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>2011</b>			
USD	12,569,034	105,361	12,674,395
	<u>                    </u>	<u>                    </u>	<u>                    </u>

The table below summarises the sensitivity of the Fund's investments, cash and cash equivalent fair value to changes in foreign exchange movements at the end of each reporting period. The analysis is based on the assumption that the foreign exchange rate fluctuates by 7.64% for the financial year/period (2011: 6.41%), which is the standard deviation of the daily fluctuation of the exchange rate of USD against MYR, 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. Any fluctuation in foreign exchange rate will result in a corresponding increase/decrease in the net assets attributable to unit holders by approximately 7.64% (2011: 6.41%).

Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<b>Change in foreign exchange rate %</b>	<b>Impact on net asset value/ profit after tax RM</b>
<b>2012</b>		
USD	7.64	942,410
	<u>                    </u>	<u>                    </u>
<b>2011</b>		
USD	6.41	812,429
	<u>                    </u>	<u>                    </u>

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations 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. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Exchange-Traded Funds.

Bank balances of the Fund are placed with a licensed bank with a credit rating AA1 (2011: AA1).

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

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

<b>Industry</b>	<b>Cash and cash equivalents</b>	<b>Total</b>
<b>2012</b>	<b>RM</b>	<b>RM</b>
Finance	113,697	113,697
	<u>                    </u>	<u>                    </u>
<b>2011</b>		
Finance	165,700	165,700
	<u>                    </u>	<u>                    </u>

All financial assets of the Fund are neither past due nor impaired. At the end of respective reporting period, all cash and cash equivalents are placed with Deutsche Bank.

#### (c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the fund manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The 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 bank balance, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 business days.

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

	Less than 1 month RM	Less than 1 year RM	Total RM
<b>2012</b>			
Amount due to trustee	987	-	987
Other payables and accruals	-	32,800	32,800
	987	32,800	33,787
<b>2011</b>			
Amount due to trustee	1,550	-	1,550
Other payables and accruals	-	38,693	38,693
	1,550	38,693	40,243

#### (d) 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.

#### (e) 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.



### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (f) Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund do not follow the rules set out in the Fund's constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the Manager not complying with internal control procedures. The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the manager.

#### (g) Capital risk management

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Manager will provide In-Kind Creation Basket which comprises a portfolio of the Underlying Index shares in substantially the same composition and weighting as the Underlying Index and cash component to be delivered by the Participating Dealer in the case of creations and to be transferred to the Participating Dealer in the case of cancellations. The Fund maintains sufficient quantity of shares and cash in proportion to the In-Kind Basket.

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 for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

#### (h) Fair value estimation

The fair value of financial assets and liabilities traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

#### (h) Fair value estimation (continued)

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The fair value are based on the following methodology and assumptions:

- (i) Bank balance and deposits and placements with financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The carrying value of the financial assets and financial liabilities approximate their fair value due to their short term nature.

#### Fair value hierarchy

The Fund adopted the amendments to FRS 7, effective 1 January 2011. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 categorized 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 judgment, considering factors specific to the asset or liability.

**3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(h) Fair value estimation (continued)**

The determination of what constitutes 'observable' requires significant judgment 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	Level 2	Level 3	Total
2012	RM	RM	RM	RM
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>12,312,502</u>	<u>-</u>	<u>-</u>	<u>12,312,502</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. 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).

**4. MANAGEMENT FEE**

In accordance with Clause 15.1 of the Deed, there is no management fee charged at the Fund level.

**5. TRUSTEE FEES**

In accordance with Clause 15.2 of the Deed, the Trustee is entitled to a fee not exceeding a maximum 0.20% per annum, calculated based on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum, excluding foreign sub-custodian fees and charges.

For the financial year ended 30 June 2012, the Trustee's fee is recognised at a rate of 0.08% per annum. The Trustee's fee for the financial period ended 30 June 2012 is calculated prorata based on the minimum fees of RM 18,000 per annum. The Trustee has changed the minimum fees to RM12,000 per annum with effect from 1 June 2012.

There will be no further liability to the Trustee in respect of trustee fee other than the amounts recognised above.

**6. OTHER EXPENSES**

	2012	19.04.2010 (date of constitution) to 30.06.2011
	RM	RM
Professional fees	-	277,668
Printing costs	966	26,070
Listing fee	-	25,000
Other expenses	718	48,736
	<u>1,684</u>	<u>377,474</u>

7. TAXATION

	2012 RM	19.04.2010 (date of constitution) to 30.06.2011 RM
Current taxation- foreign	-	359

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

	2012 RM	19.04.2010 (date of constitution) to 30.06.2011 RM
Profit before taxation	123,171	1,525,760
Taxation at Malaysian statutory rate of 25%	30,793	381,440
Tax effects of:		
Investment gain not subject to tax	(43,223)	(489,949)
Expenses not deductible for tax purposes	6,180	102,259
Restriction on tax deductible expenses for exchange-traded funds	6,250	6,250
Effect of foreign tax on foreign taxable income	-	359
Taxation	-	359

8. DISTRIBUTION

Distribution to unitholders is derived from the following sources:

	2012 RM	2011 RM
Dividend income	156,820	-
Prior financial period's realised income	287,659	-
	444,479	-
Less:		
Expenses	(19,229)	-
Net distribution amount	425,250	-
<b>Distribution on 13 June 2012</b>		
Net distribution per unit (sen)	5.25	-
Gross distribution per unit (sen)	5.25	-

**8. DISTRIBUTION (CONTINUED)**

Net distribution above is sourced from realised income.

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

Included in the distribution for the financial year is an amount of RM287,659 (2011: nil) made from previous period's realised income.

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

	2012 RM	2011 RM
Designated at fair value through profit or loss at inception		
- Foreign collective investment scheme	<u>12,312,502</u>	<u>12,569,034</u>
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	-	900,875
- Change in unrealised fair value gain	<u>(256,533)</u>	<u>795,820</u>
	<u>(256,533)</u>	<u>1,696,695</u>

2012	Quantity Units	Aggregate cost RM	Market value RM	Percentage of net asset value %
<b>Singapore</b>				
CIMB FTSE ASEAN 40	<u>400,000</u>	11,773,214	<u>12,312,502</u>	<u>99.36</u>
<b>EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES</b>		205,473		
<b>UNREALISED GAIN ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>333,815</u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			<u><u>12,312,502</u></u>	

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

2011

Singapore

CIMB FTSE ASEAN 40	400,000	11,773,214	12,569,034	99.01
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<b>EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES</b>		(390,709)		
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<b>UNREALISED GAIN ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		1,186,529		
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<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>12,569,034</b>		
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**10. CASH AND CASH EQUIVALENTS**

	<b>2012 RM</b>	<b>2011 RM</b>
Bank balances in a licensed bank	113,697	165,700

**11. OTHER PAYABLES AND ACCRUALS**

	<b>2012 RM</b>	<b>2011 RM</b>
Provision for audit fee	22,750	25,000
Provision for tax agent fee	6,000	3,000
Other accruals	4,050	10,693
	<b>32,800</b>	<b>38,693</b>

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

Net asset value (NAV) attributable to unit holders is represented by:

	<b>Note</b>	<b>2012 RM</b>	<b>2011 RM</b>
Unit holders' contribution		11,169,090	11,169,090
Retained earnings		1,223,322	1,525,401
	<b>(a)</b>	<b>12,392,412</b>	<b>12,694,491</b>

12. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

(a) UNIT HOLDERS' CONTRIBUTION/ UNIT IN CIRCULATION

	2012		19.04.2010 (date of constitution) to 30.06.2011	
	No of units	RM	No of units	RM
At the beginning of the financial year/period	8,100,000	12,694,491	-	-
Add: Creation arising from applications during the financial year/period	-	-	16,200,000	23,656,860
Less: Cancellations of units during the financial year/period	-	-	(8,100,000)	(12,487,770)
Total comprehensive income for the financial year/period	-	123,171	-	1,525,401
Distribution for the financial year/period	-	(425,250)	-	-
At the end of the financial year	<u>8,100,000</u>	<u>12,392,412</u>	<u>8,100,000</u>	<u>12,694,491</u>
Approved size of the Fund	<u>500,000,000</u>		<u>500,000,000</u>	

In accordance with the Deed, the Manager may increase the size of the Fund from time to time with the approval of the Trustee and the Securities Commission. The maximum number of units that can be issued out for circulation of the Fund is 500,000,000. As at 30 June 2012, the number of units not yet issued is 491,900,000 (2011: 491,900,000).

The Manager, CIMB-Principal Asset Management Berhad, did not hold any units in the Fund as at 30 June 2012 (2011: NIL).

13. MANAGEMENT EXPENSE RATIO ("MER")

	2012	19.04.2010 (date of constitution) to 30.06.2011
	%	%
MER	<u>0.40</u>	<u>3.39</u>

MER is derived based on the following calculation:

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

- A = Trustee's fee
- B = Custodian fee
- C = Audit fee
- D = Tax agent's fee
- E = Other 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 RM12,529,768 (2011: RM12,811,894).

14. PORTFOLIO TURNOVER RATIO (“PTR”)

19.04.2010  
(date of  
constitution)  
2012 to 30.06.2011

PTR (times)	-	1.39
	<u>                    </u>	<u>                    </u>

PTR is derived from the following calculation:

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

where:

total acquisition for the financial year	=	NIL (2011: RM23,669,314)
total disposal for the financial year	=	NIL (2011: RM11,896,099)

15. 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-Principal Asset Management (S) Pte. Ltd.	Investment Adviser of the Fund
CIMB Group Sdn Bhd	Holding company of the Manager
CIMB Group Holdings Berhad ("CIMB")	Ultimate holding company of the Manager
CIMB FTSE ASEAN 40	Target Fund
Subsidiaries and associates of CIMB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

Units held by the Manager and parties related to the Manager

There were no units held by the Manager and parties related to the Manager as at the end of the financial year.

Significant related party transactions

There are no significant related party transactions during the financial year.

Significant related party balances

	2012 RM	2011 RM
Investment in collective investment scheme - CIMB FTSE ASEAN 40	12,312,502	12,569,034
	<u>                    </u>	<u>                    </u>



**16. TRANSACTIONS WITH BROKERS/DEALERS**

There were no transactions with brokers for the financial year 30 June 2012.

Details of transactions with all brokers for the financial period ended 30 June 2011 are as follows:

<b>2011 Brokers/dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
State Street Brokerage Services	25,280,025	69.32	3,952	44.27
CIMB GK Securities Limited #	11,186,263	30.68	4,976	55.73
	<u>36,466,288</u>	<u>100.00</u>	<u>8,928</u>	<u>100.00</u>

# Included in transactions by the Fund are trades conducted on normal terms with CIMB GK Securities Limited, a fellow subsidiary to the Manager, amounting to RM 11,186,263 for the period ended 30 June 2011.

**17. SEGMENT INFORMATION**

The Fund is designed to provide investment results that, before expenses, closely correspond to the performance of the FTSE/ASEAN 40 Index, regardless of its performance. In managing the Fund, the Manager attempts to achieve a high positive correlation and a low tracking error between the Net Asset Value of the Fund's portfolio and the Underlying Index. The internal reporting provided to the chief operating decision maker for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of FRS. The chief operating decision maker is responsible for the performance of the fund and considers the business to have a single operating segment.

**18. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Bursa Malaysia Securities Berhad's Listing Requirements and the Guidance on Special Matter No.1, "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements", as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by Bursa Malaysia Securities Berhad.

	<b>2012 RM</b>	<b>2011 RM</b>
Total retained earnings of the Fund		
- Realised	682,102	338,872
- Unrealised	541,220	1,186,529
	<u>1,223,322</u>	<u>1,525,401</u>

The analysis between realised and unrealised retained earnings above is prepared on a different basis as compared to the analysis of realised and unrealised retained earnings as disclosed in the statement of comprehensive income.

## DIRECTORY

### Head office of the Manager

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### General investment enquiries

(03) 2084 2200

### Trustee for the CIMB FTSE ASEAN 40 MALAYSIA

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### Auditors of the Trusts and of the Manager

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