

CIMB FTSE ASEAN 40 MALAYSIA

UNAUDITED QUARTERLY REPORT

**FOR THE FINANCIAL PERIOD FROM 1 JULY 2014
TO 30 SEPTEMBER 2014**

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INVESTORS' LETTER

Dear Valued Investors,

Thank you for your continuous support and trust by investing in CIMB-Principal Asset Management Berhad ("CIMB-Principal") funds. Our commitment to you is to deliver consistent risk adjusted returns through sound investment and strong corporate governance practices. By placing clients at the heart of everything that we do, we will continue to strive in delivering quality products and services that meet our clients' investment needs.

We are also pleased to inform that we have won the marquee award for The Best Asset Manager in Southeast Asia by Alpha Southeast Asia for the 5th straight year. This industry recognition is emblematic of the trust that we have built with our clients over time and our ability to successfully scale up our capabilities with solid investment track records.

At CIMB-Principal, we aspire to be your preferred asset management partner in helping you achieve your desired retirement lifestyle. If you have not maximised the RM3,000 in tax relief a year* by saving in the Private Retirement Schemes ("PRS"), we do encourage you to do so. In addition, a RM500 one-off PRS Youth Incentive will also be given to individuals between the age of 20-30 years who participate in the PRS**.

For parents with young adults, we recommend that you encourage your children to enroll in CIMB-Principal PRS Plus/CIMB Islamic PRS Plus ("PRS Plus account") or give them a head start by making an initial contribution towards their PRS Plus account. After all, our schemes are designed to provide choice, investment performance and expertise to help investors increase your retirement savings.

Happy Investing!



Munirah Khairuddin

Chief Executive Officer/Executive Director
CIMB-Principal Asset Management Berhad

* For contributions into the PRS Plus and deferred annuities effective from years of assessment 2012 to 2021.

** With a minimum cumulative contribution of RM1,000 within any calendar year between 2014 to 2018 in a single PRS fund of a single Provider.

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to provide investment results that, before expenses, closely correspond to the performance of the FTSE/ASEAN 40 Index (the "Underlying Index").

Has the Fund achieved its objective?

For the financial period under review, the Fund gained 1.73% while the Underlying Index gained 1.64%.

What are the Fund investment policy and its strategy?

The Fund is a feeder Exchange-Traded Fund ("ETF") listed on the main market of Bursa Securities which aims to invest at least 95% of its Net Asset Value ("NAV") in the CIMB FTSE ASEAN 40 (the "Singapore Fund"). The Singapore Fund is an ETF 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 Underlying 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*

* Launch date

What was the size of the Fund as at 30 September 2014?

RM2.36 million (1.35 million units)

What is the Fund's benchmark?

The benchmark index, namely the FTSE/ASEAN 40 Index is designed to represent the performance of the ASEAN region by measuring the eligible securities listed on the stock exchanges of Indonesia, Malaysia, The Philippines, Singapore and Thailand which consists of the 40 largest companies by full market value listed on the stock exchange of Indonesia, Malaysia, The Philippines, Singapore and Thailand that qualify for inclusion in the FTSE/ASEAN Index or such replacement index as may be determined by the Singapore Fund 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 period from 1 July 2014 to 30 September 2014?

There was no distribution made for the financial period from 1 July 2014 to 30 September 2014.

PERFORMANCE DATA

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

	30.09.2014	30.09.2013	30.09.2012
	%	%	%
Collective investment scheme	99.59	99.11	99.48
Cash and other net assets	0.41	0.89	0.52
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.09.2014	30.09.2013	30.09.2012
Total asset value	2.39	13.59	13.09
NAV (RM million)	2.36	13.54	13.05
Units in circulation (Million)	1.35	8.10	8.10
NAV per Unit (RM)	1.7451	1.6721	1.6115
	01.07.2014	01.07.2013	01.07.2012
	to	to	to
	30.09.2014	30.09.2013	30.09.2012
Highest NAV per Unit (RM)	1.7557	1.7803	1.6243
Lowest NAV per Unit (RM)	1.7044	1.6064	1.5588
Market Price per Unit (RM)	1.7450	1.7200	1.6100
Highest Market Price per Unit (RM)	1.7500	1.7850	1.6350
Lowest Market Price per Unit (RM)	1.7100	1.6300	1.5300
Total return (%) ^	1.73	(2.66)	5.34
- Capital growth (%)	1.73	(2.66)	5.34
- Income growth (%)	-	-	-
Management Expenses Ratio ("MER") (%)	0.45	0.08	0.09
Portfolio Turnover Ratio ("PTR") (times) #	-	-	-

The Fund's PTR is zero as there was no transaction for the financial period from 1 July 2014 to 30 September 2014.

	30.09.2014	30.09.2013	30.09.2012	30.09.2011
	%	%	%	%
Annual total return	7.36	5.92	15.25	(5.43)

(Launch date : 9 July 2010)

^ Based on NAV per unit

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 have been extracted from Lipper.

MARKET REVIEW (1 JULY 2014 TO 30 SEPTEMBER 2014)

ASEAN markets were mixed throughout the third quarter of 2014. In July 2014, Indonesia was leading in performance with 4.5% gain, followed by Singapore (3.6%), Thailand (1.1%), Philippines (0.3%) and Malaysia (-0.6%). Year-to-date, the Philippines Stock Exchange Index (PCOMP) was the best performing index at 18.43% in United States Dollar ("USD") terms. In Thailand, the National Telecom Regulator had decided to scrap the controversial draft auction design for the fourth-generation (4G) spectrum, opening the door to other methods of spectrum allocation. This created uncertainty for incumbent telecommunication companies, and is an indicator that the recovery of Thailand will not be a linear one. During the month, it was confirmed that Mr. Joko Widodo ("Jokowi") had won the Indonesian Presidential elections. This is viewed positively for the Indonesian economy.

For August 2014, Singapore's performance was the laggard, falling -1.39% while positive returns were seen in Thailand (+3.94%) and Philippines (+2.71%). Year-to-date, the Jakarta Composite Index ("JCI") was the best performing index at 26.8% in USD terms. Sentiment in Thailand has progressively turned positive on macro data readings and business and consumer indicators continue to tick upwards. In Indonesia, latest developments in politics indicate that near term fuel price hike while still fluid, appears unlikely for now. President-elect Jokowi had stated his intentions of raising fuel price in November 2014. This shows that the new government is determined to root out the cause of the structural deficit, and better reallocate resources to infrastructure. In the Philippines, benchmark weight changes to selected large caps pushed the index higher.

When it comes to the end of third quarter, the markets were mixed with Philippines and Thailand posting positive returns of 3.3% and 1.5% respectively in local currency terms. Singapore and Malaysia performance were laggards at -1.5% and -1.1% respectively. Year-to-date, the Stock Exchange of Thailand (SET) was the best performing index at 31% in USD terms. ASEAN member countries reported good second quarter Gross Domestic Product ("GDP") numbers, with Malaysia, Philippines and Thailand surprising on the upside. Weak exports continue to be a drag in Thailand. Towards the end of the month, it was announced that Indonesia voted for its regional elections to be scrapped, in the last session of the outgoing parliament. This came as a complete surprise to the market, as it shows that incoming President Jokowi will face challenges in his reforms. It serves as a reminder to investors that despite the longer term prospects of Indonesia, we should not rule out the near term volatility.

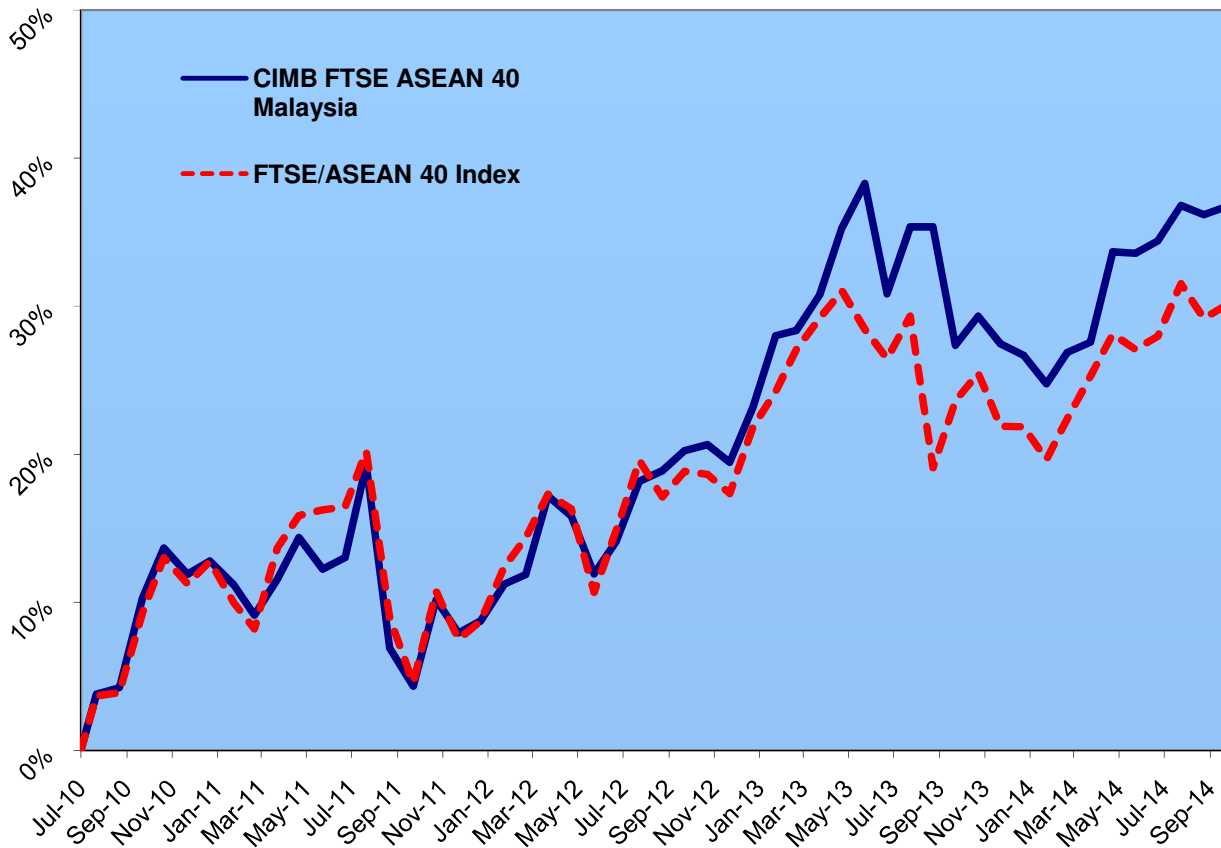
FUND PERFORMANCE

	3 months to 30.09.2014	6 months to 30.09.2014	1 year to 30.09.2014	3 years to 30.09.2014	Since inception to 30.09.2014
	%	%	%	%	%
Income	-	2.75	2.75	8.46	8.46
Capital ^	1.73	4.43	4.61	22.60	28.26
Total Return ^	1.73	7.18	7.36	31.06	36.72
Average Total Return ^	N/A	N/A	7.36	9.43	7.67
Underlying Fund^^	2.25	4.99	4.55	20.98	27.02
Benchmark (Underlying Index)	1.64	3.82	5.22	24.09	30.05
Changes in Market Price per Unit	2.05	1.75	1.45	21.60	25.54

^ Based on NAV per Unit

^^ Based on Last Published Market Price

For the financial period under review, the Fund gained 1.73% while the Underlying Index gained 1.64%. The changes in market price per unit was 2.05% compared with last published market price of RM1.7450.



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

	30.09.2014	30.09.2013	Changes %
NAV (RM million)	2.36	13.54	(82.57)
NAV/unit (RM)	1.7451	1.6721	4.37

For the 1-year period, total NAV fell by 82.57% while the NAV/unit increased by 4.37%. The fall in the total NAV was due to unit redemptions while the increase in NAV/unit was due to investment performance of the combined ASEAN markets over the one-year period.

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)	30.09.2014	30.09.2013
Collective investment scheme	99.59	99.11
Cash and other net assets	0.41	0.89
TOTAL	100.00	100.00

The Fund remained fully invested in the Underlying Fund for the financial period under review. A minimal level of cash and other net assets was maintained primarily for liquidity purposes.

MARKET OUTLOOK*

While the longer term prospects for ASEAN are good given the ongoing structural drivers of urbanisation, industrialisation and positive demographics, near term volatility should not be ruled out as the market comes to terms with the expected normalisation in United States interest rates.

Optimism about structural reform has risen in Thailand after favourable political developments, igniting hopes that the slowdown could be temporary. Focus has now shifted towards implementation now that the military government has been formally endorsed. Slow progress on policy execution is a key risk in our view.

The recent situation in Indonesia whereby the regional elections were scrapped under the outgoing parliament serves as a reminder that reforms is not without its challenges. The political hurdles are likely to raise barriers for incoming President Jokowi in delivering his agenda. Reform will happen eventually, although market should tone down its expectations of a speedy improvement. Without parliament approval, President Jokowi is still able to raise subsidised fuel price, which is expected to be the first major reform by the new government towards year end and is closely watched by the market.

The recently concluded corporate results season across ASEAN were largely in line with expectations. We view that the downgrade cycle is almost done as investors look towards 2015 for direction.

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

INVESTMENT STRATEGY

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

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 September 2014 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
Less than 100	8	0.01	0.74
100 to 1,000	16	0.01	0.74
1,001 to 10,000	33	0.14	10.37
10,001 to 100,000	12	0.33	24.45
100,001 and less than 5% of approved fund size	2	0.86	63.70
5 % and above the approved fund size	-	-	-
Total	71	1.35	100.00

SOFT COMMISSIONS AND REBATES

CIMB-Principal Asset Management Berhad (the "Manager") and the Trustee (including their officers) 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 Manager and the Trustee did not receive any rebates from the brokers or dealers but have retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JULY 2014 TO 30 SEPTEMBER 2014**

	Note	01.07.2014 to 30.09.2014 RM	01.07.2013 to 30.09.2013 RM
INVESTMENT INCOME/(LOSS)			
Net gain/(loss) on financial assets at fair value through profit or loss	7	49,731	(362,916)
Net foreign exchange gain		898	3,936
		<u>50,629</u>	<u>(358,980)</u>
EXPENSES			
Trustee's fee	5	3,025	3,025
Custodian fee		317	-
Audit fee		6,301	6,301
Tax agent's fee		757	757
Other expenses		64	930
		<u>10,464</u>	<u>11,013</u>
PROFIT/(LOSS) BEFORE TAXATION		40,165	(369,993)
Taxation	6	-	-
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(ACCUMULATED LOSS) FOR THE FINANCIAL PERIOD		<u>40,165</u>	<u>(369,993)</u>
Profit/(loss) after taxation is made up as follows:			
Realised amount		(9,566)	(7,077)
Unrealised amount		49,731	(362,916)
		<u>40,165</u>	<u>(369,993)</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 2014**

		30.09.2014	30.06.2014
	Note	RM	Audited RM
CURRENT ASSETS			
Financial assets at fair value through profit or loss	7	2,346,321	2,296,590
Cash and cash equivalents	8	47,073	49,582
TOTAL ASSETS		<u>2,393,394</u>	<u>2,346,172</u>
CURRENT LIABILITIES			
Amount due to Trustee		986	986
Other payables and accruals	9	36,507	29,450
TOTAL LIABILITIES		<u>37,493</u>	<u>30,436</u>
NET ASSET VALUE OF THE FUND		<u>2,355,901</u>	<u>2,315,736</u>
EQUITY			
Unit holders' capital		155,115	155,115
Retained earnings		2,200,786	2,160,621
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>2,355,901</u>	<u>2,315,736</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>1,350,000</u>	<u>1,350,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.7451</u>	<u>1.7154</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 2014 TO 30 SEPTEMBER 2014**

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2014	155,115	2,160,621	2,315,736
Total comprehensive income for the financial period	-	40,165	40,165
Balance as at 30 September 2014	<u>155,115</u>	<u>2,200,786</u>	<u>2,355,901</u>
Balance as at 1 July 2013	11,169,090	2,744,907	13,913,997
Total accumulated loss for the financial period	-	(369,993)	(369,993)
Balance as at 30 September 2013	<u>11,169,090</u>	<u>2,374,914</u>	<u>13,544,004</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 2014 TO 30 SEPTEMBER 2014**

	01.07.2014 to 30.09.2014	01.07.2013 to 30.09.2013
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Trustee's fee paid	(3,025)	(3,025)
Payments for other fees and expenses	(382)	(930)
Net cash used in operating activities	<u>(3,407)</u>	<u>(3,955)</u>
Net decrease in cash and cash equivalents	(3,407)	(3,955)
Effects of foreign exchange differences	898	3,936
Cash and cash equivalents at the beginning of the financial period	<u>49,582</u>	<u>162,157</u>
Cash and cash equivalents at the end of the financial period	<u>47,073</u>	<u>162,138</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JULY 2014 TO 30 SEPTEMBER 2014****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 (the "Deed"), made between CIMB-Principal Asset Management Berhad (the "Manager") and Deutsche Trustees Malaysia Bhd (the "Trustee").

The Fund aims to provide investment results that, before expenses, 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 the date of termination in accordance with the provisions of the Deed.

The principal activity of the Fund is to invest at least 95% of its NAV in the Singapore Fund. The Singapore Fund is an ETF listed on the SGX-ST which aims at providing the Singapore Fund unit holders a return that closely corresponds to the performance of the Underlying Index. Therefore, the Manager adopts a passive strategy in the management of the Fund.

All investments will be subjected to the Securities Commission Malaysia ("SC") Guidelines on Exchange-Traded Funds ("ETFs"), SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund's objective.

The Manager, a company incorporated in Malaysia, is a subsidiary of CIMB Group Sdn Bhd and regards CIMB Group Holdings Berhad as its ultimate holding company. The Manager is also an associate of Principal International (Asia) Limited, which is a subsidiary of Principal Financial Group Inc. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

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

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

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

Amendment to MFRS 132 “Financial Instruments: Presentation” (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of ‘currently has a legally enforceable right of set-off’ that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

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(j).

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:

(i) Effective date yet to be determined by Malaysian Accounting Standards Board

MFRS 9 “Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities” replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 “Financial Instruments – Hedge Accounting” brings into effect substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The revised standard establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in MFRS 139.

The Fund will apply this standard when effective. This standard is not expected to have a significant impact on the Fund’s financial statements.

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

The Fund designates its investments 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 cash and cash equivalents.

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

The Fund classifies amount due to 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 MFRS 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.

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

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

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

Collective investment scheme is valued based on the last published NAV 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), where the published NAV or price per unit falls within the bid-ask spread. In circumstances where the published NAV or price per unit is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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 statement of comprehensive income. If 'loans and receivables' 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) Foreign currency**Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

(d) Income recognition

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

(e) Cash and cash equivalents

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

(f) 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.

(g) Unit holders’ capital

The unit holders’ contributions to the Fund meet the definition of puttable instruments classified as equity instruments under MFRS 132 “Financial Instruments: Presentation”.

The units in the Fund are puttable instruments which entitle the unit holders to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligation 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)**(h) Segment information**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

(i) 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 SC Guidelines on ETFs.

(j) Critical accounting estimates and judgments in applying accounting policies

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

Estimates and 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.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on ETFs.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund aims to provide investment results that, before expenses, closely correspond to the performance of the Underlying Index, regardless of its performance. The investment policy and strategy of the Fund is to invest at least 95% of its NAV in the Singapore Fund. The Singapore Fund is an ETF listed on the SGX-ST which aims at providing the Singapore Fund unit holders a return that closely corresponds to the performance of the Underlying 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 and currency risk), credit risk, liquidity risk, passive investment, tracking error risk, non-compliance risk and capital risk.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Market risk****(i) Price risk**

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

The very nature of an ETF, however, helps mitigate this risk because a 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.

(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 RM based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

(b) Credit risk

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

The credit risk arising from cash and cash equivalents 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 ETFs.

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balance, which are capable of being converted into cash within 7 business days. The Fund's investments are considered readily realisable as they are quoted.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(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 Singapore Fund Manager does not attempt to select stocks individually or to take defensive positions in declining markets.

(e) Tracking error risk

Changes in the NAV of the Singapore Fund 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 Manager of the Singapore Fund 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 NAV of the Singapore Fund (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 Manager of the Singapore Fund'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.

(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, the law that governs 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 of 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(g) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' 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 unit holders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders' and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(h) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the period end date.

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

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

Fair value hierarchy

(i) The table in the following page analyses financial instruments carried at fair value. The different levels have been defined as follows:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(h) Fair value estimation (continued)**Fair value hierarchy (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
30.09.2014	RM	RM	RM	RM
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>2,346,321</u>	<u>-</u>	<u>-</u>	<u>2,346,321</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).

- (ii) The carrying values of cash and cash equivalents and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

4. MANAGEMENT FEE

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

5. TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to a fee not exceeding a maximum of 0.20% per annum, calculated daily based on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum, excluding foreign sub-custodian fees and charges. However effective from 1 June 2012, the Trustee has changed the minimum fees to RM12,000 per annum.

For the financial period ended 30 September 2014, the Trustee's fee is recognised at a rate of 0.08% per annum.

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

6. TAXATION

	01.07.2014 to 30.09.2014	01.07.2013 to 30.09.2013
	RM	RM
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

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

	01.07.2014 to 30.09.2014	01.07.2013 to 30.09.2013
	RM	RM
Profit/(loss) before taxation	<u>40,165</u>	<u>(369,993)</u>
Taxation at Malaysian statutory rate of 25% (2013: 25%)	10,041	(92,500)
Tax effects of:		
(Investment income not subject to tax)/investment loss not deductible for tax purposes	(12,657)	89,800
Expenses not deductible for tax purposes	1,198	1,300
Restriction on tax deductible expenses for ETF	<u>1,418</u>	<u>1,400</u>
Taxation	<u>-</u>	<u>-</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.09.2014	30.06.2014
	RM	RM
Designated at fair value through profit or loss at inception:		
- Collective investment scheme	<u>2,346,321</u>	<u>2,296,590</u>
	01.07.2014 to 30.09.2014	01.07.2013 to 30.09.2013
	RM	RM
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain on disposals	-	-
- Unrealised fair value gain/(loss)	<u>49,731</u>	<u>(362,916)</u>
	<u>49,731</u>	<u>(362,916)</u>

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

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2014				
COLLECTIVE INVESTMENT SCHEME				
SINGAPORE				
CIMB FTSE ASEAN 40	<u>67,000</u>	<u>2,035,784</u>	<u>2,346,321</u>	<u>99.59</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>67,000</u>	<u>2,035,784</u>	<u>2,346,321</u>	<u>99.59</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>310,537</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE TROUGH PROFIT OR LOSS		<u>2,346,321</u>		
30.06.2014				
COLLECTIVE INVESTMENT SCHEME				
SINGAPORE				
CIMB FTSE ASEAN 40	<u>67,000</u>	<u>2,035,784</u>	<u>2,296,590</u>	<u>99.17</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>67,000</u>	<u>2,035,784</u>	<u>2,296,590</u>	<u>99.17</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>260,806</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE TROUGH PROFIT OR LOSS		<u>2,296,590</u>		

8. CASH AND CASH EQUIVALENTS

	30.09.2014	30.06.2014
	RM	RM
Bank balance in a licensed bank	<u>47,073</u>	<u>49,582</u>

9. OTHER PAYABLES AND ACCRUALS

	30.09.2014	30.06.2014
	RM	RM
Provision for audit fee	31,301	25,000
Provision for tax agent's fee	3,156	2,400
Other accruals	<u>2,050</u>	<u>2,050</u>
	<u>36,507</u>	<u>29,450</u>

10. NUMBER OF UNITS IN CIRCULATION

	01.07.2014	01.07.2013
	to 30.09.2014	to 30.06.2014
	No of units	No of units
At the beginning of the financial period	1,350,000	8,100,000
Less: Cancellation of units	-	(6,750,000)
At the end of the financial period	<u>1,350,000</u>	<u>1,350,000</u>

11. MANAGEMENT EXPENSES RATIO (MER)

	01.07.2014	01.07.2013
	to 30.09.2014	to 30.09.2013
	%	%
MER	<u>0.45</u>	<u>0.08</u>

MER is derived from 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 NAV of the Fund calculation on a daily basis

The average NAV of the Fund for the financial period calculated on daily basis is RM2,342,389 (30.09.2013: RM13,828,509).

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

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

<u>Related parties</u>	<u>Relationship</u>
CIMB-Principal Asset Management Bhd	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 Bhd (“CIMB”)	Ultimate holding company of the Manager
CIMB FTSE ASEAN 40	Underlying Fund
Subsidiaries and associates of CIMB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

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

In addition to related party disclosure mentioned elsewhere in the financial statements, there were no significant related party transactions during each of the financial period.

Significant related party balances

	30.09.2014	30.06.2014
	RM	RM
Investment in collective investment scheme:		
- CIMB FTSE ASEAN 40	<u>2,346,321</u>	<u>2,296,590</u>

13. SEGMENT INFORMATION

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 MFRS and IFRS. The chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund’s performance is evaluated on an overall basis.

The Fund aims to provide investment results that, before expenses, closely correspond to the performance of the Underlying 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 NAV of the Fund's portfolio and the Underlying Index. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of profit and gains on the appreciation in the value of investments, and is derived from an ETF listed on the SGX-ST.

There were no changes in reportable operating segment during the financial period.

14. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S 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.

	30.09.2014	30.06.2014
	RM	RM
Total accumulated retained earnings of the Fund:		
- Realised	1,890,249	1,899,815
- Unrealised	310,537	260,806
	<u>2,200,786</u>	<u>2,160,621</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.

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