

CIMB FTSE ASEAN 40 MALAYSIA

UNAUDITED QUARTERLY REPORT

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

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INVESTOR LETTER

Dear Valued Investors,

We invite you to celebrate with us!

CIMB-Principal Asset Management Berhad 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 Asset Management Berhad 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 recognised 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 categories¹.

The investment team performed admirably in an uncertain and volatile 2011, with an average 3.95% return across our domestic conventional equity funds², outperforming the FTSE Bursa Malaysia KLCI by a significant 3.17% last year.

Our domestic Shariah equity funds³ 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.

INVESTOR LETTER (CONTINUED)

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. This website has been improved to make it easier for investors to search for specific funds across different categories and asset classes.

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%⁴. 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. We are also pleased to inform that the Trustee Fee has been revised to 0.08% p.a. effectively from 1st July 2012.

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 Underlying Benchmark Index, regardless of its performance.

Has the Fund achieved its objective?

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

What are the Fund investment policy and its strategy?

The Fund is a feeder 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.

Fund category/ type

Feeder ETF / Index Tracking

How long should you invest for?

Recommended 3 to 5 years

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

High

When was the Fund launched?

9 July 2010*

What was the size of the Fund as at 30 September 2012?

RM 13.05 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

* Listing date

PERFORMANCE DATA

Details of portfolio composition of the Fund are as follows:

	30.09.2012	30.09.2011
	%	%
Sector		
Underlying Fund	99.48	99.00
Liquid assets and others	0.52	1.00
	<u>100.00</u>	<u>100.00</u>

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

	30.09.2012	30.09.2011
Net Asset Value (RM million)	13.05	11.72
Units In circulation (Million)	8.10	8.10
Net Asset Value per Unit (RM)	1.6115	1.4467
Highest NAV per Unit (RM)	1.6243	1.7981
Lowest NAV per Unit (RM)	1.5588	1.3584
Market Price per Unit (RM)	1.6100	1.4350
Highest Market Price per Unit (RM)	1.6350	1.6150
Lowest Market Price per Unit (RM)	1.5300	1.3850
Total return (%) ^	5.34	(7.69)
-capital growth (%)	5.34	(7.69)
-income growth (%)	-	-
Management Expenses Ratio (%)	0.09	0.18
Portfolio Turnover Ratio (times) #	-	-

(Launch date : 9 July 2010)

The Fund continued to be fully invested in the Underlying Fund for the quarter, resulting in no turnover for the period.

Period	Total return (%)	Annualised (%)
- Since inception (SI)^	20.23	8.60
- One Year	15.25	15.25
- Benchmark SI	<u>18.83</u>	<u>8.03</u>

	30.09.2011 to 30.09.2012 (%)	30.09.2010 to 30.09.2011 (%)	Since inception 30.09.2010 (%)
Annual total return (%)	<u>15.25</u>	<u>(5.43)</u>	<u>53.97</u>

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 2012 TO 30 SEPTEMBER 2012)

It was a strong quarter for the global markets as investors focus on several policy events around the world. The dominating factors were decisive actions from the US Federal Reserve (Fed), the European Central Bank (ECB) and to a lesser extent, the Bank of Japan (BoJ), all of whom delivered better than expected outcomes during their policy meets. The Fed introduced an open-ended third round of quantitative easing (QE3) in mortgage backed securities (MBS), the ECB announced an unlimited outright monetary transactions (OMT) programme to normalise monetary policy transmission in the Euro area while the BoJ added its bit by expanding its balance sheet by an additional JPY10 trillion. Also helping sentiment was the German Constitutional Court's decision on the validity of the European Stability Mechanism (ESM) with only a minor conditionality that its Parliament must approve any further increases in its contributions. All these encouraging news across the world has sparked rally in the ASEAN markets which swung into positive territory for the quarter.

Thailand was the champion for quarter, recording 11.48% gains. The Stock Exchange of Thailand (SET) closed just below the 1300 level at 1298.79 in September, the highest close in 16 years as global liquidity floated all boats higher. Average daily turnover in September jumped to the highest level YTD at USD1.13 billion, with both local and foreign investors returning as net buyers. Foreign investors net purchased USD107 million (USD2.13 billion YTD), while local institutions net purchased USD137 million (-USD1.43 billion YTD).

Singapore, being one of the closest economic allies of the US, also recorded strong performance over the quarter. The Singapore FTSE Straits Times Index (STI) was up 7.91% on the back of the QE3 rally which boost the industrial sector. Singapore's economy saw a decline of 0.70% q-o-q, seasonally adjusted in 2Q12 compared to the 1.10% decline estimated in the advance GDP release. In the details, manufacturing and services contracted modestly while construction was up. From the demand side, investment declined on the quarter, as did trade (both exports and imports).

The next outperformer was Malaysia which gained 3.38% for the quarter. The market has been buoyed by several high-profile listings such as Gas Malaysia on 11 June, Felda Global on 28 June and Integrated Healthcare on 25 July. However, the market came under selling pressure due to the disappointing August results season. Renewed concerns about potential early elections after the 2013 Budget on 28 September weighed down even more heavily. The Budget was chock-full of goodies for a wide spectrum of society which will benefit the consumers stocks.

In Indonesia, the Jakarta Composite Index (JCI) made 2.80% gains within the quarter. The Index broke a new record high to close at 4263 in September. The Indonesian draft budget presented for 2013 envisaged a budget deficit contained at 1.60% of GDP. The budget projects a 15.00% increase in capital expenditure (to IDR 194 trillion) and a 37.00% increase in subsidy expenditure to IDR 292 trillion in the financial year 2013. The head of Investment Coordinating Board said that FDI was likely to clock in at USD24-25 billion in 2012 compared to USD19 billion last year.

The Philippines remained relatively flat after an impressive 1H12 performance, gaining 0.11% for the quarter. The mild performance was explained by the general absence of positive news flow, both on the macro and corporate front. The market ignored the better-than-expected 2Q12 GDP growth as it digested the slowdown in 2Q12 corporate earnings. 2Q12 corporate earnings saw growth moderating with the number of profit disappointments outnumbering the positive surprises. In the Public-Private Partnership (PPP), the progress seen were the award of bids for school infrastructure and the National Economic and Development Authority (NEDA) approval of LRT 2 expansion and Bohol airport.

*Performance figures are from Bloomberg (in MYR terms).

FUND PERFORMANCE

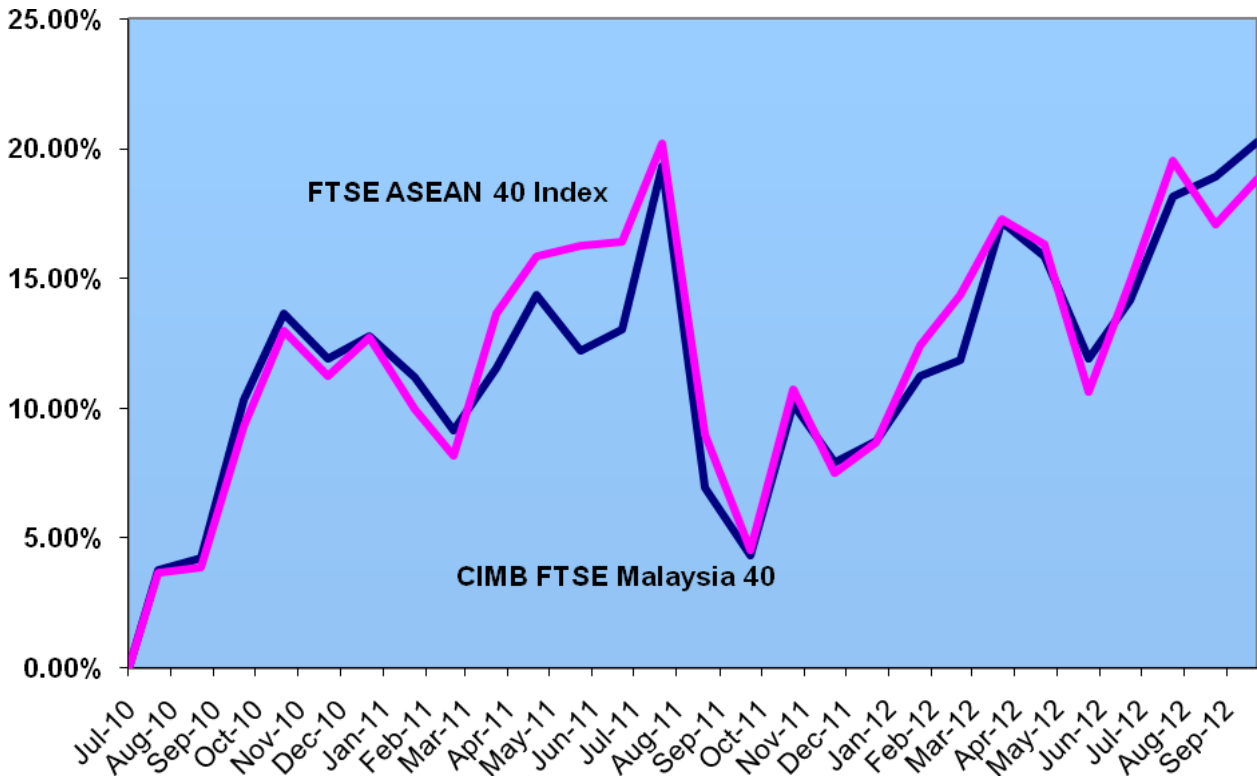
	3 months to 30.09.2012 (%)	1 year to 30.09.2012 (%)	Since Inception to 30.09.2012 (%)
Income	-	3.46	3.46
Capital ^	5.34	11.40	16.21
Total Return ^	5.34	15.25	20.23
Annualised Return ^	22.37	15.25	8.60
Underlying Fund^^	5.47	11.94	17.53
Benchmark (FTSE ASEAN 40 Index)	3.45	13.39	18.83
Market Price per Unit	5.23	12.20	15.83

^ Based on NAV per Unit

^^ Based on Last Published Market Price

For the period under review, the Fund gained 5.34%, in line with the performance of the Underlying Fund's (market price) performance of 5.47%. The benchmark was up 3.45% for the same reporting period.

The last available published market price of the Fund quoted on Bursa Malaysia was RM 1.61, an increase of 5.23% for the period.



Changes in Net Asset Value (“NAV”)

	30.09.2012	30.09.2011	% changes
Net Asset Value (“NAV”) (RM Million)	13.05	11.72	11.35
NAV/Unit (RM)	1.6115	1.4467	11.39

Both NAV and NAV per unit made an excellent improvement for the 1-year period. The increase was due to strong performance of the combined ASEAN markets over the year as partly described under the Market Review section.

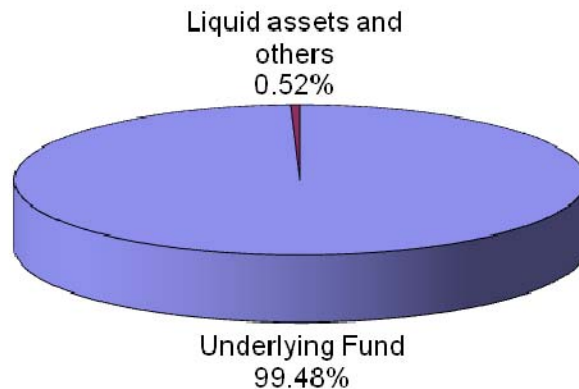
Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance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

(% of NAV)	30.09.2012	30.09.2011
Underlying Fund	99.48	99.00
Liquid assets and others	0.52	1.00
TOTAL	100.00	100.00

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



MARKET OUTLOOK

ASEAN continues to be viewed defensive in this lower growth environment as the earnings per share (EPS) downgrades trail behind the rest of Asia. On average, the EPS downgrade for ASEAN countries was -2.80%, behind the Asia Pacific region's downgrade of -5.30%. Thailand and the Philippines are the new growth markets this year, taking up the slack from a pausing Indonesian market. This provides counter-cyclicality and diversification across ASEAN that their economies and markets are not as correlated compared with North Asia. That said, ASEAN EPS growth at 12.10% for 2013 is still a tad behind the Asia's average of 13.40%. However, as investors pay more for earnings certainty, ASEAN trades at 13.2x PE for 2013, a 21.00% premium to the region's 10.9x PE.

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.

UNITHOLDING STATISTICS

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

Size of unit holding	No of unit holders	No of units Held (million)	% of units held
5,000 and below	35	0.06	0.76
5,001 to 10,000	6	0.05	0.57
10,001 to 50,000	6	0.09	1.12
50,001 to 500,000	3	0.31	3.86
500,001 and above	2	7.59	93.69
	<u>52</u>	<u>8.10</u>	<u>100.00</u>

REBATES AND SOFT COMMISSIONS

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**

We, being the Directors of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 10 to 35 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 September 2012 and of its financial performance, changes in equity and cash flows of the Fund for the financial period ended 30 September 2012 in accordance with Financial Reporting Standards.

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

John Campbell Tupling
Chief Executive Officer/Director

Datuk Noripah Kamso
Director

Kuala Lumpur
15 November 2012

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JULY 2012 TO 30 SEPTEMBER 2012**

	Note	01.07.2012 to 30.09.2012 RM	01.07.2011 to 30.09.2011 RM
INCOME			
Net gain/(loss) on financial assets at fair value through profit or loss	7	673,635	(1,595,089)
Net foreign exchange (loss)/gain		(583)	641,544
		<u>673,052</u>	<u>(953,545)</u>
LESS: EXPENSES			
Trustee fee	5	3,025	4,537
Custodian fee		405	-
Audit fee		6,301	6,301
Tax Agent fee		1,756	756
Administration expenses		549	11,020
		<u>12,036</u>	<u>22,614</u>
PROFIT/(LOSS) BEFORE TAXATION		661,016	(976,159)
TAXATION	6	-	-
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME DURING THE FINANCIAL PERIOD		<u>661,016</u>	<u>(976,159)</u>
Profit/(Loss) after taxation is made up as follows:			
Realised amount		(12,619)	(17,916)
Unrealised amount		673,635	(958,243)
		<u>661,016</u>	<u>(976,159)</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

	Note	30.09.2012 RM	30.09.2011 RM
CURRENT ASSETS			
Financial assets at fair value through profit or loss	7	12,986,136	11,600,680
Cash and cash equivalents	8	103,806	158,739
TOTAL ASSETS		<u>13,089,942</u>	<u>11,759,419</u>
CURRENT LIABILITIES			
Amount due to trustee		987	1,480
Other payables and accruals	9	35,527	39,607
TOTAL LIABILITIES		<u>36,514</u>	<u>41,087</u>
NET ASSET VALUE OF THE FUND	10	<u>13,053,428</u>	<u>11,718,332</u>
EQUITY			
Unitholders' capital		11,169,090	11,169,090
Retained earnings		1,884,338	549,242
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	10	<u>13,053,428</u>	<u>11,718,332</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>8,100,000</u>	<u>8,100,000</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION)		<u>1.6115</u>	<u>1,4467</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JULY 2012 TO 30 SEPTEMBER 2012**

	Note	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2012		11,169,090	1,223,322	12,392,412
Total comprehensive income for the financial period		-	661,016	661,016
Balance as at 30 September 2012	10	<u>11,169,090</u>	<u>1,884,338</u>	<u>13,053,428</u>
Balance as at 1 July 2011		11,169,090	1,525,401	12,694,491
Total comprehensive income for the financial period		-	(976,159)	(976,159)
Balance as at 30 September 2011	10	<u>11,169,090</u>	<u>549,242</u>	<u>11,718,332</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JULY 2012 TO 30 SEPTEMBER 2012**

		01.07.2012 to 30.09.2012	01.07.2011 to 30.09.2011
	Note	RM	RM
CASH FLOW FROM OPERATING ACTIVITIES			
Trustee fee paid		(3,025)	(4,607)
Custodian fee paid		(405)	-
Professional fee paid		(549)	(639)
Payments for other fees and expenses		(5,329)	(7,596)
Net cash outflow from operating activities		<u>(9,308)</u>	<u>(12,842)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Cash proceeds from units created		-	-
Payments for cancellation of units		-	-
Net cash inflow from financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(9,308)	(12,842)
Cash and cash equivalents at the beginning of the financial period		113,697	-
Effect of unrealised foreign exchange		(583)	171,581
Cash and cash equivalents at the end of the financial period	8	<u>103,806</u>	<u>158,739</u>

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

**UNAUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JULY 2012 TO 30 SEPTEMBER 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 NAV 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 Unitholders 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.

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

All investments will be subject to the SC Guidelines on Exchange-Traded Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The Manager, a company incorporated in Malaysia, is a wholly-owned 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 trust funds and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standards ("FRS") and the Malaysian Accounting Standards Board ("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 revenue 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. The Manager believes that the underlying assumptions are appropriate and the Fund's financial statements therefore present the financial position results fairly. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

There are involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 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 September 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 September 2012

In the financial year beginning on 1 September 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 September 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 September 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)

- Financial year beginning on/after 1 September 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 disclosure 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.

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

Recognition and measurement (continued)

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.

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.

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

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.

(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 currenciesFunctional 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Creation and cancellation of units (continued)**

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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:

	Financial assets at fair value through profit or loss RM	Loans and Receivables RM	Total RM
As at 30.09.2012			
Financial assets at fair value through profit or loss (Note 7)	12,986,136	-	12,986,136
Cash and cash equivalents (Note 8)	-	103,806	103,806
	<u>12,986,136</u>	<u>103,806</u>	<u>13,089,942</u>
As at 30.09.2011			
Financial assets at fair value through profit or loss (Note 7)	11,600,680	-	11,600,680
Cash and cash equivalents (Note 8)	-	158,739	158,739
	<u>11,600,680</u>	<u>158,739</u>	<u>11,759,419</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 profit 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 SC 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 (inclusive of price risk, interest rate risk and currency risk), credit risk, liquidity risk, country 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 in the prospectus and the SC Guidelines on Exchange-Traded Fund.

(a) Market risk

(i) Price risk

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

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

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

	30.09.2012	30.09.2011
	RM	RM
Collective investment scheme designated as financial asset at fair value through profit or loss	<u>12,986,136</u>	<u>11,600,680</u>

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Price risk (continued)

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of FTSE ASEAN 40 Index at the end of each reporting period.

The analysis is based on the assumptions that the Underlying Index fluctuates by 14.27%, which is the standard deviation of the daily fluctuation of the Underlying Index from the date of constitution of the Fund to 30 September 2012, 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	Market value RM	Change in net asset value RM
As at 30.09.2012		
+14.27%	14,839,258	1,853,122
0.00%	12,986,136	-
-14.27%	11,133,014	(1,853,122)
<hr/>		
As at 30.09.2011		
+14.27%	13,256,097	1,655,417
0.00%	11,600,680	-
-14.27%	9,945,263	(1,655,417)
<hr/>		

(ii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment in collective investment schemes and its return will fluctuate because of changes in market interest rates.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. The exposure to interest rate fluctuations is minimal.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Currency risk

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. Malaysian based investor should be aware that if the Malaysian Ringgit appreciates against the currencies in which the portfolio of the investment is denominated, this will have an adverse effect on the NAV of the fund and vice versa. Investors should note any gains or losses arising from the movement of foreign currencies against its home currency may therefore increase/decrease the capital gains of the investment. Nevertheless, investors should realise that currency risk is considered as one of the major risks to investments foreign assets due to the volatile nature of the foreign exchange market. The Manager or its fund management delegate could utilise two pronged approaches in order to mitigate the currency risk; firstly by spreading the investments across different currencies (i.e. diversification) and secondly, by hedging the currencies when its deemed necessary.

The following table sets out the foreign currency risk concentrations of the Fund at the end of each reporting period:

	Financial assets at fair value through profit or loss	Cash and cash equivalents	Total
	RM	RM	RM
As at 30.09.2012			
USD	12,986,136	103,806	13,089,942
	<u> </u>	<u> </u>	<u> </u>
As at 30.09.2011			
USD	11,600,680	111,242	11,711,922
	<u> </u>	<u> </u>	<u> </u>

The table below summarises the sensitivity of the Fund's investments and cash and cash equivalent's 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 6.41%, which is the standard deviation of the daily fluctuation of the exchange rate of USD against MYR from the date of constitution of the Fund to 30 September 2012, 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 6.41%.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Currency risk (continued)

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

	Change in foreign exchange rate	Impact on net asset value / net profit before tax
As at 30.09.2012	%	RM
USD	6.41%	839,065
	<u> </u>	<u> </u>
As at 30.09.2011		
USD	6.41%	750,734
	<u> </u>	<u> </u>

(b) Credit risk

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

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.

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

	Cash and cash equivalents	
Industry	30.09.2012 RM	30.09.2011 RM
Finance	103,806	158,739
	<u> </u>	<u> </u>

All financial assets of the Fund as at 30 September 2012 are neither past due nor impaired. As at 30 September 2012, all cash and cash equivalents are placed with Deutsche Bank.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
As at 30.09.2012			
Amount due to trustee	987	-	987
Other payables and accruals	-	35,527	35,527
	<u>987</u>	<u>35,527</u>	<u>36,514</u>
Contractual cash out flows	<u>987</u>	<u>35,527</u>	<u>36,514</u>
As at 30.09.2011			
Amount due to trustee	1,480	-	1,480
Other payables and accruals	-	39,607	39,607
	<u>1,480</u>	<u>39,607</u>	<u>41,087</u>
Contractual cash out flows	<u>1,480</u>	<u>39,607</u>	<u>41,087</u>

(d) Country risk

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

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

(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) Tracking error risk

Changes in the SF NAV are unlikely to replicate the exact changes in the Underlying Benchmark Index. This is due to, among other things, the fees and expenses payable by the SF and transaction fees and stamp duty incurred in adjusting the composition of the SF's portfolio because of changes in the Underlying Benchmark Index and dividends received, but not distributed, by the SF. 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 Benchmark Index and the corresponding adjustment to the shares which comprise the SF'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 SF to do so, the SF 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 Benchmark Index. Regulatory policies may also affect the SF Manager's ability to achieve close correlation with the performance of the Underlying Benchmark Index. The SF's returns may therefore deviate from the Underlying Benchmark Index and thus affecting the return of the Fund.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(h) Foreign security risks

The Fund invests entirely within or relates within or relates to the equity markets of a single country. These markets are subject to special risks associated with foreign investment including market fluctuations caused by factors affected by political and economic development. The principal risk factors, which could decrease the value of the investor's investment, are listed and described below:

- less liquid and less efficient securities markets;
- greater price volatility;
- exchange rate fluctuations and exchange controls;
- less publicly available information about issuers;
- higher transaction and custody costs and delays and risks of loss attendant in settlement procedures;
- difficulties in enforcing contractual obligations;
- lesser levels of regulation of the securities markets;
- different accounting, disclosure and reporting requirements;
- more substantial government involvement in the economy;
- higher rates of inflations; and
- greater social, economic, and political uncertainty and the risk of nationalisation or expropriation of assets and risk of war or terrorism.

(i) 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 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 Unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(j) 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)

(j) 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, 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)**(j) 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 RM	Level 2 RM	Level 3 RM	Total RM
30.09.2012				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	12,986,136	-	-	12,986,136

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 AND CUSTODIAN 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 NAV of the Fund, subject to a minimum fee of RM18,000 per annum, excluding foreign sub-custodian fees and charges.

For the financial period ended 30 September 2012, the trustee's fee is recognised at a rate of 0.08% per annum (30.09.2011 : 0.08% per annum).

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

6. TAXATION

	01.07.2012 to 30.09.2012 RM	01.07.2011 to 30.09.2011 RM
Tax charged for the financial period:		
Current taxation- foreign	-	-

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

	01.07.2012 to 30.09.2012 RM	01.07.2011 to 30.09.2011 RM
Net profit/loss before taxation	661,016	(976,159)
Taxation at Malaysian statutory rate of 25% (30.09.2011: 25%)	165,254	(244,040)
Tax effects of:		
Net (gain) on investments not deductible for tax purposes/(not subject for tax)	(168,263)	238,386
Expenses not deductible for tax purposes	2,127	1,575
Restriction on tax deductible expenses for exchange traded funds	882	4,079
Taxation	-	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.09.2012 RM	30.09.2011 RM
Designated at fair value through profit or loss		
-Foreign collective investment scheme	12,986,136	11,600,680

	01.07.2012 to 30.09.2012 RM	01.07.2011 to 30.09.2011 RM
Net gain on financial assets at fair value through profit or loss		
- Change in unrealised fair value gain/(loss)	673,635	(1,595,089)

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

As at 30.09.2012	Quantity Units	Aggregate cost RM	Market value RM	Percentage of net asset value %
Singapore				
CIMB FTSE ASEAN 40	<u>400,000</u>	11,773,214	<u>12,986,136</u>	99.48
EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		(245,529)		
UNREALISED GAIN ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,458,451</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>12,986,136</u>		
As at 30.09.2011				
Singapore				
CIMB FTSE ASEAN 40	<u>400,000</u>	11,773,214	<u>11,600,680</u>	99.00
EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		244,690		
UNREALISED LOSS ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(417,224)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>11,600,680</u>		

8. CASH AND CASH EQUIVALENTS

	30.09.2012 RM	30.09.2011 RM
Bank balance in a licensed bank	<u>103,806</u>	<u>158,739</u>

The currency profile of cash and cash equivalents is as follows:

	30.09.2012 RM	30.09.2011 RM
- Ringgit Malaysia	88,910	47,497
- United States Dollar	<u>14,896</u>	<u>111,242</u>
	<u>103,806</u>	<u>158,739</u>

9. OTHER PAYABLES AND ACCRUALS

	30.09.2012	30.09.2011
	RM	RM
Provision for audit fee	28,551	31,301
Provision for tax agent fee	2,426	3,756
Other accruals	4,550	4,550
	<u>35,527</u>	<u>39,607</u>

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

Net Asset Value (“NAV”) attributable to unit holders is represented by:

	Note	30.09.2012	30.09.2011
		RM	RM
Unitholders’ contribution		11,169,090	11,169,090
Retained earnings		1,884,338	549,242
	(a)	<u>13,053,428</u>	<u>11,718,332</u>

(a) UNIT HOLDERS’ CONTRIBUTION/ UNIT IN CIRCULATION

	30.09.2012		30.09.2011	
	No of units	RM	No of units	RM
At the beginning of the financial period	8,100,000	12,392,412	8,100,000	12,694,491
Total comprehensive income for the financial period	-	661,016	-	(976,159)
At end of the financial period	<u>8,100,000</u>	<u>13,053,428</u>	<u>8,100,000</u>	<u>11,718,332</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 September 2012, the number of units not yet issued is 491,900,000 (30.09.2011: 491,900,000).

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.07.2012 to 30.09.2012	01.07.2011 to 30.09.2011
MER	0.09	0.18

MER is derived based on the following calculation:

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

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

The average net asset value of the Fund for the financial period calculated on daily basis is RM12,931,933 (30.09.2011: RM12,588,358).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.07.2012 to 30.09.2012	01.07.2011 to 30.09.2011
PTR (times)	NIL	NIL

PTR is derived from the following calculation:

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

where:

total acquisition for the financial period = NIL (30.09.2011: NIL)
 total disposal for the financial period = NIL (30.09.2011: NIL)

13. UNITS HELD BY THE MANAGER AND RELATED PARTIES TRANSACTIONS AND BALANCES

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

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

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 period.

Significant related party transactions

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

Significant related party balances

	30.09.2012	30.09.2011
	RM	RM
Investment in collective investment scheme - CIMB FTSE ASEAN 40	12,986,136	11,600,680

14. TRANSACTIONS WITH BROKERS/DEALERS

There are no transactions with brokers/dealers for the financial period ended 30 September 2012 and 30 September 2011.

15. 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.

DIRECTORY

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